

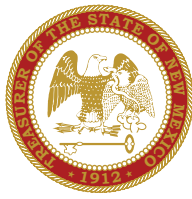
New Mexico  
**State Treasurer's Office**  
Annual Report  
Fiscal Year 2020

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The New Mexico State Treasurer’s Office Annual Financial Report for the Fiscal Year ended June 30, 2020, provides a synopsis of STO’s achievements. An electronic version of this report is available at [www.nmsto.gov](http://www.nmsto.gov).



STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

THE HONORABLE TIM EICHENBERG  
State Treasurer

SAMUEL K. COLLINS, JR.  
Deputy State Treasurer

December 15, 2020

The Honorable Michelle Lujan Grisham, Governor of New Mexico  
Members of the New Mexico State Legislature  
New Mexico State Board of Finance  
Citizens of the State of New Mexico

Dear Fellow New Mexicans,

The State Treasurer's Office respectfully submits the Annual Report for the fiscal year ending June 30, 2020. The report includes financial statements and other pertinent information regarding operations and accomplishments of the agency, which include generating more than \$112.5 million in earnings for FY2020.

It has been an honor to serve as your State Treasurer and I will continue to represent the citizens of New Mexico with honesty and integrity, while safeguarding the taxpayers' money through sound management practices and a safe investment program.

Due to the COVID-19 pandemic and quarantine, this has been an unprecedented year. The dedicated employees of the State Treasurer's Office began teleworking in March without skipping a beat. We thank them for their hard work and commitment to the agency's success and New Mexico's wellbeing.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim Eichenberg".

Tim Eichenberg  
New Mexico State Treasurer



## Biography of the State Treasurer



**The Honorable Tim Eichenberg**

**T**im Eichenberg assumed office on January 1, 2015, becoming the 29<sup>th</sup> State Treasurer of New Mexico. Raised in Albuquerque, New Mexico, he attended Albuquerque Public Schools and graduated from the University of New Mexico. He and his wife have two adult children and two grandchildren.

Mr. Eichenberg's career in public service began when he was elected Bernalillo County Treasurer. The reforms that were implemented during his tenure saved taxpayers money and led to his re-election. After serving two terms as Bernalillo County Treasurer, he went to work in the private sector. He operated a small business in Albuquerque as a Property Tax Consultant, State Certified Appraiser, General Contractor (GB-98), and Real Estate Broker.

Mr. Eichenberg was first elected to the Albuquerque Metropolitan Arroyo Flood Control Authority Board in 1994, a position he still holds today. He was appointed by Governor Richardson to the position of New Mexico State Property Tax Director.

Mr. Eichenberg was elected to the New Mexico State Senate in 2008. As a State Senator, he chaired the Restructuring Committee, which sought to streamline State government and save taxpayers money. In 2010, he carried the Governmental Conduct Act, establishing a code of ethics for all government employees. In 2012, Mr. Eichenberg served as Chair of the Revenue Stabilization and Tax Policy Committee.

## Biography of the Deputy State Treasurer



**Samuel K. Collins, Jr.**

**S**amuel K. Collins, Jr., was sworn in as Deputy State Treasurer on October 7, 2015, by District Judge Stan Whitaker, and again for a second term on January 2, 2019, by the Office of the Secretary of State. Prior to his appointment, Mr. Collins served as the New Mexico State Cash Manager.

Mr. Collins' background combines experience in the public sector with several years of senior-level bank management. Before beginning public service with the State Treasurer's Office, which serves as the bank for the State, he served for 15 years as President/Chief Executive Officer of Union Financial Corporation and its subsidiaries (Union Savings Bank and Union Savings Bank Mortgage Company) in Albuquerque. He also served as Vice President/Controller at Pioneer Bank in Roswell.

Mr. Collins is a native New Mexican who was born and grew up in Roswell.

## Statutory Authority

The Office of the State Treasurer was created under Article V, Section 1 of the New Mexico Constitution. The duties and responsibilities of the State Treasurer are primarily defined by Chapters 6 and 8 of the New Mexico Statutes Annotated 1978 (NMSA 1978). These and other Chapters of New Mexico Statute a) require the Treasurer to act as the State's banker to receive, keep, and account for State funds collected and disbursed, and b) define the State Treasurer's banking, cash management, and investment roles. The principal statutory provisions related to the State Treasurer's prudent management of the State's financial resources and investment authority are listed below.

**Sections 8-6-1 through 8-6-7 NMSA 1978** specify administrative and procedural requirements and define certain duties of the State Treasurer. Section 8-6-3 provides that, among other responsibilities, the State Treasurer shall "receive and keep all monies of the State, except when otherwise specially provided" as well as "disburse the public money upon warrants drawn according to law." This section also requires that the State Treasurer shall "keep a just, true, and comprehensive account of all monies received and disbursed."

**Section 6-1-13 NMSA 1978** provides that the State Treasurer shall authorize all deposit accounts for State agencies and prescribe conditions and reports appropriate to such accounts.

**Section 6-8-6 NMSA 1978** places the State permanent fund in the custody of the State Treasurer; and provides that the State permanent fund, or any part of the fund, shall at all times be available to the State Investment Officer for investment in accordance with State law.

**Section 6-8-11 NMSA 1978** places in the custody of the State Treasurer securities purchased or held by the State Investment Officer or the State Investment Council and authorizes the State Treasurer, with the approval of the Secretary of the Department of Finance and Administration, to deposit the securities with a bank or trust company for safekeeping and servicing.

**Section 6-10-10 NMSA 1978**, in part, permits the State Treasurer to deposit funds in certain financial institutions and to invest, in certain allowable securities and contracts, money not immediately required for the operation of State government.

**Section 6-10-10.1 NMSA 1978** creates a short-term investment fund, which serves as an optional investment opportunity for local governments and Native American tribes, nations, and pueblos; and provides for the investment of the fund, either separately or consolidated with other funds, by the State Treasurer.

**Sections 6-10-24.1, 6-10-25, 6-10-26, and 6-10-29 NMSA 1978** place conditions on the deposit and investment of State funds in New Mexico financial institutions; provide for reports from the State Treasurer concerning money on deposit in State depositories, including the amount required for operation of State government and the amount available for investment; and require depositories to submit an itemized monthly statement concerning the deposits to the State Treasurer.

**Section 6-10-24.2 NMSA 1978** establishes the linked deposit program, which allows the State Treasurer to invest up to 14% of State deposits, not to exceed \$49 million, in certain financial institutions located in financially at-risk rural communities; places conditions on the deposit of State funds in these financial institutions; and authorizes the State Treasurer to accept a rate of interest not more than 1% below the market rate.

**Section 6-10-28 NMSA 1978** allows the State Treasurer to invest the proceeds of general obligation and State revenue bonds.

**Section 6-12A-5 NMSA 1978**, permits the State Treasurer to issue and sell one or more tax revenue anticipation notes; and permits the State Treasurer to pledge the anticipated revenue to secure the payment of the principal of and interest on the anticipation notes.

# History of the State Treasurer's Office

In 1851, the Legislative Assembly of the Territory of New Mexico passed an act that created the Office of the Territorial Treasurer and defined the powers and duties of the Treasurer.

With Statehood in 1912, Article V Section I of the New Mexico State Constitution created the Office of the State Treasurer and recognized the State Treasurer as an elected official within the executive department of State government. While the Governor is the chief executive officer, under New Mexico's pluralistic form of executive branch of government, the other elected

members of the executive branch—the Lieutenant Governor, the Secretary of State, the State Treasurer, the Attorney General, the State Auditor, and the Commissioner of Public Lands—all share the responsibility for administering State government. The State Treasurer serves as the elected chief banking officer of the State and is entrusted with keeping, investing, and disbursing all State money, unless otherwise provided by law. In addition, the State Treasurer is charged with a variety of other duties directed toward ensuring prudent management of the State's financial resources as set forth in various sections of the statutes.

## NEW MEXICO STATE TREASURERS

Owen N. Marron	1912–1916	Joe Callaway <sup>1</sup>	1959–1962
H.L. Hall	1917–1918	Joseph B. Grant <sup>1</sup>	1963–1966
Charles U. Strong	1919–1920	H.E. Thomas, Jr.	1967–1968
O.A. Matson	1921–1922	Merrill B. Johns, Jr.	1968–1969
John W. Corbin	1923–1924	Jesse D. Kornegay <sup>2</sup>	1969–1974
Warren R. Graham, Sr. <sup>1</sup>	1925–1928	Edward M. Murphy	1975–1978
Emerson Watts	1929–1930	Jan Alan Hartke	1979–1982
Warren R. Graham, Sr.	1931–1932	Earl E. Hartley	1983–1985
Clinton P. Anderson	1933–1934	James B. Lewis <sup>2</sup>	1985–1990
James J. Connelly <sup>1</sup>	1935–1938	David W. King	1991–1994
Rex French <sup>1</sup>	1939–1942	Michael A. Montoya <sup>3</sup>	1995–2002
Guy Shepard <sup>1</sup>	1943–1946	Robert E. Vigil	2003–2005
H.R. Rodgers <sup>1</sup>	1947–1950	Douglas Brown	2005–2006
R.H. Grissom <sup>1</sup>	1951–1954	James B. Lewis <sup>3</sup>	2006–2014
Joseph B. Grant <sup>1</sup>	1955–1958	Tim Eichenberg <sup>3</sup>	2015–Present

<sup>1</sup> Served two terms of two years each.

<sup>2</sup> Served one term of two years and one term of four years.

<sup>3</sup> Served two terms of four years each.



## Fiscal Year 2020 Highlights

- Fiduciary assets reached a new record, exceeding \$7 billion
- Local Government Investment Pool assets exceeded \$1 billion
- Online portal implemented that gives Local Government Investment Pool participants direct, timely account access
- Investment earnings of \$178.6 million distributed
- No findings identified during independent audit
- ABLE program reached record level of accountholders and funds
- Work and Save legislation passed, paving the way for private-sector retirement savings
- Foster youths received financial literacy training
- Work-from-home policy successfully implemented in response to the COVID-19 public health emergency



# State Treasurer's Office Staff

*Staff as of December 15, 2020*

**Tim Eichenberg—State Treasurer**  
**Samuel K. Collins, Jr.—Deputy Treasurer**

**Felicia Anaya**  
LGIP Coordinator

**Vikki Hanges**  
Chief Investment Officer

**Marie Andermann**  
Accountant & Auditor A

**Victoria Hutchison**  
Securities Coordinator

**Claudia Armijo**  
Work and Save Director

**Brent Johnson**  
IT Technology Officer

**Denise Balderas**  
ABLE Coordinator

**Paul Madrid**  
IT Systems Administrator III

**Dominic L. Chavez**  
Cash Management Division Manager

**David Mahooty**  
Chief Financial Officer

**Hannah Chavez**  
Investment Transaction Supervisor

**Anna Murphy**  
Portfolio Manager A

**Charmaine Cook, AAP**  
State Cash Manager

**Denise Payne**  
Overnight Repo Coordinator

**Alisha Dominick**  
Financial Coordinator A

**Michael Romero**  
Accountant & Auditor A

**Dominic Donio**  
Administrative Operations Manager I

**Diana Rosales-Ortiz**  
Chief Operations Officer/Chief Risk Officer

**Robert Feagans**  
Accountant & Auditor O

**Maria Schoeppner**  
Accountant & Auditor O

**Julie Filatoff**  
Staff Manager

**Katrina Smedley**  
Human Resources Specialist

**Arsenio Garduño**  
Collateral Manager

**Annabel Vigil**  
Accountant & Auditor A



# Budget and Finance Division

The Budget and Finance Division manages the annual budget, accounts payable, procurement, professional contracts, fixed-asset inventory, and all financial accounting and reporting activities for the State Treasurer's Office.

It is the responsibility of the Budget and Finance Division to reconcile and post operating, investment, and long-term debt fund activity in the State Treasurer's general ledger (financial statements) and coordinate the annual financial audit. The division must comply with State laws, various regulations, and accounting standards that govern its activities.

## Chief Financial Officer

The State Treasurer's Chief Financial Officer (CFO) serves as the Budget and Finance Division Director. The CFO is responsible for establishing strong budgetary controls and ensuring that financial transactions and reporting activities are in compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) rules. This function requires that transactions are recorded and posted in the proper category and that cash account records are reconciled in a timely manner, with monthly reports to the State Treasurer.

The CFO is responsible for ensuring that budget and accounting systems function properly and that appropriation requests, operating budget, and quarterly performance reporting documents are submitted on time. In addition, the CFO coordinates annual external audit work between the State Treasurer's Office and the independent public accounting firm, and is responsible for having the audit reports completed by the deadline. This position oversees procurement of goods and services, and assures that payments to vendors are completed in compliance with the State procurement law.



## Budget Bureau

The Budget Bureau compiles and evaluates annual budget needs for each division within the State Treasurer's Office. Proper justification and documentation are required for all budget requests. The appropriation request is submitted to the Department of Finance and Administration and the Legislative Finance Committee for consideration by the Legislature and the Governor. When the appropriations act is passed by the Legislature and signed by the Governor, the Budget Bureau prepares the operating budget for the upcoming fiscal year. Throughout the fiscal year, the Budget Bureau submits monthly status reports to the State Treasurer to ensure that the office is operating within budget guidelines.

## Finance Bureau

The Finance Bureau is charged with the following responsibilities:

### Reconciliation & Preparation of Financial Statements & Treasury Transaction Postings to General Ledger

The Finance Bureau coordinates information required by the independent public accounting firm performing the annual external audit.

### Contract Management

This ensures that requests for proposals (RFPs) and service contracts are prepared in compliance with

# Budget and Finance Division

statutes, rules, and policies, and that vendor payments for completed services are timely. This unit also enters contract transactions into the general ledger and subsequently closes them out in accordance with the agreement and all applicable regulations.

## Accounts Payable to Receive and Process Invoices for Goods and Services Rendered

This includes the pre-audit of costs in accordance with the contract or purchasing agreement prior to payment. Accounts payable submits payment requests to the Department of Finance and Administration; upon receipt of the payment, the warrant is reviewed for accuracy prior to release to the vendor.

## Investment Accounting Bureau

The bureau makes all scheduled debt service payments to the designated paying agents on general obligation bonds, severance tax bonds, and supplemental severance tax bonds. The bureau tracks investment income to ensure compliance with arbitrage restrictions and rebate requirements in accordance with the Federal Tax Reform Act of 1986. The bureau reconciles all investment activity. All certificates of deposits (CDs) and New Mexico gaming revenue are managed by the bureau.

## Significant Milestones & Accomplishments for FY2020

- The FY2020 audit yielded an unmodified opinion with no findings for the second consecutive year since FY2019. The number of findings has reduced significantly from four in FY2014 to zero

in FY2019 and in FY2020. Improved internal controls, and adherence to those controls, led to the latest satisfactory audit.

- Continued to convert physical warrant payments to paperless, all-electronic disbursements.
- Continued updates of the financial matrix developed by STO and DFA, and continued working with the agency's other divisions to overcome the obstacles of SHARE.
- Continued improving procurement procedures for purchases of goods and services to ensure adherence to the State Purchasing Act.
- Continued communication and improvement on internal and external customer service.

## Initiatives for FY2021

- Convert a majority of physical warrant payments to paperless all-electronic disbursements.
- Continue improving procurement procedures for purchases of goods and services to ensure adherence to the State Purchasing Act.
- Continue communication and improvement on internal and external customer service.
- Address and build redundancy into the division to ensure ongoing operations.
- Leverage technology to move toward a paper-free environment.
- Update written procedures for the Budget and Finance Division to reflect the teleworking environment.



# Cash Management Division

The Cash Management Division provides treasury banking services to the State through the fiscal agent contract and relationship.

These services include cash forecasting and liquidity management to ensure that payments issued by the Department of Finance and Administration and other agencies are funded on a timely basis. Cash Management also oversees depository activity by all agencies, and ensures that public funds held by financial institutions are collateralized appropriately. Additionally, functional responsibilities have been realigned within STO to provide greater separation for investment transaction settlement and investment compliance.

The position of State Cash Manager was established in 1993 under 8-6-3.1 NMSA 1978 and its duties are defined to include: issue regulations to enforce the Cash Management Improvement Act; monitor State agencies' cash activity and the balances on hand in financial institutions; monitor deposits and cash balances on hand to enable projection of short-term and long-term cash available for investment; and prepare a monthly written report to the State Treasurer's Investment Committee and the State Board of Finance of the State fund balances in financial institutions.

## Cash Management Functional Areas

### Banking Resources Bureau

The Banking Resources Bureau monitors all balances and activity related to State funds in financial institutions. Specific activities of this bureau include development of regulations related to approximately 300 bank accounts, with approval, analysis, and authorization of these State agency bank accounts.

The bureau validates deposits and withdrawals into and out of the State's fiscal agent accounts, including all adjustments to the accounts such as returned checks, stop payments, and other miscellaneous transactions posting to the accounts. The bureau compares fiscal agent bank accounts' activity to transactions in the State's enterprise accounting system (SHARE) daily. The bureau is also responsible for all Banking and Treasury Module configuration in the SHARE

system, and for releasing vendor payments processed through SHARE as ACH transactions.

Monthly reports are obtained from State agencies detailing funds from any source in the agency's custody. The bureau authorizes State agency requests for depository bank accounts outside the fiscal agent bank; reports account balances in each financial institution to the State Board of Finance; verifies compliance with established bank account guidelines and reports any deviations to the agency and the State Board of Finance; and enforces laws and regulations that apply to financial institutions receiving State funds. This bureau also reviews the monthly fiscal agent account analysis for compliance with the agreement and to identify and prevent unauthorized use.

### Cash Flow

The Cash Management Division is responsible for projection of the State's short-term and long-term cash balance needs, utilizing an internally developed model. STO uses historical trends, together with information related to significant receipts and disbursements, as the primary input to the model. The division coordinates with State agencies that have the largest inflows and outflows of funds to anticipate changes in the amount and timing that could impact the cash position of the State Treasurer's Office. The cash flow model is updated monthly (or more frequently, if necessary) and a written report is issued to the State Treasurer's Investment Committee and the State Board of Finance.

The Cash Management Division also performs daily cash positioning. Cash positioning is the process of determining the State's cash needs on an intra-day basis to meet its obligations. Funds that are not required to meet the State's immediate cash needs are invested by the investment division to provide additional earnings. Cash positioning is a very critical function because errors can result in overdrafts or returned items at the fiscal agent bank.

The Cash Management Division will continue to



# Cash Management Division

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

## Cash Management Improvement Act

The CMIA Coordinator is responsible for compliance with the Cash Management Improvement Act of 1990 (CMIA). Congress established the CMIA to ensure efficiency, effectiveness, and equity in the transfer of funds between state and Federal governments. CMIA addresses key Federal funding issues, such as funds drawn in advance of need or late grant of awards from the Federal government. Major CMIA provisions require that:

- Federal agencies make timely fund disbursements and grant awards to states.
- State and Federal agencies must minimize the time between the transfer of Federal funds to states and the presentment of states' checks, warrants, or settlement of electronic fund transfer payments for program purposes.
- With minor exceptions, that states earn interest from the Federal government for the time the state advances its own funds for program purposes prior to Federal reimbursement.

The CMIA Coordinator performs annual compliance reviews of State agencies that receive Federal funds exceeding an established threshold and for compliance with the CMIA and regulations outlined in the U.S. Treasury/State Agreement (TSA). This agreement, negotiated between New Mexico and the Federal government, identifies the funding techniques utilized for covered programs. Audits begin at the end of the fiscal year and must be completed by mid-December. The Cash Management Division submits an annual report to the U.S. Treasury detailing State and/or Federal government interest liability and any costs associated with the monitoring and reporting of

CMIA compliance.

## Collateral Management/ Investment Compliance

The Collateral Manager ensures that adequate protection of State monies is maintained in all State agency deposit accounts at all times. This is accomplished by requiring all qualified financial institutions to pledge collateral to secure public deposits. Risk assessment reports are analyzed to determine data accuracy, the institution's financial condition, and the percentage of collateral required. The pledged collateral is constantly monitored and must comply with all State requirements and custodial agreements. Both proposed and current pledged collateral are continuously evaluated for compliance with all applicable statutes, policies, and depository and custodial agreements. Pledged securities are monitored to assure that acceptable, valid, and marketable instruments secure public funds at all times. Custodial banks are monitored to evaluate their strength and stability. The Collateral Manager provides monthly reports to the State Treasurer's Investment Committee regarding compliance by all financial institutions and plays a key role in the Division's cash-forecasting activities. The Collateral Manager also reviews trade documentation for adherence to the State Treasurer's Investment Policies and Investment Division procedures.

## Investment Transactions Bureau

The movement of funds and recording of investment activity into the Treasurer's sub-ledger accounting system and the custody system are performed in the bureau, now aligned under the Cash Management Division. The bureau verifies all trade activity from trade documentation, and enters the data into the sub-ledger accounting systems, SHARE and the QED Broadridge Investment Accounting, and the custody system. The bureau also manages the overnight repurchase process. The bureau provides administrative management of the Local Government Investment Pool (LGIP), whereby they correspond with participants on a daily basis. Several reconciliation processes take place regularly, including a weekly

# Cash Management Division

reconciliation submission to the Standard & Poor's rating agency for the LGIP.

## Significant Milestones & Accomplishments for FY2020

- Installed and implemented the iPAS module of the QED Broadridge Investment Accounting system. IPAS enables online access to LGIP participants for statements and transaction initiation.
- Supported the implementation and activation of government money market funds as an additional investment option for managing liquidity.
- Worked with the New Mexico Department of Finance and Administration (DFA) and the New Mexico State Board of Finance (BoF) to guide and support agencies wishing to accept payment cards for the first time and agencies wishing to expand or modify payment card services; and to provide oversight for the quarterly and annual PCI audits performed by vendor RiskSense.

## Initiatives for 2021

- Fully assess and develop a roadmap for alternative solutions for processing bank deposits in remote communities in New Mexico, which have been impacted by banks closing branches.
- Actively participate with the Board of Finance in developing one or more requests for proposal (RFPs) for fiscal agent banking services. Work with BOF and DFA to develop an enterprise program for the ongoing support of PCI DSS (bankcard data security) compliance; assist vendor RiskSense with obtaining quarterly and annual audit responses from agencies.



- In conjunction with the PCI Compliance efforts, the Cash Management Division will continue to work with DFA and DoIT to formalize the process through which agencies can request approval from the State Board of Finance for additions or changes to payment card services, vendors, or platforms and to implement related services with the fiscal agent bank.
- Following the implementation of online access for LGIP participants, conduct an outreach campaign aimed at increasing the number of local government entities benefitting from the investment expertise provided by STO.
- Assess operational requirements and develop plans for adoption of alternatives for overnight repurchase agreements and a longer-term LGIP pool.

# Investment Division

The Investment Division is responsible for investing money, transacting funds, and accounting for and reconciling funds held in the custody of the State Treasurer that are not immediately needed for government operations or to fund capital projects. The managed funds are temporary in nature, originating from three major sources: revenue collected by the State awaiting disbursement, legislative appropriations, and proceeds from bond issues invested short-term until disbursed for legislatively authorized capital projects.

Investments are restricted to the highest-quality securities according to ratings by the major rating agencies and to a term of not more than five years. The State Treasurer's Chief Investment Officer and internal investment team discuss, agree upon, and recommend the security types and terms prior to purchase; secure and distribute post-trade documentation; facilitate trade settlement initiation; and report the executed portfolio activity monthly to the State Treasurer's Investment Committee and the State Board of Finance. The State Treasurer's Office contracts with an independent investment advisor who provides advisory services to the State Treasurer and staff.

## The State Treasurer's Investment Committee

The State Treasurer's Investment Committee (STIC) is an advisory committee that meets monthly to review the investment portfolios for statutory compliance, quality, diversification, maturity, and performance. The STIC also reviews portfolio controls and collateral adequacy, and recommends investment procedural changes. Periodically, the committee recommends changes to the State Treasurer's Investment Policy.



## Investment Strategy

During FY2020, the division earned approximately \$112.5 million. At the end of FY2020, the five portfolios totaled approximately \$7.4 billion. All funds are invested in a manner that conforms to Federal, State, and other legal requirements. The division is charged with observing the following priorities in making investment decisions, in the order described:

1. **Safety**—The first priority must be accorded to the preservation and protection of the principal of the funds to be invested.
2. **Maintenance of Liquidity Needs**—The second level of priority must be accorded to maintaining sufficient availability of cash, or the capacity to obtain it without sacrificing principal loss, to satisfy the reasonably anticipated, continuing operational requirements of the specific fund invested.
3. **Maximum Return on Investments**—The third priority must be accorded to maximizing investment return, consistent with the higher priorities accorded to the safety and liquidity of principal.

## Investment Division Organization

### Investment Portfolio Management

The State Treasurer's Office makes statutorily defined investments that may be subject to further limitations or restrictions by the State Treasurer's Investment Policy, which provides guiding principles for all investment decisions. All portfolios are invested by qualified and experienced in-house portfolio managers. The internal investment advisory team discusses, agrees upon, and recommends the security types and terms prior to purchase and reports the executed portfolio activity to the STIC monthly. The division, with the assistance of the investment advisor, develops benchmarks against which the portfolios' performance can be measured. The portfolio managers invest the available cash based upon the intended uses into one of the pools described below.



# Investment Division

## Investment Funds Managed by the State Treasurer's Office

### The General Fund Investment Pool

The General Fund Investment Pool consists of three main components:

- **General Fund Liquidity Portfolio**—Immediate cash needs of the State are met with the General Fund Liquidity Portfolio. The Liquidity Portfolio is expected to have minimal liquidity risk and all investments in this portfolio are constrained to less than one year.
- **General Fund Core Portfolio**—The Core Portfolio is comprised of balances that are not necessary to meet the short-term cash-flow needs of the State. Accordingly, it may be invested over a longer term than the Liquidity Portfolio. Investments are constrained to maturities of five years or less.
- **General Fund Tax and Revenue Anticipation Notes (TRAN) Portfolio**—The TRAN portfolio may temporarily hold proceeds of short-term Tax and Revenue Anticipation Notes, which are periodically issued and sold by the State Treasurer pursuant to NMSA 1978, Section 6-12A-5. There were no TRANs issued in FY2020.

The State Treasurer's Office makes a portion of the General Fund money available for investment in certificates of deposit (CDs) with New Mexico banks and credit unions to foster the economy of their communities. The passage of House Bill 471, the "Linked Deposit Program," during the 2007 legislative session expanded the CD program to allow the Treasurer to place time deposits with qualifying financial institutions (those serving economically disadvantaged rural communities) at favorable rates.

During FY2020 the General Fund reported \$76 million in earnings. At fiscal year end, the General Fund Investment Pool had an unrealized gain of \$82.6 million based on mark-to-market. Most investments are held to maturity.

### The Bond Proceeds Investment Pools

The State Treasurer is responsible for investing bond proceeds from the issuance of State bonds sold by the State Board of Finance for capital projects, which include general obligation bonds, severance tax bonds, and supplemental severance tax bonds. These bonds are long-term obligations issued by the State of New Mexico to fund various infrastructure projects on behalf of all New Mexicans.

Bond proceed monies are managed according to whether the issued bonds were tax-exempt or taxable.

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

During FY2020 the bond proceeds pools reported \$13.9 million in earnings. At fiscal year end, the bond proceeds pools had \$19.1 million in unrealized gains, based on mark-to-market. Most investments are held to maturity.

The BPIPs facilitate the tracking of investment earnings and project draws to assure compliance with arbitrage restrictions and rebate requirements in accordance with the Federal Tax Reform Act of 1986.

### Local Government Investment Pool (LGIP)

The LGIP is a fund created pursuant to NMSA 1978 6-10-10.1 to allow municipal, city, county, tribal, and quasi-governmental bodies to voluntarily remit money to the State Treasurer to receive professional money management on a pooled basis. The LGIP is rated "AAAm" by Standard & Poor's, the highest principal stability credit rating awarded by Standard & Poor's, and has been reaffirmed annually since August 2007.

# Investment Division

The State Treasurer has expanded a statewide outreach program to inform eligible entities about the benefits of investing in the LGIP in concert with the New Mexico Municipal League and New Mexico Counties. Annual Stakeholder Meetings have been successful, informing LGIP participants of fund performance, investment strategies, and economic conditions.

During FY2020 the Local Government Investment Pool reported \$13.9 million in earnings.

## The Severance Tax Bonding Fund Pool

The Severance Tax Bonding Fund holds severance tax receipts pledged for debt service on severance tax bonds. Excess receipts can then be spent on permitted uses or transferred to the Severance Tax Permanent Fund held by the State Investment Council. During FY2020 the Severance Tax Bonding Fund reported \$4.8 million in earnings.

## Overnight Repurchase Pool

The Repurchase Pool acts as a repository for cash balances from the portfolios managed by the State Treasurer and for cash from the Educational Retirement Board, the State Investment Council, and the Public Employees Retirement Association.

## Significant Milestones and Accomplishments for FY2020

- Updated and revised the State Treasurer's Investment Policies, facilitating implementation through the prescribed approval processes that culminate with the advice and consent of the New Mexico State Board of Finance.
- Conducted the annual portfolio benchmark review for maintenance and to incorporate proposed changes, followed by obtaining the necessary approvals, including the advice and consent of the New Mexico State Board of Finance.
- Implemented iPAS for LGIP, a front-end automation tool for participants' contributions, withdrawals, and reporting.

- Pursued effective portfolio duration and sector strategies to maximize investment returns in a lower interest-rate environment.
- Continued outreach (LGIP, banks, CD program, counties, and municipalities), within the confines of COVID-19 restrictions.

## Initiatives for FY2021

- Improve electronic trading capabilities with the addition of MarketAxess, to enhance the transparency and execution for transactions within the corporate sector.
- Research and implement more robust credit enhancement tools to aid in the restructuring of the approved credit lists of issuers.
- Maximize investment returns through duration and security selection, while maintaining adequate liquidity to meet required cash flows.
- Review the broker/dealers on the approved list.
- Conduct the annual portfolio benchmark review for maintenance and to incorporate proposed changes, followed by obtaining the necessary approvals, including the advice and consent of the New Mexico State Board of Finance.
- Explore the potential for investing in additional fixed-income sectors.
- Increase the approved list of creditworthy repurchase agreement counterparties for diversification purposes.
- Continue outreach (LGIP, banks, CD program, counties, and municipalities).
- Create a monthly informational newsletter for LGIP participants and prospects.

The Operations Division is responsible for facilities management and security, agency vehicle maintenance, mail processing, and inter-agency deliveries. It also provides information technology (IT) and daily office operations support to the State Treasurer's Office. The division responds to internal employee needs and works with external agencies and stakeholders.

## Information Technology Bureau

The IT Bureau operates, maintains, and monitors the State Treasurer's Office IT systems. The bureau evaluates business processes and plans for automating functions where possible. The bureau maintains the agency servers, computers, local area network, investment systems, accounting system, and telecommunications for the office. The bureau also maintains the disaster recovery network and manages the security systems and information systems (software and hardware). The bureau is responsible for cybersecurity and the maintenance of the State Treasurer's Office Disaster Recovery and Business Continuity Plan. The State Treasurer's Office maintains a disaster recovery site (hot site) at an off-site location in New Mexico. The bureau continuously reviews and evaluates the hardware and software to determine future technology needs to ensure that the State Treasurer's Office can continue operations with minimal downtime and maximum efficiency.

## Forfeiture Program

During the 2015 Legislative session, the New Mexico Forfeiture Act (NMSA 1978 § 31-27-1 to 31-27-11 [2015]) was amended. The purposes are to make uniform standards and procedures for the process; protect people's constitutional rights; deter criminal activity by reducing its economic incentives; and ensure that only criminal forfeiture is allowed. The Forfeiture Act requires forfeited property that is not currency and any abandoned property to be delivered to the State Treasurer for disposition at a public auction. Forfeited currency and all proceeds from the sale of forfeited or abandoned property must be deposited in the general fund. An annual report must be prepared by each law



enforcement agency and submitted to the Department of Public Safety within 60 days following the conclusion of each fiscal year regarding seizures and forfeitures conducted pursuant to applicable State law and Federal forfeiture law.

## Loss Prevention and Control Program

The Loss Prevention and Control Program complies with the State Loss Prevention and Control Program rule (1.6.4 NMAC) to assure that loss prevention and control is: an integral part of the job (and the required training of each agency worker); a line-management responsibility of high priority (evaluated on the execution of this responsibility); an agency commitment (demonstrated by the appointment of knowledgeable and experienced loss-control personnel); and a priority (compliance with workplace safety and employment-related civil rights rules and regulations). All divisions within the State Treasurer's Office are covered by this program.

## Significant Milestones and Accomplishments for FY2020

### Information Technology

- Continued to maintain IT systems at a level to achieve clean cybersecurity audits. Implemented virtual private network (VPN) for 25 users (versus two users previously).
- Continued to use IT to support reduced business costs throughout the agency. Under unprecedented



# Operations Division

circumstances (the COVID-19 pandemic/quarantine), IT transformed processes to support effective teleworking, resulting in significant reduction of paper use.

- Supported Special Programs as needed, particularly with the growth in the number of ABLE account holders and the launch of New Mexico Work and Save.

## **Forfeiture Act**

- Began working with district attorneys, district courts, and law enforcement agencies statewide to implement and refine the program.

## **Loss Prevention and Control Program**

- Continued to stay in compliance with the requirement NMAC 1.6.4 even in the teleworking environment.
- Required STO staff to sign form for equipment received (cellphones, laptops, jetpacks, etc.).
- Assured STO's commitment to make loss prevention and control an integral part of the job and the required training of every agency worker, with workplace safety and employment-related civil rights a priority.
- Maintained offices, vehicles, and facility security by monitoring facility cameras and vehicle logs.

## **Initiatives for FY2021**

### **Information Technology**

- Implement any recommended upgrades in software and infrastructure (if necessary).
- Continue successful completion of IT security audits.
- Continue to develop cost-saving processes utilizing IT to support reduced business costs.
- Support Special Programs within STO to promote growth (as needed).

See IT plan for additional details.

### **Forfeiture Act**

- Work with district attorneys, district courts, and law enforcement agencies statewide to implement and refine the program.
- Obtain program funding. This Act reimburses law enforcement for any costs associated with forfeitures and seizures but does not provide funding to manage the program through the State Treasurer's Office. All funds received are directly placed into the State's General Fund, yet STO has no recurring budget with which to operate the program.

### **Loss Prevention and Control Program**

- Maintain facility security both in person and during teleworking environments.

# Special Programs Division

The Special Programs Division includes the Achieving a Better Life Experience (ABLE), Forfeiture, Retirement Income Security, and Financial Empowerment for Women programs.

## ABLE Program

In 2014 Congress passed the Stephen Beck, Jr. Achieving a Better Life Experience (ABLE) Act. This was historic, life-changing financial legislation for special needs individuals, families, and communities, and was considered one of the most significant pieces of legislation for the disability community since the Americans with Disabilities Act. The New Mexico legislature authorized ABLE accounts in 2016 with overwhelming bipartisan support.

The program enables eligible individuals with disabilities to save money in a tax-exempt account that may be used for qualified expenses while keeping their eligibility for Federal public benefits. The total annual contributions allowed into an ABLE account by all contributors (including family, friends, and the beneficiaries themselves) is \$15,000 per tax year. An account may have up to \$468,000 before Federal and State benefits would be affected (\$100,000 for those receiving SSI). Eligible individuals must have significant disabilities with an onset prior to age 26.

The ABLE accounts are administered as a 529A account, similar to the 529 College Savings Program, and beneficiaries may choose from a variety of investment options, similar to 529 college savings accounts or Roth IRAs. Funds within the account can be used to cover qualified disability-related expenses that assist the individual in increasing and/or maintaining health, independence, and/or quality of life.

The New Mexico State Treasurer's Office launched ABLE New Mexico in January 2018. It is estimated that currently 30,000 New Mexicans meet the threshold. More than 100 accounts were opened during the first six months of the program.

## Work and Save Program

Studies show that the lack of retirement savings by private-sector workers poses serious fiscal challenges for states. Aging populations without adequate retirement savings will rely on public funds to fulfill their needs. Compared to the rest of the United States, more New Mexico private-sector workers do not have access to a retirement savings plan through their employers, and more of them have \$0 saved for retirement. By 2040, it is estimated that 469,000 New Mexicans 60+ years old will have less than \$10,000 saved for their retirement.

In 2018 House Memorial 12 created the Retirement Income Security Task Force, chaired by the State Treasurer. The Task Force made four recommendations: focus on financial literacy, create an online marketplace, create a voluntary IRA (which, depending on certain triggers, could convert to a mandatory IRA), and request an advisory opinion from New Mexico's Attorney General.

In 2019, Senate Memorial 119 (New Mexico Saves) directed the State Treasurer to devise a plan to implement the Retirement Income Security Task Force recommendations.

In 2020, House Bill 44 enacted the New Mexico Work and Save Act. The Act establishes a nine-member board. The board is charged with designing and implementing 1) a voluntary retirement marketplace (a web-based portal connecting private-sector employers and employees with Board-approved investment service providers) and 2) a voluntary payroll deduction Roth IRA program in which employers deduct and remit Roth contributions to board-approved investment providers on behalf of employees.

## Financial Literacy Program

The Financial Literacy program was initiated during Treasurer Eichenberg's first year in office. The Treasurer believes it is important to bring financial literacy to high school students because these money-management skills prepare them for real-life experiences.

# Special Programs Division

As the only non-statutory program within the State Treasurer's Office, Financial Literacy was put on hold for a few years due to budget cuts.

Then in early 2019, the State Treasurer received an appropriation from the legislature in the amount of \$150,000 to provide financial literacy education. Per the RFP, the funds will be awarded to a contractor to provide financial literacy classes to youth transitioning out of the foster care system. The organization awarded will provide a bilingual financial literacy curriculum containing information on budgeting, saving and investing, opening and maintaining a bank account, interest rates, college tuition and student loans, retirement, and more. The financial literacy contractor will hold regular in-person trainings and offer one-on-one financial coaching to assist the students as they learn to manage their finances.

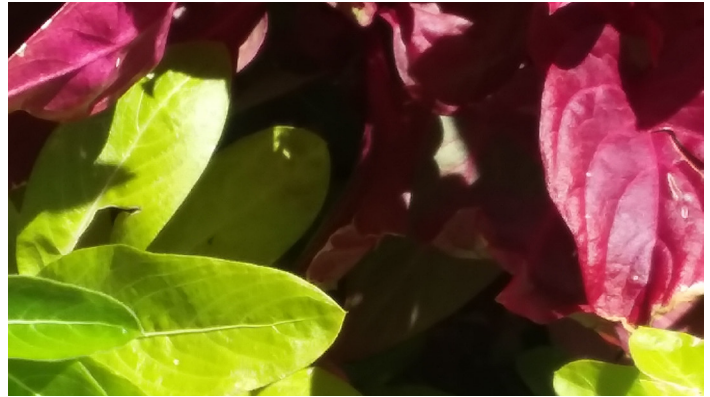
## Alternative Dispute Resolution Program

This program promotes early dispute resolution and positive collaboration among employees by providing mediation services to resolve workplace conflict.

## Significant Milestones and Accomplishments for FY2019

### ABLE Program

- As of June 30, 2020, there were 474 active ABLE New Mexico accounts.
- Continued to collaborate with partner agencies and community service providers to inform consumers.
- Created a partnership with the Public Education Department and various school districts to include ABLE New Mexico information in every new student orientation packet, and presented at scheduled transition fairs.
- Continued strong adherence to the conditions of the no-cost partnership with Ohio's STABLE Program in maintaining and promoting ABLE New Mexico.



- Continued tracking and reporting the number of active ABLE NM accounts, average account balances, and returns on investment.
- Continued monitoring accounts, support, and guidance to account owners to ensure a less-than-24-hour response time for all participants, families, community members, statewide agencies, public and charter schools, and non-profits.
- Translated all outreach literature from English to Spanish, Navajo, and Braille to keep accessibility and cultural awareness at the center of our work.
- Developed a monthly newsletter to keep all of the special needs families, communities, non-profit organizations, state agencies, public and charter schools, higher education offices, and universities informed. Distributed via email and archived on the New Mexico State Treasurer's website.
- Developed strong partnerships with New Mexico's non-profit organizations, universities of higher learning, public and charter schools, statewide agencies, and business leaders.

### Work and Save Program

- The New Mexico Saves committee (including the State Treasurer) met several times and reported its findings and recommendations, including proposed legislation, to legislative committees.
- This led to passage of House Bill 44, the New Mexico Work and Save Act, which created the New Mexico Work and Save Board and gave the board powers and duties. These include creating



# Special Programs Division

a retirement savings plan web-based marketplace and a voluntary savings program for private-sector and nonprofit employees and the self-employed; and providing protection for covered employers and confidentiality for participants and account information.

## Financial Literacy Program

- Contracted with NMCAN to present a financial literacy program to youth in foster care.

## Alternative Dispute Resolution Program

- Continued to work with the Risk Management Division Alternative Dispute Resolution Bureau to continue providing employees with conflict-resolution options.
- Tracked all events related to ADR, including trainings, seminars, and referrals to mediation, then report these quarterly to the General Services Department (GSD) Risk Management Division.

## Initiatives for FY2021

### ABLE Program

- Work with the Ohio STABLE program and 10 partner states to update each state's website to include an exclusive Spanish enrollment portal for Spanish speakers.
- Offer the ABLE NM newsletter in Spanish.
- With the New Mexico Children, Youth, and Families Department, develop pathways for New Mexico's foster care children and youth to have an account for their financial wellness.
- With the New Mexico State School Board Association, help support our public schools and communities with financial literacy programs (ABLE New Mexico, New Mexico Work and Save, and NMCAN Financial Literacy).
- With New Mexico Highlands University, create communication bridges with various deans of instructional studies to disperse information about

ABLE New Mexico and various disability agencies and organizations in preparation for students' future career pathways.

- With other New Mexico universities' schools of social work, develop opportunities for Master's Level students to complete field practicum hours within the ABLE New Mexico program for leadership and professional growth.
- Expand outreach by hosting a monthly online videoconference (using Zoom) for all ABLE New Mexico participants and their families.
- Track all current and new active accounts by plotting the number of accounts by zip code to target outreach efforts within communities where there are no active accounts.

### Work and Save Program

- Convene the Work and Save board.
- Assist as needed with legislation or testify before the State Legislature.
- Stand up the New Mexico Work and Save program (Marketplace and Auto IRA).
- Promote Work and Save through outreach, including presenting at businesses statewide and through various media outlets.

### Financial Literacy Program

- Continue to work with NMCAN to present a financial literacy program to youth in foster care.

### Alternative Dispute Resolution Program

- Continue to work with the Risk Management Division Alternative Dispute Resolution Bureau to continue providing employees with conflict-resolution options.
- Track all events related to ADR, including trainings, seminars, and referrals to mediation, then report these quarterly to GSD's Risk Management Division.

**STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

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

Honorable Tim Eichenberg, State Treasurer, New Mexico  
Office of the State Treasurer and

Honorable Brian Colón, State Auditor, New Mexico  
Office of the State Auditor

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, 2020, 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, the budgetary comparison for the general fund and the aggregate remaining fund information of the Office as of June 30, 2020, and the respective changes in financial position 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 B2, 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, 2020, 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, 2020, 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, 2020. 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, follows GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of June 30, 2020, 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, 2020. 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 12 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 lim-

ited 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. Schedule 10 is presented as unaudited information

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2020, 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.  
Albuquerque, New Mexico  
October 31, 2020



# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF NET POSITION JUNE 30, 2020

State of New Mexico  
Office of the State Treasurer

### STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	\$ 3,313,034
Repurchase agreements (Held in State General Fund Investment Pool)	247,410,316
Due from other agencies	78,385,939
Other receivables	5,490,543
Capital assets, net of accumulated depreciation	1,085,893
	<hr/>
Total assets	\$ 335,685,725
	<hr/>
<b>LIABILITIES</b>	
Accounts payable	\$ 361,941
Receipts held in suspense	3,118,834
Accrued payroll	98,971
Accrued payroll taxes	24,434
Due to State General Fund	5,490,543
Compensated absences	156,560
	<hr/>
Total liabilities	9,251,283
	<hr/>
<b>NET POSITION</b>	
Investment in capital assets	1,085,893
Restricted for:	
Debt service	325,505,109
Unrestricted	(156,560)
	<hr/>
Total net position	326,434,442
	<hr/>
Total liabilities and net position	\$ 335,685,725
	<hr/>

# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Position Primary Government</u>
PRIMARY GOVERNMENT			
Governmental activities			
General government	\$ 5,177,465	\$ -	\$ (5,177,465)
Total governmental activities	<u>\$ 5,177,465</u>	<u>\$ -</u>	(5,177,465)
GENERAL REVENUES			
State property tax levy			88,509,799
Severance taxes			631,710,032
TRANSFER FROM (TO) STATE AGENCIES			
State General Fund appropriations			4,062,900
State General Fund compensation appropriation			108,600
Reversions to State General Fund FY20			(376,181)
Other state agencies			(845,238,637)
Interest revenue			22,867,119
Miscellaneous revenue			653
Other state funds			122,300
Federal funds			<u>1,386</u>
Total general revenues and transfers			<u>(98,232,029)</u>
Change in net position			(103,409,494)
Net position, beginning			<u>429,843,936</u>
Net position, ending			<u>\$ 326,434,442</u>

# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER BALANCE SHEET—GOVERNMENTAL FUNDS JUNE 30, 2020

	Major Funds				Total Governmental Funds
	General Fund (18200)	General Obligation Bond Fund (Various Funds)	Severance Tax Bond Fund (Various Funds)	Gaming Suyspense Fund (02000)	
<b>ASSETS</b>					
Investment in State General Fund					
Investment Pool	\$ 3,313,034	\$ -	\$ -	\$ -	\$ 3,313,034
Repurchase agreements (held in					
State General Fund Investment Pool)	-	71,537,403	175,872,913	-	247,410,316
Due from other agencies	-	1,475,836	76,910,103	-	78,385,939
Other receivables	-	-	-	5,490,543	5,490,543
<b>Total assets</b>	<b>\$ 3,313,034</b>	<b>\$ 73,013,239</b>	<b>\$ 252,783,016</b>	<b>\$ 5,490,543</b>	<b>\$ 334,599,832</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 70,795	\$ -	\$ 291,146	\$ -	\$ 361,941
Receipts held in suspense	3,118,834	-	-	-	3,118,834
Accrued payroll	98,971	-	-	-	98,971
Accrued payroll taxes	24,434	-	-	-	24,434
Due to State General Fund	-	-	-	5,490,543	5,490,543
<b>Total liabilities</b>	<b>3,313,034</b>	<b>-</b>	<b>291,146</b>	<b>5,490,543</b>	<b>9,094,723</b>
<b>FUND BALANCES</b>					
Restricted for:					
Debt service	-	73,013,239	252,491,870	-	325,505,109
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>73,013,239</b>	<b>252,491,870</b>	<b>-</b>	<b>325,505,109</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,313,034</b>	<b>\$ 73,013,239</b>	<b>\$ 252,783,016</b>	<b>\$ 5,490,543</b>	<b>\$ 334,599,832</b>



# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER RECONCILIATION OF THE BALANCE SHEET—GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2020

Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)	\$ 325,505,109
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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>(1,021,088)</u>

Total capital assets, net	1,085,893
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Some liabilities (compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position

	<u>(156,560)</u>
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Net Position of Governmental Activities (Statement of Net Position)	<u>\$ 326,434,442</u>
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# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2020

	Major Funds				Total Governmental Funds
	General Fund (18200)	General Obligation Bond Fund (Various Funds)	Severance Tax Bond Fund (Various Funds)	Gaming Suspense Fund (02000)	
<b>REVENUES</b>					
Severance taxes	\$ -	\$ -	\$ 631,710,032	\$ -	\$ 631,710,032
State property tax levy	-	88,509,799	-	-	88,509,799
Interest income - debt service	-	4,853,540	18,013,579	-	22,867,119
Federal funds	1,386	-	-	-	1,386
<b>Total revenues</b>	<b>1,386</b>	<b>93,363,339</b>	<b>649,723,611</b>	<b>-</b>	<b>743,088,336</b>
<b>EXPENDITURES</b>					
Current:					
Personnel services and employee benefits	2,820,981	-	-	-	2,820,981
Operating costs:					
Contractual services	412,869	-	-	-	412,869
Other administrative expenditures	685,808	-	28,368	-	714,176
Other charges	-	262,496	537,189	-	799,685
<b>Total expenditures</b>	<b>3,919,658</b>	<b>262,496</b>	<b>565,557</b>	<b>-</b>	<b>4,747,711</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,918,272)</b>	<b>93,100,843</b>	<b>649,158,054</b>	<b>-</b>	<b>738,340,625</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
State General Fund appropriations	4,062,900	-	-	-	4,062,900
State General Fund compensation appropriation	108,600	-	-	-	108,600
Miscellaneous other sources	122,953	-	-	-	122,953
Reversions to State General Fund FY20	(376,181)	-	-	-	(376,181)
Transfer (to) from other state agencies	-	(86,657,813)	(758,580,824)	-	(845,238,637)
<b>Total other financing sources (uses)</b>	<b>3,918,272</b>	<b>(86,657,813)</b>	<b>(758,580,824)</b>	<b>-</b>	<b>(841,320,365)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>6,443,030</b>	<b>(109,422,770)</b>	<b>-</b>	<b>(102,979,740)</b>
Fund balances, beginning of year	-	66,570,209	361,914,640	-	428,484,849
Fund balances, end of year	\$ -	\$ 73,013,239	\$ 252,491,870	\$ -	\$ 325,505,109

# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (102,979,740)
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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>(399,909)</u>
Depreciation expense in excess of capital outlay	(399,909)

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

Increase in compensated absences	<u>(29,845)</u>
Change in Net Position of Governmental Activities	<u>\$ (103,409,494)</u>



# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF REVENUES AND EXPENDITURES—GENERAL FUND— BUDGET AND ACTUAL (BUDGETARY BASIS) YEAR ENDED JUNE 30, 2020

	General Fund (18200)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State General Fund appropriations	\$ 4,062,900	\$ 4,062,900	\$ 4,062,900	\$ -
State General Fund compensation appropriation	108,600	108,600	108,600	-
Federal grants	2,000	2,000	1,386	(614)
Other	122,300	122,300	122,953	653
Total Revenues	4,295,800	4,295,800	4,295,839	39
<b>EXPENDITURES</b>				
Personnel services and benefits	3,186,800	2,956,800	2,820,981	135,819
Contractual services	541,700	441,700	412,869	28,831
Other operating costs	567,300	897,300	685,808	211,492
Total Expenditures	4,295,800	4,295,800	3,919,658	376,142
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>376,181</b>	<b>\$ 376,181</b>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance				
Unbudgeted reversions to state general fund			(376,181)	
Net change in fund balances (GAAP basis)			\$ -	

# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2020

	<u>Investment Trust Fund</u>
<b>ASSETS</b>	
Cash and Investments:	
Fiscal agent bank account	\$ 108,910,616
Cash in banks	1,061,946,489
Certificates of deposit	12,200,000
Government bonds	3,529,880,133
Commercial paper	2,549,608
Municipal bonds	10,278,783
Repurchase agreements	612,000,000
Corporate bonds	426,137,915
Discounted notes	955,959,259
Money market mutual funds	805,483,497
Bank acceptances	<u>2,483,851</u>
Total cash and investments	7,527,830,151
Accrued interest receivable	<u>16,948,357</u>
Total assets	<u>\$ 7,544,778,508</u>
<b>LIABILITIES</b>	
Due to broker	<u>\$ 94,664,397</u>
Total liabilities	94,664,397
FIDUCIARY NET POSITION - held in trust for pool participants	<u>7,450,114,111</u>
Total liabilities and fiduciary net position	<u>\$ 7,544,778,508</u>

# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF CHANGES IN FIDUCIARY NET POSITION JUNE 30, 2020

	<u>Investment Trust Fund</u>
ADDITIONS	
Investment income	\$ 178,619,361
Deposits	80,403,294,302
DEDUCTIONS	
Management fees	-
Withdrawals	<u>(80,041,752,763)</u>
Change in fiduciary net position	540,160,900
Fiduciary net position, held in trust for pool participants, beginning of year	<u>6,909,953,211</u>
Fiduciary net position, held in trust for pool participants, end of year	<u>\$ 7,450,114,111</u>

## Boards and Commissions

**T**reasurer Eichenberg is the only elected State official to serve as a member of all State financial and investment boards and commissions, which have a total fiduciary responsibility of more than \$60 billion. Here is a list of those boards and commissions.

**State Board of Finance (BOF)** has general supervision of the fiscal affairs of the State. It is charged with the safekeeping of all money and securities belonging to or in the custody of the State, and has the authority to issue general obligation bonds and severance tax revenue bonds.

**State Investment Council (SIC)** administers and manages New Mexico's three permanent trust funds: the Land Grant Permanent Fund, the Severance Tax Permanent Fund, and the Tobacco Settlement Permanent Fund. Additionally, the State Investment Council manages long-term investment funds for multiple State and local government entities.

**Public Employees Retirement Association (PERA)** oversees the principal retirement and disability benefits programs of State, county, and municipal employees, including municipal police and firefighters. The Board serves as trustee for the association. Its mission is to preserve, protect, and administer the trust to meet its current and future obligations and provide quality services to association members.

**Educational Retirement Board (ERB)** provides retirement benefits for teachers and other school employees from public school districts, institutions of higher education, and educational agencies. The Board is the trustee of the Educational Retirement Fund.

**Retiree Health Care Authority (RHCA)** was created in 1990 to provide comprehensive and affordable group health insurance to eligible retirees of certain public service employers in New Mexico, to their spouses and dependents, and to surviving spouses and dependents.

**Mortgage Finance Authority (MFA)** is a quasi-public entity, financing housing and related services for low- to moderate-income and underserved families. The Mortgage Finance Authority provides affordable housing finance programs, including assistance for the homeless, apartment development, and home ownership.

**Educational Assistance Foundation (EAF)** is a non-profit corporation, created pursuant to the State Educational Assistance Act, that provides financial assistance to qualified post-secondary students. The purpose of the Foundation is to improve the educational opportunities of residents of New Mexico through educational assistance programs.

**Small Business Investment Corporation (SBIC)** is charged with creating new job opportunities and supporting new or expanding businesses in the State. The SBIC makes more capital available to small businesses through investing in alternative and micro lenders as well as venture capital funds.

**Martin Luther King, Jr. Commission (MLK)** promotes cultural awareness and human rights to all people of New Mexico through Dr. King's life philosophy and six principles of nonviolent social action.

**Capitol Buildings Planning Commission (CBPC)** is responsible for long-range planning and review of State properties and the development of an overall master plan.

**Renewable Energy Transmission Authority (RETA)** has the authority to issue and sell revenue bonds and use the proceeds to finance eligible energy transmission and storage facilities, and to acquire and operate facilities through leases.





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