



STATE OF NEW MEXICO
OFFICE OF THE TREASURER

THE HONORABLE LAURA M. MONTOYA
State Treasurer

MALAQUIAS "JR" RAEL
Deputy State Treasurer

June 30, 2023

Re: GASB Statement No. 40 Disclosure

Dear Local Government Investment Pool Participants:

The purpose of this letter is to provide you with information for a financial statement disclosure for your investment in the State Treasurer's Office Local Government Investment Pool ('LGIP').

GASB Statement No. 40, Deposit and Investment Risk Disclosures, relates to how deposits and investments are reported in the annual financial statements of government entities. GASB Statement No. 40 disclosures inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. GASB Statement No. 40 requires governments to disclose deposit and investment risks related to credit (including custodial credit risk), concentration of credit risk, interest rate risk, and foreign currency risk.

The State Treasurer's Office provides the following information regarding the LGIP:

- **Credit Risk** --With respect to credit risk, the LGIP is rated AAAM by Standard & Poor's. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.
- **Concentration Risk** -- GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure.
- **Foreign Currency Risk** --GASB Statement No. 40 defines foreign currency risk as the potential that changes in exchange rates may adversely affect the fair value of an investment or deposit. The LGIP does not have any foreign currency risk as all investments are denominated in US dollars.

- Interest Rate Risk --GASB Statement No. 40 defines interest rate risk as the potential that interest rate changes may adversely affect the fair value of an investment.
- According to the Statement, an acceptable method for reporting interest rate risk is weighted average maturity ("WAM"). The State Treasurer's Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at www.nmsto.gov.

As of June 30, 2023, the LGIP WAM (R) was 22 days and the WAM (F) was 86 days.

- Value --The value of your investment in the LGIP as of June 30, 2023, was provided to you as the ending balance on your LGIP statements.
- Our investment portfolio is posted on the State Treasurer's Office website, www.nmsto.gov, and available for review by participants at any time.

In conclusion, for your investment in the LGIP, you will need to simply report the credit rating of the LGIP, the value of your investment and the WAM of the pool as of June 30th. Here is an example of the type of disclosure that you would make for your LGIP holdings (if you had a \$1,234,567.89 investment):

June 30, 2023

New Mexico LGIP AAAM Rated; \$1,234,567.89; [22] day WAM (R); [86] day WAM (F)

If you have any questions about your GASB Statement No. 40 disclosure or need any additional information about the New Mexico Local Government Investment Fund managed by the New Mexico State Treasurer's Office, please don't hesitate to contact Hannah Chavez at 505-955-1154.

Sincerely,



Vikki Hanges
Chief Investment Officer
The State of New Mexico Treasurer's Office
Vikki.Hanges@sto.nm.gov
505-955-1197