

The logo for atkinson, featuring the word in a lowercase serif font with a small green dot above the letter 'i'.

atkinson

A large, solid green circle on the left side of the page, partially overlapping a larger, light gray circle that spans the top and right portions of the page.

Precise.

Personal.

Proactive.

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

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

June 30, 2018

atkinson

CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

CONTENTS

	Page
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	5-13
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities.....	15
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	19
Statement of Revenues and Expenditures – General Fund – Budget and Actual (Budgetary Basis)	20
Statement of Fiduciary Net Position.....	21
Statement of Changes in Fiduciary Net Position.....	22
NOTES TO FINANCIAL STATEMENTS	23-72
SUPPLEMENTARY INFORMATION	
Schedule 1 – Combining Balance Sheet – General Obligation Bonds – General Obligation Bond Debt Service Funds	73-74
Schedule 2 – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – General Obligation Debt Service Funds	75-76

Schedule 3 – Combining Balance Sheet – Severance Tax Bonds – Severance Tax Bond Debt Service Funds.....	77-78
Schedule 4 – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Severance Tax Bond Debt Service Funds.....	79-80
Schedule 5 – Summary of Long-Term Debt Obligations – Long-Term Debt Rollforward.....	81-82
Schedule 5 – Summary of Long-Term Debt Obligations - Continued – Schedule of Debt Service Maturities.....	83-84
Schedule 5 – Summary of Long-Term Debt Obligations - Continued – Additional Information	85
Schedule 6 – Schedule of Investments – Fiduciary Funds	86-97
Schedule 7 – Combining Statement of Fiduciary Net Position.....	98
Schedule 8 – Combining Statement of Changes in Fiduciary Net Position	99
Schedule 9 – Schedule of Collateral Pledged by Depository.....	100-103
Schedule 10 – Schedule of Changes in Assets and Liabilities – Governmental Fund – Gaming Suspense Fund.....	104
Schedule 11 – Schedule of Arbitrage on Tax Exempt Bonds - Unaudited.....	105
Schedule 12 – Schedule of Asset Management Cost (Unaudited).....	106
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 <i>GOVERNMENT AUDITING STANDARDS</i>	107-108
SCHEDULE OF FINDINGS AND RESPONSES	109-111
EXIT CONFERENCE	112

State of New Mexico
Office of the State Treasurer

OFFICIAL ROSTER

June 30, 2018

Office of the State Treasurer

Tim Eichenberg	State Treasurer
Sam Collins	Deputy State Treasurer
Charmaine Cook	State Cash Manager

State Treasurer's Investment Committee

Tim Eichenberg	Chairman
Paul Cassidy	Member
Mark Pike	Member
Donna Maestas	State Board of Finance Member

INDEPENDENT AUDITORS' REPORT

Honorable Susana Martinez, Governor and
President, State Board of Finance
and
Honorable Wayne Johnson, State Auditor
New Mexico Office of the State Auditor
and
Honorable Tim Eichenberg, State Treasurer
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, 2018, and the related notes to the financial statements, which collectively comprise the Office'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 Office'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 Office's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, each fiduciary fund, and the aggregate remaining fund information of the Office as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Reporting Entity

As discussed in Note B, the financial statements of the State of New Mexico Office of the State Treasurer are intended to present the financial position, the changes in financial position, of only that portion of the governmental activities, and each major fund of the Office that is attributable to the transactions of the Office. They do not purport to, and do not present fairly the financial position of State of New Mexico as of June 30, 2018, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Pension Accounting and Reporting

As discussed in Note P, the State of New Mexico, as a single employer, has implemented Governmental Accounting Standards Board (GASB) Standards No. 68 *Accounting and Financial Reporting for Pensions*, as of June 30, 2018, in the Comprehensive Annual Financial Reports (CAFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or to the Office's financial statements. All other required footnotes and other disclosures required by the Governmental Accounting Standards Board are included in the State of New Mexico CAFR for June 30, 2018. Our opinion is not modified with respect to this matter.

Postemployment Benefits Other Than Pensions Accounting and Reporting

As discussed in Note Q, the State of New Mexico, as a single employer, has implemented GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018, in the CAFR. Accordingly, there is no allocation of the proportional share of the net OPEB liability to individual agencies or to the Office's financial statements. All other required footnotes and other disclosures required by the Governmental Accounting Standards Board are included in the State of New Mexico CAFR for June 30, 2018. 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 – 12 in the Supplementary Information section within the Table of Contents are required by 2.2.2 NMAC, and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 1 – 12 in the Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Except for Schedules 12 and 13, 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 – 10 in the Supplementary Information section required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018, on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 1, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2018

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

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

Financial Highlights

- The State Treasurer's net position increased by \$86,385,590.
- The General Fund's main financing source was appropriations, which amounted to \$3,428,600 or 76.8% 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

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, the Severance Tax Bond Fund and the Gaming Suspense Fund. The General Obligation and Severance Tax Bond funds combine into a single, aggregated presentation of the activity of each individual bond issue.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

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

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

Other Information - The combining statements referred to earlier in connection with the General Obligation and Severance Tax Bond funds are presented immediately following the notes to the financial statements. Schedules of capital assets, and combining schedules of long-term debt can be found beginning on page 73 of this report. Fiduciary schedules begin on page 87.

Government-wide Financial Analysis

Net Position: Table A-1 summarizes the State Treasurer's net position as of June 30, 2018. Total State Treasurer net position for fiscal year 2018 is \$388,450,229, the majority of which is restricted as to purpose.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

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

	Years Ended June 30,	
	2018	2017
ASSETS		
Cash, Cash Equivalents and Repurchase Agreements	\$ 270,330,982	\$ 242,182,048
Due from Other Agencies	116,696,925	59,566,108
Other Receivable	17,799,312	15,420,232
Other Assets	3,450	3,450
Capital Assets, Net	1,887,609	558,232
Total Assets	<u>\$ 406,718,278</u>	<u>\$ 317,730,070</u>
CURRENT LIABILITIES		
Accounts Payable and Others	\$ 18,138,053	\$ 15,563,311
Compensated Absences, Amounts Due in One Year	129,996	102,120
Total Liabilities	<u>18,268,049</u>	<u>15,665,431</u>
NET POSITION		
Investment in Capital Assets	1,887,609	558,232
Restricted	386,692,616	301,608,527
Unrestricted	(129,996)	(102,120)
Total Net Position	<u>388,450,229</u>	<u>302,064,639</u>
Total Liabilities and Net Position	<u>\$ 406,718,278</u>	<u>\$ 317,730,070</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 \$388,450,229 at the close of the most recent fiscal year.

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

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

The restricted portion of the State Treasurer's net position, \$386,692,616, represents resources that are subject to external restrictions on their use.

State of New Mexico
Office of the State Treasurer

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

Changes in Net Position: Governmental activities increased the State Treasurer's net position by \$86,385,590. Key elements of this decrease are shown in Table A-2.

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

	Years Ended June 30,	
	2018	2017
GOVERNMENTAL ACTIVITIES		
Revenues:		
Program Revenues:		
General Government	\$ -	\$ -
Total Program Revenues	-	-
General Revenues:		
State General Fund Appropriations, net of reversion	3,364,912	3,389,745
Special Appropriations	911,350	1,038,650
State Property Tax Levy	81,318,307	79,350,287
Severance Taxes	511,115,191	342,316,694
Interest Revenue	13,627,623	11,076,752
Other State/Federal Revenue	124,076	124,777
Transfers (to) other state agencies	(519,430,703)	(394,308,798)
Total General Revenues	<u>91,030,756</u>	<u>42,988,107</u>
Total Revenues	91,030,756	42,988,107
Expenses and Other Financing Uses:		
General Government	(4,645,166)	(4,322,180)
Debt Service Activity	-	-
Other Sources:		
Transfers in from Other State Agencies	-	-
Net Expenses	<u>(4,645,166)</u>	<u>(4,322,180)</u>
Increase in Net Position	86,385,590	38,665,927
Net Position - Beginning of Year	<u>302,064,639</u>	<u>263,398,712</u>
Net Position - End of Year	<u>\$ 388,450,229</u>	<u>\$ 302,064,639</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

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 \$388,450,229, which is an increase of \$86,385,590 in comparison with the prior year. The primary reason for the increase in fund balance is property and severance taxes and transfers in from other state agencies exceeding debt service payments recorded as transfers to other state agencies.

The fund balance of the State Treasurer's debt service funds decreased in comparison to the prior year due to large debt service payments offset by property and severance taxes and transfers in from other agencies as disclosed on page 76 in Schedule 3 - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - General Obligation Bond Debt Service Funds, and Schedule 5 - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Severance Tax Bond Debt Service Funds.

General Fund Budgetary Highlights

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

There were no significant variances between final budget amounts and actual budget results for the General Fund. The General Fund actual expenditures were less than the final budgeted amounts by 1.33%. This included a restricted beginning net position of \$499,798.

Capital Assets and Debt Administration

Capital Assets - The State Treasurer's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$1,887,609, net of accumulated depreciation. This investment in capital assets includes equipment. Additional information on the State Treasurer's capital assets can be found in Note H of this report.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

Administered Debt Service Payments - For the year ended June 30, 2018, the State Treasurer was responsible for administering debt service payments on total bonded debt service requirements of \$244,293,679, all of which is secured by pledged tax revenues. More detailed information about the State’s long-term debt is presented in Schedule 6. Long-term debt service requirements increased by \$290,242,382 from the prior year.

	Years Ended June 30,	
	2018	2017
General obligation bonds	\$ 502,855,500	\$ 300,176,549
Severance tax bonds	1,121,341,415	1,033,777,984
Total debt service requirements	\$ 1,624,196,915	\$ 1,333,954,533

Significant Highlights

During fiscal year 2018, 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 2018, cost savings yielded a \$63,688 reversion to the General Fund. Over the past six years, the State Treasurer’s budget has been reduced by approximately \$482,800 through vacancies and other cost-saving measures.

The agency’s stated objective of selecting investments is based primarily on safety, then liquidity, and finally, yield. Earnings increased to \$34,073,989 from \$9,806,840 in 2018, an increase of 247.45%. This increase is a result of higher market interest rates and also due to the growth of total assets under management. The agency ended fiscal year 2018 with unrealized losses of \$19,628,632 as compared to unrealized losses of \$2,590,839 in fiscal year 2017. The values of the agency’s portfolios which are primarily bond portfolios were negatively impacted by increases in interest rates from historically low levels. The market value of bonds decrease as market interest rates increase. Unrealized gains and losses are book transactions. The State Treasurer’s Office intends to hold its investments to maturity so these temporary unrealized gains and losses are not actually incurred unless a security is sold prior to maturity. Unrealized gains and losses are recorded as an adjustment of earnings. Assets of fiduciary funds managed by the State Treasurer totaled \$4,854,329,877 at June 30, 2018, an increase of 31.75% from June 30, 2017, when balances totaled \$3,684,525,914. This increase is due primarily to a rise in the balance of the State General Fund Investment Pool which has been positively impacted by increasing tax revenues related to oil and gas pricing and production.

During fiscal year 2018, the State Treasurer's Office worked collaboratively with the Department of Information Technology (DoIT) and the Department of Finance and Administration (DFA) to upgrade the State's enterprise software known as SHARE to PeopleSoft version 9.2 which occurred in October 2017. The legislature appropriated \$1,950,000 to fund the implementation of the treasury module of SHARE which includes the deal management and investment pools modules. These modules provide an integrated investment and accounting system and allows the entry of financial information into one accounting system. The implementation of this system was completed in May 2018 and will replace QED the State Treasurer's Office legacy investment accounting software.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

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 2018, the State Treasurer's Office hosted ratings analysts from Standard & Poor's rating agency to review the status and management of the Local Government Investment Pool (LGIP), which is a pooled investment managed on behalf of local governments, school districts, higher education institutions, special districts, quasi-governmental agencies and Indian tribes and pueblos. Standard & Poor's representatives confirmed that the AAAM rating was reaffirmed based on a strong analysis of credit quality, market price exposure and management.

The State Treasurer's Office hosted the 9th Annual LGIP Stakeholder Meeting in September 2017, inviting all participants to attend. The program was held in Taos and included speakers such as James E. Glassman, Head Economist with JPMorgan Chase Bank and other notable speakers. Participants heard presentations on management of the LGIP, market conditions, the economic outlook and other specific topics and issues. Participants found the meeting beneficial and it was hosted with minimal cost to the Treasurer's Office.

The Cash Management Division successfully implemented a cash confirmation process to comply with the State Auditor's rule 2.2.2.10. This included verifying transaction activity to corroborate the integrity of statewide cash book balances totaling \$3.9 billion.

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

During fiscal year 2018, the State Treasurer launched ABLE New Mexico (Achieving a Better Life Experience). ABLE allows qualifying people with physical and intellectual disabilities to establish tax-free savings accounts to put aside money to cover expenses related to their disability – including assistive technology, personal assistance services, housing, and healthcare – without losing their eligibility for public assistance. Individuals with disabilities with an onset before age 26 are eligible for the accounts and can contribute as much as \$15,000 per year with a lifetime limit of \$100,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

The State Treasurer places a high priority on active participation on all of the boards and commissions on which he serves. In fiscal year 2018, a significant amount of time was dedicated to service on boards and commissions.

Economic Factors and Next Year's Budgets and Rates

- Although economic conditions are improving state government must continue to reduce expenditure levels and the State Treasurer's Office will continue to look for cost savings within these budget constraints.
- The State Treasurer's Office continues to reduce budget through vacancy savings and through attrition. Staffing levels were reduced and existing staff job duties were enhanced.
- The overall costs of facilities, equipment and transportation were reduced within current budget constraints.
- Although authorized for 35 FTEs, given STO's current budget, only 30 of these positions can be filled currently. To attract or retain qualified staffing, STO has had to pay its staff higher wages. The implementation of the SHARE treasury module will necessitate additional oversight and STO hopes to obtain adequate budget to fill all 35 positions.

These factors were considered in preparing the State Treasurer's budget for fiscal year 2018.

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, 2018

	<u>Governmental Activities</u>
ASSETS	
Investment in State General Fund Investment Pool	\$ 334,076
Repurchase agreements (Held in State General Fund Investment Pool)	269,996,906
Due from other agencies	116,696,925
Other receivables	17,799,312
Other assets	3,450
Capital assets, net of accumulated depreciation	<u>1,887,609</u>
 Total assets	 <u><u>\$ 406,718,278</u></u>
 LIABILITIES	
Accounts payable	\$ 229,999
Accrued payroll	85,383
Accrued payroll taxes	20,540
Due to State General Fund	17,798,106
Other accrued liabilities	1,699
Unearned revenue	2,326
Compensated absences	<u>129,996</u>
 Total liabilities	 18,268,049
 NET POSITION	
Investment in capital assets	1,887,609
Restricted for:	
Debt service	386,692,616
Unrestricted	<u>(129,996)</u>
 Total net position	 <u>388,450,229</u>
 Total liabilities and net position	 <u><u>\$ 406,718,278</u></u>

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

State of New Mexico
Office of the State Treasurer

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Position Primary Government</u>
PRIMARY GOVERNMENT			
Governmental activities			
General government	\$ 4,645,166	\$ -	\$ (4,645,166)
Total governmental activities	<u>\$ 4,645,166</u>	<u>\$ -</u>	(4,645,166)
GENERAL REVENUES			
State property tax levy			81,318,307
Severance taxes			511,115,191
TRANSFER FROM (TO) STATE AGENCIES			
State General Fund appropriations			3,428,600
Special appropriations			911,350
Reversions to State General Fund FY18			(63,688)
Other state agencies			(519,430,703)
Interest revenue			13,627,623
Other state funds			122,300
Federal funds			<u>1,776</u>
Total general revenues and transfers			<u>91,030,756</u>
Change in net position			86,385,590
Net position, beginning			<u>302,064,639</u>
Net position, ending			<u>\$ 388,450,229</u>

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

State of New Mexico
Office of the State Treasurer

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2018

	Major Funds				Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	Gaming Suspense Fund	
ASSETS					
Investment in State General Fund					
Investment Pool	\$ 334,076	\$ -	\$ -	\$ -	\$ 334,076
Repurchase agreements (Held in					
State General Fund Investment Pool)	-	51,402,236	218,594,670	-	269,996,906
Due from other agencies	-	2,028,687	114,668,238	-	116,696,925
Other receivables	-	-	-	17,799,312	17,799,312
Other assets	3,450	-	-	-	3,450
	<u>337,526</u>	<u>53,430,923</u>	<u>333,262,908</u>	<u>17,799,312</u>	<u>404,830,669</u>
Total assets	\$ 337,526	\$ 53,430,923	\$ 333,262,908	\$ 17,799,312	\$ 404,830,669
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 230,483	\$ -	\$ 1,215	\$ -	\$ 231,698
Accrued payroll	85,383	-	-	-	85,383
Accrued payroll taxes	20,540	-	-	-	20,540
Due to State General Fund	(1,206)	-	-	17,799,312	17,798,106
Unearned revenue	2,326	-	-	-	2,326
	<u>337,526</u>	<u>-</u>	<u>1,215</u>	<u>17,799,312</u>	<u>18,138,053</u>
Total liabilities	337,526	-	1,215	17,799,312	18,138,053
FUND BALANCES					
Restricted for:					
Debt service	-	53,430,923	333,261,693	-	386,692,616
Unassigned	-	-	-	-	-
	<u>-</u>	<u>53,430,923</u>	<u>333,261,693</u>	<u>-</u>	<u>386,692,616</u>
Total fund balances	-	53,430,923	333,261,693	-	386,692,616
	<u>337,526</u>	<u>53,430,923</u>	<u>333,262,908</u>	<u>17,799,312</u>	<u>404,830,669</u>
Total liabilities and fund balances	\$ 337,526	\$ 53,430,923	\$ 333,262,908	\$ 17,799,312	\$ 404,830,669

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

State of New Mexico
Office of the State Treasurer

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

Year Ended June 30, 2018

Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)	\$ 386,692,616
---	----------------

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	2,106,981
Total accumulated depreciation	<u>(219,372)</u>
Total capital assets, net	1,887,609

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

Net Position of Governmental Activities (Statement of Net Position)	<u>\$ 388,450,229</u>
---	-----------------------

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

State of New Mexico
Office of the State Treasurer

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

Year Ended June 30, 2018

	Major Funds				Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	Gaming Suspense Fund	
REVENUES					
Severance taxes	\$ -	\$ -	\$ 511,115,191	\$ -	\$ 511,115,191
State property tax levy	-	81,318,307	-	-	81,318,307
Interest income - debt service	-	2,838,802	10,788,821	-	13,627,623
Federal funds	1,776	-	-	-	1,776
Total revenues	1,776	84,157,109	521,904,012	-	606,062,897
EXPENDITURES					
Current:					
Personnel services and employee benefits	2,658,911	-	-	-	2,658,911
Operating costs:					
Contractual services	377,665	-	-	-	377,665
Other administrative expenditures	421,397	-	2,435	-	423,832
Other charges	-	466,573	577,523	-	1,044,096
Capital outlay	1,442,163	-	-	-	1,442,163
Total expenditures	4,900,136	466,573	579,958	-	5,946,667
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,898,360)	83,690,536	521,324,054	-	600,116,230
OTHER FINANCING SOURCES (USES)					
State General Fund appropriations	3,428,600	-	-	-	3,428,600
Special appropriation	911,350	-	-	-	911,350
Miscellaneous other sources	122,300	-	-	-	122,300
Reversions to State General Fund FY18	(63,688)	-	-	-	(63,688)
Transfer (to) from other state agencies	-	(77,576,776)	(441,853,927)	-	(519,430,703)
Total other financing sources (uses)	4,398,562	(77,576,776)	(441,853,927)	-	(515,032,141)
NET CHANGE IN FUND BALANCES	(499,798)	6,113,760	79,470,127	-	85,084,089
Fund balances, beginning of year	499,798	47,317,163	253,791,566	-	301,608,527
Fund balances, end of year	<u>\$ -</u>	<u>\$ 53,430,923</u>	<u>\$ 333,261,693</u>	<u>\$ -</u>	<u>\$ 386,692,616</u>

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

State of New Mexico
Office of the State Treasurer

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 85,084,089
--	---------------

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	1,442,163
Depreciation expense	<u>(112,786)</u>
Excess of capital outlay over depreciation expense	1,329,377

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

Increase in compensated absences	<u>(27,876)</u>
Change in Net Position of Governmental Activities	<u>\$ 86,385,590</u>

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

State of New Mexico
Office of the State Treasurer

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

Year Ended June 30, 2018

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State General Fund appropriation	\$ 3,428,600	\$ 3,428,600	\$ 3,428,600	\$ -
Special appropriation	911,350	911,350	911,350	-
Federal grants	4,000	4,000	1,776	(2,224)
Other	122,300	122,300	122,300	-
Total Revenues	4,466,250	4,466,250	4,464,026	(2,224)
EXPENDITURES				
Personnel services and benefits	2,794,500	2,684,500	2,658,911	25,589
Contractual services	1,317,350	1,317,350	1,785,122	(467,772) *
Other operating costs	354,400	464,400	456,103	8,297
Total Expenditures	4,466,250	4,466,250	4,900,136	(433,886)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	(436,110)	\$ (436,110)
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance				
Unbudgeted reversions to state general fund			(63,688)	
Net change in fund balances (GAAP basis)			<u>\$ (499,798)</u>	

*The contractual services is not over budget because of a restricted beginning net position of \$499,798.

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

State of New Mexico
Office of the State Treasurer

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	<u>Investment Trust Fund</u>
ASSETS	
Cash and Investments:	
Fiscal agent bank account	\$ 91,750,447
Cash in banks	152,920,302
Miscellaneous cash	214,495,037
Certificates of Deposit	26,700,000
Government bonds	2,106,307,802
Treasury bills	59,852,400
Commercial paper	124,620,661
Municipal bonds	7,811,523
Repurchase agreements	1,598,000,000
Corporate bonds	107,527,022
Discounted notes	286,727,051
Bank acceptances	<u>69,257,746</u>
 Total cash and investments	 4,845,969,991
 Securities receivable	 9,511
Accrued interest receivable	<u>8,350,375</u>
 Total assets	 <u>\$ 4,854,329,877</u>
LIABILITIES	
Due to broker	<u>\$ 76,012,778</u>
 Total liabilities	 76,012,778
 FIDUCIARY NET POSITION - held in trust	 <u>4,778,317,099</u>
 Total liabilities and fiduciary net position	 <u>\$ 4,854,329,877</u>

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

State of New Mexico
Office of the State Treasurer

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2018

	<u>Investment Trust Fund</u>
ADDITIONS	
Investment income	\$ 34,073,989
Deposits	68,258,333,502
DEDUCTIONS	
Management fees	(259,265)
Withdrawals	<u>(67,183,899,757)</u>
Change in fiduciary net position	1,108,248,469
Fiduciary net position, held in trust for pool participants, beginning of year	<u>3,670,068,630</u>
Fiduciary net position, held in trust for pool participants, end of year	<u><u>\$ 4,778,317,099</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – DEFINITION OF REPORTING ENTITY

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

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

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE A – DEFINITION OF REPORTING ENTITY – CONTINUED

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE A – DEFINITION OF REPORTING ENTITY – CONTINUED

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

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

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

Advice and Consent by the State Board of Finance

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Financial Reporting Entity and Basis of Presentation

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

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

The Office adopted Governmental Accounting Standards Board Statement No. 79 *Certain External Investment Pools and Pool Participants* (GASB 79) in FY16 to address changes in the regulatory provisions referenced by previous accounting and financial reporting standards for certain external investment pools and their participants. Those provisions were based on the Investment Company Act of 1940, Rule 2a7 whereby external investment pool investments were measured at amortized cost. Rule 2a7 contains the Securities and Exchange Commission's (SEC) regulations that apply to money market funds and the SEC essentially eliminated Rule 2a7 in 2014. GASB 79 provides for continuation of amortized cost accounting and reporting for external investment pools such as the Local Government Investment Pool (LGIP), which is a 2a7-like pool, instead of converting to fair value measurement. The New Mexico LGIP has implemented GASB 79 and its participants qualify for accounting for the investment pool at amortized cost which approximates fair value.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Financial Reporting Entity and Basis of Presentation – Continued

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

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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 60 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 2017 General Appropriation Act (Laws of 2017, Chapter 135, Section 4) and is subject to reversions.

Debt Service Funds:

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

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Additionally, the government reports the following fiduciary funds:

The LGIP Short-Term Investment Pool (SHARE Fund 68599) 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 10199) 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 10099) accounts for securities and other investments identified and held in custody only for State agencies.

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

5. Deposits and Investments

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

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

6. Receivables and Payables

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Capital Assets

Capital assets, which include equipment and major SHARE software upgrades, 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 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).

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

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

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

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

8. Compensated Absences

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Long-Term Obligations

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

10. Fund Balance

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

11. Net Position

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

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Net Position – Continued

Restricted Net Position - Expendable are liquid assets (generated from revenues and not bond proceeds) which have third-party (statutory or granting agency) limitations that are legally enforceable on their use. When there is an option, the State Treasurer spends restricted resources first. Net position is restricted by the bond indenture for debt service. Restricted net position totals \$386,692,616.

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

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Office did not have any items that qualified for reporting in this category as of June 30, 2018.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Office did not have any items that were required to be reported in this category as of June 30, 2018.

13. Subsequent Events

Subsequent events have been evaluated through November 1, 2018, the date the financial statements were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2018. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE C – STATE GENERAL FUND INVESTMENT POOL

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

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

The State Controller indicated on August 13, 2018, that the comprehensive cash reconciliation model is in its fourth year and the process has been determined to be sound and DFA has been fully compliant with the monthly process; therefore, resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP and that all claims will be honored at face value.

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE D – INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

At June 30, 2018, the State Treasurer's Office had \$334,076 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 E – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

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

1. By September 1, the State Treasurer prepares a budget appropriation request by category to be presented to the next legislature.
2. The appropriation request is submitted to the DFA's Budget Division and to the Legislative Finance Committee (LFC).
3. The DFA makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the Legislature.
4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE E – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Budgets and Budgetary Accounting – Continued

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, 2018, was amended in a legally permissible manner by reallocating line item category totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.

NOTE F – DEPOSITS AND INVESTMENTS

1. Fiscal Agent Bank

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

2. Custody Bank

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

3. Investment Trust Fund

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

3. Investment Trust Fund – Continued

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

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

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

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, 2018, collateral pledged to public money deposits was as follows:

	Fiscal Agent Account	Certificates of Deposit
Cash in bank (bank balance)	\$ 39,607,400 *	\$ 26,700,000
Less: FDIC insurance coverage	-	1,250,000
Total unsecured public funds	\$ 39,607,400	\$ 25,450,000
Collateral requirement (50%, 75% or 102%) of uninsured public funds	\$ 19,803,700	\$ 12,725,000
Collateral Pledged:		
US Government Securities	117,041,864	9,151,213
Surety bond letter of credit	-	7,000,000
Excess (Under) Collateralized	\$ 97,238,164	\$ 3,426,213

* Fiscal agent bank is required to collateralize the monthly average balance.
See Schedule 10 for reconciliation.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

4. Brokered Transactions

The State Treasurer initiated electronic purchase trades with the following brokers during the year ended June 30, 2018:

Broker Name	Number of Transactions
BARCLAYS CAPITAL	28
BB&T CAPITAL MARKETS	18
BMO CAPITAL MARKETS	14
BOSC, INC.	34
CANTOR FITZGERALD & CO.	2
CASTLEOAK SECURITIES, L.P.	32
DAIWA CAPITAL MARKETS AMERICA, INC.	5
DEUTSCHE BANK SECURITIES	18
DIRECT CERTIFICATE OF DEPOSIT PURCHASES	10
DIRECT COMMERCIAL PAPER PURCHASES	2
DREXEL HAMILTON LLC	1
FTN FINANCIAL	2
GUGGENHEIM SECURITIES LLC	2
HSBC SECURITIES USA INC.	9
INTL FCSTONE FINANCIAL PA	59
ISSUER DIRECT PURCHASES	88
JEFFRIES & CO	25
KEYBANC CAPITAL MARKETS	5
LOOP CAPITAL MARKETS	20
MIZUHO SECURITIES USA INC	13
MORGAN STANLEY	19
MUTUAL SECURITIES INC.	1
NAWEST MARKETS	5
RBC CAPITAL MARKETS, LLC	3
RBS SECURITIES, INC	2
ROBERT W BAIRD & CO.	1
SAMUEL A RAMIREZ & CO, INC	18
STO INTERFUND TRANSFER	2
TD SECURITIES LLC	44
UBS	1
VINING SPARKS	1
WELLS FARGO SECURITIES, LLC	28
WILLIAMS CAPITAL GROUP, L.P.	26
Total	<u>538</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

5. Investment Balances

The fair value of investments administered by the State Treasurer at June 30, 2018 follows:

	Cost	Carrying Amount Fair Value
Government bonds	\$ 2,124,745,403	\$ 2,106,307,802
Repurchase agreements	1,598,000,000	1,598,000,000
Treasury bills	59,845,164	59,852,400
Discounted notes	286,769,282	286,727,051
Cash in banks	152,920,302	152,920,302
Commercial paper	124,682,260	124,620,661
Corporate bonds	108,401,413	107,527,022
Municipal bonds	7,845,378	7,811,523
Fiscal agent bank account	91,750,447	91,750,447
Certificates of deposit	26,700,000	26,700,000
Investment in LGIP	9,759,093	9,759,093
Bankers acceptances	69,443,937	69,257,746
Miscellaneous cash	214,495,037	214,495,037
	4,875,357,716	4,855,729,084
Less interfund investments	(9,759,093)	(9,759,093)
Total	\$ 4,865,598,623	\$ 4,845,969,991

The fair value includes repurchase agreements of \$269,996,906 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 \$334,076 of cash in STO's general fund.

6. General Fund Investment Pool

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

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

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

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

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

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

Cities, counties, and other agencies invest monies in the State Treasurer external investment pool (LGIP). In fiscal year 2016 LGIP implemented a portion of GASB No. 79 *Certain External Investment Pools and Pool Participants* (See Note G for further detail), which permits external investments pools to elect to measure all of their investments at amortized cost. The LGIP investments are presented at fair value based on the valuation date in the financial statements. The individual participant balances remain at their amortized cost. As of June 30, 2018, LGIP amortized cost approximated fair value, difference is immaterial (see Schedule 7).

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10.1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States or are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other State investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary. As of June 30, 2018, the WAM(R) of the LGIP was 50 days, and the WAM(F) was 100 days. The fund was rated AAAM by Standard & Poor's as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

10. Investment Guidelines and Limitations

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

10. Investment Guidelines and Limitations – Continued

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

11. Investments Permitted by Policy

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

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

11. Investments Permitted by Policy – Continued

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

11. Investments Permitted by Policy – Continued

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

12. Unauthorized Investments/Investment Actions

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

13. Custodial Credit Risk

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

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

The State Treasurer’s Office Collateral Manager reviews and tracks all state funds held in state depository institutions. Deposits and collateral are reviewed 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 \$464,480,350 in balances are collateralized in compliance with NMAC 2.60.4. Although in compliance with NMAC 2.60.4 as of June 30, 2018, there was \$23,871,566 of the State Treasurer’s bank balances exposed to custodial credit risk as uninsured and uncollateralized.

14. Credit Risk

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

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor’s) at June 30, 2018 for the General Fund Investment Pool are as follows:

Securities by Quality Rating	Fair Value	Percentage of Portfolio
AAA:		
Corporate bonds	\$ 2,468,050	0.08%
Municipal bonds	1,363,457	0.05%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

14. Credit Risk – Continued

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AA+:		
Treasury securities	\$ 24,996,500	0.85%
Government agency securities	971,926,756	33.22%
Corporate bonds	14,808,000	0.51%
Discounted notes	129,438,149	4.42%
Commercial paper	19,656,827	0.67%
AA:		
Corporate bonds	3,004,260	0.10%
AA-:		
Bankers acceptance notes	47,806,471	1.63%
Commercial paper	24,884,393	0.85%
Corporate bonds	10,871,620	0.37%
A+:		
Corporate bonds	26,961,107	0.92%
NR:		
Repurchase agreements	1,162,747,475	39.74%
Cash in banks	118,328,762	4.04%
Fiscal agent account	91,750,447	3.14%
Commercial paper	45,247,089	1.55%
Investment in LGIP	772,528	0.03%
Certificates of deposit	13,500,000	0.46%
Municipal bonds	493,245	0.02%
Miscellaneous cash	214,495,037	7.33%
Total	<u>\$ 2,925,520,173</u>	<u>100.00%</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

14. Credit Risk – Continued

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2018 for the Local Government Investment Pool are as follows:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AA+:		
Government agency securities	\$ 405,691,167	55.01%
Treasury securities	34,855,900	4.73%
Discounted notes	147,351,027	19.98%
NR:		
Repurchase agreements	115,000,000	15.59%
Cash in banks	34,591,540	4.69%
<hr/>		
Total	<u>\$ 737,489,634</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, 2018, for the Bond Proceeds Investment Pool #2 are as follows:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AAA:		
Corporate bonds	\$ 11,476,349	2.58%
Municipal bonds	1,037,852	0.23%
AA+:		
Government agency securities	295,308,922	66.34%
Corporate bonds	2,455,766	0.55%
AA-:		
Corporate bonds	4,434,860	1.00%
Municipal bonds	1,950,000	0.44%
Commercial paper	9,965,000	2.24%
Bankers acceptance notes	6,134,400	1.38%
A+:		
Corporate bonds	2,480,590	0.56%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

14. Credit Risk – Continued

Securities by Quality Rating	Fair Value	Percentage of Portfolio
A:		
Municipal bonds	290,000	0.07%
NR:		
Repurchase agreements	86,537,636	19.44%
Investment in LGIP	5,014,315	1.13%
Certificates of deposit	11,700,000	2.63%
Municipal bonds	1,411,442	0.32%
Commercial paper	4,959,926	1.11%
Total	<u>\$ 445,157,058</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, 2018 for the Bond Proceeds Investment Pool # 1 are as follows:

Securities by Quality Rating	Fair Value	Percentage of Portfolio
AAA:		
Corporate bonds	\$ 2,468,050	0.33%
Municipal bonds	185,000	0.02%
AA+:		
Government agency securities	433,380,957	57.97%
Corporate bonds	10,178,366	1.36%
Commercial paper	14,947,500	2.00%
Discounted notes	9,937,875	1.33%
AA:		
Corporate bonds	5,982,464	0.80%
AA-:		
Corporate bonds	2,457,000	0.33%
Municipal bonds	234,932	0.03%
Bank acceptances notes	15,316,875	2.05%
A+:		
Corporate bonds	2,480,590	0.33%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

14. Credit Risk – Continued

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
NR:		
Repurchase agreements	233,714,889	31.26%
Investments in LGIP	3,972,250	0.53%
Municipal bonds	845,595	0.11%
Corporate bonds	4,999,950	0.67%
Certificates of deposit	1,500,000	0.20%
Commercial paper	4,959,926	0.66%
Total	<u>\$ 747,562,219</u>	<u>100.00%</u>

15. Concentration of Credit Risk

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

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

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

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	\$ 571,666,448	19.54%
U.S. government agency securities:		
FFCB	32,506,938	1.11%
FHLB	87,323,701	2.98%
FHLMC	40,145,111	1.37%
FNMA	200,981,658	6.87%
FAGM	42,551,960	1.45%
Miscellaneous	21,747,440	0.74%

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

Securities	Fair Value	Percentage of Portfolio
Municipal bonds:		
NEW MEXICO FINANCE AUTHORITY BOND 01/JUN/2018	\$ 300,072	0.01%
NEW MEXICO FIN AUTH REV REVOLVING FD REV BDS	677,788	0.02%
NEW MEXICO FIN AUTH REV SUB LIEN PUB PROJ	385,597	0.01%
SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO	224,856	0.01%
SANDOVAL CNTY N MEX GROSS RCPTS TAX REV RFDG	268,389	0.01%
Corporate bonds:		
APPLE INC CALLABLE NOTES FIXED 1.55% 08/FEB/2019	2,486,900	0.09%
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	2,455,766	0.08%
APPLE INC CALLABLE NOTES FIXED 1.5% 12/SEP/2019	9,865,334	0.34%
COCA-COLA CO/THE CALLABLE NOTES FIXED 1.65%	4,981,300	0.17%
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	2,468,050	0.08%
PEPSICO INC CALLABLE NOTES FIXED 1.55% 02/MAY/2019	4,961,179	0.17%
PEPSICO INC NOTES VARIABLE 15/OCT/2018 USD 1000	10,000,900	0.34%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	5,944,920	0.20%
US BANK NA/CINCINNATI OH CALLABLE NOTES FIXED 2%	4,926,700	0.17%
WALMART INC NOTES VARIABLE 23/JUN/2021 USD 1000	3,004,260	0.10%
WELLS FARGO BANK NA MEDIUM TERM NOTE VARIABLE	7,017,728	0.24%
Discounted notes	129,438,149	4.42%
Commercial paper	89,788,309	3.07%
Bankers acceptance notes	47,806,471	1.63%
Certificate of deposits	13,500,000	0.46%
Investment in LGIP	772,528	0.03%
Miscellaneous cash	214,495,037	7.33%
Fiscal agent account	91,750,447	3.14%
Repurchase agreements	1,162,747,475	39.74%
Cash in Banks	118,328,762	4.04%
Total	<u>\$ 2,925,520,173</u>	<u>100.00%</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

The following lists investments held in the Local Government Investment Pool with a single issuer as a percentage of total:

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	\$ 79,866,100	10.83%
U.S. government agency securities:		
FFCB	132,899,705	18.02%
FHLB	107,324,298	14.55%
FNMA	27,640,948	3.75%
FHLMC	63,176,920	8.57%
Miscellaneous	29,639,096	4.02%
Cash	34,591,540	4.69%
Discounted notes	147,351,027	19.98%
Repurchase agreements	115,000,000	15.59%
Total	<u>\$ 737,489,634</u>	<u>100.00%</u>

The following lists investments held in the Bond Proceeds Investment Pool #2 with a single issuer as a percentage of total:

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	\$ 79,584,200	17.88%
U.S. government agency securities:		
FFCB	14,958,700	3.36%
FHLMC	13,578,097	3.05%
FNMA	99,921,636	22.45%
FHLB	71,771,613	16.12%
Miscellaneous	15,494,676	3.48%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

Securities	Fair Value	Percentage of Portfolio
Municipal bonds:		
ALBUQUERQUE N MEX ARPT REV REV IMPT BDS 2004 A SUB	\$ 290,000	0.07%
BELEN N MEX GO BDS 2016 20/JUL/2016 01/AUG/2018 2%	285,143	0.06%
BELEN N MEX CONS SCH DIST NO 2 DIST NO 2 TO	315,466	0.07%
BELEN N MEX CONS SCH DIST NO 2 DIST NO 2 TO	535,792	0.12%
LOS LUNAS N MEX SCH DIST NO 1 GO SCH BLDG BDS 2015	275,041	0.06%
NEW MEXICO FIN AUTH REV SUB LIEN PUB PROJ	1,037,852	0.23%
NEW MEXICO ST SEVERANCE TAX TAXABLE SEVERANCE TAX	<u>1,950,000</u>	0.44%
Corporate bonds:		
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	2,455,766	0.55%
MICROSOFT CORP CALLABLE NOTES FIXED 2% 03/NOV/2020	9,126,765	2.05%
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	2,349,584	0.53%
PEPSICO INC CALLABLE NOTES FIXED 1.55% 02/MAY/2019	2,480,590	0.56%
PROCTER & GAMBLE CO/THE CALLABLE NOTES FIXED 1.75%	1,977,860	0.44%
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	<u>2,457,000</u>	0.55%
Commercial paper	14,924,926	3.35%
Banker acceptance notes	6,134,400	1.38%
Repurchase agreements	86,537,636	19.44%
Certificate of deposit	11,700,000	2.63%
Investment in LGIP	<u>5,014,315</u>	1.13%
Total	<u>\$ 445,157,058</u>	<u>100.00%</u>

The following lists investments held in the Bond Proceeds Investment Pool #1 with a single issuer as a percentage of total:

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	\$ 207,538,300	27.76%

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

Securities	Fair Value	Percentage of Portfolio
U.S. government agency securities:		
FFCB	\$ 4,979,870	0.67%
FHLMC	58,934,576	7.88%
FNMA	90,076,145	12.05%
FHLB	54,532,290	7.29%
Miscellaneous	17,319,776	2.32%
Municipal bonds:		
ALBUQUERQUE N MEX GROSS RCPTS LODGERS TAX REV IMPT	185,000	0.02%
HOBBS N MEX MUN SCH DIST NO 16 GO REF BDS 2016	59,920	0.01%
JAL N MEX PUB SCH DIST NO 19 GO SCH BUILDING BDS	785,675	0.11%
NEW MEXICO FINANCE AUTHORITY BOND 01/JUN/2018	234,932	0.03%
Corporate bonds:		
APPLE INC CALLABLE NOTES FIXED 1.55% 07/FEB/2020	313,032	0.04%
APPLE INC CALLABLE NOTES FIXED 1.5% 12/SEP/2019	9,865,334	1.32%
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	2,468,050	0.33%
PEPSICO INC CALLABLE NOTES FIXED 1.55% 02/MAY/2019	2,480,590	0.33%
PRIVATE EXPORT FUNDING CORP BOND FIXED 1.875%	4,999,950	0.67%
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	2,457,000	0.33%
WALMART INC CALLABLE NOTES FIXED 1.75% 09/OCT/2019	1,976,784	0.26%
WALMART INC NOTES VARIABLE 23/JUN/2021 USD 1000	4,005,680	0.54%
Discounted notes	9,937,875	1.33%
Commercial paper	19,907,426	2.66%
Bankers acceptance notes	15,316,875	2.05%
Repurchase agreements	233,714,889	31.26%
Investment in LGIP	3,972,250	0.53%
Certificate of deposits	1,500,000	0.20%
Total	<u>\$ 747,562,219</u>	<u>100.00%</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk

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

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

Maturities on investments in the General Fund Investment Pool are as follows:

Securities by Quality Rating	Fair Value	Maturities	
		Less than 1 Year	1-5 Years
AAA:			
Corporate bonds	\$ 2,468,050	\$ -	\$ 2,468,050
Municipal bonds	1,363,457	-	1,363,457
AA+:			
Treasury securities	24,996,500	24,996,500	-
Government agency securities	971,926,756	332,841,401	639,085,355
Corporate bonds	14,808,000	2,486,900	12,321,100
Discounted notes	129,438,149	129,438,149	-
Commercial paper	19,656,827	19,656,827	-
AA:			
Municipal bonds	3,004,260	-	3,004,260

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk – Continued

Securities by Quality Rating	Fair Value	Maturities	
		Less than 1 Year	1-5 Years
AA-:			
Bankers acceptance notes	\$ 47,806,471	\$ 47,806,471	\$ -
Commercial paper	24,884,393	24,884,393	-
Corporate bonds	10,871,620	-	10,871,620
A+:			
Corporate bonds	26,961,107	19,943,379	7,017,728
NR:			
Repurchase agreements	1,162,747,475	1,162,747,475	-
Cash in banks	118,328,762	118,328,762	-
Fiscal agent account	91,750,447	91,750,447	-
Commercial Paper	45,247,089	45,247,089	-
Investment in LGIP	772,528	772,528	-
Certificates of deposit	13,500,000	13,500,000	-
Municipal bonds	493,245	493,245	-
Miscellaneous cash	214,495,037	214,495,037	-
Total	<u>\$ 2,925,520,173</u>	<u>\$ 2,249,388,603</u>	<u>\$ 676,131,570</u>

Maturities on investments in the Local Government Investment Pool are as follows:

Securities by Quality Rating	Fair Value	Maturities	
		Less than 1 Year	1-5 Years
AA+:			
Government agency securities	405,691,167	380,733,815	24,957,352
Treasury securities	34,855,900	34,855,900	-
Discounted notes	147,351,027	147,351,027	-
NR:			
Repurchase agreements	115,000,000	115,000,000	-
Cash in banks	34,591,540	34,591,540	-
Total	<u>\$ 737,489,634</u>	<u>\$ 712,532,282</u>	<u>\$ 24,957,352</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk – Continued

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>
AAA:			
Corporate bonds	\$ 11,476,349	\$ 11,476,349	\$ -
Municipal bonds	1,037,852	-	1,037,852
AA+:			
Government agency securities	295,308,922	171,681,786	123,627,136
Corporate bonds	2,455,766	2,455,766	-
AA-:			
Corporate bonds	4,434,860	4,434,860	-
Municipal bonds	1,950,000	-	1,950,000
Commercial paper	9,965,000	-	9,965,000
Bankers acceptance notes	6,134,400	-	6,134,400
A+:			
Corporate bonds	2,480,590	-	2,480,590
A:			
Municipal bonds	290,000	-	290,000
NR:			
Repurchases agreements	86,537,636	86,537,636	-
Investment in LGIP	5,014,315	5,014,315	-
Certificates of deposit	11,700,000	11,700,000	-
Municipal bonds	1,411,442	851,258	560,184
Commercial paper	4,959,926	-	4,959,926
Total	<u>\$ 445,157,058</u>	<u>\$ 294,151,970</u>	<u>\$ 151,005,088</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk – Continued

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

Securities by Quality Rating	Fair Value	Maturities	
		Less than 1 Year	1-5 Years
AAA:			
Corporate bonds	\$ 2,468,050	\$ -	\$ 2,468,050
Municipal bonds	185,000	185,000	-
AA+:			
Government agency securities	433,380,957	157,365,852	276,015,105
Corporate bonds	10,178,366	-	10,178,366
Commercial paper	14,947,500	14,947,500	-
Discounted notes	9,937,875	9,937,875	-
AA:			
Corporate bonds	5,982,464	-	5,982,464
AA-:			
Corporate bonds	2,457,000	-	2,457,000
Municipal bonds	234,932	234,932	-
Bankers acceptance notes	15,316,875	15,316,875	-
A+:			
Corporate bonds	2,480,590	2,480,590	-
NR:			
Repurchase agreements	233,714,889	233,714,889	-
Investment in LGIP	3,972,250	3,972,250	-
Municipal bonds	845,595	845,595	-
Corporate bonds	4,999,950	4,999,950	-
Certificates of deposit	1,500,000	1,500,000	-
Certificates of deposit	4,959,926	4,959,926	-
Total	\$ 747,562,219	\$ 450,461,234	\$ 297,100,985

17. Foreign Currency Risk

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

17. Foreign Currency Risk – Continued

All holdings at June 30, 2018 were denominated in United States Dollars.

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

18. Securities Collateralizing Repurchase Agreements

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

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

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

Securites by Quality Rating	Fair Value	Percentage of Portfolio
AA+:		
U.S. Treasury securities	\$ 1,598,000,000	100%
Total	<u>\$ 1,598,000,000</u>	<u>100%</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

18. Securities Collateralizing Repurchase Agreements- Continued

Maturities on collateral are as follows:

Securities by Quality Rating	Fair Value	Maturities				
		Less than 1 Year	1-5 Years	6-10 Years	11-20 Years	Over 20 Years
AA+:						
U.S. Treasury securities	\$ 1,598,000,000	\$ 1,598,000,000	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 1,598,000,000</u>	<u>\$ 1,598,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule 10 discloses collateral pledged for repurchase agreements.

19. Fair Value of Financial Instruments

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

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

The State Treasurer has the following recurring fair value measurements as of June 30, 2018:

	Fair Value Measurements Using			Fair Value 6/30/2017
	Quoted Prices in Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	
Debt securities:				
U.S. government securities	\$ -	\$ 2,166,160,202	\$ -	\$ 2,166,160,202
Repurchase agreements	-	1,598,000,000	-	1,598,000,000
Discounted notes	-	286,727,051	-	286,727,051
Commercial paper	-	124,620,661	-	124,620,661
Corporate bonds	-	107,527,022	-	107,527,022
Municipal bonds	-	7,811,523	-	7,811,523
Bankers acceptances	-	69,257,746	-	69,257,746
Total investments measured at fair value	<u>\$ -</u>	<u>\$ 4,360,104,205</u>	<u>\$ -</u>	<u>\$ 4,360,104,205</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

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

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

STO implemented the delayed provisions of GASB 79 as to the portfolio quality, custodial credit risk, and shadow pricing as of June 30, 2017. STO reviewed each of the requirements listed in GASB 79 to allow election of amortized cost accounting and determined the criteria is consistent with the requirements of Standard and Poor's to ensure compliance with the delayed implementation. STO calculates NAV and submits pool data to S&P on a weekly basis. As for shadow pricing, STO performs a daily calculation that compares the market value of the assets held by the pool to the balances due to the participants. STO has determined that the assets exceed liabilities at June 30, 2018. The difference between the amortized cost and fair value is immaterial for the year ended June 30, 2018.

Below are the limitations or restrictions on LGIP participant withdrawals:

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

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

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance at June 30, 2017	Additions	Deletions	Reclassifications	Balance at June 30, 2018
Non-depreciable assets:					
Software-in-process	\$ 538,850	\$ 1,407,457	\$ -	\$ (1,946,307)	\$ -
Total non-depreciable assets	538,850	1,407,457	-	(1,946,307)	-
Depreciable assets:					
Equipment, Furniture, and Fixtures	125,968	34,706	-	1,946,307	2,106,981
Total depreciable assets	125,968	34,706	-	1,946,307	2,106,981
Less: accumulated depreciation	106,586	112,786	-	-	219,372
Total capital assets, net	<u>\$ 558,232</u>	<u>\$ 1,329,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,887,609</u>

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

General government	<u>\$ 112,786</u>
--------------------	-------------------

NOTE I – LONG-TERM OBLIGATIONS

Compensated Absences

As in prior years, the general fund is used to liquidate compensated absences. Following are the changes in compensated absences for the year ended June 30, 2018:

	Balance at June 30, 2017	Increase	(Decrease)	Balance at June 30, 2018	Amounts due within one year
Compensated absences	<u>\$ 102,120</u>	<u>\$ 140,141</u>	<u>\$ (112,265)</u>	<u>\$ 129,996</u>	<u>\$ 129,996</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE J – CONDENSED FINANCIAL STATEMENTS

Condensed financial statements of the Investment Trust Fund, inclusive of external and internal participants for the fiscal year ended June 30, 2018 are as follows:

ASSETS

Investments	\$ 4,845,969,991
Due from broker	9,511
Interest and other receivables	<u>8,350,375</u>
 Total assets	 <u><u>\$ 4,854,329,877</u></u>

LIABILITIES

Due to broker	\$ 76,012,778
---------------	---------------

FIDUCIARY NET POSITION

External participant account balances	729,232,250
Other internal participant account balances:	
Primary government	<u>4,049,084,849</u>
 Total liabilities and fiduciary net position	 <u><u>\$ 4,854,329,877</u></u>

At June 30, 2018, the State Treasurer's investment income earnings were as follows:

Local Government Investment Pool	\$ 9,968,004
Consolidated Investment Pool	7,069,896
State Funds Investment Pool	<u>17,036,089</u>
 Total	 <u><u>\$ 34,073,989</u></u>

NOTE K – APPROPRIATIONS

The State Treasurer received the following appropriations for the year ended June 30, 2018:

General fund appropriation (Chapter 135, Laws of 2017)	\$ 3,628,200
Special appropriation (Chapter 22, Laws of 2013)	<u>911,350</u>
 Total appropriations	 <u><u>\$ 4,539,550</u></u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE L – COLLATERAL IN TRUST

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

NOTE M – DUE TO/FROM OTHER STATE AGENCIES

Tax receipts billed by other state agencies due to State Treasurer’s Office consist of the following at June 30, 2018:

Due to State Treasurer's Office	Fund No.	Amount	Due from Other State Agencies	Fund No.	Amount
Severance Tax Bonding Fund	41000	\$ 114,668,238	Tax & Revenue Dept. of Finance & Administration	83300	\$ 114,668,238
G.O. 2009 Series Debt Service	10630	121,886	Dept. of Finance & Administration	80000	121,886
G.O. 2011 Series Debt Service	11630	24,644	Dept. of Finance & Administration	80000	24,644
G.O. 2015 Series Debt Service	35170	527,446	Dept. of Finance & Administration	80000	527,446
G.O. 2017B Series Debt Service	68150	1,354,711	Dept. of Finance & Administration	80000	1,354,711
		\$ 116,696,925			\$ 116,696,925

NOTE N – TRANSFERS

1. Interfund Transfers

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

General Obligation Bonds (see Schedule 3):

SHARE Fund	Transfer from	Amount	SHARE Fund	Transfer to	Amount
11680	2013 Series Debt Service	\$ 6,042,766	11320	2017A Series Debt Service	\$ 5,511,194
28800	2007 Series Debt Service	7,124,188	11630	2017B Series Debt Service	7,656,839
41300	2003 Series rebate	6			
42600	2005 Series rebate	1,073			
		\$ 13,168,033			\$ 13,168,033

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE N – TRANSFERS – CONTINUED

1. Interfund Transfers – Continued

Severance Tax Bonds (see Schedule 5):

SHARE Fund	Transfer from	Amount	SHARE Fund	Transfer to	Amount
41000	Severance Tax Bond Fund	\$ 19,350,719	10750	2009-A Series Debt Service	\$ 19,350,719
41000	Severance Tax Bond Fund	16,973,083	10950	2010-A Series Debt Service	16,973,083
41000	Severance Tax Bond Fund	12,043,305	10960	2010-B Series Debt Service	12,043,305
41000	Severance Tax Bond Fund	8,286,621	11480	Series 2012A	8,286,621
41000	Severance Tax Bond Fund	16,100,793	11770	Series 2013A	16,100,793
41000	Severance Tax Bond Fund	13,949,647	12160	Series 2014A	13,949,647
41000	Severance Tax Bond Fund	17,454,870	30820	Series 2012A-2 Refunding	17,454,870
41000	Severance Tax Bond Fund	3,957,427	30830	Series 2011A-1 Refunding	3,957,427
41000	Severance Tax Bond Fund	563,908	43160	Series 2016D	563,908
41000	Severance Tax Bond Fund	10,598,959	43230	Series 2016AB	10,598,959
41000	Severance Tax Bond Fund	2,602,576	43290	Series 2016E	2,602,576
41000	Severance Tax Bond Fund	9,257,646	50170	Series 2015B	9,257,646
41000	Severance Tax Bond Fund	16,320,114	50180	Series 2015A	16,320,114
41000	Severance Tax Bond Fund	3,996,830	50370	Series 2017A	3,996,830
41000	Severance Tax Bond Fund	10,213,559	50450	Series 2016C	10,213,559
		<u>\$ 161,670,057</u>			<u>\$ 161,670,057</u>

2. Interagency Transfers

Transfers to/from Other State Agencies – General Obligation Bonds

Transfers (from) to	Fund No.	Amount	Transfers (to) from	Fund No.	Amount
Board of Finance	34103	\$ 81,658,791	General Obligation Bonding Funds	Various*	\$ 81,658,791
Board of Finance	34103	(4,495)	2017A Series Debt Service	50440	(4,495)
Board of Finance	34103	(123,873)	2007 Series Debt Service	28800	(123,873)
Board of Finance	34103	(242,569)	2013 Series Debt Service	11680	(242,569)
Board of Finance	34103	(820,017)	2017A Cost of Issuance	50390	(820,017)
Board of Finance	34103	<u>(2,891,061)</u>	2015 Series Debt Service	35170	<u>(2,891,061)</u>
		<u>\$ 77,576,776</u>			<u>\$ 77,576,776</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE N – TRANSFERS – CONTINUED

2. Interagency Transfers – Continued

Transfers to/from Other State Agencies – Severance Tax Bonds

<u>Transfers (from) to</u>	<u>Fund No.</u>	<u>Amount</u>	<u>Transfers (to) from</u>	<u>Fund No.</u>	<u>Amount</u>
Board of Finance	34103	\$ 163,313,712	Severance Tax Bonding Funds	Various*	\$ 163,313,712
Board of Finance	34103	168,114,800	Severance Tax Sponge Bond Fund	41000	168,114,800
Severance Tax Permanent Fund	60200	117,026,825	Severance Tax Bonding Fund	41000	117,026,825
Board of Finance	34103	\$ (2,421)	Severance Tax Bonding Funds	Various*	\$ (2,421)
Board of Finance	34103	<u>(6,598,989)</u>	Severance Tax Bonding Fund	41000	<u>(6,598,989)</u>
Total - Severance Tax Bond Funds		<u>\$ 441,853,927</u>			<u>\$ 441,853,927</u>

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

NOTE O – LEASES

The Office is committed under various noncancelable operating leases primarily for office buildings and equipment. Future minimum lease commitments are as follows for the years ending June 30:

2019	\$ 231,668
2020	224,560
2021	<u>205,847</u>
	<u>\$ 662,075</u>

Lease expenditures were \$247,607 for the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE P – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico follows the standard for the fiscal year ending June 30, 2018.

The State Treasurer's 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). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and 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.

Plan Description

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

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The State Treasurer's Office is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the State Treasurer's Office are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The State Treasurer's contributions to PERA for the fiscal years ended June 30, 2018, 2017 and 2016 were \$326,170, \$330,393 and \$341,552, respectively, which equal the amount of the required contributions for each fiscal year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

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

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which improves accounting and financial reporting by state and local governments for other postemployment benefits that are not pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

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 postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability 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 liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018, and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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).

Funding Policy

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, 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. The State Treasurer's contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$38,396, \$38,892 and \$40,592, respectively, which equal the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE R – 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, 2017 to June 30, 2018. The limit of coverage is \$5,000,000, with \$1,000 deductible per occurrence. All State Treasurer employees are covered by this bond.

The State Treasurer had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2018, 2017 and 2016, there were no settlements that exceeded insurance coverage.

NOTE S – 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 T – REVERSION TO THE STATE GENERAL FUND

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

The amount reverted to the State General Fund as of June 30, 2018 was \$63,688.

NOTE U – 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:

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE U – SHORT-TERM DEBT – CONTINUED

	Purchased	Matured	Principal Payments	Interest Payments	Total
Sponge bond - senior note	12/28/2017	12/29/2017	\$ 5,094,000	\$ 219	\$ 5,094,219
Sponge bond - supplemental note	12/28/2017	12/29/2017	32,342,300	1,388	32,343,688
Sponge bond - senior note	6/28/2018	6/29/2018	23,795,144	1,411	23,796,555
Sponge bond - supplemental note	6/28/2018	6/29/2018	<u>106,874,000</u>	<u>6,338</u>	<u>106,880,338</u>
Total			<u>\$ 168,105,444</u>	<u>\$ 9,356</u>	<u>\$ 168,114,800</u>

Short-term debt activity for the year ended June 30, 2018 was as follows:

	Balance at June 30, 2017	Issued	Redeemed	Issuance Costs	Balance at June 30, 2018
Sponge bonds	<u>\$ -</u>	<u>\$ 168,105,444</u>	<u>\$ 168,105,444</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE V – FUND BALANCES

The Office's fund balances represent: 1) Restricted purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2018 follows:

	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund
Fund Balances:			
Restricted for:			
Debt Service	\$ -	\$ 53,430,923	\$ 333,261,693
Unassigned	-	-	-
Total Fund Balances	<u>\$ -</u>	<u>\$ 53,430,923</u>	<u>\$ 333,261,693</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE W – CASH CONFIRMATION PROCESS

The 2018 New Mexico State Auditor Rule, 2.2.2.10 NMAC Section P (3) (f) (cash confirm rule) states that auditors of state agencies are required to obtain a cash confirmation from the New Mexico State Treasurer's Office (STO). STO prepared book, not bank, balance cash confirmations as of June 30, 2018, to provide information to auditors of state agencies about each agency's interest in the State General Fund Investment Pool (SGFIP). STO's cash confirmations reflect individual state agency balances derived from accounting periods zero (0) through twelve (12) for FY18 based on cash banking activity as recorded within the SHARE general ledger and reconciled by DFA. Due to the possibility of entries posted in SHARE in period 998 that affect cash balances subsequent to the issuance of the confirmation, STO did not issue any additional cash confirmations for the fiscal year-end. The confirmation that was provided to all state agencies by the State Cash Manager indicated that only activity recorded in periods 0 through 12 were considered in confirming cash balances at fiscal year-end.

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE W – CASH CONFIRMATION PROCESS – CONTINUED

The State's bank balance available from funds held within the SGFIP and Bond Proceeds Investment Pool (BPIP) trust held with JP Morgan (custodial bank) and Wells Fargo (operating bank) was approximately \$4.1 billion on June 30, 2018. Outstanding warrants and late June ACH payments settled in early July were approximately \$120 million in total, which represents the fiscal year-end reconciling difference between the actual bank balance and the recorded book balance for the SGFIP and BPIP combined. In compliance with the cash confirmation rule, STO performed an independent analysis of the reasonableness of the overall cash book balance on June 30, 2018 of \$3.9 million, which was reconciled to the bank balance by the Department of Finance and Administration (DFA). In total, the GL activity matches bank activity on a test basis.

NOTE X – SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

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

GASB 84

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE X – SUBSEQUENT ACCOUNTING PRONOUNCEMENTS – CONTINUED

GASB 87

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

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

SUPPLEMENTARY INFORMATION

State of New Mexico
Office of the State Treasurer

**SCHEDULE 1 - COMBINING BALANCE SHEET - GENERAL OBLIGATION BONDS -
GENERAL OBLIGATION BOND DEBT SERVICE FUNDS**

June 30, 2018

	SHARE Fund	Assets		
		Repurchase Agreements	Due From Other Agencies	Total Assets
2007 Series - Debt Service	28800	\$ 28,785	\$ -	\$ 28,785
2009 Series - Debt Service	10630	4,997,769	121,886	5,119,655
2011 Series - Debt Service	11630	2,507,725	24,644	2,532,369
2013 Series - Debt Service	11680	187,509	-	187,509
2015 Series - Debt Service	35170	20,848,558	527,446	21,376,004
2017A Series - Debt Service	50440	11,362,298	-	11,362,298
2017B Series - Debt Service	68150	11,002,376	1,354,711	12,357,087
Total Debt Service		50,935,020	2,028,687	52,963,707
2003 Series - Rebate	41300	-	-	-
2005 Series - Rebate	42600	2	-	2
Total Rebate Accounts		2	-	2
2015 Series - Cost of Issuance	40130	98,077	-	98,077
2017A Series - Cost of Issuance	50390	369,137	-	369,137
Total Cost of Issuance		467,214	-	467,214
COMBINED TOTAL		\$ 51,402,236	\$ 2,028,687	\$ 53,430,923

<u>Liabilities</u>	Fund Balance	Total	Total
Total	Balance	Fund	Liabilities &
Liabilities	Restricted for	Balance	Fund Equity
Total	Debt Service	Total	Total
Liabilities	Total	Fund	Liabilities &
Liabilities	Balance	Balance	Fund Equity
\$ -	\$ 28,785	\$ 28,785	\$ 28,785
-	5,119,655	5,119,655	5,119,655
-	2,532,369	2,532,369	2,532,369
-	187,509	187,509	187,509
-	21,376,004	21,376,004	21,376,004
-	11,362,298	11,362,298	11,362,298
-	12,357,087	12,357,087	12,357,087
-	52,963,707	52,963,707	52,963,707
-	-	-	-
-	2	2	2
-	2	2	2
-	98,077	98,077	98,077
-	369,137	369,137	369,137
-	467,214	467,214	467,214
<u>\$ -</u>	<u>\$ 53,430,923</u>	<u>\$ 53,430,923</u>	<u>\$ 53,430,923</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 2 - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GENERAL OBLIGATION DEBT SERVICE FUNDS**

Year Ended June 30, 2018

	SHARE Fund	Revenues		Expenditures			Excess (Deficiency) of Revenues Over (Under) Expenditures
		Interest Income	State Property Tax Levy	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures	
2007 Series - Debt Service	28800	\$ 76,140	\$ -	\$ -	\$ 2,874	\$ 2,874	\$ 73,266
2009 Series - Debt Service	10630	224,326	17,002,226	-	750	750	17,225,802
2011 Series - Debt Service	11630	80,669	1,687,302	-	750	750	1,767,221
2013 Series - Debt Service	11680	78,485	-	-	1,500	1,500	76,985
2015 Series - Debt Service	35170	752,152	18,614,905	-	750	750	19,366,307
2017A Series - Debt Service	50440	1,564,124	20,909,318	-	-	-	22,473,442
2017B Series - Debt Service	68150	62,900	23,104,556	-	-	-	23,167,456
Total Debt Service		2,838,796	81,318,307	-	6,624	6,624	84,150,479
2003 Series - Rebate	41300	-	-	-	-	-	-
2005 Series - Rebate	42600	6	-	-	-	-	6
Total Rebate Accounts		6	-	-	-	-	6
2015 Series - Cost of Issuance	40130	-	-	-	9,069	9,069	(9,069)
2017A Series - Cost of Issuance	50390	-	-	-	450,880	450,880	(450,880)
Total Cost of Issuance		-	-	-	459,949	459,949	(459,949)
COMBINED TOTAL		\$ 2,838,802	\$ 81,318,307	\$ -	\$ 466,573	\$ 466,573	\$ 83,690,536

Other Financing Sources (Uses)

Transfers (to) from Other State Agencies	Interfund Transfers	Total Other Financing Sources (Uses)	Net Change in Fund Balance	Beginning Fund Balances	Fund Balances June 30, 2018
\$ 123,873	\$ (7,124,188)	\$ (7,000,315)	\$ (6,927,049)	\$ 6,955,834	\$ 28,785
(25,881,250)	-	(25,881,250)	(8,655,448)	13,775,103	5,119,655
(2,246,000)	-	(2,246,000)	(478,779)	3,011,148	2,532,369
242,569	(6,042,766)	(5,800,197)	(5,723,212)	5,910,721	187,509
(15,546,439)	-	(15,546,439)	3,819,868	17,556,136	21,376,004
(16,622,338)	5,511,194	(11,111,144)	11,362,298	-	11,362,298
(18,467,208)	7,656,839	(10,810,369)	12,357,087	-	12,357,087
(78,396,793)	1,079	(78,395,714)	5,754,765	47,208,942	52,963,707
-	(6)	(6)	(6)	6	-
-	(1,073)	(1,073)	(1,067)	1,069	2
-	(1,079)	(1,079)	(1,073)	1,075	2
-	-	-	(9,069)	107,146	98,077
820,017	-	820,017	369,137	-	369,137
820,017	-	820,017	360,068	107,146	467,214
<u>\$ (77,576,776)</u>	<u>\$ -</u>	<u>\$ (77,576,776)</u>	<u>\$ 6,113,760</u>	<u>\$ 47,317,163</u>	<u>\$ 53,430,923</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 3 - COMBINING BALANCE SHEET - SEVERANCE TAX BONDS -
SEVERANCE TAX BOND DEBT SERVICE FUNDS**

June 30, 2018

	SHARE Fund	Assets		
		Repurchase Agreements	Due From Other Agencies	Total Assets
2009-A Series - Debt Service	10750	\$ 18,608,193	\$ -	\$ 18,608,193
2010-A Series - Debt Service	10950	15,821,849	-	15,821,849
2010-B Series - Debt Service	10960	11,284,880	-	11,284,880
2010-C Series - Debt Service	11190	223	-	223
2010-D Series - Debt Service	11280	1,233	-	1,233
Series 2013A	11770	15,865,749	-	15,865,749
Series 2014A	12160	13,727,025	-	13,727,025
Series 2011A-1	30830	3,814,476	-	3,814,476
Series 2011A-2 Refunding	30820	17,041,458	-	17,041,458
2012-A Series - Debt Service	11480	7,424,395	-	7,424,395
2004-B Series Debt Service	18300	98	-	98
2005-B1 Series Debt Service	38800	2,124	-	2,124
Severance Tax Bonding	41000	69,831,631	114,668,238	184,499,869
2005-A Series Debt Service	41200	112,356	-	112,356
Series 2016A & Refunding Series 2016B	43230	5,637,821	-	5,637,821
2003-B Series-Debt Service	48400	242	-	242
Series 2015B	50170	8,016,179	-	8,016,179
Series 2015A	50180	14,060,095	-	14,060,095
Series 2016C	50450	10,172,051	-	10,172,051
2007-A Debt Service	53700	62,509	-	62,509
2005-B2 Series Debt Service	57100	1,562	-	1,562
2008A-1 Series - Debt Service	72010	188,709	-	188,709
2008A-2 Series - Debt Service	72070	1,570	-	1,570
2006-A Series Debt Service	96300	2,642	-	2,642
2016D Series Debt Service	43160	689,436	-	689,436
2016E Series Debt Service	43290	2,600,709	-	2,600,709
2017A Series Debt Service	50370	3,336,719	-	3,336,719
2017SC Series Debt Service	67980	33	-	33
2018A Series Debt Service	20660	169,871	-	169,871
Total Debt Service		218,475,838	114,668,238	333,144,076
2004-B Series-Rebate	41100	321	-	321
2003-B Supp-Rebate	42000	13,168	-	13,168
2005-A Series-Rebate	48300	46,771	-	46,771
2005-B1 Series-Rebate	57000	11,525	-	11,525
2005-B2 Series-Rebate	96000	6,763	-	6,763
2006-A Series-Rebate	96400	40,284	-	40,284
Total Rebate Accounts		118,832	-	118,832
COMBINED TOTAL		\$ 218,594,670	\$ 114,668,238	\$ 333,262,908

Liabilities		Fund Equity		
Accounts Payable	Total Liabilities	Restricted for Debt Service	Total Fund Equity	Total Liabilities & Fund Equity
\$ -	\$ -	\$ 18,608,193	\$ 18,608,193	\$ 18,608,193
-	-	15,821,849	15,821,849	15,821,849
-	-	11,284,880	11,284,880	11,284,880
-	-	223	223	223
-	-	1,233	1,233	1,233
-	-	15,865,749	15,865,749	15,865,749
-	-	13,727,025	13,727,025	13,727,025
-	-	3,814,476	3,814,476	3,814,476
-	-	17,041,458	17,041,458	17,041,458
-	-	7,424,395	7,424,395	7,424,395
-	-	98	98	98
-	-	2,124	2,124	2,124
-	-	184,499,869	184,499,869	184,499,869
-	-	112,356	112,356	112,356
-	-	5,637,821	5,637,821	5,637,821
-	-	242	242	242
-	-	8,016,179	8,016,179	8,016,179
-	-	14,060,095	14,060,095	14,060,095
-	-	10,172,051	10,172,051	10,172,051
-	-	62,509	62,509	62,509
-	-	1,562	1,562	1,562
-	-	188,709	188,709	188,709
1,215	1,215	355	355	1,570
-	-	2,642	2,642	2,642
-	-	689,436	689,436	689,436
-	-	2,600,709	2,600,709	2,600,709
-	-	3,336,719	3,336,719	3,336,719
-	-	33	33	33
-	-	169,871	169,871	169,871
1,215	1,215	333,142,861	333,142,861	333,144,076
-	-	321	321	321
-	-	13,168	13,168	13,168
-	-	46,771	46,771	46,771
-	-	11,525	11,525	11,525
-	-	6,763	6,763	6,763
-	-	40,284	40,284	40,284
-	-	118,832	118,832	118,832
<u>\$ 1,215</u>	<u>\$ 1,215</u>	<u>\$ 333,261,693</u>	<u>\$ 333,261,693</u>	<u>\$ 333,262,908</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 4 - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - SEVERANCE TAX BOND DEBT SERVICE FUNDS**

Year Ended June 30, 2018

	Revenues			Expenditures		
	SHARE Fund	Interest Income	Severance Taxes	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures
2009-A Series - Debt Service	10750	\$ 160,137	\$ -	\$ -	\$ -	\$ -
2010-A Series - Debt Service	10950	3,781	-	-	-	-
2010-B Series - Debt Service	10960	930	-	-	-	-
2010-C Series - Debt Service	11190	6	-	-	-	-
2010-D Series - Debt Service	11280	835	-	-	-	-
Series 2013A	11770	131,585	-	-	-	-
Series 2014A	12160	444,085	-	-	-	-
2011A-1 Series	30830	32,959	-	-	-	-
2011A-2 Series Refunding	30820	1,775	-	-	-	-
2012A - Series	11480	38,658	-	-	-	-
2004-B Series Debt Service	18300	4	-	-	-	-
2005-B1 Series Debt Service	38800	73	-	-	-	-
Severance Tax Bonding	41000	6,299,419	511,115,191	-	579,958	579,958
2005-A Series -Debt Service	41200	3,396	-	-	-	-
Series 2016A & Refunding Series 2016B	43230	572,498	-	-	-	-
2003-B Series-Debt Service	48400	19	-	-	-	-
Series 2015B	50170	256,655	-	-	-	-
Series 2015A	50180	695,644	-	-	-	-
Series 2016C	50450	294,569	-	-	-	-
2007-A Series-Debt Service	53700	1,866	-	-	-	-
2005-B2 Series Debt Service	57100	52	-	-	-	-
2008A-1 Debt Service	72010	17,022	-	-	-	-
2008A-2 Debt Service	72070	47	-	-	-	-
2006-A Series Debt Service	96300	114	-	-	-	-
2016D Series Debt Service	43160	768,542	-	-	-	-
2016E Series Debt Service	43290	175,992	-	-	-	-
2017A Series Debt Service	50370	718,859	-	-	-	-
2017SC Series Debt Service	67980	-	-	-	-	-
2018A Series Debt Service	20660	168,264	-	-	-	-
Total Debt Service		10,787,786	511,115,191	-	579,958	579,958
2004-B Series-Rebate	41100	9	-	-	-	-
2003-B Supp-Rebate	42000	114	-	-	-	-
2005-A Series-Rebate	48300	405	-	-	-	-
2005-B1 Series-Rebate	57000	100	-	-	-	-
2005-B2 Series-Rebate	96000	58	-	-	-	-
2006-A Series-Rebate	96400	349	-	-	-	-
Total Rebate Accounts		1,035	-	-	-	-
COMBINED TOTAL		\$ 10,788,821	\$ 511,115,191	\$ -	\$ 579,958	\$ 579,958

Excess (Deficiency) of Revenues Over (Under) Expenditures	Other Financing Sources (Uses)			Net Change in Fund Balance	Beginning Fund Balance	Fund Balances June 30, 2018
	Transfers (to) from Other State Agencies	Interfund Transfers	Total Other Financing Sources (Uses)			
\$ 160,137	\$ (19,065,500)	\$ 19,350,719	\$ 285,219	\$ 445,356	\$ 18,162,837	\$ 18,608,193
3,781	(16,625,875)	16,973,083	347,208	350,989	15,470,860	15,821,849
930	(11,989,675)	12,043,305	53,630	54,560	11,230,320	11,284,880
6	-	-	-	6	217	223
835	(15,093,125)	-	(15,093,125)	(15,092,290)	15,093,523	1,233
131,585	(15,876,875)	16,100,793	223,918	355,503	15,510,246	15,865,749
444,085	(13,108,000)	13,949,647	841,647	1,285,732	12,441,293	13,727,025
32,959	(5,968,825)	3,957,427	(2,011,398)	(1,978,439)	5,792,915	3,814,476
1,775	(17,062,125)	17,454,870	392,745	394,520	16,646,938	17,041,458
38,658	(8,166,125)	8,286,621	120,496	159,154	7,265,241	7,424,395
4	-	-	-	4	94	98
73	-	-	-	73	2,051	2,124
516,834,652	(279,221,460)	(161,670,057)	(440,891,517)	75,943,135	108,556,734	184,499,869
3,396	-	-	-	3,396	108,960	112,356
572,498	(11,193,300)	10,598,959	(594,341)	(21,843)	5,659,664	5,637,821
19	-	-	-	19	223	242
256,655	(8,484,750)	9,257,646	772,896	1,029,551	6,986,628	8,016,179
695,644	(11,184,750)	16,320,114	5,135,364	5,831,008	8,229,087	14,060,095
294,569	(5,590,500)	10,213,559	4,623,059	4,917,628	5,254,423	10,172,051
1,866	-	-	-	1,866	60,643	62,509
52	-	-	-	52	1,510	1,562
17,022	-	-	-	17,022	171,687	188,709
47	-	-	-	47	308	355
114	-	-	-	114	2,528	2,642
768,542	(1,429,045)	563,908	(865,137)	(96,595)	786,031	689,436
175,992	(416,667)	2,602,576	2,185,909	2,361,901	238,808	2,600,709
718,859	(1,378,970)	3,996,830	2,617,860	3,336,719	-	3,336,719
-	33	-	33	33	-	33
168,264	1,607	-	1,607	169,871	-	169,871
521,323,019	(441,853,927)	-	(441,853,927)	79,469,092	253,673,769	333,142,861
9	-	-	-	9	312	321
114	-	-	-	114	13,054	13,168
405	-	-	-	405	46,366	46,771
100	-	-	-	100	11,425	11,525
58	-	-	-	58	6,705	6,763
349	-	-	-	349	39,935	40,284
1,035	-	-	-	1,035	117,797	118,832
<u>\$ 521,324,054</u>	<u>\$ (441,853,927)</u>	<u>\$ -</u>	<u>\$ (441,853,927)</u>	<u>\$ 79,470,127</u>	<u>\$ 253,791,566</u>	<u>\$ 333,261,693</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 5 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS -
LONG-TERM DEBT ROLLFORWARD**

Year Ended June 30, 2018

Issue	SHARE Fund	Date of Issue	Issue Amount	Interest Rate	Unpaid Balance at June 30, 2017
General Obligation and Revenue Bonds:					
Series 2009 Debt Service	10630	5/28/2009	\$ 196,330,000	5.00%	\$ 48,125,000
Series 2011 Debt Service	11630	5/26/2011	18,645,000	2.00-4.00%	8,150,000
Series 2013 Debt Service	11680	4/23/2013	137,220,000	2.00-2.40%	85,335,000
Series 2015 Debt Service	35170	2/17/2015	141,635,000	5.00%	119,150,000
Series 2017A Debt Service	50440	8/1/2017	148,520,000	5.00%	-
Series 2017B Debt Service	68150	8/1/2017	151,790,000	5.00%	-
Total General Obligation Bonds			794,140,000		260,760,000
Severance Tax Bonds:					
Series 2009A Refunding	10750	7/30/2009	218,450,000	2.00-5.00%	53,125,000
Series 2010A	10950	3/24/2010	132,265,000	3.00-5.00%	60,200,000
Series 2010B Supplemental	10960	3/24/2010	100,000,000	4.00-5.00%	42,850,000
Series 2010D Refunding	11280	12/8/2010	140,520,000	3.00-5.00%	14,725,000
Series 2011A-1	30830	12/6/2011	47,790,000	3.00-5.00%	19,745,000
Series 2011A-2 Refunding	30820	12/6/2011	75,715,000	4.00-5.00%	32,460,000
Series 2012A	11480	6/21/2012	57,990,000	3.00-5.00%	42,325,000
Series 2013A	11770	6/21/2012	157,560,000	2.00-5.00%	30,205,000
Series 2014A	12160	6/21/2012	143,770,000	3.00-5.00%	40,055,000
Series 2015A	50180	8/12/2015	129,195,000	5.00%	126,195,000
Series 2015B	50170	8/12/2015	69,745,000	5.00%	66,345,000
Series 2016A & Refunding Series 2016B	43230	6/23/2016	260,145,000	3.00-5.00%	260,145,000
Series 2016C	50450	6/23/2016	41,925,000	2.00%	41,925,000
Series 2016D	43160	12/6/2016	26,725,000	5.00%	26,725,000
Series 2016E	43290	12/6/2016	19,090,000	1.25-2.35%	19,090,000
Series 2017A	50370	8/8/2017	69,470,000	5.00%	-
Series 2018A	20660	6/28/2018	122,560,000	5.00%	-
Total Severance Tax Bonds			1,812,915,000		876,115,000
TOTAL GENERAL LONG-TERM DEBT			<u>\$ 2,607,055,000</u>		<u>\$ 1,136,875,000</u>
<u>Premium/Discount</u>					
Current Year Newly Issued Bond Premiums (in thousands):					
STB Series 2017A			\$ 13,280,000		
STB Series 2018B			17,619,000		
GO Series 2017A			26,897,000		
GO Series 2017B			23,160,000		
TOTAL CURRENT YEAR NEWLY ISSUED BOND PREMIUMS			<u>\$ 80,956,000</u>		

New Bonds	Reductions			Unpaid Balance at June 30, 2018	Interest to Maturity	Debt Service Requirements
	Refunded Debt	Principal Payments	Total Reductions			
\$ -	\$ -	\$ 23,475,000	\$ 23,475,000	\$ 24,650,000	\$ 1,232,500	\$ 25,882,500
-	-	1,920,000	1,920,000	6,230,000	505,000	6,735,000
-	85,335,000	-	85,335,000	-	-	-
-	-	12,480,000	12,480,000	106,670,000	22,373,500	129,043,500
148,520,000	-	12,295,000	12,295,000	136,225,000	38,366,000	174,591,000
151,790,000	-	14,040,000	14,040,000	137,750,000	28,853,500	166,603,500
300,310,000	85,335,000	64,210,000	149,545,000	411,525,000	91,330,500	502,855,500
-	-	16,830,000	16,830,000	36,295,000	1,837,375	38,132,375
-	-	13,965,000	13,965,000	46,235,000	3,542,875	49,777,875
-	-	10,215,000	10,215,000	32,635,000	2,202,500	34,837,500
-	-	14,725,000	14,725,000	-	-	-
-	-	5,475,000	5,475,000	14,270,000	778,175	15,048,175
-	-	15,835,000	15,835,000	16,625,000	415,625	17,040,625
-	-	6,205,000	6,205,000	36,120,000	4,695,500	40,815,500
-	-	14,735,000	14,735,000	15,470,000	386,750	15,856,750
-	-	11,390,000	11,390,000	28,665,000	1,500,625	30,165,625
-	-	5,000,000	5,000,000	121,195,000	26,176,125	147,371,125
-	-	5,300,000	5,300,000	61,045,000	12,876,125	73,921,125
-	-	-	-	260,145,000	54,392,000	314,537,000
-	-	4,800,000	4,800,000	37,125,000	1,214,150	38,339,150
-	-	-	-	26,725,000	9,832,125	36,557,125
-	-	-	-	19,090,000	1,032,898	20,122,898
69,470,000	-	-	-	69,470,000	20,158,000	89,628,000
122,560,000	-	-	-	122,560,000	36,630,567	159,190,567
192,030,000	-	124,475,000	124,475,000	943,670,000	177,671,415	1,121,341,415
<u>\$ 492,340,000</u>	<u>\$ 85,335,000</u>	<u>\$ 188,685,000</u>	<u>\$ 274,020,000</u>	<u>\$ 1,355,195,000</u>	<u>\$ 269,001,915</u>	<u>\$ 1,624,196,915</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 5 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS – CONTINUED –
SCHEDULE OF DEBT SERVICE MATURITIES**

Year Ended June 30, 2018

Issue	SHARE Fund	2019	2020
General Obligation Bonds:			
Series 2009 Debt Service	10630	\$ 25,882,500	\$ -
Series 2011 Debt Service	11630	2,244,200	2,244,400
Series 2015 Debt Service	35170	18,433,500	18,433,500
Series 2017A Debt Service	50440	16,691,250	17,197,250
Series 2017B Debt Service	68150	<u>17,862,500</u>	<u>17,863,750</u>
Total General Obligation Bonds		81,113,950	55,738,900
Severance Tax Bonds:			
Series 2009A Refunding	10750	19,067,375	19,065,000
Series 2010A	10950	16,610,125	16,593,500
Series 2010B Supplemental	10960	11,781,175	11,586,425
Series 2011A-1 Refunding	30830	3,955,600	3,705,325
Series 2011A-2 Refunding	30820	17,040,625	-
Series 2012A	11480	8,163,000	8,163,625
Series 2013A	11770	15,856,750	-
Series 2014A	12160	14,093,625	16,072,000
Series 2015A	50180	16,765,250	18,648,875
Series 2015B	50170	9,360,500	9,826,750
Series 2016A & 2016B Refunding	43230	11,193,300	23,173,800
Series 2016C	50450	10,444,500	14,604,500
Series 2016D	43160	1,336,250	1,336,250
Series 2016E	43290	2,779,579	2,835,797
Series 2017A	50370	4,960,375	6,960,875
Series 2018A	20660	<u>3,115,067</u>	<u>15,809,750</u>
Total Severance Tax Bonds		<u>166,523,096</u>	<u>168,382,472</u>
TOTAL DEBT SERVICE REQUIREMENTS		<u><u>\$ 247,637,046</u></u>	<u><u>\$ 224,121,372</u></u>

2021	2022	2023	Thereafter	Total
\$ -	\$ -	\$ -	\$ -	\$ 25,882,500
2,246,400	-	-	-	6,735,000
18,435,750	18,433,500	18,435,250	36,872,000	129,043,500
17,893,250	18,592,250	19,311,000	84,906,000	174,591,000
32,307,500	32,300,250	32,307,000	33,962,500	166,603,500
70,882,900	69,326,000	70,053,250	155,740,500	502,855,500
-	-	-	-	38,132,375
16,574,250	-	-	-	49,777,875
11,469,900	-	-	-	34,837,500
3,697,725	3,689,525	-	-	15,048,175
-	-	-	-	17,040,625
8,162,125	8,162,625	8,164,125	-	40,815,500
-	-	-	-	15,856,750
-	-	-	-	30,165,625
18,657,625	18,655,750	18,656,625	55,987,000	147,371,125
9,121,500	9,121,125	9,122,500	27,368,750	73,921,125
46,023,500	55,923,825	55,389,400	122,833,175	314,537,000
11,578,200	1,711,950	-	-	38,339,150
1,336,250	1,336,250	6,123,500	25,088,625	36,557,125
7,339,273	7,168,249	-	-	20,122,898
8,962,125	10,963,500	10,463,250	47,317,875	89,628,000
13,806,875	15,805,625	15,808,375	94,844,875	159,190,567
156,729,348	132,538,424	123,727,775	373,440,300	1,121,341,415
<u>\$ 227,612,248</u>	<u>\$ 201,864,424</u>	<u>\$ 193,781,025</u>	<u>\$ 529,180,800</u>	<u>\$ 1,624,196,915</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 5 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS – CONTINUED -
ADDITIONAL INFORMATION**

June 30, 2018

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, 2018, including interest payments, are as follows (see details on Schedule 6):

Years Ending June 30:	<u>Amount</u>
2019	\$ 81,113,950
2020	55,738,900
2021	70,882,900
2022	69,326,000
2023	70,053,250
Thereafter	<u>155,740,500</u>
Total	<u>\$ 502,855,500</u>

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, 2018, including interest payments, are as follows (see details on Schedule 6):

Years Ending June 30:	<u>Amount</u>
2019	\$ 166,523,096
2020	168,382,472
2021	156,729,348
2022	132,538,424
2023	123,727,775
Thereafter	<u>373,440,300</u>
Total	<u>\$ 1,121,341,415</u>

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS

June 30, 2018

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
GENERAL FUND INVESTMENT POOL:					
Repurchase agreements	Various	Various	\$ 1,162,747,475	\$ 1,162,747,475	\$ -
Cash in banks	Various	Various	118,328,762	118,328,762	-
Certificates of deposit	Various	Various	13,500,000	13,500,000	-
Miscellaneous cash	Various	Various	214,495,037	214,495,037	-
Fiscal agent bank account	0.000%	N/A	91,750,447	91,750,447	-
Mutual funds (LGIP pool participant)	Various	Various	772,528	772,528	-
Municipal bonds:					
NEW MEXICO FINANCE AUTHORITY BOND 01/JUN/2018	2.766%	06/15/2020	300,000	300,072	72
NEW MEXICO FIN AUTH REV REVOLVING FD REV BDS	5.000%	06/15/2020	689,403	677,788	(11,615)
NEW MEXICO FIN AUTH REV SUB LIEN PUB PROJ	2.135%	06/15/2020	390,000	385,597	(4,403)
SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO	1.000%	08/01/2018	225,000	224,856	(144)
SANDOVAL CNTY N MEX GROSS RCPTS TAX REV RFDG	3.000%	06/01/2019	269,658	268,389	(1,269)
Total municipal bonds			1,874,061	1,856,702	(17,359)
Corporate bonds:					
APPLE INC CALLABLE NOTES FIXED 1.55% 08/FEB/2019	1.550%	02/08/2019	2,499,418	2,486,900	(12,518)
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	1.800%	05/11/2020	2,498,401	2,455,766	(42,635)
APPLE INC CALLABLE NOTES FIXED 1.5% 12/SEP/2019	1.500%	09/12/2019	9,994,815	9,865,334	(129,481)
COCA-COLA CO/THE CALLABLE NOTES FIXED 1.65%	1.650%	11/01/2018	5,003,520	4,981,300	(22,220)
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	1.850%	02/06/2020	2,499,095	2,468,050	(31,045)
PEPSICO INC CALLABLE NOTES FIXED 1.55% 02/MAY/2019	1.550%	05/02/2019	4,998,416	4,961,179	(37,237)
PEPSICO INC NOTES VARIABLE 15/OCT/2018 USD 1000	2.348%	10/15/2018	10,000,088	10,000,900	812
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	2.125%	10/28/2019	5,951,684	5,944,920	(6,764)
US BANK NA/CINCINNATI OH CALLABLE NOTES FIXED 2%	2.000%	01/24/2020	4,994,420	4,926,700	(67,720)
WALMART INC NOTES VARIABLE 23/JUN/2021 USD 1000	2.567%	06/23/2021	3,000,000	3,004,260	4,260
WELLS FARGO BANK NA MEDIUM TERM NOTE VARIABLE	2.578%	01/15/2020	7,000,000	7,017,728	17,728
Total corporate bonds			58,439,857	58,113,037	(326,820)
Discounted notes:					
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/06/2018	19,994,321	19,995,840	1,519
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/18/2018	39,963,523	39,966,760	3,237
TENNESSEE VALLEY AUTHORITY DISCOUNT NOTES ZERO CPN	0.000%	07/10/2018	8,995,511	8,996,256	745
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	03/05/2019	14,787,720	14,776,545	(11,175)
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	04/25/2019	24,534,889	24,544,175	9,286
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	10/24/2018	19,873,576	19,874,600	1,024
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	11/30/2018	1,283,811	1,283,973	162
Total discounted notes			129,433,351	129,438,149	4,798

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2018

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Commerical paper:					
PRIVATE EXP. FUNDING CORPORATE COMMERCIAL PAPER	0.000%	10/29/2018	\$ 25,612,300	\$ 25,593,220	\$ (19,080)
TOYOTA MOTOR CREDIT CORPORATE COMMERCIAL PAPER	0.000%	09/14/2018	24,885,239	24,884,393	(846)
PRIVATE EXP. FUNDING CORPORATE COMMERCIAL PAPER	0.000%	03/01/2019	19,681,953	19,653,869	(28,084)
TOYOTA MOTOR CREDIT CORPORATE COMMERCIAL PAPER	0.000%	03/07/2019	19,659,561	19,656,827	(2,734)
Total commerical paper			89,839,053	89,788,309	(50,744)
Bankers acceptance notes:					
US BANK NA/MINNEAPOLIS MN BANKERS ACCEPTANCE ZERO	0.000%	10/19/2018	5,361,991	5,354,115	(7,876)
US BANK N.A. BANKERS' ACCEPTANCE FIXED 2.58% DTD	2.580%	12/17/2018	9,887,289	9,876,667	(10,622)
US BANK N.A. BANKERS' ACCEPTANCE DISCOUNT DTD	0.000%	07/26/2018	8,587,244	8,561,243	(26,001)
US BANK NA/MINNEAPOLIS MN BANKERS ACCEPTANCE ZERO	0.000%	09/10/2018	1,294,508	1,294,127	(381)
US BANK N.A. BANKERS' ACCEPTANCE DISCOUNT DTD	0.000%	10/01/2018	6,659,051	6,626,028	(33,023)
US BANK NA/MINNEAPOLIS MN BANKERS ACCEPTANCE ZERO	0.000%	10/04/2018	9,936,644	9,888,467	(48,177)
US BANK N.A. BANKERS' ACCEPTANCE DISCOUNT DTD	0.000%	11/09/2018	2,081,945	2,078,799	(3,146)
US BANK N.A. BANKERS ACCEPTANCE ZERO CPN DTD	0.000%	11/15/2018	4,134,881	4,127,025	(7,856)
Total bankers acceptance notes			47,943,553	47,806,471	(137,082)
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA BILL ZERO CPN 05/JUL/2018	0.000%	07/05/2018	24,994,162	24,996,500	2,338
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	06/15/2021	19,977,966	20,002,400	24,434
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	11/30/2020	20,102,131	19,726,600	(375,531)
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	01/31/2019	19,934,616	19,916,400	(18,216)
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	03/31/2019	34,969,051	34,830,600	(138,451)
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	10/31/2019	24,480,350	24,195,710	(284,640)
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	04/30/2020	13,469,243	13,223,655	(245,588)
UNITED STATES OF AMERICA NOTES FIXED 1.875%	1.875%	08/31/2022	20,097,285	19,347,600	(749,685)
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	09/30/2022	19,788,437	19,236,800	(551,637)
UNITED STATES OF AMERICA NOTES FIXED 1.875%	1.875%	10/31/2022	9,946,352	9,659,400	(286,952)
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	11/30/2022	19,883,596	19,411,000	(472,596)
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	12/31/2020	20,179,305	19,594,600	(584,705)
UNITED STATES OF AMERICA NOTES FIXED 1%	1.000%	03/15/2019	15,860,553	15,860,640	87
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	11/30/2018	19,997,631	19,940,600	(57,031)
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	12/31/2018	24,933,213	24,902,250	(30,963)
UNITED STATES OF AMERICA NOTES FIXED 1.125%	1.125%	09/30/2021	9,811,178	9,528,125	(283,053)
UNITED STATES OF AMERICA NOTES FIXED .75%	0.750%	10/31/2018	19,922,477	19,917,200	(5,277)
UNITED STATES OF AMERICA NOTES FIXED .875%	0.875%	07/31/2019	15,891,735	15,742,560	(149,175)
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	12/31/2021	10,091,263	9,778,100	(313,163)
UNITED STATES OF AMERICA NOTES FIXED 1.125%	1.125%	03/31/2020	33,597,752	32,948,438	(649,314)
UNITED STATES OF AMERICA NOTES FIXED 2.125%	2.125%	08/31/2020	4,056,003	3,963,440	(92,563)
UNITED STATES OF AMERICA NOTES FIXED 1.125%	1.125%	02/28/2019	26,847,338	26,800,740	(46,598)
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	10/31/2020	41,267,542	40,232,890	(1,034,652)
UNITED STATES OF AMERICA NOTES FIXED 2.125%	2.125%	06/30/2022	20,202,823	19,568,000	(634,823)
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	07/31/2020	20,030,480	19,623,400	(407,080)
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	07/31/2022	20,095,218	19,457,800	(637,418)
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	05/31/2022	19,995,618	19,299,200	(696,418)
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	06/30/2020	19,985,275	19,987,600	2,325
UNITED STATES OF AMERICA NOTES FIXED 1.25%	1.250%	10/31/2018	9,973,844	9,974,200	356
Total treasury securities			580,382,437	571,666,448	(8,715,989)

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2018

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Farm Credit Banks (FFCB):					
FEDERAL FARM CREDIT BANKS BOND FIXED 1.8%	1.800%	11/12/2019	\$ 8,000,403	\$ 7,925,920	\$ (74,483)
FEDERAL FARM CREDIT BANKS CALLABLE BOND FIXED	2.980%	03/13/2023	13,000,000	12,903,800	(96,200)
FEDERAL FARM CREDIT BANKS BOND FIXED 2.54%	2.540%	04/05/2021	11,709,566	11,677,218	(32,348)
Total Federal Farm Credit Banks			32,709,969	32,506,938	(203,031)
Federal Home Loan Banks (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED 1.75%	1.750%	12/14/2018	1,497,288	1,496,940	(348)
FEDERAL HOME LOAN MORTGAGE CORP DISCOUNT NOTES	0.000%	09/15/2018	6,053,644	6,053,651	7
FEDERAL HOME LOAN BANKS BOND FIXED 1.375%	1.375%	02/18/2021	33,881,305	32,913,360	(967,945)
FEDERAL HOME LOAN BANKS BOND FIXED 1.125%	1.125%	07/14/2021	4,984,854	4,784,600	(200,254)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.625%	1.625%	01/18/2019	15,008,384	14,949,000	(59,384)
FEDERAL HOME LOAN BANKS BOND FIXED 1.375%	1.375%	05/28/2019	19,820,894	19,823,000	2,106
FEDERAL HOME LOAN BANKS BOND FIXED 1.375%	1.375%	09/28/2020	6,983,409	6,805,750	(177,659)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.1%	1.100%	12/27/2018	500,000	497,400	(2,600)
Total Federal Home Loan Banks			88,729,778	87,323,701	(1,406,077)
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.300%	09/18/2018	998,392	998,410	18
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.250%	06/30/2021	4,998,485	4,935,650	(62,835)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.700%	11/27/2019	1,435,052	1,432,484	(2,568)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.750%	06/29/2021	2,617,459	2,575,460	(41,999)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	3.250%	06/28/2023	6,998,000	6,992,157	(5,843)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 3.75%	3.750%	03/27/2019	20,290,926	20,216,200	(74,726)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 2.5%	2.500%	04/23/2020	2,999,404	2,994,750	(4,654)
Total Federal Home Loan Mortgage Corporation			40,337,718	40,145,111	(192,607)
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	63,559,954	63,030,438	(529,516)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.875%	08/02/2019	4,996,925	4,916,900	(80,025)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.375%	10/07/2021	4,994,444	4,792,750	(201,694)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.500%	07/30/2020	19,957,599	19,545,600	(411,999)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.500%	04/13/2021	19,972,269	19,894,200	(78,069)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.750%	06/22/2021	19,995,424	20,017,760	22,336
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.875%	09/18/2018	20,018,679	19,996,200	(22,479)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.625%	11/27/2018	14,992,640	14,970,450	(22,190)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.875%	02/19/2019	20,024,796	19,955,400	(69,396)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	11/26/2019	14,010,322	13,861,960	(148,362)
Total Federal National Mortgage Corporation			202,523,052	200,981,658	(1,541,394)
Federal Agricultural Mortgage Corp. (FAGM)					
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.900%	09/18/2019	12,996,890	12,913,680	(83,210)
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.900%	09/01/2022	9,997,900	9,643,600	(354,300)
FEDERAL AGRICULTURAL MORTGAGE CORP NOTES VARIABLE	2.021%	05/24/2019	20,000,000	19,994,680	(5,320)
Total Federal Agricultural Mortgage Corporation			42,994,790	42,551,960	(442,830)

State of New Mexico
Office of the State Treasurer

SCHEDULE 6- SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2018

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Miscellaneous government securities					
FINANCING CORP DISCOUNT NOTES ZERO CPN 27/DEC/2018	0.000%	12/27/2018	\$ 21,782,758	\$ 21,747,440	\$ (35,318)
Total miscellaneous government securities			21,782,758	21,747,440	(35,318)
Total U.S. government securities			1,009,460,502	996,923,256	(12,537,246)
Total General Fund Investment Pool (State Funds Investment Pool)			<u>\$ 2,938,584,626</u>	<u>\$ 2,925,520,173</u>	<u>\$ (13,064,453)</u>

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
----------------------	---------------	---------------	------------	--------------	------------------------

LOCAL GOVERNMENT INVESTMENT POOL:

Repurchase agreements	Various	Various	\$ 115,000,000	\$ 115,000,000	\$ -
Bank accounts:					
BANK OF THE WEST	Variable	N/A	4,013,854	4,013,854	-
WELLS FARGO CHECKING	0.15%	N/A	30,577,686	30,577,686	-
Total bank accounts			34,591,540	34,591,540	-

Discounted notes:

FEDERAL FARM CREDIT DISCOUNT NOTES DISCOUNT NOTES	0.000%	07/30/2018	5,993,800	5,991,276	(2,524)
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	08/24/2018	9,970,896	9,971,730	834
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	11/13/2018	6,500,000	6,450,886	(49,114)
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/02/2018	15,000,000	15,000,000	-
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/16/2018	9,991,910	9,992,730	820
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/18/2018	9,990,881	9,991,690	809
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/20/2018	14,985,015	14,985,975	960
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/26/2018	9,991,121	9,987,530	(3,591)
FEDERAL HOME LOAN MORTGAGE CORP DISCOUNT NOTES	0.000%	07/26/2018	9,987,072	9,987,530	458
TENNESSEE VALLEY AUTHORITY DISCOUNT NOTES ZERO CPN	0.000%	07/03/2018	39,993,827	39,997,920	4,093
TENNESSEE VALLEY AUTHORITY DISCOUNT NOTES ZERO CPN	0.000%	07/10/2018	14,992,125	14,993,760	1,635
Total discounted notes			147,396,647	147,351,027	(45,620)

U.S. government securities:

Treasury securities:

UNITED STATES OF AMERICA BILL ZERO CPN 06/SEP/2018	0.000%	9/6/2018	24,910,769	24,914,000	3,231
UNITED STATES OF AMERICA BILL ZERO CPN 18/OCT/2018	0.000%	10/18/2018	9,940,233	9,941,900	1,667
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	02/15/2019	20,065,462	20,061,800	(3,662)
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	08/31/2018	14,988,521	14,989,800	1,279
UNITED STATES OF AMERICA NOTES FIXED .75%	0.750%	10/31/2018	9,960,580	9,958,600	(1,980)
Total treasury securities			79,865,565	79,866,100	535

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2018

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.125%	07/20/2018	\$ 999,602	\$ 999,610	\$ 8
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.125%	10/19/2018	1,262,649	1,261,433	(1,216)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.000%	02/26/2019	9,928,358	9,917,000	(11,358)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.875%	02/19/2019	12,969,373	12,971,010	1,637
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.350%	07/11/2018	499,924	499,935	11
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.250%	12/14/2018	1,992,385	1,991,960	(425)
Total Federal National Mortgage Association			27,652,291	27,640,948	(11,343)
Federal Farm Credit Bank (FFCB):					
FEDERAL FARM CREDIT BANK CALLABLE BOND FIXED 1.19%	1.190%	12/04/2018	1,693,500	1,692,877	(623)
FEDERAL FARM CREDIT BANKS CALLABLE BOND FIXED 1.1%	1.100%	11/06/2018	4,988,491	4,984,100	(4,391)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.966%	11/09/2018	7,249,860	7,250,798	938
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.109%	11/14/2018	27,022,376	27,018,900	(3,476)
FEDERAL FARM CREDIT BANKS CALLABLE BOND FIXED .97%	0.970%	11/01/2018	1,994,411	1,992,580	(1,831)
FEDERAL FARM CREDIT BANKS BOND FIXED .75%	0.750%	07/18/2018	4,997,499	4,997,500	1
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.935%	12/26/2019	9,999,254	9,973,500	(25,754)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.980%	03/27/2019	9,999,256	10,000,400	1,144
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.059%	04/12/2019	10,006,291	10,011,300	5,009
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.989%	03/25/2019	9,999,630	10,003,100	3,470
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.959%	12/05/2018	9,999,781	10,003,900	4,119
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.920%	03/12/2019	5,000,701	4,995,750	(4,951)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.895%	04/10/2019	9,999,599	9,993,800	(5,799)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.885%	04/25/2019	4,999,794	4,997,350	(2,444)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.895%	09/20/2019	4,998,768	4,997,550	(1,218)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.010%	02/28/2020	4,999,580	4,989,900	(9,680)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.100%	03/26/2020	5,000,000	4,996,400	(3,600)
Total Federal Farm Credit Bank			132,948,791	132,899,705	(49,086)
Federal Home Loan Bank (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED 1.2%	1.200%	08/14/2018	999,078	999,090	12
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.05%	1.050%	09/07/2018	14,972,237	14,967,900	(4,337)
FEDERAL HOME LOAN BANKS BOND FIXED .625%	0.625%	08/07/2018	2,821,451	2,821,271	(180)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED .84%	0.840%	07/12/2018	4,998,922	4,998,400	(522)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1%	1.000%	08/28/2018	998,477	998,380	(97)
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	10/01/2018	24,932,658	24,928,500	(4,158)
FEDERAL HOME LOAN BANKS BOND VARIABLE 09/JUL/2018	2.111%	07/09/2018	10,000,301	10,000,200	(101)
FEDERAL HOME LOAN BANKS BOND VARIABLE 22/JAN/2019	1.994%	01/22/2019	1,000,197	1,000,100	(97)
FEDERAL HOME LOAN BANKS BOND VARIABLE 20/AUG/2018	1.954%	08/20/2018	14,999,854	14,999,700	(154)
FEDERAL HOME LOAN BANKS BOND VARIABLE 16/APR/2019	1.998%	04/16/2019	15,000,000	14,992,050	(7,950)
FEDERAL HOME LOAN BANKS BOND FIXED 1.75%	1.750%	12/14/2018	9,985,969	9,979,600	(6,369)
FEDERAL HOME LOAN BANKS BOND FIXED 1.875%	1.875%	03/08/2019	998,472	997,350	(1,122)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.24%	1.240%	02/06/2019	3,416,595	3,414,871	(1,724)
FEDERAL HOME LOAN BANKS BOND FIXED 5.375%	5.375%	08/15/2018	1,220,956	1,219,836	(1,120)
FEDERAL HOME LOAN BANKS BOND FIXED 3.75%	3.750%	12/14/2018	1,007,308	1,007,050	(258)
Total Federal Home Loan Bank			107,352,475	107,324,298	(28,177)

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2018

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP DISCOUNT NOTES	0.000%	03/15/2019	\$ 4,017,624	\$ 4,013,058	\$ (4,566)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	0.950%	01/30/2019	3,722,363	3,721,875	(488)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED .85%	0.850%	07/27/2018	24,983,411	24,980,750	(2,661)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.050%	07/27/2018	4,699,035	4,697,274	(1,761)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 5%	5.000%	08/01/2018	10,526,976	10,525,095	(1,881)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.072%	08/10/2018	5,000,000	5,000,600	600
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.000%	08/15/2018	3,750,113	3,747,573	(2,540)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.100%	09/13/2018	1,498,740	1,497,195	(1,545)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.040%	08/23/2018	4,995,715	4,993,500	(2,215)
Total Federal Home Loan Mortgage Corporation			63,193,977	63,176,920	(17,057)
Miscellaneous government securities:					
FEDERAL HOME LOAN MORTGAGE CORP MEDIUM TERM NOTE	0.875%	10/12/2018	23,474,184	23,470,888	(3,296)
TENNESSEE VALLEY AUTHORITY BOND FIXED 1.75%	1.750%	10/15/2018	6,173,550	6,168,208	(5,342)
Total miscellaneous government securities			29,647,734	29,639,096	(8,638)
Total U.S. governmental securities			440,660,833	440,547,067	(113,766)
Total Local Government Investment Pool (Short-term Investment Pool)			<u>\$ 737,649,020</u>	<u>\$ 737,489,634</u>	<u>\$ (159,386)</u>

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
BOND PROCEEDS INVESTMENT POOL #2 (TAXABLE):					
Repurchase agreements	Various	Various	\$ 86,537,636	\$ 86,537,636	\$ -
Certificates of deposit	Various	Various	11,700,000	11,700,000	-
Mutual funds (LGIP pool participant)	Various	Various	5,014,315	5,014,315	-
Municipal Bonds:					
ALBUQUERQUE N MEX ARPT REV REV IMPT BDS 2004 A SUB	5.110%	07/01/2018	290,000	290,000	-
BELEN N MEX GO BDS 2016 20/JUL/2016 01/AUG/2018 2%	2.000%	08/01/2018	285,255	285,143	(112)
BELEN N MEX CONS SCH DIST NO 2 DIST NO 2 TO	2.000%	08/01/2019	318,221	315,466	(2,755)
BELEN N MEX CONS SCH DIST NO 2 DIST NO 2 TO	2.000%	08/01/2019	540,470	535,792	(4,678)
LOS LUNAS N MEX SCH DIST NO 1 GO SCH BLDG BDS 2015	2.000%	07/15/2018	275,104	275,041	(63)
NEW MEXICO FIN AUTH REV SUB LIEN PUB PROJ	1.883%	06/15/2019	1,045,000	1,037,852	(7,148)
NEW MEXICO ST SEVERANCE TAX TAXABLE SEVERANCE TAX	2.000%	07/01/2018	1,950,000	1,950,000	-
Total municipal bonds			4,704,050	4,689,294	(14,756)

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2018

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Corporate bonds:					
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	1.800%	05/11/2020	\$ 2,498,401	\$ 2,455,766	\$ (42,635)
MICROSOFT CORP CALLABLE NOTES FIXED 2% 03/NOV/2020	2.000%	11/03/2020	9,304,912	9,126,765	(178,147)
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	1.850%	02/06/2020	2,352,213	2,349,584	(2,629)
PEPSICO INC CALLABLE NOTES FIXED 1.55% 02/MAY/2019	1.550%	05/02/2019	2,499,208	2,480,590	(18,618)
PROCTER & GAMBLE CO/THE CALLABLE NOTES FIXED 1.75%	1.750%	10/25/2019	1,999,536	1,977,860	(21,676)
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	1.950%	04/17/2020	2,499,304	2,457,000	(42,304)
Total corporate bonds:			21,153,574	20,847,565	(306,009)
Commercial paper:					
PRIVATE EXP. FUNDING CORPORATE COMMERCIAL PAPER	0.000%	10/29/2018	4,963,326	4,959,926	(3,400)
TOYOTA MOTOR CREDIT CORPORATE COMMERCIAL PAPER	0.000%	10/25/2019	9,966,622	9,965,000	(1,622)
Total commercial paper:			14,929,948	14,924,926	(5,022)
Banker acceptance notes:					
US BANK N.A. BANKERS' ACCEPTANCE DISCOUNT DTD	0.000%	08/22/2018	1,196,406	1,196,067	(339)
US BANK N.A. BANKERS ACCEPTANCE FIXED 2.58% DTD	2.580%	12/17/2018	4,943,638	4,938,333	(5,305)
Total banker acceptance notes:			6,140,044	6,134,400	(5,644)
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	06/15/2021	9,988,983	10,001,200	12,217
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	11/30/2020	19,740,697	19,726,600	(14,097)
UNITED STATES OF AMERICA NOTES FIXED .75%	0.750%	09/30/2018	4,995,834	4,984,800	(11,034)
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	03/15/2020	4,926,761	4,925,800	(961)
UNITED STATES OF AMERICA NOTES FIXED 1.25%	1.250%	10/31/2018	15,015,142	14,961,300	(53,842)
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	06/30/2020	24,982,560	24,984,500	1,940
Total treasury securities			79,649,977	79,584,200	(65,777)
Federal Farm Credit Banks (FFCB):					
FEDERAL FARM CREDIT BANKS BOND FIXED .96%	0.960%	10/05/2018	10,002,975	9,971,000	(31,975)
FEDERAL FARM CREDIT BANKS BOND FIXED .875%	0.875%	09/20/2018	4,999,383	4,987,700	(11,683)
Total Federal Farm Credit Banks			15,002,358	14,958,700	(43,658)
Federal Home Loan Banks (FHLB):					
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.65%	1.650%	09/24/2019	2,004,701	1,981,060	(23,641)
FEDERAL HOME LOAN BANKS BOND FIXED .82%	0.820%	07/06/2018	4,999,956	4,999,350	(606)
FEDERAL HOME LOAN BANKS BOND FIXED .83%	0.830%	07/25/2018	7,499,830	7,494,450	(5,380)
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	08/05/2019	7,494,698	7,373,850	(120,848)
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	10/01/2018	4,999,589	4,985,700	(13,889)
FEDERAL HOME LOAN BANKS BOND FIXED 2.125%	2.125%	02/11/2020	9,938,223	9,937,413	(810)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 3.375%	3.375%	06/26/2020	5,016,410	5,014,990	(1,420)
FEDERAL HOME LOAN BANKS BOND FIXED 2% 14/SEP/2018	2.000%	09/14/2018	25,051,801	24,995,000	(56,801)
FEDERAL HOME LOAN BANKS BOND FIXED 1.75%	1.750%	12/14/2018	5,012,221	4,989,800	(22,421)
Total Federal Home Loan Banks			72,017,429	71,771,613	(245,816)

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2018

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.250%	06/30/2021	\$ 3,663,890	\$ 3,617,831	\$ (46,059)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.650%	07/10/2020	5,080,000	4,976,216	(103,784)
FEDERAL HOME LOAN MORTGAGE CORP MEDIUM TERM NOTE	0.875%	10/12/2018	4,999,706	4,984,050	(15,656)
Total Federal Home Loan Mortgage Corporation			13,743,596	13,578,097	(165,499)
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	14,747,703	14,522,250	(225,453)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.125%	07/20/2018	14,999,373	14,994,150	(5,223)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.000%	10/24/2019	4,994,071	4,904,800	(89,271)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.750%	06/22/2021	9,997,706	10,008,880	11,174
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	09/12/2019	20,021,796	19,838,200	(183,596)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	11/26/2019	20,006,462	19,802,800	(203,662)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	2.000%	02/07/2020	5,283,718	5,154,396	(129,322)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.375%	02/27/2019	2,002,003	1,987,820	(14,183)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.200%	12/30/2019	5,000,000	4,911,000	(89,000)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	0.850%	07/26/2018	3,800,000	3,797,340	(2,660)
Total Federal National Mortgage Corporation			100,852,832	99,921,636	(931,196)
Miscellaneous government securities					
TENNESSEE VALLEY AUTHORITY BOND FIXED 1.75%	1.750%	10/15/2018	3,003,595	2,996,700	(6,895)
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.933%	10/29/2018	12,500,000	12,497,976	(2,024)
Total miscellaneous government securities			15,503,595	15,494,676	(8,919)
Total U.S. government securities			296,769,787	295,308,922	(1,460,865)
Total Bond Proceeds Investment Pool #2 (Taxable) (Part 1 of the Consolidated Investment Pool)			<u>\$ 446,949,354</u>	<u>\$ 445,157,058</u>	<u>\$ (1,792,296)</u>

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
BOND PROCEEDS INVESTMENT POOL #1 (TAX EXEMPT):					
Certificates of deposit	Various	Various	\$ 1,500,000	\$ 1,500,000	\$ -
Repurchase agreements	Various	Various	233,714,889	233,714,889	-
Mutual funds (LGIP pool participant)	Various	Various	3,972,250	3,972,250	-

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2018

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Municipal bonds:					
ALBUQUERQUE N MEX GROSS RCPTS LODGERS TAX REV IMPT	3.000%	07/01/2018	185,000	185,000	-
HOBBS N MEX MUN SCH DIST NO 16 GO REF BDS 2016	1.000%	09/15/2018	60,006	59,920	(86)
JAL N MEX PUB SCH DIST NO 19 GO SCH BUILDING BDS	2.000%	10/01/2018	787,261	785,675	(1,586)
NEW MEXICO FINANCE AUTHORITY BOND 01/JUN/2018	2.496%	06/15/2019	235,000	234,932	(68)
Total municipal bonds			1,267,267	1,265,527	(1,740)
Corporate bonds:					
APPLE INC CALLABLE NOTES FIXED 1.55% 07/FEB/2020	1.550%	02/07/2020	313,824	313,032	(792)
APPLE INC CALLABLE NOTES FIXED 1.5% 12/SEP/2019	1.500%	09/12/2019	9,994,815	9,865,334	(129,481)
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	1.850%	02/06/2020	2,499,095	2,468,050	(31,045)
PEPSICO INC CALLABLE NOTES FIXED 1.55% 02/MAY/2019	1.550%	05/02/2019	2,499,208	2,480,590	(18,618)
PRIVATE EXPORT FUNDING CORP BOND FIXED 1.875%	1.875%	07/15/2018	5,001,762	4,999,950	(1,812)
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	1.950%	04/17/2020	2,499,304	2,457,000	(42,304)
WALMART INC CALLABLE NOTES FIXED 1.75% 09/OCT/2019	1.750%	10/09/2019	1,999,974	1,976,784	(23,190)
WALMART INC NOTES VARIABLE 23/JUN/2021 USD 1000	2.567%	06/23/2021	4,000,000	4,005,680	5,680
Total corporate bonds:			28,807,982	28,566,420	(241,562)
Discounted notes:					
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	01/31/2019	4,939,284	4,937,875	(1,409)
FEDL HOME LOAN BK CONS DISC NT MATURES 01/MAR/2019	0.000%	03/01/2019	5,000,000	5,000,000	-
Total discounted notes			9,939,284	9,937,875	(1,409)
Commercial paper:					
PRIVATE EXP. FUNDING CORPORATE COMMERCIAL PAPER	0.000%	10/29/2018	4,963,326	4,959,926	(3,400)
TOYOTA MOTOR CREDIT CORPORATE COMMERCIAL PAPER	0.000%	10/25/2019	14,949,933	14,947,500	(2,433)
Total commercial paper:			19,913,259	19,907,426	(5,833)
Banker acceptance notes:					
US BANK NA/MINNEAPOLIS MN BANKERS ACCEPTANCE ZERO	0.000%	09/04/2018	4,978,679	4,946,375	(32,304)
US BANK N.A. BANKERS ACCEPTANCE FIXED 2.58% DTD	2.580%	12/17/2018	10,381,661	10,370,500	(11,161)
Total banker acceptance notes:			15,360,340	15,316,875	(43,465)
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	07/31/2019	20,006,401	19,783,600	(222,801)
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	06/15/2021	4,994,492	5,000,600	6,108
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	01/31/2019	5,011,816	4,979,100	(32,716)
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	02/28/2019	15,018,890	14,926,800	(92,090)
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	08/31/2020	9,969,566	9,751,600	(217,966)
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	12/31/2020	10,040,333	9,797,300	(243,033)
UNITED STATES OF AMERICA NOTES FIXED 1.25%	1.250%	03/31/2021	19,795,487	19,282,800	(512,687)
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	11/30/2018	20,006,208	19,940,600	(65,608)
UNITED STATES OF AMERICA NOTES FIXED 1.25%	1.250%	04/30/2019	19,986,513	19,824,200	(162,313)
UNITED STATES OF AMERICA NOTES FIXED .75%	0.750%	09/30/2018	9,991,668	9,969,600	(22,068)
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	03/15/2020	4,926,761	4,925,800	(961)
UNITED STATES OF AMERICA NOTES FIXED 1.25%	1.250%	10/31/2018	15,015,142	14,961,300	(53,842)
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	06/15/2020	29,997,499	29,410,500	(586,999)
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	06/30/2020	24,981,787	24,984,500	2,713
Total treasury securities			209,742,563	207,538,300	(2,204,263)

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2018

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	\$ 24,516,801	\$ 24,203,750	\$ (313,051)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.000%	02/26/2019	17,869,408	17,850,600	(18,808)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.650%	01/27/2020	4,929,806	4,923,550	(6,256)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.500%	02/28/2020	9,996,422	9,831,000	(165,422)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.750%	06/22/2021	9,997,706	10,008,880	11,174
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.625%	03/27/2020	1,276,468	1,245,253	(31,215)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.350%	07/11/2018	1,300,174	1,299,831	(343)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.320%	10/22/2019	1,997,327	1,970,580	(26,747)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.400%	06/05/2020	1,004,771	977,790	(26,981)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.400%	11/26/2019	1,500,321	1,477,905	(22,416)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.260%	08/02/2019	10,501,246	10,392,596	(108,650)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.250%	03/27/2020	994,698	978,060	(16,638)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.125%	10/11/2019	4,997,273	4,916,350	(80,923)
Total Federal National Mortgage Association			90,882,421	90,076,145	(806,276)
Federal Farm Credit Bank (FFCB):					
FEDERAL FARM CREDIT BANKS BOND FIXED 1.06%	1.060%	07/24/2018	1,000,117	999,510	(607)
FEDERAL FARM CREDIT BANKS BOND FIXED 1.95%	1.950%	09/17/2018	2,004,415	2,000,080	(4,335)
FEDERAL FARM CREDIT BANKS CALLABLE BOND FIXED	1.030%	04/05/2019	1,980,746	1,980,280	(466)
Total Federal Farm Credit Bank			4,985,278	4,979,870	(5,408)
Federal Home Loan Bank (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED .83%	0.830%	07/25/2018	7,499,830	7,494,450	(5,380)
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	08/05/2019	7,494,694	7,373,850	(120,844)
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	10/01/2018	4,999,589	4,985,700	(13,889)
FEDERAL HOME LOAN BANKS BOND FIXED 1% 26/SEP/2019	1.000%	09/26/2019	4,998,218	4,913,450	(84,768)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.75%	1.750%	07/30/2020	5,000,000	4,912,850	(87,150)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 3.375%	3.375%	06/26/2020	5,016,410	5,014,990	(1,420)
FEDERAL HOME LOAN BANKS BOND FIXED 1.5%	1.500%	03/08/2019	10,025,492	9,949,500	(75,992)
FEDERAL HOME LOAN BANKS BOND FIXED 1.875%	1.875%	03/13/2020	10,135,967	9,887,500	(248,467)
Total Federal Home Loan Bank			55,170,200	54,532,290	(637,910)
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.400%	08/22/2019	4,989,436	4,933,800	(55,636)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.200%	09/24/2018	1,250,741	1,247,675	(3,066)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.500%	07/18/2019	2,005,207	1,981,060	(24,147)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.050%	10/30/2018	2,501,416	2,491,100	(10,316)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.000%	08/10/2018	4,999,747	4,995,050	(4,697)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.000%	12/28/2018	5,000,000	4,972,500	(27,500)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.800%	04/13/2020	3,692,100	3,695,888	3,788
FEDERAL HOME LOAN MORTGAGE CORP MEDIUM TERM NOTE	1.500%	01/17/2020	4,999,856	4,921,450	(78,406)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1.375%	1.375%	08/15/2019	24,982,523	24,704,803	(277,720)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 2.5%	2.500%	04/23/2020	4,999,007	4,991,250	(7,757)
Total Federal Home Loan Mortgage Corporation			59,420,033	58,934,576	(485,457)

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2018

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Miscellaneous government securities:					
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.933%	10/29/2018	\$ 12,500,000	\$ 12,497,976	\$ (2,024)
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.900%	09/01/2022	4,998,950	4,821,800	(177,150)
Total miscellaneous government securities			17,498,950	17,319,776	(179,174)
Total U.S. governmental securities			437,699,445	433,380,957	(4,318,488)
Total Bond Proceeds Investment Pool #1 (Tax Exempt) (Part 2 of the Consolidated Investment Pool)			\$ 752,174,716	\$ 747,562,219	\$ (4,612,497)

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2018

Security Description	Book Value	Market Value	Unrealized Gain (Loss)
Local Government Investment Pool (Short-term Investment Pool)	\$ 737,649,020	\$ 737,489,634	\$ (159,386)
General Fund Investment Pool (State Funds Investment Pool)	2,938,584,626	2,925,520,173	(13,064,453)
Bond Proceeds Taxable (Consolidated Investment Pool)	446,949,354	445,157,058	(1,792,296)
Bond Proceeds Tax Exempt (Consolidated Investment Pool)	<u>752,174,716</u>	<u>747,562,219</u>	<u>(4,612,497)</u>
Grand total of all funds	<u>\$ 4,875,357,716</u>	<u>\$ 4,855,729,084</u>	<u>\$ (19,628,632)</u>

Reconciliation to financial statements:

Total investments per schedule of investments	\$ 4,855,729,084
Less: Interfund investments in Local Government Investment Pool,	
General fund investment pool	(772,528)
Bond proceeds taxable*	(3,972,250)
Bond proceeds tax exempt*	<u>(5,014,315)</u>
Total interfund investments	<u>(9,759,093)</u>
Total cash and investments, Statement of Fiduciary Net Position	<u>\$ 4,845,969,991</u>

* Amounts are deducted from respective pools.

State of New Mexico
Office of the State Treasurer

SCHEDULE 7 - COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	Investment Trust Funds			Total
	LGIP Short-term Investment Pool	Consolidated Investment Pool BPIP #1 and #2	General Fund Investment Pool	
ASSETS				
Cash and investments:				
Fiscal agent bank account	\$ -	\$ -	\$ 91,750,447	\$ 91,750,447
Cash in banks	34,591,540	-	118,328,762	152,920,302
Certificates of Deposit	-	13,200,000	13,500,000	26,700,000
Government bonds	405,691,167	728,689,879	971,926,756	2,106,307,802
Municipal bonds	-	5,954,821	1,856,702	7,811,523
Bank acceptances	-	21,451,275	47,806,471	69,257,746
Interfund investments	(9,759,093)	8,986,565	772,528	-
Repurchase agreements	115,000,000	320,252,525	1,162,747,475	1,598,000,000
Miscellaneous cash	-	-	214,495,037	214,495,037
Corporate bonds	-	49,413,985	58,113,037	107,527,022
Commercial paper	-	34,832,352	89,788,309	124,620,661
Treasury bills	34,855,900	-	24,996,500	59,852,400
Discounted notes	147,351,027	9,937,875	129,438,149	286,727,051
Total cash and investments	727,730,541	1,192,719,277	2,925,520,173	4,845,969,991
Due from Broker	-	6,794	2,717	9,511
Accrued Interest Receivable	1,501,709	2,601,480	4,247,186	8,350,375
TOTAL ASSETS	\$ 729,232,250	\$ 1,195,327,551	\$ 2,929,770,076	\$ 4,854,329,877
LIABILITIES				
Due to Broker	\$ -	\$ 49,971,141	\$ 26,041,637	\$ 76,012,778
TOTAL LIABILITIES	-	49,971,141	26,041,637	76,012,778
NET POSITION - HELD IN TRUST	729,232,250	1,145,356,410	2,903,728,439	4,778,317,099
TOTAL LIABILITIES AND NET POSITION	\$ 729,232,250	\$ 1,195,327,551	\$ 2,929,770,076	\$ 4,854,329,877

State of New Mexico
Office of the State Treasurer

SCHEDULE 8 - COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2018

	Investment Trust Fund			Total
	LGIP Short-term Investment Pool	Consolidated Investment Pool BPIP #1 and #2	General Fund Investment Pool	
Additions:				
Investment income	\$ 9,968,004	\$ 7,069,896	\$ 17,036,089	\$ 34,073,989
Deposits	19,901,317,493	801,358,390	47,555,657,619	68,258,333,502
Deductions:				
Expenses - management fees	(259,265)	-	-	(259,265)
Withdrawals	(20,040,100,617)	(789,552,822)	(46,354,246,318)	(67,183,899,757)
Subtotal of change in net position	(129,074,385)	18,875,464	1,218,447,390	1,108,248,469
Net position, held in trust for pool participants, June 30, 2017	858,306,635	1,126,480,946	1,685,281,049	3,670,068,630
Net position, held in trust for pool participants, June 30, 2018	<u>\$ 729,232,250</u>	<u>\$ 1,145,356,410</u>	<u>\$ 2,903,728,439</u>	<u>\$ 4,778,317,099</u>

State of New Mexico
Office of the State Treasurer

SCHEDULE 9 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

June 30, 2018

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (Under)
					Surety Bond Letter of Credit	Securities	
BANKS:							
Alamogordo							
(FHLB)	First National Bank	\$ 107,426	\$ 107,426	\$ -	\$ -	\$ 811,060	\$ 811,060
(FHLB)	Western Bank	3,600,000	250,000	2,512,500	-	4,008,438	1,495,938
Albuquerque							
(WFB)	Bank of America	203,178	203,178	-	-	-	-
(WFB)	Bank of the West	122,698,210	250,000	91,836,158	-	163,908,394	72,072,236
(WFB)	Compass Bank	211,073,292	250,000	105,411,646	197,500,000	-	92,088,354
(FHLB)	U.S. Bank N.A.	1,036,999	250,000	393,500	1,100,000	-	706,500
(WFB)	New Mexico Bank & Trust	241,579	241,579	-	-	256,318	256,318
(USB)	Wells Fargo Bank, N.A.	57,349,291	250,000	28,549,646	-	88,026,266	59,476,620
Artesia							
(FHLB)	First American Bank	2,532,209	250,000	1,141,104	-	1,426,397	285,293
Aztec							
	Citizens Bank	2,482	2,482	-	-	-	-
Belen							
(USB)	My Bank	350,961	250,000	50,481	250,000	-	199,519
Carlsbad							
(FHLB)	Carlsbad National Bank	600	600	-	-	-	-
(FHLB)	Western Commerce Bank	4,082,738	250,000	1,916,369	-	2,251,596	335,227
Clayton							
(FHLB)	Farmers & Stockmens Bank	14,012,601	250,000	6,881,301	7,120,000	-	238,699
(FHLB)	First National Bank of NM	547,513	250,000	148,757	-	1,500,420	1,351,663
Clovis							
(TIB)	Bank of Clovis	755,513	250,000	252,757	-	800,033	547,276
	Citizens Bank	10,517	10,517	-	-	-	-
(FHLB)	Western Bank	2,600,000	250,000	1,175,000	-	1,476,918	301,918
Hobbs							
(TIB)	Lea County State Bank	119,572	119,572	-	-	-	-
Las Vegas							
(FHLB)	Southwest Capital Bank	598,545	250,000	174,273	-	496,268	321,995
(FHLB)	Community First Bank LV	132,936	132,936	-	-	394,368	394,368
Subtotal		422,056,162	4,068,290	240,443,492	205,970,000	265,356,476	230,882,984

State of New Mexico
Office of the State Treasurer

SCHEDULE 9 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY – CONTINUED

June 30, 2018

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (Under)
					Surety Bond Letter of Credit	Securities	
BANKS (Continued)							
Lordsburg (FHLB)	Western Bank	\$ 49,051	\$ 49,051	\$ -	\$ -	\$ 352,263	\$ 352,263
Los Alamos (FHLB)	Los Alamos National Bank	2,244	2,244	-	-	-	-
Raton (BBW)	International State Bank	64,255	64,255	-	-	149,505	149,505
Roswell (FHLB)	Bank of the Southwest	516,793	250,000	133,397	900,000	80,004	846,607
(TIB)	Valley Bank of Commerce	74,328	74,328	-	-	-	-
Santa Fe (FHLB)	Century Bank	500	500	-	-	-	-
Socorro (BA)	First State Bank	72,029	72,029	-	-	-	-
Taos (TIB)	Centinel Bank	30,664	30,664	-	-	-	-
SAVINGS AND LOANS:							
Roswell (FHLB)	Washington Federal	12,277	12,277	-	-	-	-
ANCILLARY RECEIVERSHIP ACCOUNTS:							
Santa Fe (WFB)	Century Bank	1,994,647	250,000	872,324	-	1,149,010	276,686
FISCAL AGENT BANK:							
(USB)	Wells Fargo Bank N.A.	39,607,400	-	19,803,700	-	117,041,864	97,238,164
SUBTOTAL		42,424,188	805,348	20,809,421	900,000	118,772,646	98,863,225
TOTAL		<u>\$ 464,480,350</u>	<u>\$ 4,873,638</u>	<u>\$ 261,252,913</u>	<u>\$ 206,870,000</u>	<u>\$ 384,129,122</u>	<u>\$ 329,746,209</u>

State of New Mexico
Office of the State Treasurer

SCHEDULE 9 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY – CONTINUED

June 30, 2018

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (Under)
					Surety Bond Letter of Credit	Securities	
Reconciliation to Note F:							
Fiscal agent account		\$ 39,607,400	\$ -	\$ 19,803,700	\$ -	\$ 117,041,864	\$ 97,238,164
Certificates of deposit		<u>26,700,000</u>	<u>1,250,000</u>	<u>12,725,000</u>	<u>7,000,000</u>	<u>9,151,213</u>	<u>3,426,213</u>
		66,307,400	1,250,000	32,528,700	7,000,000	126,193,077	100,664,377
Add:							
Agency deposits		396,178,303	3,373,638	227,851,889	199,870,000	256,787,035	228,805,146
Ancillary receivership accounts		<u>1,994,647</u>	<u>250,000</u>	<u>872,324</u>	<u>-</u>	<u>1,149,010</u>	<u>276,686</u>
		<u>398,172,950</u>	<u>3,623,638</u>	<u>228,724,213</u>	<u>199,870,000</u>	<u>257,936,045</u>	<u>229,081,832</u>
		<u>\$ 464,480,350</u>	<u>\$ 4,873,638</u>	<u>\$ 261,252,913</u>	<u>\$ 206,870,000</u>	<u>\$ 384,129,122</u>	<u>\$ 329,746,209</u>

Custodial Banks:

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

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

State of New Mexico
Office of the State Treasurer

SCHEDULE 9 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY – CONTINUED

June 30, 2018

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	\$ 400,000,000	\$ 408,000,000	\$ 416,159,998	GOVT	912828R36	\$ 8,159,998
JP Morgan Chase	New York, NY	133,000,000	135,660,000	138,373,200	GOVT	912828C24	2,713,200
JP Morgan Chase	New York, NY	400,000,000	408,000,000	416,160,000	GOVT	912828S76	8,160,000
JP Morgan Chase	New York, NY	200,000,000	204,000,000	204,127,681	GOVT	912828NT3	127,681
JP Morgan Chase	New York, NY	300,000,000	306,000,000	306,116,782	GOVT	912828XB1	116,782
JP Morgan Chase	New York, NY	50,000,000	51,000,000	51,049,720	GOVT	912828U81	49,720
JP Morgan Chase	New York, NY	50,000,000	51,000,000	51,000,000	GOVT	912828RH5	-
JP Morgan Chase	New York, NY	50,000,000	51,000,000	51,000,000	GOVT	912828LJ7	-
JP Morgan Chase	New York, NY	15,000,000	15,300,000	15,661,735	GOVT	912828U24	361,735
Total		<u>\$ 1,598,000,000</u>	<u>\$ 1,629,960,000</u>	<u>\$ 1,649,649,116</u>			<u>\$ 19,689,116</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 10 – SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES –
GAMING SUSPENSE FUND**

Year Ended June 30, 2018

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2018</u>
ASSETS				
Investment in State General Fund				
Investment Pool	\$ -	\$ 62,500,282	\$ 62,500,282	\$ -
Other receivables	<u>15,420,232</u>	<u>17,799,312</u>	<u>15,420,232</u>	<u>17,799,312</u>
Total assets	<u>\$ 15,420,232</u>	<u>\$ 80,299,594</u>	<u>\$ 77,920,514</u>	<u>\$ 17,799,312</u>
LIABILITIES				
Due to State General Fund	<u>\$ 15,420,232</u>	<u>\$ 17,799,312</u>	<u>\$ 15,420,232</u>	<u>\$ 17,799,312</u>
Total liabilities	<u>\$ 15,420,232</u>	<u>\$ 17,799,312</u>	<u>\$ 15,420,232</u>	<u>\$ 17,799,312</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 11 – SCHEDULE OF ARBITRAGE ON
TAX EXEMPT BONDS – UNAUDITED**

Year Ended June 30, 2018

	<u>First Computation Date</u>	<u>First Payment Due to IRS</u>	<u>First Computation of Arbitrage Completed</u>	<u>Last / Next Payment Due to IRS</u>
General Obligation Bonds Series 2009	05/28/14	07/28/14	X	03/01/19
General Obligation Bonds Series 2011	05/26/16	07/25/16	X	03/01/21
General Obligation Bonds Series 2015	03/25/20	05/26/20	X	03/01/25
General Obligation Bonds Series 2017A	02/28/22	04/28/22	X	03/01/27
General Obligation Bonds Refunding Series 2017B	02/28/22	04/28/22	X	03/01/27
Severance Tax Bonds Series 2009A	07/30/14	09/29/14	X	07/01/19
Severance Tax Bonds Series 2010A	03/24/15	05/26/15	X	03/24/20
Supplemental Severance Tax Bonds Series 2010B	03/24/15	05/26/15	X	03/24/20
Severance Tax Bonds Series 2011A-1	12/06/16	02/06/17	X	07/01/21
Severance Tax Bonds Refunding Series 2011A-2	12/06/16	02/06/17	X	07/01/21
Severance Tax Bonds Series 2012A	06/21/17	08/21/17	X	06/21/22
Severance Tax Bonds Series 2013A	07/23/18	09/24/18	X	N/A
Severance Tax Bonds Series 2014A	06/24/19	08/23/19	X	06/24/24
Severance Tax Bonds Series 2015A	06/30/20	10/11/20	X	07/01/25
Supplemental Severance Tax Bonds Series 2015B	06/30/20	10/11/20	X	07/01/25
Severance Tax Bonds Series 2016A	06/30/20	08/22/21	X	07/01/26
Severance Tax Bonds Refunding Series 2016B	06/30/20	08/22/21	X	07/01/26
Severance Tax Bonds Series 2016D	06/30/21	08/30/21	X	07/01/27
Severance Tax Bonds Series 2017A	06/30/22	08/30/22	X	07/01/27
Severance Tax Bonds Series 2018A	06/30/22	08/30/23	X	07/01/28

State of New Mexico
Office of the State Treasurer

**SCHEDULE 12 – SCHEDULE OF ASSET
MANAGEMENT COSTS – UNAUDITED**

Year Ended June 30, 2018

2.2.2.12(G)(1)

For all asset classes except private asset classes and alternative investment classes:

<u>Consultant</u>	<u>Location</u>	<u>Description of Investments Subject to the Agreement</u>	<u>Fees</u>
Government Portfolio Advisors, LLC	2188 SW Park Place, Suite 100 Portland, OR 97205	Provides investment management consulting services and performance management for the portfolios the State Treasurer's Office maintains, primarily consisting of domestic fixed income securities and repurchase agreements.	\$ 57,818.75 per annum

**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 Wayne Johnson, State Auditor
New Mexico Office of the State Treasurer
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund, fiduciary fund and Schedules 1-10 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, 2018, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated November 1, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Audit Findings and Responses that we consider to be a significant deficiency as item 2018-001.

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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

The Office's Response to Findings

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

Purpose of this Report

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

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 1, 2018

State of New Mexico
Office of the State Treasurer

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2018

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weakness(es) identified? Yes No

Significant deficiency(s) identified? Yes No

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted? Yes No

RESOLUTION TO PRIOR YEAR FINDINGS

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

FINANCIAL STATEMENT FINDINGS

2018-001 – Reconciliation of General Ledger (SHARE) to Investment Portfolio Subsidiary Ledgers (QED and Peoplesoft Treasury Module) (Significant Deficiency)

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER

None

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2018

FINANCIAL STATEMENT FINDINGS

2018-001 – Reconciliation of General Ledger (SHARE) to Investment Portfolio Subsidiary Ledgers (QED and Peoplesoft Treasury Module) (Significant Deficiency)

CONDITION

During our audit, we noted that investment balances reported in the agency’s general ledger, SHARE, from January 2018 through May 2018 did not reconcile to the balances reported in the State Treasurer’s Office (STO) investment portfolio subsidiary ledgers, QED (used through Spring 2018) and Peoplesoft Treasury Module (implemented in Spring 2018), which must agree to investment balances and transactions reported by the custody bank, JP Morgan. This occurred because in January 2018 the DFA CAFR Unit mistakenly originated and directed STO to record JE# 17AUD39423 with an effective date of June 30, 2017 for approximately \$4 billion in SHARE when, in fact, STO’s investment balances in SHARE reconciled to QED and JP Morgan prior to the JE on June 30, 2017 and also STO’s FY2017 audited financial statements had already been released and published. After the JE was recorded in January 2018, the amount of overstatement of assets recognized and recorded in SHARE in BU 39401 effected periods July 2017 through May 2018 for each major fund throughout the year is listed in the table below.

SGFIP (fund 10099)	BPIP (fund 10199)	LGIP (fund 68599)	Totals
\$1,766,149,826	\$1,503,070,194	\$723,829,110	\$3,993,049,130

CRITERIA

According to the 2017 State of New Mexico’s Manual of Model Accounting Practices section FIN 2 Cash Management Function, CM-00 Cash Management Function (STO) and Cash Control Bureau Function (FDC) indicates that the functions of the State Treasurer’s Office are to reconcile investment portfolio subsidiary ledgers to the State’s Custody Bank Statement on a monthly basis.

CAUSE

During 2018, when the State Treasurer’s Office was performing monthly reconciliation between custody bank, JP Morgan and the investment accounting system, the balances in the reconciliation that represent SHARE balances were not reconciled to SHARE balances directly, instead STO used an Excel spreadsheet as a tool to reconcile monthly activity based on JP Morgan and the subsidiary module balances and transactions which has historically been effective however, STO continued using the prior month’s reconciliation balance and adding monthly activity to arrive at the next month’s ending balance and did not download SHARE trial balances to compare against the reconciliation tool. Additionally, around January 2018, the CAFR Unit initiated a “FY17 Post Close CAFR Adjustment” which adjusted the balances in accounts 112900 – Short Term Investments, 115900 – Long Term Investments, and 101950 – WFB Master Depository which posted to June 30, 2017 and was approved by the State Treasurer’s Office. The DFA CAFR Unit believed it was making a proper entry to true up the SHARE general ledger to the 2017 audited financial statements and STO management followed DFA CAFR Unit’s directive. During the Spring of 2018, a complex process to convert STO’s treasury management software from QED to the new Treasury Management investment module in SHARE disrupted normal business processes. This entry caused STO’s general ledger to overstate investment pool funds across the fiduciary funds by almost \$4 billion as previously described. This was not caught by

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2018

FINANCIAL STATEMENT FINDINGS – CONTINUED

2018-001 – Reconciliation of General Ledger (SHARE) to Investment Portfolio Subsidiary Ledgers (QED and Peoplesoft Treasury Module) (Significant Deficiency)

CAUSE – CONTINUED

STO until it performed the year-end reconciliation procedures once the new Treasury Module implementation was completed in May 2018.

EFFECT

The investment balances were overstated in the SHARE system for a portion of the fiscal year. There was an internal control deficiency at the State Treasurer's Office as there was a lack of monitoring of monthly SHARE balances that caused each month to be overstated as previously described.

RECOMMENDATION

The State Treasurer's Office should run reports directly from the SHARE system that provides the actual trial balances and reconcile those balances monthly to ensure that SHARE is properly adjusted to reconcile to the investment accounting system and the custody bank statement balances.

STATE TREASURER'S OFFICE RESPONSE AND CORRECTIVE ACTION PLAN

This finding is the result of a non-recurring erroneous journal entry that STO was directed to post. STO historically relies upon the CAFR Unit with regard to any adjustments to the General Ledger as any adjustments affect the State's overall financial audit. This was an isolated incident that would have been caught and challenged had the journal entry not been created during the transitioning of the investments subsidiary ledger and associated accounting. While the size of the journal entry was significant, it should be noted that this is an isolated event:

- Did not involve any movement of cash.
- STO did not misrepresent the agency by reporting its financial status during the period of the overstatement to any internal and external financial partners, other State agencies, or to the general public.
- STO proactively performed a correction to the General Ledger prior to the close of the fiscal year, properly stating balances at FYE 2018.

STO will ensure that the monthly reconciliation process is maintained during FY 19. Subsequent CAFR Unit journal adjustment recommendations will be reviewed and analyzed for the impact to STO's General Ledger.

POINT OF CONTACT

Responsible party: Budget and Finance Division, State Treasurer's Office
Date to implement corrective action: November 30, 2018.

State of New Mexico
Office of the State Treasurer

EXIT CONFERENCE

June 30, 2018

An exit conference was held with the State Treasurer's Office on October 29, 2018. 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
David Mahooty, Chief Financial Officer, Budget and Finance Division Director
Charmaine Cook, State Cash Manager
Dominic Donio, Administrative Ops Manager
Alisha Dominick, Financial Coordinator Advanced

Atkinson & Co., Ltd.

Clarke Cagle, CPA, CGFM, Shareholder
David Thomas, CPA, Senior Manager
Joel Cameron, Audit Senior

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.

ATKINSON & CO. LTD
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

6501 AMERICAS PARKWAY NE
SUITE 700
ALBUQUERQUE, NM 87110

T 505 843 6492
F 505 843 6817
ATKINSONCPA.COM

