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A large, light green circle on the left side of the page, partially overlapping a larger grey circle in the background.

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

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

June 30, 2019

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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.....	23-69
SUPPLEMENTARY INFORMATION	
Schedule 1 – Combining Balance Sheet – General Obligation Bonds – General Obligation Bond Debt Service Funds	70-71
Schedule 2 – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – General Obligation Debt Service Funds	72-73

Schedule 3 – Combining Balance Sheet – Severance Tax Bonds – Severance Tax Bond Debt Service Funds.....	74-75
Schedule 4 – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Severance Tax Bond Debt Service Funds.....	76-77
Schedule 5 – Schedule of Investments – Fiduciary Funds	78-89
Schedule 6 – Combining Statement of Fiduciary Net Position.....	90
Schedule 7 – Combining Statement of Changes in Fiduciary Net Position	91
Schedule 8 – Schedule of Collateral Pledged by Depository.....	92-95
Schedule 9 – Schedule of Changes in Assets and Liabilities – Governmental Fund – Gaming Suspense Fund.....	96
Schedule 10 – Schedule of Asset Management Cost (Unaudited).....	97
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>	98-99
SCHEDULE OF FINDINGS AND RESPONSES	100
EXIT CONFERENCE	101

State of New Mexico
Office of the State Treasurer

OFFICIAL ROSTER

June 30, 2019

Office of the State Treasurer

Tim Eichenberg	State Treasurer
Sam Collins	Deputy State Treasurer
David Mahooty	Chief Financial Officer
Charmaine Cook	State Cash Manager

State Treasurer's Investment Committee

Tim Eichenberg	State Treasurer
Ashley Leach	State Board of Finance
Mark Pike	Public Member
Cilia Agliodoro	Public Member
Charmaine Cook	State Cash Manager

INDEPENDENT AUDITORS' REPORT

Honorable Michelle Lujan Grisham, Governor and
President, State Board of Finance

and

Honorable Brian Colón, 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, 2019, 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, 2019, 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 and 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, 2019, 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, follows Governmental Accounting Standards Board (GASB) Standards No. 68 *Accounting and Financial Reporting for Pensions*, as of June 30, 2019, 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, 2019. 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, 2019. 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 – 10 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 – 10 in the Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Except for Schedule 10, 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 – 9 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 October 31, 2019, on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2019

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 \$41,393,707.
- The General Fund's main financing source was appropriations, which amounted to \$3,428,600 or 95.2% 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, 2019

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, 2019

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 23 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 59 of this report. Fiduciary schedules begin on page 70.

Government-wide Financial Analysis

Net Position: Table A-1 summarizes the State Treasurer's net position as of June 30, 2019. Total State Treasurer net position for fiscal year 2019 is \$429,843,936, the majority of which is restricted as to purpose.

State of New Mexico
Office of the State Treasurer

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2019

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

	Years Ended June 30,	
	2019	2018
ASSETS		
Cash, Cash Equivalents and Repurchase Agreements	\$ 304,423,115	\$ 270,330,982
Due from Other Agencies	127,443,630	116,696,925
Other Receivables	19,902,834	17,799,312
Other Assets	-	3,450
Capital Assets, Net	1,485,802	1,887,609
Total Assets	\$ 453,255,381	\$ 406,718,278
CURRENT LIABILITIES		
Accounts Payable and Others	\$ 23,284,730	\$ 18,138,053
Compensated Absences, Amounts Due in One Year	126,715	129,996
Total Liabilities	23,411,445	18,268,049
NET POSITION		
Investment in Capital Assets	1,485,802	1,887,609
Restricted	428,484,849	386,692,616
Unrestricted	(126,715)	(129,996)
Total Net Position	429,843,936	388,450,229
Total Liabilities and Net Position	\$ 453,255,381	\$ 406,718,278

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 \$429,843,936 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, \$428,484,849, 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, 2019

Changes in Net Position: Governmental activities increased the State Treasurer's net position by \$41,393,707. Key elements of this increase are shown in Table A-2.

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

	Years Ended June 30,	
	2019	2018
GOVERNMENTAL ACTIVITIES		
Revenues:		
Program Revenues:		
General Government	\$ -	\$ -
Total Program Revenues	-	-
General Revenues and transfers from (to) state agencies:		
State General Fund Appropriations, net of reversion	3,411,250	3,364,912
Special Appropriations	47,700	911,350
State Property Tax Levy	87,862,307	81,318,307
Severance Taxes	672,441,063	511,115,191
Interest Revenue	23,785,828	13,627,623
Miscellaneous Revenue	673,587	-
Other State/Federal Revenue	126,229	124,076
Transfers (to) other state agencies	(741,488,582)	(519,430,703)
Total General Revenues	46,859,382	91,030,756
Total Revenues and transfers from (to) state agencies	46,859,382	91,030,756
Expenses and Other Financing Uses:		
General Government	(5,465,675)	(4,645,166)
Debt Service Activity	-	-
Other Sources:		
Transfers in from Other State Agencies	-	-
Net Expenses	(5,465,675)	(4,645,166)
Increase in Net Position	41,393,707	86,385,590
Net Position - Beginning of Year	388,450,229	302,064,639
Net Position - End of Year	\$ 429,843,936	\$ 388,450,229

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2019

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 \$429,843,936, which is an increase of \$41,393,707 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 72 in Schedule 2 – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – General Obligation Bond Debt Service Funds, and Schedule 4 – 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 .43%. This included a restricted beginning net position of \$0.

Capital Assets and Debt Administration

Capital Assets - The State Treasurer's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$1,485,802, 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, 2019

Administered Debt Service Payments - For the year ended June 30, 2019, the State Treasurer was responsible for administering debt service payments on total bonded debt service requirements of \$233,380,304, all of which is secured by pledged tax revenues.

Significant Highlights

During fiscal year 2019, 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 2019, cost savings yielded a \$17,350 reversion to the General Fund. Over the past five years, the State Treasurer's budget has been reduced by approximately \$310,800 primarily through reductions in legislative appropriations.

The agency's stated objective of selecting investments is based primarily on safety, then liquidity, and finally, yield. Assets of fiduciary funds managed by the State Treasurer totaled \$6,956,507,502 at June 30, 2019, as compared to \$4,854,329,877 at June 30, 2018, an increase of 43.3%. 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. Earnings increased to \$172,362,014 from \$34,073,989 in 2018, an increase of 405.8%. This increase is a result of higher market interest rates during the majority of the year and was also due to the growth of total assets under management. The agency ended fiscal year 2019 with unrealized gains of \$32,053,424 as compared to unrealized losses of \$19,628,632 at the end of fiscal year 2018. The values of the agency's portfolios which are primarily bond portfolios were positively impacted as market interest rates declined prior to the end of fiscal year 2019. The market value of bonds increase as market interest rates decrease. Unrealized gains and losses are recorded as an adjustment of earnings.

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 2019, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2019

The State Treasurer's Office hosted the 10th Annual LGIP Stakeholder Meeting in September 2018, inviting all participants to attend. The program was held in Santa Fe 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.

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 initial compliance was achieved during fiscal year 2019, 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. ABLE New Mexico is offered through a partnership with the Ohio Treasurer's Office, the administrator of the ABLE Account Plan. These balances are not presented in the accompanying financial statements.

In his elected capacity, the State Treasurer serves as an ex-officio member on numerous State boards and commissions with fiduciary responsibility for State funds in excess of \$30 billion. This responsibility is taken seriously and designees are appointed to serve on boards, where permitted, in the event of scheduling conflicts. The State Treasurer serves on the following boards and commissions:

- Capitol Buildings Planning Commission
- Educational Assistance Foundation
- Educational Retirement Board
- Mortgage Finance Authority
- Public Employees Retirement Association
- Renewable Energy Transmission Authority
- Retiree Health Care Authority
- Small Business Investment Council
- State Board of Finance
- State Investment Council
- State Treasurer's Investment Committee

State of New Mexico
Office of the State Treasurer

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2019

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 87508

State of New Mexico
Office of the State Treasurer

STATEMENT OF NET POSITION

June 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Investment in State General Fund Investment Pool	\$ 3,279,640
Repurchase agreements (Held in State General Fund Investment Pool)	301,143,475
Due from other agencies	127,443,630
Other receivables	19,902,834
Capital assets, net of accumulated depreciation	<u>1,485,802</u>
 Total assets	 <u>\$ 453,255,381</u>
 LIABILITIES	
Accounts payable	\$ 160,098
Receipts held in suspense	3,118,834
Accrued payroll	82,217
Accrued payroll taxes	19,763
Due to State General Fund	19,902,834
Due to local governments	984
Compensated absences	<u>126,715</u>
 Total liabilities	 23,411,445
 NET POSITION	
Investment in capital assets	1,485,802
Restricted for:	
Debt service	428,484,849
Unrestricted	<u>(126,715)</u>
 Total net position	 <u>429,843,936</u>
 Total liabilities and net position	 <u>\$ 453,255,381</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, 2019

	Expenses	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position Primary Government
PRIMARY GOVERNMENT			
Governmental activities			
General government	\$ 5,465,675	\$ -	\$ (5,465,675)
Total governmental activities	\$ 5,465,675	\$ -	(5,465,675)
GENERAL REVENUES			
State property tax levy			87,862,307
Severance taxes			672,441,063
TRANSFER FROM (TO) STATE AGENCIES			
State General Fund appropriations			3,428,600
State General Fund compensation appropriation			47,700
Reversions to State General Fund FY19			(17,350)
Other state agencies			(741,488,582)
Interest revenue			23,785,828
Miscellaneous revenue			673,587
Other state funds			124,600
Federal funds			1,629
Total general revenues and transfers			46,859,382
Change in net position			41,393,707
Net position, beginning			388,450,229
Net position, ending			\$ 429,843,936

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, 2019

	Major Funds				Total Governmental Funds
	General Fund (18200 and 74100)	General Obligation Bond Fund (Various Funds)	Severance Tax Bond Fund (Various Funds)	Gaming Suyspense Fund (02000)	
ASSETS					
Investment in State General Fund					
Investment Pool	\$ 3,279,640	\$ -	\$ -	\$ -	\$ 3,279,640
Repurchase agreements (Held in					
State General Fund Investment Pool)	-	64,625,563	236,517,912	-	301,143,475
Due from other agencies	-	1,945,363	125,498,267	-	127,443,630
Other receivables	-	-	-	19,902,834	19,902,834
Total assets	\$ 3,279,640	\$ 66,570,926	\$ 362,016,179	\$ 19,902,834	\$ 451,769,579
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 57,842	\$ 717	\$ 101,539	\$ -	\$ 160,098
Receipts held in suspense	3,118,834	-	-	-	3,118,834
Accrued payroll	82,217	-	-	-	82,217
Accrued payroll taxes	19,763	-	-	-	19,763
Due to State General Fund	-	-	-	19,902,834	19,902,834
Due to local governments	984	-	-	-	984
Total liabilities	3,279,640	717	101,539	19,902,834	23,284,730
FUND BALANCES					
Restricted for:					
Debt service	-	66,570,209	361,914,640	-	428,484,849
Unassigned	-	-	-	-	-
Total fund balances	-	66,570,209	361,914,640	-	428,484,849
Total liabilities and fund balances	\$ 3,279,640	\$ 66,570,926	\$ 362,016,179	\$ 19,902,834	\$ 451,769,579

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, 2019

Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)	\$ 428,484,849
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position

Capital assets total acquisition value	2,106,981
Total accumulated depreciation	<u>(621,179)</u>
Total capital assets, net	1,485,802

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>\$ 429,843,936</u>
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The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the State Treasurer

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

Year Ended June 30, 2019

	Major Funds				Total Governmental Funds
	General Fund (18200 and 74100)	General Obligation Bond Fund (Various Funds)	Severance Tax Bond Fund (Various Funds)	Gaming Suspense Fund (02000)	
REVENUES					
Severance taxes	\$ -	\$ -	\$ 672,441,063	\$ -	\$ 672,441,063
State property tax levy	-	87,862,307	-	-	87,862,307
Interest income - debt service	-	2,657,647	21,128,181	-	23,785,828
Federal funds	1,629	-	-	-	1,629
Total revenues	1,629	90,519,954	693,569,244	-	784,090,827
EXPENDITURES					
Current:					
Personnel services and employee benefits	2,781,649	-	-	-	2,781,649
Operating costs:					
Contractual services	445,906	-	-	-	445,906
Other administrative expenditures	357,624	-	4,420	-	362,044
Other charges	-	49,283	754,680	-	803,963
Total expenditures	3,585,179	49,283	759,100	-	4,393,562
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,583,550)	90,470,671	692,810,144	-	779,697,265
OTHER FINANCING SOURCES (USES)					
State General Fund appropriations	3,428,600	-	-	-	3,428,600
State General Fund compensation appropriation	47,700	-	-	-	47,700
Miscellaneous other sources	124,600	-	-	-	124,600
Reversions to State General Fund FY19	(17,350)	-	-	-	(17,350)
Transfer (to) from other state agencies	-	(77,331,385)	(664,157,197)	-	(741,488,582)
Total other financing sources (uses)	3,583,550	(77,331,385)	(664,157,197)	-	(737,905,032)
NET CHANGE IN FUND BALANCES	-	13,139,286	28,652,947	-	41,792,233
Fund balances, beginning of year	-	53,430,923	333,261,693	-	386,692,616
Fund balances, end of year	\$ -	\$ 66,570,209	\$ 361,914,640	\$ -	\$ 428,484,849

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, 2019

Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 41,792,233
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital outlay	-
Depreciation expense	<u>(401,807)</u>
Excess of capital outlay over depreciation expense	(401,807)

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

Decrease in compensated absences	<u>3,281</u>
Change in Net Position of Governmental Activities	<u>\$ 41,393,707</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, 2019

	General Fund (18200)			
	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	\$ -
State General Fund compensation appropriation	47,700	47,700	47,700	-
Federal grants	2,000	2,000	1,629	(371)
Other	122,300	122,300	124,600	2,300
Total Revenues	3,600,600	3,600,600	3,602,529	1,929
EXPENDITURES				
Personnel services and benefits	2,961,800	2,806,800	2,781,649	25,151
Contractual services	284,400	433,756	445,906	(12,150) *
Other operating costs	354,400	360,044	357,624	2,420
Total Expenditures	3,600,600	3,600,600	3,585,179	15,421
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	17,350	\$ 17,350
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance				
Unbudgeted reversions to state general fund			(17,350)	
Net change in fund balances (GAAP basis)			<u>\$ -</u>	

* The contractual services category is not over budget because the legal level of budgetary control is the appropriation program level (A-Code, P-Code, and Z-Code).

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, 2019

	<u>Investment Trust Fund</u>
ASSETS	
Cash and Investments:	
Fiscal agent bank account	\$ 63,066,954
Cash in banks	638,093,424
Certificates of deposit	23,700,000
Government bonds	3,050,157,396
Commercial paper	19,948,368
Municipal bonds	32,359,448
Repurchase agreements	2,464,000,000
Corporate bonds	186,725,450
Discounted notes	449,494,398
Bank acceptances	<u>11,426,251</u>
Total cash and investments	6,938,971,689
Accrued interest receivable	<u>17,535,813</u>
Total assets	<u>\$ 6,956,507,502</u>
LIABILITIES	
Due to broker	<u>\$ 46,554,291</u>
Total liabilities	46,554,291
FIDUCIARY NET POSITION - held in trust for pool participants	<u>6,909,953,211</u>
Total liabilities and fiduciary net position	<u>\$ 6,956,507,502</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, 2019

	<u>Investment Trust Fund</u>
ADDITIONS	
Investment income	\$ 172,362,014
Deposits	79,873,941,898
DEDUCTIONS	
Management fees	(286,028)
Withdrawals	<u>(77,914,381,772)</u>
Change in fiduciary net position	2,131,636,112
Fiduciary net position, held in trust for pool participants, beginning of year	<u>4,778,317,099</u>
Fiduciary net position, held in trust for pool participants, end of year	<u><u>\$ 6,909,953,211</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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, 2019

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, 2019

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 and the Department of Finance and Administration.

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, 2019

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, 2019

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 affected 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 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

The government's primary operating fund is the General Fund (SHARE Fund 18200). 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 2018 General Appropriation Act (Laws of 2018, Chapter 73, Section 4) and is subject to reversions.

The General Fund also includes SHARE Fund 74100 with a balance of \$584 included within the State Treasurer's Investment in State General Fund Investment Pool.

Debt Service Funds

The General Obligation Bond Fund (see Schedules 1 and 2 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

The Severance Tax Bond Fund (see Schedules 3 and 4 in the Supplementary Information section for SHARE Fund numbers) accounts for tax receipts levied by other State agencies upon natural resource products, severed and saved from the lands of the State of New Mexico, and to account for payment of principal and interest on severance tax bonds. The fund does not receive State General Fund appropriations that are subject to reversion.

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

Additionally, the government reports the following fiduciary funds:

The LGIP Short-Term Investment Pool (SHARE Fund 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Receivables and Payables

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

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

7. Capital Assets

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Compensated Absences

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

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

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are not reported as liabilities in the applicable governmental activities. The State Treasurer is not the issuer of the debt, nor is it ultimately responsible for the debt. The details of the long-term debt are reported on the financial statements of the CAFR and the Department of Finance and Administration.

10. Fund Balance

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

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 \$428,484,849.

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, 2019.

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, 2019.

13. Subsequent Events

Subsequent events have been evaluated through October 31, 2019, 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, 2019. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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 Department of Finance and Administration's Financial Control Division (DFA/FCD) 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 that the comprehensive cash reconciliation model 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, 2019

NOTE D – INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

At June 30, 2019, the State Treasurer's Office had \$3,279,640 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, 2019

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, 2019, 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

As of May 1, 2014, 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 for a period of two years, with three options to extend the by contract by two years each, for a maximum term or eight year. The third option was exercised in December 2018 to extend the term until April 30, 2022.

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.

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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, 2019, collateral pledged to public money deposits was as follows:

	Fiscal Agent Account	Certificates of Deposit
Cash in bank (bank balance)	\$ 52,056,394 *	\$ 23,700,000
Less: FDIC insurance coverage	-	1,500,000
	<hr/>	<hr/>
Total unsecured public funds	\$ 52,056,394	\$ 22,200,000
	<hr/>	<hr/>
Collateral requirement (50%, 75% or 102%) of uninsured public funds	\$ 26,028,197	\$ 11,100,000
Collateral Pledged:		
US Government Securities	117,041,864	5,428,718
Surety bond letter of credit	-	8,250,000
	<hr/>	<hr/>
Excess (Under) Collateralized	\$ 91,013,667	\$ 2,578,718
	<hr/>	<hr/>

* Fiscal agent bank is required to collateralize the monthly average balance.
See Schedule 8 for reconciliation.

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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, 2019:

<u>Broker Name</u>	<u>Number of Transactions</u>
ACADEMY SECURITIES	1
BARCLAYS CAPITAL	35
BB&T SECURITIES	10
BMO CAPITAL MARKET CORP	9
BOK FINANCIAL SECURITIES INC	33
CASTLEOAK SECURITIES LP	27
DAIWA CAPITAL MARKETS AMERICA	8
DEUTSCHE BANK SECURITIES	15
DREXEL HAMILTON LLC	1
FTN FINANCIAL CAPITAL MARKETS	8
GUGGENHEIM SECURITIES LLC	6
HSBC SECURITIES USA INC	264
INTL FCSTONE FINANCIAL INC	16
ISSUER DIRECT PURCHASES	72
JEFFERIES LLC	32
KEYBANC CAPITAL MARKETS	10
LOOP CAPITAL MARKETS	12
MIZUHO SECURITIES USA INC	47
MORGAN STANLEY SMITH BARNEY L	17
NATWEST MARKETS FKA RBS	14
RAMIREZ & CO INC	26
RBC CAPITAL MARKETS	66
STIFEL NICOLAUS & COMPANY	4
STO INTERFUND TRANSFER	14
TD SECURITIES USA LLC	35
UMB BANK NA	4
WELLS FARGO SECURITIES LLC	56
WILLIAMS CAPITAL GROUP LP	<u>27</u>
Total	<u>869</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

5. Investment Balances

The fair value of investments administered by the State Treasurer at June 30, 2019, follows:

	Cost	Carrying Amount Fair Value
Government bonds	\$ 3,019,496,315	\$ 3,050,157,396
Repurchase agreements	2,464,000,000	2,464,000,000
Discounted notes	449,426,046	449,494,398
Cash in banks	638,093,424	638,093,424
Commercial paper	19,947,451	19,948,368
Corporate bonds	185,401,698	186,725,450
Municipal bonds	32,360,126	32,359,448
Fiscal agent bank account	63,066,954	63,066,954
Certificates of deposit	23,700,000	23,700,000
Investment in LGIP	789,442	789,442
Bankers acceptances	11,426,251	11,426,251
	6,907,707,707	6,939,761,131
Less interfund investments	(789,442)	(789,442)
Total	\$ 6,906,918,265	\$ 6,938,971,689

The fair value includes repurchase agreements of \$301,143,475 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 \$3,279,640 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, 2019

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, 2019, LGIP amortized cost approximated fair value, difference is immaterial (see Schedule 5).

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, 2019, the WAM(R) of the LGIP was 35 days, and the WAM(F) was 112 days. The fund was rated AAAM by Standard & Poor's as of June 30, 2019.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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 \$793,425,167 in balances are collateralized in compliance with NMAC 2.60.4. Although in compliance with NMAC 2.60.4 as of June 30, 2019, there was \$210,673,901 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, 2019, for the General Fund Investment Pool are as follows:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AAA:		
Commercial paper	\$ 19,948,368	0.39%
Corporate bonds	2,494,650	0.05%
Municipal bonds	1,359,091	0.03%

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

14. Credit Risk – Continued

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AA+:		
Government agency securities	1,928,981,038	37.99%
Discounted notes	97,932,969	1.93%
Corporate bonds	27,112,203	0.53%
AA:		
Discounted notes	75,194,318	1.48%
Corporate bonds	13,200,768	0.26%
AA-:		
Corporate bonds	89,963,904	1.77%
Bankers acceptance notes	11,426,251	0.23%
A+:		
Corporate bonds	7,006,117	0.14%
NR:		
Repurchase agreements	2,026,073,516	39.90%
Cash in banks	584,445,019	11.51%
Government agency securities	82,370,846	1.62%
Fiscal agent account	63,066,954	1.24%
Municipal bonds	30,150,000	0.59%
Certificates of deposit	16,000,000	0.32%
Investment in LGIP	789,442	0.02%
Total	<u>\$ 5,077,515,454</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, 2019, 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	\$ 311,499,849	38.90%
Discounted notes	197,607,479	24.67%

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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:		
Discounted notes	16,093,619	2.01%
NR:		
Repurchase agreements	222,000,000	27.72%
Cash in banks	53,648,405	6.70%
Total	<u>\$ 800,849,352</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, 2019, 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	\$ 11,640,997	2.08%
AA+:		
Government agency securities	408,473,219	73.11%
Corporate bonds	2,491,544	0.45%
AA:		
Discounted notes	24,843,500	4.45%
AA-:		
Corporate bonds	11,517,520	2.06%
Aa3:		
Municipal bonds	850,357	0.15%
NR:		
Repurchase agreements	78,713,351	14.08%
Government agency securities	12,495,250	2.24%
Certificates of deposit	7,700,000	1.38%
Total	<u>\$ 558,725,738</u>	<u>100.00%</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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, 2019, for the Bond Proceeds Investment Pool # 1 are as follows:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AAA:		
Corporate bonds	\$ 2,494,650	0.50%
AA+:		
Government agency securities	288,847,544	57.46%
Corporate bonds	10,302,294	2.05%
Discounted notes	9,933,200	1.98%
AA:		
Discounted notes	27,889,313	5.54%
Corporate bonds	6,005,603	1.19%
AA-:		
Corporate bonds	2,495,200	0.50%
NR:		
Repurchase agreements	137,213,133	27.30%
Government agency securities	17,489,650	3.48%
Total	<u>\$ 502,670,587</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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

2. Investment in callable instruments is permitted for the State General Fund, but the amount invested in callable instruments should not exceed twenty-five percent (25%) of the total amount invested of each portfolio. Investment in callable investments may be allowed in the local government investment pool, bond proceeds, bond debt service funds and such pension and permanent fund monies for which the State Treasurer is the investing authority. Investment in callable investments is prohibited for tax and revenue anticipation note proceeds (and any other liquidity vehicle).
3. The maximum level of CD deposits for the entire portfolio shall be \$400 million with not more than \$30 million in any single financial institution. The State Board of Finance urges banks to loan this money out in their respective local communities to spur economic development.
4. Investments in commercial paper, corporate bonds and asset-backed obligations shall not exceed forty percent (40%) of assets of each portfolio. Commercial paper and corporate bonds shall be limited, per issuer, to five percent (5%) of each portfolio.
5. Investments in United States agency securities issued by any single agency shall be limited to thirty-five percent (35%) of the combined portfolios.
6. Investment in repurchase agreements from any single provider shall be limited to thirty-five percent (35%) of the combined portfolios.
7. Investment in commercial paper and corporate bonds guaranteed by the full faith and credit of the United States government, with a final maturity not to exceed the expiration date of any such guarantee, shall not exceed forty percent (40%) of the assets of each portfolio. Commercial paper and corporate bonds guaranteed by the full faith and credit of the United States government shall be limited, per issuer, to twenty percent (20%) of each portfolio.
8. United States Government Agency issued mortgage-backed securities and collateralized mortgage obligations shall be limited to twenty-five percent (25%) of a portfolio.
9. Securities issued by a municipal entity shall be limited to fifteen percent (15%) of a portfolio.
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.

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

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	\$ 1,287,102,760	25.35%
U.S. government agency securities:		
FFCB	170,489,971	3.36%
FHLB	216,878,575	4.27%
FHLMC	67,855,473	1.34%
FNMA	178,490,940	3.51%
FAGM	82,370,845	1.62%
Miscellaneous	8,163,320	0.16%
Municipal bonds:		
ALBUQUERQUE PUBLIC SCHOOLS-GENERAL OBLIGATION	15,000,000	0.29%
CITY OF ALBUQUERQUE - GENERAL OBLIGATION BOND	7,150,000	0.14%
NEW MEXICO FIN AUTH REV REVOLVING FD REV BDS	667,394	0.01%
NEW MEXICO FIN AUTH REV SUB LIEN PUB PROJ	389,957	0.01%
NEW MEXICO FIN AUTH REV SUB PUB PROJ REVOLVING	301,740	0.01%
PP -CNM TAXABLE-GENERAL OBLIGATION BONDS,SERIES 2018B	6,000,000	0.12%
PP- CNM TAXABLE-GENERAL OBLIGATION BONDS, SERIES 2018B	2,000,000	0.04%
Corporate bonds:		
3M CO CALLABLE MEDIUM TERM NOTE FIXED 3%	4,075,840	0.08%
APPLE INC CALLABLE NOTES FIXED 1.5% 12/SEP/2019	9,984,621	0.20%
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	2,491,544	0.05%
APPLE INC CALLABLE NOTES FIXED 2.85% 06/MAY/2021	14,636,038	0.29%
BANK OF NEW YORK MELLON/THE CALLABLE MEDIUM TERM	7,003,920	0.14%
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	2,494,650	0.05%
PFIZER INC CALLABLE NOTES FIXED 2.8% 11/MAR/2022	5,093,908	0.10%
PFIZER INC CALLABLE NOTES FIXED 3% 15/SEP/2021 USD	5,100,050	0.10%
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE FIXED	18,223,501	0.36%
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE FIXED	20,275,000	0.40%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	5,998,653	0.12%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	3,900,944	0.08%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	7,099,820	0.14%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	6,072,720	0.12%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	2,016,680	0.04%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	10,302,926	0.20%
US BANK NA/CINCINNATI OH CALLABLE NOTES FIXED 2%	4,993,900	0.10%
WALMART INC NOTES VARIABLE 23/JUN/2021 USD 1000	3,006,810	0.06%
WELLS FARGO BANK NA MEDIUM TERM NOTE VARIABLE	7,006,117	0.14%

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

Securities	Fair Value	Percentage of Portfolio
Discounted notes	173,127,287	3.41%
Commercial paper	19,948,368	0.39%
Bankers acceptance notes	11,426,251	0.22%
Certificates of deposit	16,000,000	0.31%
Investment in LGIP	789,442	0.02%
Fiscal agent account	63,066,954	1.24%
Repurchase agreements	2,026,073,516	39.90%
Cash in Banks	584,445,019	11.51%
Total	<u>\$ 5,077,515,454</u>	<u>100.00%</u>

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

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	\$ 54,963,050	6.86%
U.S. government agency securities:		
FFCB	109,774,826	13.71%
FHLB	84,568,179	10.56%
FNMA	22,686,351	2.83%
FHLMC	39,507,443	4.93%
Cash	53,648,405	6.70%
Discounted notes	213,701,098	26.69%
Repurchase agreements	<u>222,000,000</u>	<u>27.72%</u>
Total	<u>\$ 800,849,352</u>	<u>100.00%</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

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

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	\$ 217,437,550	38.92%
U.S. government agency securities:		
FFCB	62,984,222	11.27%
FHLMC	15,738,849	2.82%
FNMA	72,609,965	12.99%
FHLB	39,702,633	7.11%
Miscellaneous	12,495,250	2.23%
Municipal bonds:		
BELEN N MEX CONS SCH DIST NO 2 GO BDS A	315,132	0.06%
BELEN N MEX CONS SCH DIST NO 2 GO BDS B	535,225	0.10%
Corporate bonds:		
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	2,491,544	0.44%
MICROSOFT CORP CALLABLE NOTES FIXED 2% 03/NOV/2020	9,266,090	1.66%
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	2,374,907	0.42%
PROCTER & GAMBLE CO/THE CALLABLE NOTES FIXED 1.75%	1,997,539	0.36%
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE FIXED	5,068,750	0.91%
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE VARIABLE	1,956,031	0.35%
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	2,495,200	0.45%
Repurchase agreements	78,713,351	14.09%
Discounted notes	24,843,500	4.44%
Certificate of deposit	7,700,000	1.38%
Total	<u>\$ 558,725,738</u>	<u>100.00%</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

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

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	\$ 155,375,200	30.91%
U.S. government agency securities:		
FFCB	2,700,054	0.54%
FHLMC	45,707,890	9.09%
FNMA	52,575,291	10.46%
FHLB	32,489,109	6.46%
Miscellaneous	17,489,650	3.48%
Corporate bonds:		
APPLE INC CALLABLE NOTES FIXED 1.55% 07/FEB/2020	317,673	0.06%
APPLE INC CALLABLE NOTES FIXED 1.5% 12/SEP/2019	9,984,621	1.98%
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	2,494,650	0.50%
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	2,495,200	0.50%
WALMART INC CALLABLE NOTES FIXED 1.75% 09/OCT/2019	1,996,523	0.40%
WALMART INC NOTES VARIABLE 23/JUN/2021 USD 1000	4,009,080	0.80%
Discounted notes	37,822,513	7.52%
Repurchase agreements	<u>137,213,133</u>	<u>27.30%</u>
Total	<u>\$ 502,670,587</u>	<u>100.00%</u>

16. Interest Rate Risk

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

1. Relative Yield to Maturity: Comparison of return available from alternative investments for comparable maturity dates.
2. Marketability: Analysis of relative marketability of alternate investments in case of forced sale or possibility of future trades.

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk – Continued

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:			
Commercial paper	\$ 19,948,368	\$ 19,948,368	\$ -
Corporate bonds	2,494,650	2,494,650	-
Municipal bonds	1,359,091	1,359,091	-
AA+:			
Government agency securities	1,928,981,038	237,161,823	1,691,819,215
Discounted notes	97,932,969	95,169,639	2,763,330
Corporate bonds	27,112,203	12,476,165	14,636,038
AA:			
Discounted notes	75,194,318	75,194,318	-
Corporate bonds	13,200,768	-	13,200,768
AA-:			
Corporate bonds	89,963,904	14,893,497	75,070,407
Bankers acceptance notes	11,426,251	11,426,251	-
A+:			
Corporate bonds	7,006,117	7,006,117	-
NR:			
Repurchase agreements	2,026,073,516	2,026,073,516	-
Cash in banks	584,445,019	584,445,019	-
Government agency securities	82,370,846	12,994,931	69,375,915
Fiscal agent account	63,066,954	63,066,954	-
Municipal bonds	30,150,000	30,150,000	-
Certificates of deposit	16,000,000	12,250,000	3,750,000
Investment in LGIP	789,442	789,442	-
Total	<u>\$ 5,077,515,454</u>	<u>\$ 3,206,899,781</u>	<u>\$ 1,870,615,673</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk – Continued

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	\$ 311,499,849	\$ 227,747,693	\$ 83,752,156
Discounted notes	197,607,479	197,607,479	-
AA:			
Government agency securities	16,093,619	16,093,619	-
NR:			
Repurchase agreements	222,000,000	222,000,000	-
Cash in banks	53,648,405	53,648,405	-
Total	\$ 800,849,352	\$ 717,097,196	\$ 83,752,156

Maturities on investments in the Bond Proceeds Investment Pool #2 are as follows:

Securities by Quality Rating	Fair Value	Maturities	
		Less than 1 Year	1-5 Years
AAA:			
Corporate bonds	\$ 11,640,997	\$ 2,374,907	\$ 9,266,090
AA+:			
Government agency securities	408,473,219	130,342,437	278,130,782
Corporate bonds	2,491,544	2,491,544	-
AA:			
Discounted notes	24,843,500	24,843,500	-
AA-:			
Corporate bonds	11,517,520	4,492,739	7,024,781
Aa3:			
Corporate bonds	850,357	850,357	-
NR:			
Repurchase agreements	78,713,351	78,713,351	-
Corporate bonds	12,495,250	12,495,250	-
Certificates of deposit	7,700,000	6,600,000	1,100,000
Total	\$ 558,725,738	\$ 263,204,085	\$ 295,521,653

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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	\$ 2,494,650	\$ 2,494,650	\$ -
AA+:			
Government agency securities	288,847,544	155,206,090	133,641,454
Corporate bonds	10,302,294	10,302,294	-
Discounted notes	9,933,200	9,933,200	-
AA:			
Discounted notes	27,889,313	27,889,313	-
Corporate bonds	6,005,603	1,996,523	4,009,080
AA-:			
Corporate bonds	2,495,200	2,495,200	-
NR:			
Repurchases agreements	137,213,133	137,213,133	-
Government agency securities	17,489,650	12,495,250	4,994,400
Total	<u>\$ 502,670,587</u>	<u>\$ 360,025,653</u>	<u>\$ 142,644,934</u>

17. Foreign Currency Risk

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

All holdings at June 30, 2019, were denominated in United States Dollars.

The State General Fund Investment Pool is 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

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:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
NR:		
U.S. Treasury securities	\$ 2,464,000,000	100%
Total	<u>\$ 2,464,000,000</u>	<u>100%</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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
NR:						
U.S. Treasury securities	\$ 2,464,000,000	\$ 2,464,000,000	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 2,464,000,000</u>	<u>\$ 2,464,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule 8 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.

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

19. Fair Value of Financial Instruments – Continued

The State Treasurer has the following recurring fair value measurements as of June 30, 2019:

	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	\$ -	\$ 3,050,157,396	\$ -	\$ 3,050,157,396
Repurchase agreements	-	2,464,000,000	-	2,464,000,000
Discounted notes	-	449,494,398	-	449,494,398
Commercial paper	-	19,948,368	-	19,948,368
Corporate bonds	-	186,725,450	-	186,725,450
Municipal bonds	-	32,359,448	-	32,359,448
Bankers acceptances	-	11,426,251	-	11,426,251
 Total investments measured at fair value	 \$ -	 \$ 6,214,111,311	 \$ -	 \$ 6,214,111,311

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 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, 2019. The difference between the amortized cost and fair value is immaterial for the year ended June 30, 2019.

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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

Below are the limitations or restrictions on LGIP participant withdrawals:

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

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

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Balance at June 30, 2019</u>
Depreciable assets:					
Equipment, Furniture, and Fixtures	\$ 2,106,981	\$ -	\$ -	\$ -	\$ 2,106,981
Total depreciable assets	2,106,981	-	-	-	2,106,981
Accumulated depreciation	<u>219,372</u>	<u>401,807</u>	<u>-</u>	<u>-</u>	<u>621,179</u>
Total capital assets, net	<u>\$ 1,887,609</u>	<u>\$ (401,807)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,485,802</u>

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

General government	<u>\$ 401,807</u>
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State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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, 2019:

	Balance at June 30, 2018	Increase	(Decrease)	Balance at June 30, 2019	Amounts due within one year
Compensated absences	\$ 129,996	\$ 124,887	\$ (128,168)	\$ 126,715	\$ 126,715

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, 2019, are as follows:

ASSETS

Investments	\$ 6,938,971,689
Interest and other receivables	17,535,813
Total assets	\$ 6,956,507,502

LIABILITIES

Due to broker	\$ 46,554,291
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FIDUCIARY NET POSITION

External participant account balances	801,343,434
Other internal participant account balances:	
Primary government	6,108,609,777
Total liabilities and fiduciary net position	\$ 6,956,507,502

At June 30, 2019, the State Treasurer's investment income earnings were as follows:

Local Government Investment Pool	\$ 19,186,169
Consolidated Investment Pool	27,841,046
State Funds Investment Pool	125,334,799
Total	\$ 172,362,014

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE K – APPROPRIATIONS

The State Treasurer received the following appropriations for the year ended June 30, 2019:

General fund appropriation (Chapter 73, Laws of 2018)	\$	3,428,600
General fund compensation appropriation (Chapter 73, Laws of 2018)		<u>47,700</u>
Total appropriations	\$	<u>3,476,300</u>

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, 2019:

Due to State Treasurer’s Office	Fund No.	Amount	Due from Other State Agencies	Fund No.	Amount
Severance Tax Bonding Fund	41000	\$ 125,498,267	Tax & Revenue Dept. of Finance	83300	\$ 125,498,267
G.O. 2011 Series Debt Service	11630	18,827	& Administration Dept. of Finance	80000	18,827
G.O. 2015 Series Debt Service	35170	519,963	& Administration Dept. of Finance	80000	519,963
G.O. 2017A Series Debt Service	50440	702,092	& Administration Dept. of Finance	80000	702,092
G.O. 2017B Series Debt Service	68150	<u>704,481</u>	& Administration	80000	<u>704,481</u>
		<u>\$ 127,443,630</u>			<u>\$ 127,443,630</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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 2):

SHARE Fund	Transfer from	Amount	SHARE Fund	Transfer to	Amount
11680	2013 Series Debt Service	\$ 195,676	50440	2017A Series - Debt Service	\$ 2
42600	2005 Series rebate	2	68150	2017B Series Debt Service	32,147
28800	2007 Series Debt Service	32,147	10630	2009 Series Debt Service	<u>17,675,480</u>
35170	2015 Series Debt Service	<u>17,479,804</u>			
		<u>\$ 17,707,629</u>			<u>\$ 17,707,629</u>

Severance Tax Bonds (see Schedule 4):

SHARE Fund	Transfer from	Amount	SHARE Fund	Transfer to	Amount
41000	Severance Tax Bond Fund	\$ 19,357,145	10750	2009A Series Debt Service	\$ 19,357,145
41000	Severance Tax Bond Fund	16,902,565	10950	2010A Series Debt Service	16,902,565
41000	Severance Tax Bond Fund	11,839,883	10960	2010B Series Debt Service	11,839,883
41000	Severance Tax Bond Fund	3,711,718	30830	Series 2011A-1 Refunding	3,711,718
41000	Severance Tax Bond Fund	8,289,303	11480	Series 2012A	8,289,303
41000	Severance Tax Bond Fund	16,172,672	12160	Series 2014A	16,172,672
41000	Severance Tax Bond Fund	9,738,169	50170	Series 2015B	9,738,169
41000	Severance Tax Bond Fund	18,296,157	50180	Series 2015A	18,296,157
41000	Severance Tax Bond Fund	1,001,528	43160	Series 2016D	1,001,528
41000	Severance Tax Bond Fund	22,752,563	43230	Series 2016A and 2016B	22,752,563
41000	Severance Tax Bond Fund	2,692,184	43290	Series 2016E	2,692,184
41000	Severance Tax Bond Fund	5,852,543	50370	Series 2017A	5,852,543
41000	Severance Tax Bond Fund	14,590,248	50450	Series 2016C	14,590,248
41000	Severance Tax Bond Fund	<u>13,984,783</u>	20660	Series 2018A	<u>13,984,783</u>
		<u>\$ 165,181,461</u>			<u>\$ 165,181,461</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE N – TRANSFERS – CONTINUED

2. Interagency Transfers

Transfers to/from Other State Agencies – General Obligation 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	\$ 81,113,950	General Obligation Bonding Funds	Various*	\$ 81,113,950
Board of Finance	34103	(3,980)	2015 Series Debt Service	35160	(3,980)
Board of Finance	34103	<u>(3,778,585)</u>	2015 Series Debt Service	35170	<u>(3,778,585)</u>
		<u>\$ 77,331,385</u>			<u>\$ 77,331,385</u>

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	\$ 166,523,096	Severance Tax Bonding Funds	Various*	\$ 166,523,096
Board of Finance	34103	256,381,188	Severance Tax Sponge Bond Fund	41000	256,381,188
Severance Tax Permanent Fund	60200	245,455,219	Severance Tax Bonding Fund	41000	245,455,219
Board of Finance	34103	<u>(4,202,306)</u>	Severance Tax Bonding Fund	41000	<u>(4,202,306)</u>
Total - Severance Tax Bond Funds		<u>\$ 664,157,197</u>			<u>\$ 664,157,197</u>

* See Schedules 2 and 4 for listing of each individual fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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:

2020	\$	227,955
2021		209,242
2022		3,395
2023		<u>3,395</u>
	\$	<u>443,987</u>

Lease expenditures were \$242,275 for the year ended June 30, 2019.

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, 2019.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

**NOTE P – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION –
CONTINUED**

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, 2019, 2018 and 2017 were \$340,776, \$326,170 and \$330,393, respectively, which equal the amount of the required contributions for each fiscal year.

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, 2019.

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), 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).

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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

Funding Policy

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2019, 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, 2019, 2018 and 2017 were \$40,115, \$38,396 and \$38,892, respectively, which equal the required contributions for each year.

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, 2018 to June 30, 2019. 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, 2019, 2018 and 2017, there were no settlements that exceeded insurance coverage.

NOTE S – REVERSION TO THE STATE GENERAL FUND

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

The amount reverted to the State General Fund as of June 30, 2019, was \$17,350.

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE T – 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, 2019, follows:

	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund
Fund Balances:			
Restricted for:			
Debt Service	\$ -	\$ 66,570,209	\$ 361,914,640
Unassigned	-	-	-
Total Fund Balances	\$ -	\$ 66,570,209	\$ 361,914,640

NOTE U – CASH CONFIRMATION PROCESS

The 2019 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, 2019, 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 FY19 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE U – CASH CONFIRMATION PROCESS – CONTINUED

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.

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 \$6.1 billion on June 30, 2019. Outstanding warrants and late June ACH payments settled in early July were approximately \$205.2 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, 2019, of approximately \$5.9 billion, 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE V – 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.

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). 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, 2019

	SHARE Fund	Assets		
		Repurchase Agreements	Due From Other Agencies	Total Assets
2007 Series - Debt Service	28800	\$ -	\$ -	\$ -
2009 Series - Debt Service	10630	439,154	-	439,154
2011 Series - Debt Service	11630	2,290,366	18,827	2,309,193
2013 Series - Debt Service	11680	-	-	-
2015 Series - Debt Service	35170	14,220,663	519,963	14,740,626
2017A Series - Debt Service	50440	24,844,524	702,092	25,546,616
2017B Series - Debt Service	68150	22,409,958	704,481	23,114,439
Total Debt Service		64,204,665	1,945,363	66,150,028
2005 Series - Rebate	42600	-	-	-
Total Rebate Accounts		-	-	-
2015 Series - Cost of Issuance	40130	52,511	-	52,511
2017A Series - Cost of Issuance	50390	368,387	-	368,387
Total Cost of Issuance		420,898	-	420,898
COMBINED TOTAL		\$ 64,625,563	\$ 1,945,363	\$ 66,570,926

<u>Liabilities</u>				
<u>Total</u>		<u>Fund Balance</u>	<u>Total</u>	<u>Total</u>
<u>Liabilities</u>		<u>Restricted for</u>	<u>Fund</u>	<u>Liabilities &</u>
		<u>Debt Service</u>	<u>Balance</u>	<u>Fund Equity</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	439,154	439,154	439,154	439,154
-	2,309,193	2,309,193	2,309,193	2,309,193
-	-	-	-	-
-	14,740,626	14,740,626	14,740,626	14,740,626
-	25,546,616	25,546,616	25,546,616	25,546,616
-	23,114,439	23,114,439	23,114,439	23,114,439
-	66,150,028	66,150,028	66,150,028	66,150,028
-	-	-	-	-
-	-	-	-	-
717	51,794	51,794	51,794	52,511
-	368,387	368,387	368,387	368,387
717	420,181	420,181	420,181	420,898
<u>\$ 717</u>	<u>\$ 66,570,209</u>	<u>\$ 66,570,209</u>	<u>\$ 66,570,209</u>	<u>\$ 66,570,926</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, 2019

	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	\$ 3,362	\$ -	\$ -	\$ -	\$ -	\$ 3,362
2009 Series - Debt Service	10630	71,608	3,456,411	-	1,500	1,500	3,526,519
2011 Series - Debt Service	11630	33,980	1,987,794	-	750	750	2,021,024
2013 Series - Debt Service	11680	8,167	-	-	-	-	8,167
2015 Series - Debt Service	35170	306,778	25,188,583	-	-	-	25,495,361
2017A Series - Debt Service	50440	2,032,168	28,169,813	-	(673,585)	(673,585)	30,875,566
2017B Series - Debt Service	68150	201,584	29,059,706	-	673,585	673,585	28,587,705
Total Debt Service		2,657,647	87,862,307	-	2,250	2,250	90,517,704
2005 Series - Rebate	42600	-	-	-	-	-	-
Total Rebate Accounts		-	-	-	-	-	-
2015 Series - Cost of Issuance	40130	-	-	-	46,283	46,283	(46,283)
2017A Series - Cost of Issuance	50390	-	-	-	750	750	(750)
Total Cost of Issuance		-	-	-	47,033	47,033	(47,033)
COMBINED TOTAL		\$ 2,657,647	\$ 87,862,307	\$ -	\$ 49,283	\$ 49,283	\$ 90,470,671

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, 2019
\$ -	\$ (32,147)	\$ (32,147)	\$ (28,785)	\$ 28,785	\$ -
(25,882,500)	17,675,480	(8,207,020)	(4,680,501)	5,119,655	439,154
(2,244,200)	-	(2,244,200)	(223,176)	2,532,369	2,309,193
-	(195,676)	(195,676)	(187,509)	187,509	-
(14,650,935)	(17,479,804)	(32,130,739)	(6,635,378)	21,376,004	14,740,626
(16,691,250)	2	(16,691,248)	14,184,318	11,362,298	25,546,616
(17,862,500)	32,147	(17,830,353)	10,757,352	12,357,087	23,114,439
(77,331,385)	2	(77,331,383)	13,186,321	52,963,707	66,150,028
-	(2)	(2)	(2)	2	-
-	(2)	(2)	(2)	2	-
-	-	-	(46,283)	98,077	51,794
-	-	-	(750)	369,137	368,387
-	-	-	(47,033)	467,214	420,181
<u>\$ (77,331,385)</u>	<u>\$ -</u>	<u>\$ (77,331,385)</u>	<u>\$ 13,139,286</u>	<u>\$ 53,430,923</u>	<u>\$ 66,570,209</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, 2019

	SHARE Fund	Assets		
		Repurchase Agreements	Due From Other Agencies	Total Assets
2009-A Series - Debt Service	10750	\$ 19,076,797	\$ -	\$ 19,076,797
2010-A Series - Debt Service	10950	16,191,949	-	16,191,949
2010-B Series - Debt Service	10960	11,363,419	-	11,363,419
2010-C Series - Debt Service	11190	227	-	227
2010-D Series - Debt Service	11280	1,254	-	1,254
Series 2013A	11770	170,771	-	170,771
Series 2014A	12160	16,085,343	-	16,085,343
Series 2011A-1	30830	3,603,103	-	3,603,103
Series 2011A-2 Refunding	30820	66,471	-	66,471
2012-A Series - Debt Service	11480	7,597,086	-	7,597,086
2004-B Series Debt Service	18300	106	-	106
2005-B1 Series Debt Service	38800	2,358	-	2,358
Severance Tax Bonding	41000	82,591,293	125,498,267	208,089,560
2005-A Series Debt Service	41200	115,083	-	115,083
Series 2016A & Refunding Series 2016B	43230	17,867,899	-	17,867,899
2003-B Series-Debt Service	48400	472	-	472
Series 2015B	50170	8,664,625	-	8,664,625
Series 2015A	50180	16,276,076	-	16,276,076
Series 2016C	50450	14,475,692	-	14,475,692
2007-A Debt Service	53700	63,580	-	63,580
2005-B2 Series Debt Service	57100	1,705	-	1,705
2008A-1 Series - Debt Service	72010	197,381	-	197,381
2008A-2 Series - Debt Service	72070	1,597	-	1,597
2006-A Series Debt Service	96300	3,377	-	3,377
2016D Series Debt Service	43160	688,708	-	688,708
2016E Series Debt Service	43290	2,680,227	-	2,680,227
2017A Series Debt Service	50370	5,436,585	-	5,436,585
2017SC Series Debt Service	67980	33	-	33
2018A Series Debt Service	20660	13,175,863	-	13,175,863
Total Debt Service		236,399,080	125,498,267	361,897,347
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		\$ 236,517,912	\$ 125,498,267	\$ 362,016,179

Liabilities		Fund Equity		Total
Accounts Payable	Total Liabilities	Restricted for Debt Service	Total Fund Equity	Liabilities & Fund Equity
\$ -	\$ -	\$ 19,076,797	\$ 19,076,797	\$ 19,076,797
-	-	16,191,949	16,191,949	16,191,949
-	-	11,363,419	11,363,419	11,363,419
-	-	227	227	227
-	-	1,254	1,254	1,254
-	-	170,771	170,771	170,771
-	-	16,085,343	16,085,343	16,085,343
-	-	3,603,103	3,603,103	3,603,103
-	-	66,471	66,471	66,471
-	-	7,597,086	7,597,086	7,597,086
-	-	106	106	106
-	-	2,358	2,358	2,358
100,324	100,324	207,989,236	207,989,236	208,089,560
-	-	115,083	115,083	115,083
-	-	17,867,899	17,867,899	17,867,899
-	-	472	472	472
-	-	8,664,625	8,664,625	8,664,625
-	-	16,276,076	16,276,076	16,276,076
-	-	14,475,692	14,475,692	14,475,692
-	-	63,580	63,580	63,580
-	-	1,705	1,705	1,705
-	-	197,381	197,381	197,381
1,215	1,215	382	382	1,597
-	-	3,377	3,377	3,377
-	-	688,708	688,708	688,708
-	-	2,680,227	2,680,227	2,680,227
-	-	5,436,585	5,436,585	5,436,585
-	-	33	33	33
-	-	13,175,863	13,175,863	13,175,863
101,539	101,539	361,795,808	361,795,808	361,897,347
-	-	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>\$ 101,539</u>	<u>\$ 101,539</u>	<u>\$ 361,914,640</u>	<u>\$ 361,914,640</u>	<u>\$ 362,016,179</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, 2019

	SHARE Fund	Interest Income	Severance Taxes	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures
2009-A Series - Debt Service	10750	\$ 178,834	\$ -	\$ -	\$ -	\$ -
2010-A Series - Debt Service	10950	77,660	-	-	-	-
2010-B Series - Debt Service	10960	19,831	-	-	-	-
2010-C Series - Debt Service	11190	4	-	-	-	-
2010-D Series - Debt Service	11280	21	-	-	-	-
Series 2013A	11770	161,772	-	-	-	-
Series 2014A	12160	279,271	-	-	-	-
2011A-1 Series	30830	32,509	-	-	-	-
2011A-2 Series Refunding	30820	65,638	-	-	-	-
2012A - Series	11480	46,388	-	-	-	-
2004-B Series Debt Service	18300	8	-	-	-	-
2005-B1 Series Debt Service	38800	234	-	-	-	-
Severance Tax Bonding	41000	14,622,966	672,441,063	-	759,100	759,100
2005-A Series -Debt Service	41200	2,727	-	-	-	-
Series 2016A & Refunding Series 2016B	43230	670,815	-	-	-	-
2003-B Series-Debt Service	48400	230	-	-	-	-
Series 2015B	50170	270,777	-	-	-	-
Series 2015A	50180	685,074	-	-	-	-
Series 2016C	50450	157,893	-	-	-	-
2007-A Series-Debt Service	53700	1,071	-	-	-	-
2005-B2 Series Debt Service	57100	143	-	-	-	-
2008A-1 Debt Service	72010	8,672	-	-	-	-
2008A-2 Debt Service	72070	27	-	-	-	-
2006-A Series Debt Service	96300	735	-	-	-	-
2016D Series Debt Service	43160	333,994	-	-	-	-
2016E Series Debt Service	43290	166,913	-	-	-	-
2017A Series Debt Service	50370	1,207,698	-	-	-	-
2017SC Series Debt Service	67980	-	-	-	-	-
2018A Series Debt Service	20660	2,136,276	-	-	-	-
Total Debt Service		21,128,181	672,441,063	-	759,100	759,100
2004-B Series-Rebate	41100	-	-	-	-	-
2003-B Supp-Rebate	42000	-	-	-	-	-
2005-A Series-Rebate	48300	-	-	-	-	-
2005-B1 Series-Rebate	57000	-	-	-	-	-
2005-B2 Series-Rebate	96000	-	-	-	-	-
2006-A Series-Rebate	96400	-	-	-	-	-
Total Rebate Accounts		-	-	-	-	-
COMBINED TOTAL		\$ 21,128,181	\$ 672,441,063	\$ -	\$ 759,100	\$ 759,100

Excess (Deficiency) of Revenues Over (Under) Expenditures	Transfers (to) from Other State Agencies	Interfund Transfers	Total Other Financing Sources (Uses)	Net Change in Fund Balance	Beginning Fund Balance	Fund Balances June 30, 2019
\$ 178,834	\$ (19,067,375)	\$ 19,357,145	\$ 289,770	\$ 468,604	\$ 18,608,193	\$ 19,076,797
77,660	(16,610,125)	16,902,565	292,440	370,100	15,821,849	16,191,949
19,831	(11,781,175)	11,839,883	58,708	78,539	11,284,880	11,363,419
4	-	-	-	4	223	227
21	-	-	-	21	1,233	1,254
161,772	(15,856,750)	-	(15,856,750)	(15,694,978)	15,865,749	170,771
279,271	(14,093,625)	16,172,672	2,079,047	2,358,318	13,727,025	16,085,343
32,509	(3,955,600)	3,711,718	(243,882)	(211,373)	3,814,476	3,603,103
65,638	(17,040,625)	-	(17,040,625)	(16,974,987)	17,041,458	66,471
46,388	(8,163,000)	8,289,303	126,303	172,691	7,424,395	7,597,086
8	-	-	-	8	98	106
234	-	-	-	234	2,124	2,358
686,304,929	(497,634,101)	(165,181,461)	(662,815,562)	23,489,367	184,499,869	207,989,236
2,727	-	-	-	2,727	112,356	115,083
670,815	(11,193,300)	22,752,563	11,559,263	12,230,078	5,637,821	17,867,899
230	-	-	-	230	242	472
270,777	(9,360,500)	9,738,169	377,669	648,446	8,016,179	8,664,625
685,074	(16,765,250)	18,296,157	1,530,907	2,215,981	14,060,095	16,276,076
157,893	(10,444,500)	14,590,248	4,145,748	4,303,641	10,172,051	14,475,692
1,071	-	-	-	1,071	62,509	63,580
143	-	-	-	143	1,562	1,705
8,672	-	-	-	8,672	188,709	197,381
27	-	-	-	27	355	382
735	-	-	-	735	2,642	3,377
333,994	(1,336,250)	1,001,528	(334,722)	(728)	689,436	688,708
166,913	(2,779,579)	2,692,184	(87,395)	79,518	2,600,709	2,680,227
1,207,698	(4,960,375)	5,852,543	892,168	2,099,866	3,336,719	5,436,585
-	-	-	-	-	33	33
2,136,276	(3,115,067)	13,984,783	10,869,716	13,005,992	169,871	13,175,863
692,810,144	(664,157,197)	-	(664,157,197)	28,652,947	333,142,861	361,795,808
-	-	-	-	-	321	321
-	-	-	-	-	13,168	13,168
-	-	-	-	-	46,771	46,771
-	-	-	-	-	11,525	11,525
-	-	-	-	-	6,763	6,763
-	-	-	-	-	40,284	40,284
-	-	-	-	-	118,832	118,832
<u>\$ 692,810,144</u>	<u>\$ (664,157,197)</u>	<u>\$ -</u>	<u>\$ (664,157,197)</u>	<u>\$ 28,652,947</u>	<u>\$ 333,261,693</u>	<u>\$ 361,914,640</u>

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
GENERAL FUND INVESTMENT POOL:					
Fiscal agent bank account	0.000%	N/A	\$ 63,066,954	\$ 63,066,954	\$ -
Cash in banks	Various	Various	584,445,019	584,445,019	-
Repurchase agreements	Various	Various	2,026,073,516	2,026,073,516	-
Certificates of deposit	Various	Various	16,000,000	16,000,000	-
Investment in LGIP	Various	Various	789,442	789,442	-
Municipal bonds:					
ALBUQUERQUE PUBLIC SCHOOLS-GENERAL OBLIGATION	0.000%	07/18/2019	15,000,000	15,000,000	-
CITY OF ALBUQUERQUE - GENERAL OBLIGATION BOND	0.000%	07/01/2019	7,150,000	7,150,000	-
NEW MEXICO FIN AUTH REV REVOLVING FD REV BDS	5.000%	06/15/2020	669,437	667,394	(2,043)
NEW MEXICO FIN AUTH REV SUB LIEN PUB PROJ	2.135%	06/15/2020	390,000	389,957	(43)
NEW MEXICO FIN AUTH REV SUB PUB PROJ REVOLVING	2.766%	06/15/2020	300,000	301,740	1,740
PP -CNM TAXABLE-GENERAL OBLIGATION BONDS, SERIES 2018B	1.000%	8/15/2019	6,000,000	6,000,000	-
PP- CNM TAXABLE-GENERAL OBLIGATION BONDS, SERIES 2018B	3.000%	8/15/2020	2,000,000	2,000,000	-
Total municipal bonds			31,509,437	31,509,091	(346)
Corporate bonds:					
3M CO CALLABLE MEDIUM TERM NOTE FIXED 3%	3.000%	09/14/2021	3,993,904	4,075,840	81,936
APPLE INC CALLABLE NOTES FIXED 1.5% 12/SEP/2019	1.500%	09/12/2019	9,999,135	9,984,621	(14,514)
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	1.800%	05/11/2020	2,499,253	2,491,544	(7,709)
APPLE INC CALLABLE NOTES FIXED 2.85% 06/MAY/2021	2.850%	05/06/2021	14,515,463	14,636,038	120,575
BANK OF NEW YORK MELLON/THE CALLABLE MEDIUM TERM	2.783%	06/04/2021	7,000,000	7,003,920	3,920
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	1.850%	02/06/2020	2,499,658	2,494,650	(5,008)
PFIZER INC CALLABLE NOTES FIXED 2.8% 11/MAR/2022	2.800%	03/11/2022	4,999,729	5,093,908	94,179
PFIZER INC CALLABLE NOTES FIXED 3% 15/SEP/2021 USD	3.000%	09/15/2021	4,995,011	5,100,050	105,039
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE FIXED	2.650%	04/12/2022	17,989,456	18,223,501	234,045
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE FIXED	3.050%	01/08/2021	20,080,166	20,275,000	194,834
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	2.125%	10/28/2019	5,987,983	5,998,653	10,670
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	2.350%	01/23/2020	3,889,685	3,900,944	11,259
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	2.650%	05/23/2022	6,992,832	7,099,820	106,988
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	3.000%	02/04/2021	6,016,417	6,072,720	56,303
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	3.050%	07/24/2020	1,999,482	2,016,680	17,198
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	3.450%	11/16/2021	9,988,958	10,302,926	313,968
US BANK NA/CINCINNATI OH CALLABLE NOTES FIXED 2%	2.000%	01/24/2020	4,997,968	4,993,900	(4,068)
WALMART INC NOTES VARIABLE 23/JUN/2021 USD 1000	2.573%	06/23/2021	3,000,000	3,006,810	6,810
WELLS FARGO BANK NA MEDIUM TERM NOTE VARIABLE	2.827%	01/15/2020	7,000,000	7,006,117	6,117
Total corporate bonds			138,445,100	139,777,642	1,332,542

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Discounted notes:					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	75,255,349	75,194,318	(61,031)
RESOLUTION FUNDING CORP BOND ZERO CPN 15/JUL/2019	0.000%	07/15/2019	24,973,449	24,974,750	1,301
RESOLUTION FUNDING CORP BOND ZERO CPN 15/OCT/2019	0.000%	10/15/2019	50,405,639	50,455,689	50,050
TENNESSEE VALLEY AUTHORITY BOND ZERO CPN	0.000%	03/15/2023	2,752,450	2,763,330	10,880
UNITED STATES OF AMERICA BILL ZERO CPN 27/FEB/2020	0.000%	02/27/2020	19,668,734	19,739,200	70,466
Total discounted notes			173,055,621	173,127,287	71,666
Commerical paper:					
PRIVATE EXP. FUNDING CORPORATE COMMERCIAL PAPER	0.000%	08/06/2019	19,947,451	19,948,368	917
Total commerical paper			19,947,451	19,948,368	917
Bankers acceptance notes:					
US BANK N.A. BANKERS' ACCEPTANCE DISCOUNT DTD	0.000%	10/29/2019	8,429,575	8,429,575	-
US BANK N.A. BANKERS' ACCEPTANCE DISCOUNT DTD	2.580%	07/15/2019	2,996,676	2,996,676	-
Total bankers acceptance notes			11,426,251	11,426,251	-
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA NOTES FIXED .875%	0.875%	07/31/2019	15,991,652	15,981,760	(9,892)
UNITED STATES OF AMERICA NOTES FIXED 1.125%	1.125%	03/31/2020	33,684,365	33,528,600	(155,765)
UNITED STATES OF AMERICA NOTES FIXED 1.125%	1.125%	09/30/2021	24,341,184	24,670,000	328,816
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	04/30/2020	40,228,690	40,286,565	57,875
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	04/30/2021	17,162,106	17,370,850	208,744
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	08/31/2020	24,649,301	24,845,750	196,449
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	09/30/2020	62,089,936	62,596,170	506,234
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	05/15/2020	19,779,342	19,911,800	132,458
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	10/31/2019	24,495,069	24,449,285	(45,784)
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	07/31/2020	20,015,969	19,933,600	(82,369)
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	12/31/2019	22,888,025	22,945,260	57,235
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	05/31/2022	19,996,709	20,013,200	16,491
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	09/30/2022	19,836,626	20,014,000	177,374
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	10/31/2020	41,153,720	40,929,480	(224,240)
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	11/30/2021	44,021,679	45,013,950	992,271
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	12/31/2020	20,108,245	19,973,400	(134,845)
UNITED STATES OF AMERICA NOTES FIXED 1.875%	1.875%	01/31/2022	9,863,198	10,035,200	172,002
UNITED STATES OF AMERICA NOTES FIXED 1.875%	1.875%	02/28/2022	24,590,175	25,092,750	502,575
UNITED STATES OF AMERICA NOTES FIXED 1.875%	1.875%	03/31/2022	24,391,060	25,110,250	719,190
UNITED STATES OF AMERICA NOTES FIXED 1.875%	1.875%	08/31/2022	68,827,184	70,314,300	1,487,116

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	01/15/2021	49,578,682	50,125,000	546,318
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	04/30/2024	17,636,242	17,690,750	54,508
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	07/31/2020	24,826,179	25,016,500	190,321
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	07/31/2022	20,072,564	20,165,600	93,036
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	11/30/2020	20,060,377	20,041,400	(18,977)
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	11/30/2022	19,909,011	20,180,400	271,389
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	12/31/2021	24,790,978	25,168,000	377,022
UNITED STATES OF AMERICA NOTES FIXED 2.125%	2.125%	02/29/2024	30,755,239	31,510,880	755,641
UNITED STATES OF AMERICA NOTES FIXED 2.125%	2.125%	06/30/2022	20,153,480	20,236,000	82,520
UNITED STATES OF AMERICA NOTES FIXED 2.125%	2.125%	08/31/2020	28,836,387	29,067,860	231,473
UNITED STATES OF AMERICA NOTES FIXED 2.125%	2.125%	11/30/2023	24,461,842	25,399,500	937,658
UNITED STATES OF AMERICA NOTES FIXED 2.25%	2.250%	01/31/2024	27,774,489	28,607,040	832,551
UNITED STATES OF AMERICA NOTES FIXED 2.375%	2.375%	01/31/2023	24,625,144	25,558,500	933,356
UNITED STATES OF AMERICA NOTES FIXED 2.375%	2.375%	03/15/2021	29,910,003	30,289,500	379,497
UNITED STATES OF AMERICA NOTES FIXED 2.375%	2.375%	04/15/2021	24,895,954	25,254,000	358,046
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	05/15/2024	14,279,780	14,480,760	200,980
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	05/31/2020	24,926,506	25,110,250	183,744
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	06/30/2020	44,885,335	45,235,350	350,015
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	06/15/2021	19,985,227	20,333,600	348,373
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	07/15/2021	24,901,461	25,432,750	531,289
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	08/31/2020	24,991,447	25,205,000	213,553
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	12/15/2021	24,927,402	25,547,750	620,348
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	07/31/2023	19,950,106	20,792,200	842,094
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	08/15/2021	24,992,315	25,516,500	524,185
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	08/31/2023	24,985,340	26,009,750	1,024,410
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	09/15/2021	24,962,246	25,554,750	592,504
UNITED STATES OF AMERICA NOTES FIXED 2.875%	2.875%	10/15/2021	19,948,587	20,508,600	560,013
Total treasury securities			1,270,094,887	1,287,102,760	17,007,873
Federal Farm Credit Banks (FFCB):					
FEDERAL FARM CREDIT BANKS BOND FIXED 1.77%	1.770%	06/26/2023	20,042,083	20,062,210	20,127
FEDERAL FARM CREDIT BANKS BOND FIXED 1.8%	1.800%	11/12/2019	8,000,109	7,989,840	(10,269)
FEDERAL FARM CREDIT BANKS BOND FIXED 1.9%	1.900%	07/01/2024	11,595,427	11,596,548	1,121
FEDERAL FARM CREDIT BANKS BOND FIXED 2.54%	2.540%	04/05/2021	11,716,088	11,861,582	145,494
FEDERAL FARM CREDIT BANKS BOND FIXED 2.55%	2.550%	03/01/2022	25,014,737	25,480,500	465,763
FEDERAL FARM CREDIT BANKS BOND FIXED 2.875%	2.875%	12/21/2023	16,261,757	16,785,377	523,620
FEDERAL FARM CREDIT BANKS BOND FIXED 3%	3.000%	12/06/2023	31,292,253	32,620,084	1,327,831
FEDERAL FARM CREDIT BANKS BOND FIXED 3.05%	3.050%	11/06/2023	21,931,435	23,074,480	1,143,045
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.690%	05/20/2022	6,000,000	6,015,300	15,300
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.386%	04/11/2022	15,000,000	15,004,050	4,050
Total Federal Farm Credit Banks			166,853,889	170,489,971	3,636,082

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Banks (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED 1.125%	1.125%	07/14/2021	4,989,781	4,937,700	(52,081)
FEDERAL HOME LOAN BANKS BOND FIXED 1.375%	1.375%	02/18/2021	33,925,828	33,750,440	(175,388)
FEDERAL HOME LOAN BANKS BOND FIXED 1.375%	1.375%	09/28/2020	6,990,742	6,953,800	(36,942)
FEDERAL HOME LOAN BANKS BOND FIXED 2.25%	2.250%	03/11/2022	2,000,717	2,024,660	23,943
FEDERAL HOME LOAN BANKS BOND FIXED 2.5%	2.500%	03/11/2022	34,744,521	35,126,865	382,344
FEDERAL HOME LOAN BANKS BOND FIXED 2.625%	2.625%	10/01/2020	4,993,416	5,042,850	49,434
FEDERAL HOME LOAN BANKS BOND FIXED 2.75%	2.750%	03/10/2023	25,069,122	25,729,500	660,378
FEDERAL HOME LOAN BANKS BOND FIXED 2.875%	2.875%	06/14/2024	20,950,419	20,942,600	(7,819)
FEDERAL HOME LOAN BANKS BOND FIXED 3.375%	3.375%	12/08/2023	46,507,491	48,406,085	1,898,594
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.6%	1.600%	09/24/2019	498,712	499,280	568
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 2.15%	2.150%	09/26/2022	20,568,725	20,984,670	415,945
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 2.19%	2.190%	11/28/2022	12,399,768	12,480,125	80,357
Total Federal Home Loan Banks			213,639,242	216,878,575	3,239,333
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.700%	11/27/2019	1,445,639	1,448,043	2,404
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.000%	06/29/2021	2,618,294	2,620,865	2,571
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.000%	06/30/2021	4,998,987	5,005,150	6,163
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.500%	10/29/2020	1,749,243	1,750,455	1,212
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.000%	11/27/2020	3,987,646	3,998,320	10,674
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	2.900%	05/09/2024	25,000,000	25,016,000	16,000
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	2.750%	04/12/2022	25,000,000	25,003,500	3,500
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 2.5%	2.500%	04/23/2020	2,999,730	3,013,140	13,410
Total Federal Home Loan Mortgage Corporation			67,799,539	67,855,473	55,934
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES	2.620%	07/30/2019	20,000,000	20,002,000	2,000
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.875%	08/02/2019	4,999,749	4,993,950	(5,799)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.300%	09/20/2019	997,371	997,830	459
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.375%	10/07/2021	4,996,117	4,950,250	(45,867)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.500%	07/30/2020	19,977,807	19,900,200	(77,607)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	11/26/2019	14,002,986	13,979,560	(23,426)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.500%	02/05/2024	25,902,810	26,781,300	878,490
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.500%	04/13/2021	19,982,005	20,233,400	251,395
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.750%	06/22/2021	19,996,921	20,361,200	364,279
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.875%	09/12/2023	24,912,846	26,037,250	1,124,404
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.875%	10/30/2020	19,992,187	20,254,000	261,813
Total Federal National Mortgage Corporation			175,760,799	178,490,940	2,730,141

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Agricultural Mortgage Corp. (FAGM)					
FEDERAL AGRICULTURAL MORTGAGE CORP CALLABLE MEDIUM	3.600%	11/15/2023	5,000,000	5,020,700	20,700
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.800%	06/28/2022	14,000,000	13,925,265	(74,735)
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.900%	09/01/2022	9,998,388	9,988,800	(9,588)
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.900%	09/18/2019	12,999,445	12,994,930	(4,515)
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	2.150%	06/05/2024	10,055,667	10,060,300	4,633
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	2.250%	11/01/2022	24,995,145	25,245,500	250,355
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	2.620%	02/26/2024	5,000,000	5,135,350	135,350
Total Federal Agricultural Mortgage Corporation			82,048,645	82,370,845	322,200
Miscellaneous government securities					
UNITED STATES DEPARTMENT OF HOUSING AND URBAN	2.547%	08/01/2022	4,000,000	4,086,200	86,200
UNITED STATES DEPARTMENT OF HOUSING AND URBAN	2.618%	08/01/2023	4,000,000	4,077,120	77,120
Total miscellaneous government securities			8,000,000	8,163,320	163,320
Total U.S. government securities			1,984,197,001	2,011,351,884	27,154,883
Total General Fund Investment Pool (State Funds Investment Pool)			<u>\$ 5,048,955,792</u>	<u>\$ 5,077,515,454</u>	<u>\$ 28,559,662</u>

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
LOCAL GOVERNMENT INVESTMENT POOL:					
Bank accounts:					
BANK OF THE WEST	Variable	N/A	\$ 19,247,686	\$ 19,247,686	\$ -
BBVA COMPASS BANK	Variable	N/A	19,159,601	19,159,601	-
WELLS FARGO CHECKING	0.15%	N/A	15,241,118	15,241,118	-
Total bank accounts			53,648,405	53,648,405	-
Repurchase agreements	Various	Various	222,000,000	222,000,000	-
Discounted notes:					
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/10/2019	3,997,373	3,997,800	427
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/26/2019	9,982,798	9,984,722	1,924
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	09/25/2019	14,962,460	14,965,929	3,469
FEDERAL HOME LOAN MORTGAGE CORP DISCOUNT NOTES	0.000%	07/02/2019	8,947,436	8,953,560	6,124
FEDERAL HOME LOAN MORTGAGE CORP DISCOUNT NOTES	0.000%	09/18/2019	19,997,312	19,998,778	1,466
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	08/07/2019	9,947,948	9,952,600	4,652
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	16,092,189	16,093,619	1,430

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
TENNESSEE VALLEY AUTHORITY DISCOUNT NOTES ZERO CPN	0.000%	07/17/2019	19,978,939	19,980,440	1,501
UNITED STATES OF AMERICA BILL ZERO CPN 09/JUL/2019	0.000%	07/09/2019	29,983,580	29,987,100	3,520
UNITED STATES OF AMERICA BILL ZERO CPN 15/AUG/2019	0.000%	08/15/2019	24,923,279	24,934,500	11,221
UNITED STATES OF AMERICA BILL ZERO CPN 19/SEP/2019	0.000%	09/19/2019	9,945,769	9,953,800	8,031
UNITED STATES OF AMERICA BILL ZERO CPN 22/AUG/2019	0.000%	08/22/2019	24,910,716	24,924,250	13,534
UNITED STATES OF AMERICA BILL ZERO CPN 25/JUL/2019	0.000%	07/25/2019	19,967,730	19,974,000	6,270
Total discounted notes			213,637,529	213,701,098	63,569
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	07/31/2019	19,983,970	19,989,600	5,630
UNITED STATES OF AMERICA NOTES VARIABLE	2.096%	01/31/2020	9,998,205	9,995,100	(3,105)
UNITED STATES OF AMERICA NOTES VARIABLE	2.211%	01/31/2021	14,987,508	14,986,350	(1,158)
UNITED STATES OF AMERICA NOTES VARIABLE	2.235%	04/30/2021	9,999,732	9,992,000	(7,732)
Total treasury securities			54,969,415	54,963,050	(6,365)
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.125%	09/06/2019	1,496,191	1,496,745	554
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.250%	08/23/2019	1,002,890	1,003,402	512
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.260%	08/02/2019	2,497,404	2,497,575	171
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES	2.660%	01/30/2020	3,572,158	3,573,284	1,126
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES	2.570%	10/30/2019	10,000,000	10,002,200	2,200
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.500%	02/28/2020	4,101,419	4,113,145	11,726
Total Federal National Mortgage Association			22,670,062	22,686,351	16,289
Federal Farm Credit Bank (FFCB):					
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.590%	12/11/2019	10,003,106	10,009,400	6,294
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.605%	01/15/2021	8,000,000	7,997,520	(2,480)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.365%	09/20/2019	4,999,776	4,999,550	(226)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.435%	12/26/2019	9,999,754	9,997,300	(2,454)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.600%	03/26/2020	5,000,000	5,002,850	2,850
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.510%	02/28/2020	4,999,832	4,999,800	(32)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.440%	04/16/2021	10,000,000	9,992,700	(7,300)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.480%	06/03/2021	10,000,000	9,989,800	(10,200)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.414%	08/24/2020	16,806,198	16,797,606	(8,592)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.141%	08/17/2020	9,998,868	9,995,700	(3,168)
FEDERAL FARM CREDIT BANKS CALLABLE BOND FIXED	1.080%	07/12/2019	19,992,552	19,992,600	48
Total Federal Farm Credit Bank			109,800,086	109,774,826	(25,260)

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Bank (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED 1.38%	1.380%	10/22/2019	995,823	997,300	1,477
FEDERAL HOME LOAN BANKS BOND FIXED 2% 13/SEP/2019	2.000%	09/13/2019	998,813	999,450	637
FEDERAL HOME LOAN BANKS BOND FIXED 2.405%	2.405%	07/05/2019	9,999,886	10,000,200	314
FEDERAL HOME LOAN BANKS BOND FIXED 2.45%	2.450%	10/11/2019	14,569,154	14,578,159	9,005
FEDERAL HOME LOAN BANKS BOND FIXED 4.125%	4.125%	12/13/2019	1,006,798	1,008,820	2,022
FEDERAL HOME LOAN BANKS BOND VARIABLE 01/OCT/2020	2.605%	10/01/2020	4,000,000	4,000,480	480
FEDERAL HOME LOAN BANKS BOND VARIABLE 09/OCT/2019	2.530%	10/09/2019	9,000,000	8,999,190	(810)
FEDERAL HOME LOAN BANKS BOND VARIABLE 10/SEP/2019	2.560%	09/10/2019	20,000,000	20,000,200	200
FEDERAL HOME LOAN BANKS BOND VARIABLE 27/MAR/2020	2.565%	03/27/2020	10,000,000	10,002,200	2,200
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 2.51%	2.510%	04/02/2020	10,000,000	10,000,100	100
FEDERAL HOME LOAN BANKS CALLABLE BOND STEP CPN	1.500%	03/13/2020	3,974,515	3,982,080	7,565
Total Federal Home Loan Bank			84,544,989	84,568,179	23,190
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.510%	04/02/2020	10,000,000	10,000,100	100
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.800%	04/13/2020	9,953,686	9,974,700	21,014
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	2.550%	05/01/2020	10,000,000	10,000,200	200
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1.25%	1.250%	10/02/2019	4,983,934	4,987,900	3,966
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1.375%	1.375%	08/15/2019	4,544,019	4,544,543	524
Total Federal Home Loan Mortgage Corporation			39,481,639	39,507,443	25,804
Total U.S. governmental securities			311,466,191	311,499,849	33,658
Total Local Government Investment Pool (Short-term Investment Pool)			<u>\$ 800,752,125</u>	<u>\$ 800,849,352</u>	<u>\$ 97,227</u>
Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
BOND PROCEEDS INVESTMENT POOL #2 (TAXABLE):					
Repurchase agreements	Various	Various	\$ 78,713,351	\$ 78,713,351	\$ -
Certificates of deposit	Various	Various	7,700,000	7,700,000	-
Municipal Bonds:					
BELEN N MEX CONS SCH DIST NO 2 GO BDS A	2.000%	08/01/2019	315,255	315,132	(123)
BELEN N MEX CONS SCH DIST NO 2 GO BDS B	2.000%	08/01/2019	535,434	535,225	(209)
Total municipal bonds			850,689	850,357	(332)

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

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	2,499,253	2,491,544	(7,709)
MICROSOFT CORP CALLABLE NOTES FIXED 2% 03/NOV/2020	2.000%	11/03/2020	9,291,441	9,266,090	(25,351)
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	1.850%	02/06/2020	2,369,451	2,374,907	5,456
PROCTER & GAMBLE CO/THE CALLABLE NOTES FIXED 1.75%	1.750%	10/25/2019	1,999,887	1,997,539	(2,348)
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE FIXED	3.050%	01/08/2021	5,020,042	5,068,750	48,708
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE VARIABLE	2.786%	04/26/2021	1,961,330	1,956,031	(5,299)
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	1.950%	04/17/2020	2,499,689	2,495,200	(4,489)
Total corporate bonds:			25,641,093	25,650,061	8,968
Discounted notes:					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	24,869,485	24,843,500	(25,985)
Total discounted notes			24,869,485	24,843,500	(25,985)
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA NOTES FIXED 1.125%	1.125%	08/31/2021	14,582,623	14,800,800	218,177
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	08/31/2020	14,802,210	14,907,450	105,240
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	09/30/2020	14,789,951	14,903,850	113,899
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	05/15/2020	14,858,089	14,933,850	75,761
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	07/15/2020	4,945,229	4,976,950	31,721
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	03/15/2020	4,969,300	4,985,350	16,050
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	10/15/2020	11,864,955	11,961,600	96,645
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	12/31/2019	14,926,973	14,964,300	37,327
UNITED STATES OF AMERICA NOTES FIXED 1.875%	1.875%	01/31/2022	14,789,665	15,052,800	263,135
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	01/15/2021	4,973,051	5,012,500	39,449
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	11/30/2020	19,846,129	20,041,400	195,271
UNITED STATES OF AMERICA NOTES FIXED 2.375%	2.375%	03/15/2021	10,022,488	10,096,500	74,012
UNITED STATES OF AMERICA NOTES FIXED 2.375%	2.375%	04/30/2020	9,967,237	10,029,300	62,063
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	06/30/2020	24,991,171	25,130,750	139,579
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	06/15/2021	9,992,614	10,166,800	174,186
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	07/15/2021	19,976,335	20,346,200	369,865
UNITED STATES OF AMERICA NOTES FIXED 2.875%	2.875%	10/15/2021	4,987,147	5,127,150	140,003
Total treasury securities			215,285,167	217,437,550	2,152,383
Federal Farm Credit Banks (FFCB):					
FEDERAL FARM CREDIT BANKS BOND FIXED 1.75%	1.750%	07/01/2022	19,958,865	19,956,640	(2,225)
FEDERAL FARM CREDIT BANKS BOND FIXED 1.77%	1.770%	06/26/2023	22,235,160	22,235,408	248
FEDERAL FARM CREDIT BANKS BOND FIXED 1.95%	1.950%	06/13/2024	10,000,397	10,027,300	26,903
FEDERAL FARM CREDIT BANKS BOND FIXED 2.8%	2.800%	12/17/2021	8,620,079	8,770,154	150,075
FEDERAL FARM CREDIT BANKS CALLABLE BOND FIXED	1.950%	03/08/2021	1,972,090	1,994,720	22,630
Total Federal Farm Credit Banks			62,786,591	62,984,222	197,631

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Banks (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	08/05/2019	7,499,530	7,488,319	(11,211)
FEDERAL HOME LOAN BANKS BOND FIXED 2.125%	2.125%	02/11/2020	9,976,222	9,998,489	22,267
FEDERAL HOME LOAN BANKS BOND FIXED 2.32%	2.320%	12/19/2019	2,995,274	3,001,050	5,776
FEDERAL HOME LOAN BANKS BOND FIXED 2.5%	2.500%	03/11/2022	10,072,025	10,181,700	109,675
FEDERAL HOME LOAN BANKS BOND FIXED 2.625%	2.625%	10/01/2020	4,993,416	5,042,850	49,434
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.2%	1.200%	07/26/2019	1,498,438	1,498,815	377
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.625%	1.625%	11/26/2021	487,975	494,150	6,175
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.65%	1.650%	09/24/2019	2,000,889	1,997,260	(3,629)
Total Federal Home Loan Banks			39,523,769	39,702,633	178,864
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.150%	07/26/2019	998,952	999,220	268
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.650%	07/10/2020	5,080,000	5,069,434	(10,566)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.750%	08/28/2020	991,939	998,220	6,281
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.000%	06/30/2021	3,664,257	3,668,775	4,518
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	2.900%	05/09/2024	5,000,000	5,003,200	3,200
Total Federal Home Loan Mortgage Corporation			15,735,148	15,738,849	3,701
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.200%	07/28/2020	1,966,355	1,982,880	16,525
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.200%	10/18/2019	348,383	348,975	592
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.200%	12/30/2019	5,000,000	4,977,150	(22,850)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	2.000%	02/07/2020	5,231,621	5,193,760	(37,861)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.000%	10/24/2019	4,998,575	4,981,550	(17,025)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	09/12/2019	24,996,258	24,974,250	(22,008)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	11/26/2019	20,001,870	19,970,800	(31,070)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.750%	06/22/2021	9,998,456	10,180,600	182,144
Total Federal National Mortgage Corporation			72,541,518	72,609,965	68,447
Miscellaneous government securities					
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	2.189%	03/25/2020	12,500,000	12,495,250	(4,750)
Total miscellaneous government securities			12,500,000	12,495,250	(4,750)
Total U.S. government securities			418,372,193	420,968,469	2,596,276
Total Bond Proceeds Investment Pool #2 (Taxable) (Part 1 of the Consolidated Investment Pool)			<u>\$ 556,146,811</u>	<u>\$ 558,725,738</u>	<u>\$ 2,578,927</u>

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
BOND PROCEEDS INVESTMENT POOL #1 (TAX EXEMPT):					
Repurchase agreements	Various	Various	\$ 137,213,133	\$ 137,213,133	\$ -
Corporate bonds:					
APPLE INC CALLABLE NOTES FIXED 1.55% 07/FEB/2020	1.550%	02/07/2020	317,029	317,673	644
APPLE INC CALLABLE NOTES FIXED 1.5% 12/SEP/2019	1.500%	09/12/2019	9,999,135	9,984,621	(14,514)
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	1.850%	02/06/2020	2,499,658	2,494,650	(5,008)
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	1.950%	04/17/2020	2,499,689	2,495,200	(4,489)
WALMART INC CALLABLE NOTES FIXED 1.75% 09/OCT/2019	1.750%	10/09/2019	1,999,994	1,996,523	(3,471)
WALMART INC NOTES VARIABLE 23/JUN/2021 USD 1000	2.573%	06/23/2021	4,000,000	4,009,080	9,080
Total corporate bonds:			21,315,505	21,297,747	(17,758)
Discounted notes:					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	27,938,496	27,889,313	(49,183)
RESOLUTION FUNDING CORP BOND ZERO CPN 15/OCT/2019	0.000%	10/15/2019	9,924,915	9,933,200	8,285
Total discounted notes			37,863,411	37,822,513	(40,898)
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA NOTES FIXED 1.25%	1.250%	03/31/2021	19,868,837	19,812,600	(56,237)
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	07/31/2019	20,000,493	19,985,400	(15,093)
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	08/31/2020	9,983,494	9,938,300	(45,194)
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	06/15/2020	29,998,767	29,867,700	(131,067)
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	07/15/2020	4,945,229	4,976,950	31,721
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	12/31/2020	10,024,373	9,986,700	(37,673)
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	06/30/2020	24,990,779	25,130,750	139,971
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	06/15/2021	4,996,307	5,083,400	87,093
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	07/15/2021	14,984,024	15,259,650	275,626
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	08/15/2021	9,996,926	10,206,600	209,674
UNITED STATES OF AMERICA NOTES FIXED 2.875%	2.875%	10/15/2021	4,987,147	5,127,150	140,003
Total treasury securities			154,776,376	155,375,200	598,824
Federal Farm Credit Bank (FFCB):					
FEDERAL FARM CREDIT BANKS CALLABLE BOND FIXED	2.140%	03/16/2021	2,670,173	2,700,054	29,881
Total Federal Farm Credit Bank			2,670,173	2,700,054	29,881
Federal Home Loan Bank (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	08/05/2019	7,499,530	7,488,319	(11,211)
FEDERAL HOME LOAN BANKS BOND FIXED 1% 26/SEP/2019	1.000%	09/26/2019	4,999,658	4,985,040	(14,618)
FEDERAL HOME LOAN BANKS BOND FIXED 1.875%	1.875%	03/13/2020	10,056,336	9,984,500	(71,836)
FEDERAL HOME LOAN BANKS BOND FIXED 2.625%	2.625%	10/01/2020	4,993,416	5,042,850	49,434
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.75%	1.750%	07/30/2020	5,000,000	4,988,400	(11,600)
Total Federal Home Loan Bank			32,548,940	32,489,109	(59,831)

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.125%	10/11/2019	4,999,402	4,985,200	(14,202)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.250%	03/27/2020	997,729	994,250	(3,479)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.260%	08/02/2019	10,523,057	10,514,790	(8,267)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.320%	10/22/2019	1,999,365	1,994,680	(4,685)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.400%	06/05/2020	1,002,311	994,400	(7,911)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.400%	11/26/2019	1,500,093	1,495,680	(4,413)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.625%	03/27/2020	1,269,900	1,261,091	(8,809)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.650%	01/27/2020	4,974,137	4,985,550	11,413
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.500%	02/28/2020	9,998,566	9,961,600	(36,966)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.750%	06/22/2021	9,998,456	10,180,600	182,144
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.875%	09/12/2023	4,982,569	5,207,450	224,881
Total Federal National Mortgage Association			52,245,585	52,575,291	329,706
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.400%	08/22/2019	4,998,663	4,993,900	(4,763)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.500%	09/24/2018	2,000,235	1,999,260	(975)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.800%	07/18/2019	3,724,212	3,740,513	16,301
FEDERAL HOME LOAN MORTGAGE CORP MEDIUM TERM NOTE	1.500%	10/30/2018	4,999,949	4,982,300	(17,649)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1.375%	1.375%	08/10/2018	24,998,054	24,970,017	(28,037)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 2.5%	2.500%	12/28/2018	4,999,549	5,021,900	22,351
Total Federal Home Loan Mortgage Corporation			45,720,662	45,707,890	(12,772)
Miscellaneous government securities:					
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	2.189%	03/25/2020	12,500,000	12,495,250	(4,750)
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.900%	09/01/2022	4,999,194	4,994,400	(4,794)
Total miscellaneous government securities			17,499,194	17,489,650	(9,544)
Total U.S. governmental securities			305,460,930	306,337,194	876,264
Total Bond Proceeds Investment Pool #1 (Tax Exempt) (Part 2 of the Consolidated Investment Pool)			\$ 501,852,979	\$ 502,670,587	\$ 817,608

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Book Value	Market Value	Unrealized Gain (Loss)
Local Government Investment Pool (Short-term Investment Pool)	\$ 800,752,125	\$ 800,849,352	\$ 97,227
General Fund Investment Pool (State Funds Investment Pool)	5,048,955,792	5,077,515,454	28,559,662
Bond Proceeds Taxable (Consolidated Investment Pool)	556,146,811	558,725,738	2,578,927
Bond Proceeds Tax Exempt (Consolidated Investment Pool)	<u>501,852,979</u>	<u>502,670,587</u>	<u>817,608</u>
Grand total of all funds	<u>\$ 6,907,707,707</u>	<u>\$ 6,939,761,131</u>	<u>\$ 32,053,424</u>

Reconciliation to financial statements:

Total investments per schedule of investments	\$ 6,939,761,131
Less: Interfund investments in Local Government Investment Pool, General fund investment pool	<u>(789,442)</u>
Total interfund investments	<u>(789,442)</u>
Total cash and investments, Statement of Fiduciary Net Position	<u>\$ 6,938,971,689</u>

* Amounts are deducted from respective pools.

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

	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	\$ -	\$ -	\$ 63,066,954	\$ 63,066,954
Cash in banks	53,648,405	-	584,445,019	638,093,424
Certificates of Deposit	-	7,700,000	16,000,000	23,700,000
Government bonds	311,499,849	727,305,663	2,011,351,884	3,050,157,396
Municipal bonds	-	850,357	31,509,091	32,359,448
Bank acceptances	-	-	11,426,251	11,426,251
Interfund investments	(789,442)	-	789,442	-
Repurchase agreements	222,000,000	215,926,484	2,026,073,516	2,464,000,000
Corporate bonds	-	46,947,808	139,777,642	186,725,450
Commercial paper	-	-	19,948,368	19,948,368
Discounted notes	213,701,098	62,666,013	173,127,287	449,494,398
Total cash and investments	800,059,910	1,061,396,325	5,077,515,454	6,938,971,689
Accrued Interest Receivable	1,283,524	3,973,924	12,278,365	17,535,813
TOTAL ASSETS	\$ 801,343,434	\$ 1,065,370,249	\$ 5,089,793,819	\$ 6,956,507,502
LIABILITIES				
Due to Broker	\$ -	\$ 19,958,865	\$ 26,595,426	\$ 46,554,291
TOTAL LIABILITIES	-	19,958,865	26,595,426	46,554,291
NET POSITION - HELD IN TRUST	801,343,434	1,045,411,384	5,063,198,393	6,909,953,211
TOTAL LIABILITIES AND NET POSITION	\$ 801,343,434	\$ 1,065,370,249	\$ 5,089,793,819	\$ 6,956,507,502

State of New Mexico
Office of the State Treasurer

SCHEDULE 7 - COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2019

	Investment Trust Fund			Total
	LGIP Short-term Investment Pool	Consolidated Investment Pool BPIP #1 and #2	General Fund Investment Pool	
Additions:				
Investment income	\$ 19,186,169	\$ 27,841,046	\$ 125,334,799	\$ 172,362,014
Deposits	27,202,179,385	370,729,273	52,301,033,240	79,873,941,898
Deductions:				
Expenses - management fees	(286,028)	-	-	(286,028)
Withdrawals	(27,148,968,342)	(498,515,345)	(50,266,898,085)	(77,914,381,772)
Subtotal of change in net position	72,111,184	(99,945,026)	2,159,469,954	2,131,636,112
Net position, held in trust for pool participants, June 30, 2018	729,232,250	1,145,356,410	2,903,728,439	4,778,317,099
Net position, held in trust for pool participants, June 30, 2019	<u>\$ 801,343,434</u>	<u>\$ 1,045,411,384</u>	<u>\$ 5,063,198,393</u>	<u>\$ 6,909,953,211</u>

State of New Mexico
Office of the State Treasurer

SCHEDULE 8 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

June 30, 2019

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (Under)	Uninsured/ Uncollateralized
					Surety Bond Letter of Credit	Securities		
BANKS:								
Alamogordo								
(FHLB)	First National Bank	\$ 65,883	\$ 65,883	\$ -	\$ -	\$ 728,253	\$ 728,253	\$ -
(FHLB)	Western Bank	3,600,000	250,000	1,675,000	2,000,000	-	325,000	1,350,000
Albuquerque								
(WFB)	Bank of America	298,193	250,000	24,097	-	49,414	25,318	-
	Bank of Albuquerque	-	-	-	40,000	-	40,000	-
(WFB)	Bank of the West	340,979,443	250,000	170,364,722	75,000,000	175,103,713	79,738,991	90,625,730
(WFB)	Compass Bank	236,197,941	250,000	117,973,971	131,000,000	-	13,026,029	104,947,941
(FHLB)	U.S. Bank N.A.	1,513,415	250,000	631,708	1,100,000	-	468,292	163,415
(WFB)	New Mexico Bank & Trust	177,208	177,208	-	-	308,288	308,288	-
(USB)	Wells Fargo Bank, N.A.	80,473,644	250,000	40,111,822	-	87,966,802	47,854,980	-
Artesia								
(FHLB)	First American Bank	2,531,841	250,000	1,140,921	-	1,454,481	313,560	827,360
Aztec								
	Citizens Bank	1,485	1,485	-	-	-	-	-
Belen								
(USB)	My Bank	351,277	250,000	50,639	250,000	-	199,361	-
Carlsbad								
(FHLB)	Carlsbad National Bank	600	600	-	-	-	-	-
(FHLB)	Western Commerce Bank	4,082,426	250,000	1,916,213	-	2,674,338	758,125	1,158,088
Clayton								
(FHLB)	Farmers & Stockmens Bank	7,544,748	250,000	3,647,374	3,870,000	-	222,626	3,424,748
(FHLB)	First National Bank of NM	5,604,798	250,000	2,677,399	2,500,000	419,025	241,626	2,435,773
Clovis								
(TIB)	Bank of Clovis	631,574	250,000	190,787	-	816,800	626,013	-
	Citizens Bank	10,517	10,517	-	-	-	-	-
(FHLB)	Western Bank	2,600,000	250,000	1,175,000	-	1,299,899	124,899	1,050,101
Hobbs								
(TIB)	Lea County State Bank	73,225	73,225	-	-	-	-	-
Las Vegas								
(FHLB)	Southwest Capital Bank	605,254	250,000	177,627	500,000	-	322,373	-
(FHLB)	Community First Bank LV	1,019,343	250,000	384,672	-	531,545	146,873	237,798
Subtotal		688,362,815	4,078,918	342,141,952	216,260,000	271,352,558	145,470,607	206,220,954

State of New Mexico
Office of the State Treasurer

SCHEDULE 8 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY – CONTINUED

June 30, 2019

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (Under)	Uninsured/ Uncollateralized
					Surety Bond Letter of Credit	Securities		
BANKS (Continued)								
Lordsburg (FHLB)	Western Bank	48,224	48,224	-	-	588,071	588,071	-
Los Alamos (FHLB)	Enterprise Bank & Trust	1,631	1,631	-	-	-	-	-
Raton (BBW)	International State Bank	57,901	57,901	-	-	-	-	-
Roswell (FHLB)	Bank of the Southwest	421,907	250,000	85,954	450,000	65,252	429,298	-
(TIB)	Valley Bank of Commerce	50,802	50,802	-	-	-	-	-
Santa Fe (FHLB)	Century Bank	421	421	-	-	-	-	-
Socorro (BA)	First State Bank	64,921	64,921	-	-	-	-	-
Taos (TIB)	Centinel Bank	34,389	34,389	-	-	-	-	-
SAVINGS AND LOANS:								
Roswell (FHLB)	Washington Federal	50,876,411	250,000	25,313,206	-	46,173,955	20,860,749	4,452,456
ANCILLARY RECEIVERSHIP ACCOUNTS:								
Santa Fe (WFB)	Century Bank	1,449,351	250,000	599,676	-	1,198,860	599,184	491
FISCAL AGENT BANK:								
(USB)	Wells Fargo Bank N.A.	52,056,394	-	26,028,197	-	117,041,864	91,013,667	-
SUBTOTAL		<u>105,062,352</u>	<u>1,008,289</u>	<u>52,027,033</u>	<u>450,000</u>	<u>165,068,002</u>	<u>113,490,969</u>	<u>4,452,947</u>
TOTAL		<u>\$ 793,425,167</u>	<u>\$ 5,087,207</u>	<u>\$ 394,168,985</u>	<u>\$ 216,710,000</u>	<u>\$ 436,420,560</u>	<u>\$ 258,961,576</u>	<u>\$ 210,673,901</u>

State of New Mexico
Office of the State Treasurer

SCHEDULE 8 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY – CONTINUED

June 30, 2019

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (Under)	Uninsured/ Uncollateralized
					Surety Bond Letter of Credit	Securities		
Reconciliation to Note F:								
Fiscal agent account		\$ 52,056,394	\$ -	\$ 26,028,197	\$ -	\$ 117,041,864	\$ 91,013,667	\$ -
Certificates of deposit		<u>23,700,000</u>	<u>1,500,000</u>	<u>11,100,000</u>	<u>8,250,000</u>	<u>5,428,718</u>	<u>2,578,718</u>	<u>8,521,282</u>
		75,756,394	1,500,000	37,128,197	8,250,000	122,470,582	93,592,385	8,521,282
Add:								
Agency deposits		716,219,422	3,337,207	356,441,112	208,460,000	312,751,118	164,770,007	202,152,128
Ancillary receivership accounts		<u>1,449,351</u>	<u>250,000</u>	<u>599,676</u>	<u>-</u>	<u>1,198,860</u>	<u>599,184</u>	<u>491</u>
		<u>717,668,773</u>	<u>3,587,207</u>	<u>357,040,788</u>	<u>208,460,000</u>	<u>313,949,978</u>	<u>165,369,191</u>	<u>202,152,619</u>
		<u>\$ 793,425,167</u>	<u>\$ 5,087,207</u>	<u>\$ 394,168,985</u>	<u>\$ 216,710,000</u>	<u>\$ 436,420,560</u>	<u>\$ 258,961,576</u>	<u>\$ 210,673,901</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 8 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY – CONTINUED

June 30, 2019

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	\$ 417,000,000	\$ 425,340,000	\$ 425,340,000	GOVT	912828X70	\$ -
JP Morgan Chase	New York, NY	668,037,500	681,398,250	681,735,734	GOVT	912828U24	337,484
JP Morgan Chase	New York, NY	192,080,000	195,921,600	196,000,000	GOVT	9128282A7	78,400
JP Morgan Chase	New York, NY	200,000,000	204,000,000	204,082,396	GOVT	912828QN3	82,396
JP Morgan Chase	New York, NY	37,490,000	38,239,800	38,256,898	GOVT	912828C57	17,098
JP Morgan Chase	New York, NY	55,809,000	56,925,180	56,927,451	GOVT	912796SV2	2,271
JP Morgan Chase	New York, NY	24,485,000	24,974,700	24,974,906	GOVT	912796VL0	206
JP Morgan Chase	New York, NY	1,706,000	1,740,120	1,744,923	GOVT	9127963Y4	4,803
JP Morgan Chase	New York, NY	257,750,000	262,905,000	263,002,049	GOVT	9128284F4	97,049
JP Morgan Chase	New York, NY	119,642,500	122,035,350	122,082,844	GOVT	9128282U3	47,494
JP Morgan Chase	New York, NY	350,000,000	357,000,000	357,228,176	GOVT	9128283J7	228,176
JP Morgan Chase	New York, NY	40,000,000	40,800,000	40,801,021	GOVT	912828XW5	1,021
JP Morgan Chase	New York, NY	70,000,000	71,400,000	71,400,630	GOVT	9128285L0	630
JP Morgan Chase	New York, NY	30,000,000	30,600,000	30,613,746	GOVT	912828XB1	13,746
Total		<u>\$ 2,464,000,000</u>	<u>\$ 2,513,280,000</u>	<u>\$ 2,514,190,774</u>			<u>\$ 910,774</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 9 – SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES –
GOVERNMENTAL FUND – GAMING SUSPENSE FUND**

Year Ended June 30, 2019

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2019</u>
ASSETS				
Investment in State General Fund				
Investment Pool	\$ -	\$ 76,326,178	\$ 76,326,178	\$ -
Other receivables	<u>17,799,312</u>	<u>19,902,834</u>	<u>17,799,312</u>	<u>19,902,834</u>
Total assets	<u>\$ 17,799,312</u>	<u>\$ 96,229,012</u>	<u>\$ 94,125,490</u>	<u>\$ 19,902,834</u>
LIABILITIES				
Due to State General Fund	<u>\$ 17,799,312</u>	<u>\$ 19,902,834</u>	<u>\$ 17,799,312</u>	<u>\$ 19,902,834</u>
Total liabilities	<u>\$ 17,799,312</u>	<u>\$ 19,902,834</u>	<u>\$ 17,799,312</u>	<u>\$ 19,902,834</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 10 – SCHEDULE OF ASSET
MANAGEMENT COSTS (UNAUDITED)**

Year Ended June 30, 2019

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.	\$ 73,587.50 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 Michelle Lujan Grisham, Governor
State Board of Finance
Honorable Tim Eichenberg, State Treasurer
Honorable Brian Colón, 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 1-9 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, 2019, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated October 31, 2019.

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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or 2.2.2 NMAC.

Purpose of this Report

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

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2019

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2019

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weakness(es) identified? _____ Yes X No

Significant deficiency(s) identified? _____ Yes X No

COMPLIANCE AND OTHER MATTERS

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

RESOLUTION TO PRIOR YEAR FINDINGS

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

FINANCIAL STATEMENT FINDINGS

None

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER

None

State of New Mexico
Office of the State Treasurer

EXIT CONFERENCE

June 30, 2019

An exit conference was held with the State Treasurer's Office on October 23, 2019. The conference was held at the offices of Atkinson & Co., Ltd. in Albuquerque, 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

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
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