

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	6
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 – CUSTODIAL FUNDS	21
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUNDS	22
NOTES TO FINANCIAL STATEMENTS	23
SUPPLEMENTARY INFORMATION	
COMBINING BALANCE SHEET – GENERAL OBLIGATION BONDS – GENERAL OBLIGATION BOND DEBT SERVICE FUNDS	56
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GENERAL OBLIGATION DEBT SERVICE FUNDS	57

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET – SEVERANCE TAX BONDS – SEVERANCE TAX BOND DEBT SERVICE FUNDS	58
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – SEVERANCE TAX BOND DEBT SERVICE FUNDS	59
COMBINING BALANCE SHEET – GENERAL FUND	60
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GENERAL FUND ACTIVITIES	61
SCHEDULE OF INVESTMENTS – CUSTODIAL FUNDS	62
SCHEDULE OF INVESTMENT POOL NET POSITION (UNAUDITED)	64
SCHEDULE OF CHANGES IN INVESTMENT POOL NET POSITION (UNAUDITED)	65
SCHEDULE OF ASSET MANAGEMENT COSTS (UNAUDITED)	66
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>	67
SCHEDULE OF FINDINGS AND RESPONSES	69
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	71
EXIT CONFERENCE	72

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
OFFICIAL ROSTER
JUNE 30, 2023**

Office of the State Treasurer

Laura Montoya	State Treasurer
Malaquias “JR” Rael	Deputy State Treasurer
Dominic Donio, CGFM	Chief Financial Officer
Steve Marsico	State Cash Manager

State Treasurer’s Investment Committee

Laura Montoya	State Treasurer
Ashley Leach	State Board of Finance
Eric Rodriguez	Public Member
Ceilia Aglialoro	Public Member
Steve Marsico	Chair, State Cash Manager



INDEPENDENT AUDITORS' REPORT

Honorable Michelle Lujan Grisham, Governor and
President, State Board of Finance
and
Honorable Laura Montoya, State Treasurer
New Mexico Office of the State Treasurer
and
Honorable Joseph M. Maestas, P.E., State Auditor
New Mexico Office of the State Auditor
Santa Fe, New Mexico

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the General Fund of the State of New Mexico Office of the State Treasurer (the Office), a Department of the State of New Mexico, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements as listed in the table of contents.

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, and the aggregate remaining fund information of the State of New Mexico Office of the State Treasurer, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of New Mexico Office of the State Treasurer and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Michelle Lujan Grisham, Governor and
President, State Board of Finance
Honorable Laura Montoya, State Treasurer
Honorable Joseph M. Maestas, P.E., State Auditor

Emphasis of Matters

Reporting Entity

As discussed in Note 1 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, each major fund and the aggregate remaining fund information 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, 2023, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Office adopted new accounting guidance for subscription based information technology arrangements (SBITAs). The guidance requires the Office to recognize a right-to-use subscription asset and corresponding subscription liability for all SBITAs with terms greater than twelve months. The adoption of the new accounting standard resulted in a restatement of beginning balances of right-to-use subscription assets and accumulated amortization related to the recognition of right-to-use subscription assets and the related balance of subscription liabilities. Our opinions are not modified with respect to this matter.

Restatement

As discussed in Note 18 to the financial statements, the Office restated the beginning net position of the External Investment Pool Fund by \$73,645,280, which aligns the beginning balance with the ending reported balance in the released fiscal year 2022 State of New Mexico ACFR for this fund and is consistent with the allocation for the external portion for the related external pool participants. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Honorable Michelle Lujan Grisham, Governor and
President, State Board of Finance
Honorable Laura Montoya, State Treasurer
Honorable Joseph M. Maestas, P.E., State Auditor

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 State of New Mexico Office of the State Treasurer's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office's basic financial statements. The schedules 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.

The schedules 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 the schedule of investment pool net position (unaudited), schedule of changes in investment pool net position (unaudited) and the schedule of asset management costs (unaudited), such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

Honorable Michelle Lujan Grisham, Governor and
President, State Board of Finance
Honorable Laura Montoya, State Treasurer
Honorable Joseph M. Maestas, P.E., State Auditor

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, the other schedules 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.

The schedule of investment pool net position (unaudited), schedule of changes in investment pool net position (unaudited) and the schedule of asset management costs (unaudited) have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Official Roster and Exit Conference but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of the State of New Mexico Office of the State Treasurer'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of New Mexico Office of the State Treasurer's 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 State of New Mexico Office of the State Treasurer's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 30, 2023

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

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 total net position at June 30, 2023 was \$987,446,827. Net position at June 30, 2022 was \$1,074,097,132. The \$86,650,305 decrease was primarily due to transfers from other state agencies to satisfy General Obligation and Severance Tax Bond obligations.

The net position held in trust for the local government pool participants at June 30, 2023 was \$1,416,700,803. The increase of \$218,905,577 was due primarily to investment earnings and increases in bond proceeds and local government investment pool balances. These investment trust funds were held primarily in high-quality U.S. Treasury and agency securities and cash bank accounts.

The General Fund's main financing source was appropriations, which amounted to \$4,272,300 or 91.1% of all general fund revenue.

The State Treasurer's total governmental fund revenues for Fiscal Year 2023 were \$2,584,998,823. The governmental fund revenues in Fiscal Year 2022 were \$2,278,523,720. Governmental fund revenues increased in 2023 by \$306,475,103, substantially due to an increase in Severance Tax collections, State Property Tax Levy, and interest income from debt service funds.

The State Treasurer's total expenses for Fiscal Year 2023 were \$6,431,623. The expenses in Fiscal Year 2022 were \$5,068,225. Expenditures increased in Fiscal Year 2023 by \$1,363,398. This was mostly due to increases in the cost of issuance for General Obligation Bonds, Severance Tax Bonds and Supplemental Tax Notes.

Transfers to other state agencies for general obligation and severance tax bond debt service payments for Fiscal Year 2023 were \$2,669,084,845. Transfers to other state agencies for Fiscal Year 2022 were \$1,737,340,030. Transfers to other state agencies for debt service payments increased by \$931,744,815 during fiscal 2023. This was primarily due to increased debt service requirements of General Obligation and Severance Tax Bond obligations.

Overview of the Financial Statements

This discussion and analysis are 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.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

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).

Net Position

Table A-1 summarizes the State Treasurer's net position as of June 30, 2023. Total State Treasurer net position for Fiscal Year 2023 is \$987,446,827, the majority of which is restricted as to purpose.

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 a custodial fund.

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 three individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, General Obligation Bond Fund, and the Severance Tax Bond Fund. The General Obligation and Severance Tax Bond funds combine into a single, aggregated presentation of the activity of each individual bond issue.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

Individual bond transaction data of these governmental funds is provided in the form of combining statements elsewhere in this report. The State Treasurer classifies the Gaming Suspense Fund as a component of the general fund, as the fund has no revenue or expense activity.

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 Fund

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. The State Treasurer's fiduciary fund account for cash, securities, and other investments identified and held on behalf of local and State government agencies. The Short-term Investment Pool accounts for the Local Government Investment Pool (LGIP). This custodial fund is shown on the statement of fiduciary net position and the statement of changes in fiduciary net position as an External Investment Pool Fund.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a user's full understanding of the data provided in the government-wide and fund financial statements and begin on page 22 of this report.

Other Information

The combining statements referred to earlier in connection with the General Obligation and Severance Tax Bond funds are presented immediately following the notes to the financial statements. Schedules of capital assets can be found on page 47 of this report. Fiduciary schedules can be found in the separately issued Cash Flow Portfolios External and Internal Investment Pools report.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

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

	June 30,	
	2023	2022
ASSETS		
Investment in State General Fund Investment Pool	\$ 594,095,792	\$ 509,749,033
Due from Other Agencies	397,415,204	568,201,560
Gaming Suspense Receivables	20,377,653	18,869,882
Capital Assets, Net	<u>1,210,279</u>	<u>1,171,170</u>
Total Assets	<u>1,013,098,928</u>	<u>1,097,991,645</u>
CURRENT LIABILITIES		
Accounts Payable and Others	24,211,522	22,798,661
Compensated Absences, Amounts Due in One Year	216,194	224,698
Lease Liability, Amount Due in One Year	227,173	220,803
Lease Liability, Amount Due After One Year	446,846	650,351
Subscription Liability, Amount Due in One Year	125,787	-
Subscription Liability, Amount Due After One Year	<u>424,579</u>	<u>-</u>
Total Liabilities	<u>25,652,101</u>	<u>23,894,513</u>
NET POSITION		
Investment in Capital Assets	(14,106)	300,016
Restricted	987,677,127	1,074,021,814
Unrestricted	<u>(216,194)</u>	<u>(224,698)</u>
Total Net Position	<u><u>\$ 987,446,827</u></u>	<u><u>\$ 1,074,097,132</u></u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the State Treasurer, assets exceeded liabilities by \$987,446,827 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, \$987,677,127, 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)
YEAR ENDED JUNE 30, 2023**

Changes in Net Position

Governmental activities decreased the State Treasurer's net position by \$86,650,305. 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,	
	2023	2022
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	3,941,085	4,067,576
Special Appropriations	204,700	57,800
State Property Tax Levy	141,584,164	123,073,281
Severance Taxes	2,329,126,578	2,143,476,615
Interest Income - Debt Service	113,895,998	11,581,820
Miscellaneous Revenue	-	-
Other State/Federal Revenue	390,060	392,059
Transfers (to) other state agencies	<u>(2,669,084,845)</u>	<u>(1,737,340,030)</u>
Total Revenues and Transfers from (to) State Agencies	(79,942,260)	545,309,121
Expenses and Other Financing Uses:		
General Government	(6,708,045)	(5,507,172)
Other Sources:		
Transfers in from Other State Agencies	-	-
Total Expenses and Other Financing Uses	<u>(6,708,045)</u>	<u>(5,507,172)</u>
CHANGE IN NET POSITION	(86,650,305)	539,801,949
Net Position - Beginning of Year	<u>1,074,097,132</u>	<u>534,295,183</u>
NET POSITION - END OF YEAR	<u><u>\$ 987,446,827</u></u>	<u><u>\$ 1,074,097,132</u></u>

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

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 \$987,446,827, which is a decrease of \$86,650,305 in comparison with the prior year. The primary reason for the increase in fund balance is property and severance taxes 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 54 – combining schedule of revenues, expenditures and changes in fund balances – general obligation bond debt service funds, and disclosed on page 56 – 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.

The State Treasurer initially was allocated a general fund appropriation of \$4,272,300 for Fiscal Year 2022 by the Legislature and there were no changes from the original to the final budget.

Capital Assets, Right-to-Use Assets and Debt Administration

Capital Assets, Right-to-Use Assets and Subscription Assets

The State Treasurer's investment in capital assets, right-to-use assets and subscription assets for its governmental activities as of June 30, 2023, amounts to \$1,210,279, net of accumulated depreciation and amortization. This investment in capital assets includes equipment. Additional information on the State Treasurer's capital assets and right-to-use assets can be found in Note 7 of this report.

Administered Debt Service Payments

For the year ended June 30, 2023, the State Treasurer was responsible for administering debt service payments on total bonded debt service requirements of \$2,669,072,076 all of which is secured by pledged tax revenues.

Investment Pools

The agency's stated objective of selecting investments is based primarily on safety, then liquidity, and finally, yield. Assets of external and internal investment pools of funds managed by the State Treasurer totaled \$17,560,058,118 at June 30, 2023, as compared to \$14,808,886,290 at June 30, 2022, an increase of \$2,751,171,29 or 18.6%. This increase is due primarily to increases in tax revenues which are oil and gas related and increases in State Land Office royalties and Federal Mineral & Leasing collections.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

Total net investment income (loss) was (\$146,021,722) in 2022 as compared to \$377,344,509 in 2023, an overall increase of \$523,366,231. This increase was primarily due to increased interest income on investments as federal fiscal policy moved into a more robust increasing interest rate model and decreased unrealized losses on investments due to the interest rate sensitivity of these investments' fair market value. The interest income on investments increases as new investments are purchased at a higher interest rate. The agency ended Fiscal Year 2023 with unrealized losses of (\$67,346,342) compared to unrealized losses of \$(215,301,657) at the end of Fiscal Year 2022. The investments are adjusted to fair value as required by GASB Statement No. 31, Accounting and Financial Reporting for Certain Investment and External Investment Pools. However, these unrealized losses are not anticipated to be realized as the STO intends to hold the bonds in the portfolio to maturity, at which point the full-face amount of each bond will be received.

In Fiscal Year 2023, 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.

Economic Outlook

During the Fiscal Year 2023, investment returns were enhanced as shorter portfolio durations enabled STO to capitalize on the rising interest rate environment. The STO's six investment portfolios produced strong investment returns versus benchmarks in Fiscal Year 2023. Outperformance ranged from 0.09% to 0.64%, with total returns of 0.91% to 4.08%, depending on maturity restrictions and cash flows. Investing at higher interest rates produced the following purchase yields: General Fund Liquidity, 5.17%, General Fund Core, 2.81%, Severance Tax Bonding Fund, 5.07%, Tax-Exempt Bond Proceeds Pool, 3.94%, Taxable Bond Proceeds Pool, 3.59%, and the Local Government Investment Pool, 5.12%.

The State Treasurer's main investment objective is to preserve the safety of the principal investment. Providing liquidity when necessary and maximizing return while limiting risk requires strategic portfolio management. As the STO investment policy limits maturities to below five years, Federal Reserve monetary policy is key to the duration and sector decisions within the portfolios. As short-term interest rates have risen at an unprecedented rate to quell inflation, the Fed is anticipated to be approaching the end of its tightening cycle. As the Fed has indicated that interest rates will remain higher for longer, rate reductions that had been priced into the next calendar year, have been scaled back, and the recession that was so widely anticipated has been pushed further into the future. Maturities and new cash will continue to be invested at higher yields through at least the end of Fiscal Year 2024, as the Federal Funds rate remains at the current level or slightly higher. Managing the overall investment portfolio, cash flow projections, and related assets is an active and ongoing process.

As interest rates have risen, the income produced in the Tax-Exempt Bond Proceeds Pool has approached the threshold of IRS arbitrage rules. The proceeds of tax-exempt securities are invested in U.S. Government and agency securities, municipal and corporate bonds. Although the Tax-Exempt portfolio was not subject to IRS arbitrage in Fiscal Year 2023, the STO expects to make a small payment in 2024, as interest income earned has continued to increase. The General Fund recurring revenue showed continued strength after a record-breaking Fiscal Year 2022. Robust revenues across income taxes, mineral production taxes, rents, and royalties were above Fiscal Year 2022 levels,

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

however, most of the growth is attributable to soaring oil and gas production. As general fund balances swell, investments, interest income, and administrative fees earned from the Local Government Investment Pool are expected to continue to increase.

Contacting the State Treasurer's Financial Management Staff

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:

Laura Montoya, 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, 2023**

	Governmental Activities
ASSETS	
Investment in State General Fund Investment Pool	\$ 594,095,792
Due from Other Agencies	397,415,204
Gaming Suspense Receivables	20,377,653
Capital Assets, Net of Accumulated Depreciation and Amortization	1,210,279
Total Assets	1,013,098,928
LIABILITIES	
Accounts Payable	654,306
Receipts Held in Suspense	3,118,834
Accrued Payroll and Payroll Taxes	60,729
Due to State General Fund	20,377,653
Compensated Absences	
Due Within One Year	216,194
Lease Liability:	
Due Within One Year	227,173
Due After One Year	446,846
Subscription Liability:	
Due Within One Year	125,787
Due After One Year	424,579
Total Liabilities	25,652,101
NET POSITION	
Net Investment in Capital Assets	(14,106)
Restricted for:	
Debt Service	987,202,731
Special Appropriation for Work and Save Program Implementation	474,396
Unrestricted	(216,194)
Total Net Position	\$ 987,446,827

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	<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	\$ 6,710,128	2,083	\$ (6,708,045)
Total Governmental Activities	<u>\$ 6,710,128</u>	<u>\$ 2,083</u>	(6,708,045)
GENERAL REVENUES			
State Property Tax Levy			141,584,164
Severance Taxes			2,329,126,578
Interest Income - Debt Service			113,895,998
Other State Funds			390,000
Miscellaneous Revenue			60
Total General Revenues			<u>2,584,996,800</u>
TRANSFER FROM (TO) STATE AGENCIES			
State General Fund Appropriations			4,067,600
State General Fund Compensation Appropriation			204,700
Reversions to State General Fund FY23			(126,515)
Other State Agencies			<u>(2,669,084,845)</u>
Total Transfer from (to) State Agencies			<u>(2,664,939,060)</u>
Total General Revenues and Transfers			<u>(79,942,260)</u>
CHANGE IN NET POSITION			(86,650,305)
Net Position - Beginning of Year			<u>1,074,097,132</u>
NET POSITION - END OF YEAR			<u>\$ 987,446,827</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Major Funds			Total Governmental Funds
	General Fund	General Obligation Bond Fund (Various Funds)	Severance Tax Bond Fund (Various Funds)	
ASSETS				
Investment in State General Fund				
Investment Pool	\$ 3,803,977	\$ 154,810,058	\$ 435,481,757	\$ 594,095,792
Due from Other Agencies	-	14,062,268	383,352,936	397,415,204
Gaming Suspense Receivables	20,377,653	-	-	20,377,653
Total Assets	<u>\$ 24,181,630</u>	<u>\$ 168,872,326</u>	<u>\$ 818,834,693</u>	<u>\$ 1,011,888,649</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 150,018	\$ 500	\$ 503,788	\$ 654,306
Receipts Held in Suspense	3,118,834	-	-	3,118,834
Accrued Payroll and Payroll Taxes	60,729	-	-	60,729
Due to State General Fund	20,377,653	-	-	20,377,653
Total Liabilities	<u>23,707,234</u>	<u>500</u>	<u>503,788</u>	<u>24,211,522</u>
FUND BALANCES				
Restricted for:				
Debt service	-	168,871,826	818,330,905	987,202,731
Special Appropriation for Work and Save Program Implementation	474,396	-	-	474,396
Unassigned	-	-	-	-
Total Fund Balances	<u>474,396</u>	<u>168,871,826</u>	<u>818,330,905</u>	<u>987,677,127</u>
Total Liabilities and Fund Balances	<u>\$ 24,181,630</u>	<u>\$ 168,872,326</u>	<u>\$ 818,834,693</u>	<u>\$ 1,011,888,649</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)	\$ 987,677,127
---	----------------

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	2,121,975
Right-to-Use Lease Assets	1,117,969
Subscription Assets	663,333
Accumulated Depreciation, Capital Assets	(2,112,978)
Accumulated Amortization, Right-to-Use Assets	(580,020)
Total Capital Assets, Net	1,210,279

Certain other liabilities 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. Liabilities at year end consist of:

Compensated Absences Payable	(216,194)
Lease Liability	(674,019)
Subscription Liability	(550,366)
Total Liabilities, Net	(1,440,579)

Net Position of Governmental Activities (Statement of Net Position)	\$ 987,446,827
---	----------------

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	Major Funds			Total Governmental Funds
	General Fund	General Obligation Bond Fund (Various Funds)	Severance Tax Bond Fund (Various Funds)	
REVENUES				
Severance Taxes	\$ -	\$ -	\$ 2,329,126,578	\$ 2,329,126,578
State Property Tax Levy	-	141,584,164	-	141,584,164
Other State Funds	390,000	-	-	390,000
Interest Income - Debt Service	-	27,465,721	86,430,277	113,895,998
Federal Funds	2,083	-	-	2,083
Miscellaneous Revenues	60	-	-	60
Total Revenues	<u>392,143</u>	<u>169,049,885</u>	<u>2,415,556,855</u>	<u>2,584,998,883</u>
EXPENDITURES				
Current:				
Personnel Services and Employee Benefits	3,187,642	-	-	3,187,642
Operating Costs:				
Contractual Services	443,541	-	-	443,541
Other Administrative Expenditures	846,693	-	-	846,693
Other Charges	-	472,405	1,481,342	1,953,747
Total Expenditures	<u>4,477,876</u>	<u>472,405</u>	<u>1,481,342</u>	<u>6,431,623</u>
NET REVENUES (EXPENSES)	(4,085,733)	168,577,480	2,414,075,513	2,578,567,260
OTHER FINANCING SOURCES (USES)				
State General Fund Appropriations	4,067,600	-	-	4,067,600
Compensation Appropriation	204,700	-	-	204,700
Lease Financing Proceeds	27,113	-	-	27,113
Reversions to State General Fund FY23	(126,515)	-	-	(126,515)
Transfer (to) from Other State Agencies	(12,769)	(114,542,465)	(2,554,529,611)	(2,669,084,845)
Total Other Financing Sources (Uses)	<u>4,160,129</u>	<u>(114,542,465)</u>	<u>(2,554,529,611)</u>	<u>(2,664,911,947)</u>
NET CHANGE IN FUND BALANCES	74,396	54,035,015	(140,454,098)	(86,344,687)
Fund Balances - Beginning of Year	<u>400,000</u>	<u>114,836,811</u>	<u>958,785,003</u>	<u>1,074,021,814</u>
FUND BALANCES - END OF YEAR	<u>\$ 474,396</u>	<u>\$ 168,871,826</u>	<u>\$ 818,330,905</u>	<u>\$ 987,677,127</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Total Governmental Funds (statement of revenues, expenditures, and changes in fund balances)	\$ (86,344,687)
--	-----------------

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.

Right-to-Use Leased Asset Addition	27,113
Depreciation Expense	(293,186)
Amortization Expense	<u>(358,151)</u>

Depreciation and Amortization Expense in Excess of Capital Outlay	(624,224)
---	-----------

Governmental Funds report lease principal payments as expenditures. However, in the statement of activities, the lease liability is reduced over the amortization period of the lease and reported as reduction of lease liability debt. In the current period, these amounts are:

337,215

Amounts reported for governmental activities in the statement of activities are different because the following other financing sources are not reported in the governmental funds:

Other Financing Sources - Lease Financing Proceeds	(27,113)
--	----------

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>8,504</u>
----------------------------------	--------------

Change in Net Position of Governmental Activities	<u><u>\$ (86,650,305)</u></u>
---	-------------------------------

**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, 2023**

	General Fund (18200)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State General Fund Appropriations	\$ 4,067,600	\$ 4,067,600	\$ 4,067,600	\$ -
Other Financing Sources	-	-	27,113	27,113
Compensation Appropriation	204,700	204,700	204,700	-
Federal Grants	2,000	2,000	2,083	83
Other State Funds	402,769	402,769	390,000	(12,769)
Miscellaneous Revenue	-	-	60	60
Total Revenues	<u>4,677,069</u>	<u>4,677,069</u>	<u>4,691,556</u>	<u>14,487</u>
EXPENDITURES				
Personnel Services and Benefits	3,449,600	3,311,100	3,187,642	123,458
Contractual Services	497,500	497,500	443,541	53,959
Other Operating Costs	717,200	855,700	846,693	9,007
Transfer to Other State Agencies	12,769	12,769	12,769	-
Total Expenditures	<u>4,677,069</u>	<u>4,677,069</u>	<u>4,490,645</u>	<u>186,424</u>
NET REVENUES (EXPENSES)	<u>\$ -</u>	<u>\$ -</u>	200,911	<u>\$ 200,911</u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance				
Unbudgeted Reversions to State General Fund			<u>(126,515)</u>	
NET CHANGE IN FUND BALANCES (GAAP BASIS)			<u>\$ 74,396</u>	*

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUNDS
JUNE 30, 2023**

	<u>External Investment Pool Funds (Local Government Investment Pool Trust Fund)</u>
ASSETS	
Cash and Investments:	
Cash in Banks	\$ 257,027,925
Miscellaneous Cash	200,582,260
Money Market Deposit Bank Account	43,952,899
Repurchase Agreements	308,115,419
Government Bonds	456,468,318
Interfund Investments	(321,202)
Discounted Notes	186,041,685
Supranationals	13,114,590
Total Cash and Investments	<u>1,464,981,894</u>
Accrued Interest Receivable	3,512,584
Total Assets	<u>1,468,494,478</u>
LIABILITIES	
Due to Broker	<u>51,793,675</u>
Total Liabilities	<u>51,793,675</u>
FIDUCIARY NET POSITION - Held in Trust for Pool Participants	<u><u>\$ 1,416,700,803</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUNDS
YEAR ENDED JUNE 30, 2023**

	<u>External Investment Pool Funds (Local Government Investment Pool Trust Fund)</u>
ADDITIONS	
Interest Income on Investments	\$ 27,713,347
Realized Gains (Losses) on Investments	106,237
Unrealized Gains (Losses) on Investments	622,615
Investment Amortization/Accretion	<u>18,207,074</u>
Total Investment Income	46,649,273
Deposits	<u>37,057,104,597</u>
Total Additions	<u>37,103,753,870</u>
DEDUCTIONS	
Management Fees	(606,620)
Withdrawals	<u>(36,884,241,673)</u>
Total Deductions	<u>(36,884,848,293)</u>
CHANGE IN FIDUCIARY NET POSITION	218,905,577
Fiduciary Net Position, Held in Trust for Pool Participants - Beginning of Year, As Previously Reported	1,124,149,946
Restatement - Allocation Adjustment	<u>73,645,280</u>
Fiduciary Net Position, Held in Trust for Pool Participants - Beginning of Year, As Restated	<u>1,197,795,226</u>
FIDUCIARY NET POSITION, Held in Trust for Pool Participants - End of Year	<u><u>\$ 1,416,700,803</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 DEFINITION OF REPORTING ENTITY

The financial reporting entity is a department of the State of New Mexico and these statements do not represent the complete reporting entity for the State, only New Mexico Office of the State Treasurer as a Department thereof. The Office of the State Treasurer (State Treasurer or the Office or STO) 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.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

6. Section 6-10-10.1 NMSA 1978. Short-term investment fund created; distribution of earnings; report of investment. Items a – f follow.
 - a. There is created in the State treasury the “short-term investment fund.” The fund shall consist of all deposits from governmental entities and Indian tribes or pueblos that are placed in the custody of the State Treasurer for short-term investment purposes pursuant to this section. The State Treasurer shall maintain a separate account for each governmental entity and Indian tribe or pueblo having deposits in the fund.
 - b. If any local public body is unable to receive payment on public money at the rate of interest as set forth in Section 6-10-36 NMSA 1978 from financial institutions within the geographic boundaries of the governmental unit, then a local public finance official having money of that local public body in his custody required for expenditure within thirty days or less may, with the consent of the appropriate local Board of Finance, if any, remit some or all of such money to the State Treasurer, bank, savings and loan association or credit union for deposit for the purpose of short-term investment as allowed by this section.
 - c. Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to this section, the local public body finance official shall notify and make sure funds are made available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the State Treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.
 - d. The local public body finance official shall specify the length of time each deposit shall be in the short-term investment fund, but in any event the deposit shall not be made for more than thirty days. The State Treasurer, through the use of the State fiscal agent, shall separately track each such deposit and shall make such information available to the public upon written request.
 - e. The State Treasurer shall invest the fund as provided for State funds under Section 6-10-10 NMSA 1978 and may elect to have the short-term investment fund consolidated for investment purposes with the State funds under the control of the State Treasurer, provided that accurate and detailed accounting records are maintained for the account of each participating entity and Indian tribe or pueblo and that a proportionate amount of interest earned is credited to each of the separate government accounts. The fund shall be invested to achieve its objective, which is to realize the maximum return consistent with safe and prudent management.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

- f. At the end of each month, all interest earned from investment of the short-term investment fund shall be distributed by the State Treasurer to the contributing entities and Indian tribes or pueblos in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. No fees or transfer expenses shall be charged to the participating entities and Indian tribes or pueblos for investment in the short-term investment fund.

The State Treasurer is responsible for making the State of New Mexico's debt service and interest payments on general obligation and severance tax bonds and maintaining the related accounting records 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 ancillary information related to these investments are not included in the financial statements of the Investment Trust 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 by DFA on behalf of the State. The debt is reported on the financial statements of the ACFR and the Department of Finance and Administration.

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.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, as amended, which are included in the State Treasurer's reporting entity.

The Office has implemented GASB 79 and accounts for its investment in the State General Fund at amortized cost which approximates fair value.

The Office adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* (GASB 84) which 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.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity and Basis of Presentation (Continued)

The Office of the State Treasurer has implemented GASB 84, Fiduciary Activities. In prior years, the State General Fund Investment Pool (SGFIP), Bond Proceeds Investment Pool (BPIP), and Local Government Investment Pool (LGIP) were all shown as fiduciary funds managed by the State Treasurer and were consolidated and reported as an Investment Trust Fund of the State on the financial statements of the Office of the State Treasurer. The adoption of GASB 84 – Fiduciary Activities changes the presentation of the investment pools for STO. Each of the investment pools needs to be evaluated to ensure that the definition of an Investment Trust Fund is met. In accordance with GASB 84, Investment Trust Funds are used to report activities from the external portion of investment pools. Additionally, in accordance with NM Department of Finance and Administration (DFA) Guidance on GASB 84 implementation, each agency of the State is a part of the State as a reporting entity, not a stand-alone entity. As such, any amounts that are owed to other State agencies by any of the investment pools are not considered a fiduciary activity of STO, since they would be considered internal in nature. The only amounts that should be shown as fiduciary activities should be the items that are held in trust arrangements for external parties (outside the State of New Mexico).

Upon implementation of GASB 84, the State Treasurer identified that two of the investment pools, the BPIP and the SGFIP, were internal to the primary government, the State of New Mexico, and not fiduciary activities of the Office. These two funds are no longer included in the financial statements of the Office of the State Treasurer. The third fund, the LGIP, meets the definition of an external investment pool and is identified as a custodial fund in the financial statements of the Office of the State Treasurer. All three funds are included in a separate financial statement, the State of New Mexico Office of the State Treasurer Cash Flow Portfolios External and Internal Investment Pools. A copy of the report can be obtained by writing the New Mexico State Treasurer, P.O. Box 5135, Santa Fe, NM 87505 or online at http://www.saonm.org/audit_reports.

Adoption of New Accounting Standards

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The Office adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in the Commission reporting a SBITA asset and a SBITA liability as disclosed in Note 7 and Note 9.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity and Basis of Presentation (Continued)

Adoption of New Accounting Standards

The Gaming Suspense Fund is a component of the general fund of the State Treasurer's Office. 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.

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 nonfiduciary 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 custodial funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the current financial resources measurement focus and the accrual basis of accounting, as are the custodial 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.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 2020 General Appropriation Act and the General Fund Compensation Appropriation Act, 1st Special Session (Laws of 2020, Chapter 5), and is subject to reversions.

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.

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.

Additionally, the government reports the following fiduciary fund:

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).

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

Investment in the State General Fund Investment Pool (SGFIP) represents each fund's share of the SGFIP. The State Treasurer's Office manages the SGFIP for the State.

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.

Receivables and Payables

Activities 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 noncurrent 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.

Capital Assets

Capital assets, which include equipment and major SHARE software upgrades, are reported 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 and an estimated useful life in excess of one year per 12-6-10 NMSA 1978. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Right-to-use leased assets of the Office include a building. Right-to-use lease assets are recorded at the value of the corresponding lease liability at the inception of the lease. The cost of maintenance and repairs that do not add to the right-to-use lease asset value or materially extend assets lives are not capitalized. There is lease liability debt related to the right-to-use lease assets. Right-to-use lease assets of the Office are amortized over the contractual term of the lease using the straight-line method.

Capital Assets of the State Treasurer is depreciated or amortized using the straight-line method over the following estimated useful lives:

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

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 January or July.

Lease Liability

The State Treasurer determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the Office's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the Office's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease Liability (Continued)

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Office will exercise that option.

The Office has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

Significant lease terms are disclosed in Note 9.

The Office accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the State Treasurer treats the components as a single lease unit.

Subscription-Based Information Technology Arrangements

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

The Office determines if an arrangement is a SBITA at inception. The Office recognizes a subscription liability and an intangible right-to-use SBITA asset (subscription asset) in the governmental activities. SBITAs follow the same policy as leases.

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 Annual Comprehensive Financial Reporting (ACFR) unit within the Department of Finance and Administration.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonliquid capital assets less outstanding capital asset related debt.

Net Position – Restricted 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 and the Work and Save Program. Restricted net position totals \$987,677,127.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Office did not have any items that qualified for reporting in this category as of June 30, 2023.

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, 2023.

NOTE 3 STATE GENERAL FUND INVESTMENT POOL

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

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

A reconciliation of claims on the SGFIP to the related assets managed by STO assets is performed monthly. There is no material difference between the two amounts.

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.

At June 30, 2023, the State Treasurer's Office had \$594,095,792 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 General Fund Investment Pool is not rated.

NOTE 4 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 does 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.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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 becomes 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.
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 program activity 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 nonbudgeted 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, 2023, 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 5 INVESTMENTS POOLS

The State Treasurer operates four separate investment pools. The General Fund Investment Pool and two consolidated Bond Proceeds Investment Pools are presented in the government-wide financial statements as Investment in General Fund Investment Pool. The Local Government Investment Pool is presented in the fiduciary fund financial statements. Each pool is described in more detail below. They are as follows:

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.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 INVESTMENTS POOLS (CONTINUED)

General Fund Investment Pool (Continued)

During fiscal year 2023, the State Treasurer added mutual funds to the eligible investment options to provide additional liquidity investment alternatives.

Consolidated Investment Pool #1(Tax Exempt Bond Proceeds Investment Pool)

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

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

The Taxable Bond Proceeds Investment Pool comprises pooled assets received through the issuance of State of New Mexico severance tax bonds and supplemental severance tax notes. 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.

Pool #1 and Pool #2 are combined for financial statements presentation as one pool because they are all bond issuances however segregated for accounting purposes by the Department of Finance and Administration.

Local Government Investment Pool (LGIP) (Short-Term Investment Pool)

Cities, counties, and other agencies invest monies in the State Treasurer's 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 7 for further detail), which permits external investments pools to elect to measure all of their investments at amortized cost. The LGIP investments are presented at fair value based on the valuation date in the financial statements. The individual participant balances remain at their amortized cost. As of June 30, 2023, LGIP amortized cost approximated fair value, the difference is immaterial (see Schedule of Investments – Custodial Funds).

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, 2023, the WAM(R) of the LGIP was 22 days, and the WAM(F) was 86 days. The fund was rated AAAM by *Standard & Poor's* as of June 30, 2023.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 INVESTMENTS POOLS (CONTINUED)

Custodial Fund Presentation

The fiduciary fund financial statements of the State Treasurer's Office reflect the external portion of the LGIP in which the participants of the pool are non-component agencies of State government. The LGIP is included, along with the other Investment Pools in the separate audited financial statements of the State Treasurer's Office Cash Flow Portfolios External and Internal Investment Pools. A copy of the audited financial statements can be obtained by writing the New Mexico State Treasurer, P.O. Box 5135, Santa Fe, NM 87505 or online at http://www.saonm.org/audit_reports.

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 her 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 the 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.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 INVESTMENTS POOLS (CONTINUED)

Investment Guidelines and Limitations (Continued)

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

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

- 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 the 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 the time of purchase.

- c. Commercial Paper – Unsecured obligations with a maturity up to 270 days at the time of purchase issued by corporations organized and operating within the United States. The commercial paper shall have investment grade ratings and shall not be split-rated. If the rating declines below investment grade, the State Treasurer's Investment Committee (STIC) will meet to evaluate a course of action.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 INVESTMENTS POOLS (CONTINUED)

Investment Guidelines and Limitations (Continued)

- 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 the 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 State Treasurer’s Investment Committee (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 the 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.
- 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.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 INVESTMENTS POOLS (CONTINUED)

Investment Guidelines and Limitations (Continued)

- i. Municipal Securities – Pursuant to 6-14-10.1, the State Treasurer or designee may also invest in municipal securities that at the 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.
- 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.

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

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 INVESTMENTS POOLS (CONTINUED)

Unauthorized Investments/Investment Actions (Continued)

- 7. Range notes and index amortizing notes
- 8. Reverse repurchase agreements
- 9. Short sale

Cash on Deposit in the LGIP Pool

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

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

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.

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.

At June 30, 2023, collateral pledged to public money deposits was as follows:

Cash in Bank (Bank Balance)	\$ 257,027,925 *
Less: FDIC Insurance Coverage	-
Total Unsecured Public Funds	\$ 257,027,925
Collateral Requirement (50%, 75% Or 102%) of Uninsured Public Funds	\$ 262,168,484
Collateral Pledged:	
U.S. Government Securities	272,735,410
Surety Bond Letter of Credit	-
Total Excess Collateralized	\$ 10,566,926

* Fiscal agent bank is required to collateralize the monthly average balance. Refer to the Schedule of Collateral Pledged by Depository for reconciliation in the Investment Pools financial statements as of June 30, 2023.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 INVESTMENTS POOLS (CONTINUED)

Fair Value of Investments

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 in investment assets and investment income.

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

The fair value of investments administered by the State Treasurer at June 30, 2023, follows:

	Fair Value Measurements Using			Fair Value June 30, 2023
	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	
Debt Securities:				
U.S. Government Bonds	\$ -	\$ 456,468,318	\$ -	\$ 456,468,318
Supranationals	-	13,114,590	-	13,114,590
Discounted Notes	-	186,041,685	-	186,041,685
Total Investments Measured at Fair Value	<u>\$ -</u>	<u>\$ 655,624,594</u>	<u>\$ -</u>	<u>\$ 655,624,594</u>

Fiscal Agent Bank

As of April 28, 2022, the State Board of Finance entered into an agreement with an effective date of April 30, 2022 with Wells Fargo Bank in Albuquerque to provide banking services as Fiscal Agent for the State of New Mexico for a period of eight years, the term of this contract is set to expire on April 30, 2030.

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, 2022. On June 29, 2022 a new custody bank contract was executed with an effective date of July 1, 2022 expiring after four years on June 30, 2026.

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 or the counterparty's trust department or agent but not in the State Treasurer's name.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 INVESTMENT POOLS (CONTINUED)

Custodial Credit Risk (Continued)

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 \$1,367,323 in balances are collateralized in compliance with NMAC 2.60.4. Although in compliance with NMAC 2.60.4 as of June 30, 2023, there was \$-0- of the State Treasurer's bank balances exposed to custodial credit risk as uninsured and uncollateralized.

Credit Risk

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

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (*Standard & Poor's*) at June 30, 2023, for the Local Government Investment Pool are as follows:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AAA:		
Government Agency Securities	\$ 13,114,590	0.90%
AA+:		
Government Agency Securities	456,468,318	31.15%
Discounted Notes and Treasury Bills - Zero Coupon	186,041,685	12.70%
Not Rated:		
Cash on Deposit at Custodial Bank	200,582,260	13.69%
Money Market Deposit Bank Account	43,952,899	3.00%
Repurchase Agreements	308,115,419	21.03%
Cash in Banks	257,027,925	17.54%
Total	<u>\$ 1,465,303,098</u>	<u>100.00%</u>

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 INVESTMENT POOLS (CONTINUED)

Concentration of Credit Risk

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

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

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 INVESTMENT POOLS (CONTINUED)

Concentration of Credit Risk (Continued)

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.
11. Investment in money market mutual funds shall be limited to open-ended 2a-7 rated funds that invest in U.S. Treasury and agency securities and shall be limited to 10% of a portfolio.

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

<u>Securities</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
U.S. Treasury Securities	\$ 48,298,234	3.30%
U.S. Government Agency Securities:		
FFCB	149,244,080	10.19%
FHLB	258,926,004	17.67%
Supranationals	13,114,590	0.90%
Repurchase Agreements	308,115,419	21.03%
Cash in Banks	257,027,925	17.54%
Money Market Deposit Bank Account	43,952,899	3.00%
Miscellaneous Cash	200,582,260	13.69%
Discounted Notes	186,041,685	12.68%
Total	<u>\$ 1,465,303,098</u>	<u>100.00%</u>

Interest Rate Risk

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

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

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 INVESTMENT POOLS (CONTINUED)

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 Local Government Investment Pool are as follows:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
AAA:			
Government Agency Securities	\$ 13,114,590	\$ 14,939,925	\$ -
AA+:			
Government Agency Securities	456,468,318	399,968,115	120,033,059
Discounted Notes and Treasury Bills - Zero Coupon	186,041,685	186,041,685	-
Not Rated:			
Cash on Deposit at Custodial Bank	200,582,260	200,582,260	-
Money Market Deposit Bank Accounts	43,952,899	43,952,899	-
Repurchase Agreements	308,115,419	308,115,419	-
Cash in Banks	257,027,925	257,027,925	-
Total	<u>\$ 1,465,303,098</u>	<u>\$ 1,410,628,229</u>	<u>\$ 120,033,059</u>

Foreign Currency Risk

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

All holdings at June 30, 2023, were denominated in United States Dollars.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 EXTERNAL INVESTMENT POOL (LGIP) – AMORTIZED COST

STO implemented the provisions of GASB 79 as to the portfolio quality, custodial credit risk, and shadow pricing. 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, 2023. The difference between the amortized cost and fair value is immaterial for the year ended June 30, 2023.

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.

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

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance at June 30, 2022	GASB 96 Additions*	Additions	Deletions	Balance at June 30, 2023
Capital Assets Being Depreciated:					
Equipment, Furniture, and Fixtures	\$ 2,121,975	\$ -	\$ -	\$ -	\$ 2,121,975
Total Depreciable Assets	2,121,975	-	-	-	2,121,975
Right-to-Use Leased Assets Being Amortized:					
Equipment	-		27,113	-	27,113
Buildings	1,090,856	-	-	-	1,090,856
Total Leased Assets Being Amortized	1,090,856	-	27,113	-	1,117,969
Subscription Based Information Technology Arrangement Assets:					
Subscription Asset	-	663,333	-	-	663,333
Total Assets Being Amortized	1,090,856	663,333	27,113	-	1,781,302
Less Capital Assets Accumulated Depreciation:					
Equipment, Furniture, and Fixtures	(1,819,792)		(293,186)	-	(2,112,978)
Total Capital Asset Accumulated Depreciation	(1,819,792)	-	(293,186)	-	(2,112,978)
Less Right-to-Use Leased Asset Accumulated Amortization:					
Equipment	-		(3,615)	-	(3,615)
Buildings	(221,869)		(221,869)	-	(443,738)
Subscription Asset	-	-	(132,667)	-	(132,667)
Total Capital Asset Accumulated Amortization	(221,869)	-	(358,151)	-	(580,020)
Total Capital Assets, Net	<u>\$ 1,171,170</u>	<u>\$ 663,333</u>	<u>\$ (624,224)</u>	<u>\$ -</u>	<u>\$ 1,210,279</u>

* GASB 96 Additions represent SBITA agreements that were entered into prior to the implementation of GASB 96.

Depreciation expense for the fiscal year ended June 30, 2023 was \$293,186. Amortization expense related to right-to-use lease assets of \$358,151 reported in the Statement of Activities was charged to the judicial operating costs.

There were no variable payments related to right-to-use lease assets that resulted in outflows for the year ended June 30, 2023.

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

General Government	\$651,337
--------------------	-----------

NOTE 8 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, 2023:

	Balance at June 30, 2022	Increase	(Decrease)	Balance at June 30, 2023	Amounts Due Within One Year
Compensated Absences	<u>\$ 224,698</u>	<u>\$ 82,692</u>	<u>\$ (91,196)</u>	<u>\$ 216,194</u>	<u>\$ 216,194</u>

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023:

Effective July 1, 2022, the State Treasurer implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. A summary of the State Treasurer's lease terms, interest rates and lease liabilities related to right-to-use subscription, property and equipment lease asset activities for the year ended June 30, 2023, is as follows:

	Discount Rate	Lease Term Date	Balance June 30, 2022	GASB 96 Additions*	Additions	Principal Payments	Balance June 30, 2023	Interest Payments 2023	S-T Liability	L-T Liability
Equipment Lease	2.21%	1/1/2027	\$ -	\$ -	\$ 27,113	\$ (3,445)	\$ 23,668	\$ (370)	\$ 5,263	\$ 18,405
Subscription Liability	2.21%	6/30/2027	-	663,333	-	(112,967)	550,366	(13,287)	125,787	424,579
Building Lease	0.50%	5/31/2026	871,154	-	-	(220,803)	650,351	(3,757)	221,910	428,441
Total Lease Liabilities			<u>\$871,154</u>	<u>\$ 663,333</u>	<u>\$ 27,113</u>	<u>\$ (337,215)</u>	<u>\$ 1,224,385</u>	<u>\$ (17,414)</u>	<u>\$ 352,960</u>	<u>\$ 871,425</u>

* GASB 96 Additions represent SBITA agreements that were entered into prior to the implementation of GASB 96.

The State Treasurer leases office space under a non-cancelable lease agreement with a five-year term beginning on June 1, 2020, and terminating on May 31, 2026 for \$18,713 per month. The State Treasurer leases office equipment under a non-cancelable lease agreement with a five-year term beginning on November 1, 2022, and terminating on October 31, 2027 for \$477 per month. The State Treasurer leases subscription based information technology under a non-cancelable lease agreement with a five-year term beginning on July 1, 2022, and terminating on June 30, 2027 for \$10,521 per month. Principal and interest payments recorded as expenditures for lease liability debt related to right-to-use lease assets for the year ended June 30, 2023, was \$354,629.

For the year ended June 30, 2023, commitments under leases prior to the commencement of the lease term were \$-0-.

The Office's principal and interest requirements to retire the lease and subscription liability debt obligations are as follows:

<u>Year Ended June 30,</u>	<u>Lease Liability Principal</u>	<u>Lease Liability Interest</u>
2024	\$ 352,960	\$ 13,752
2025	361,830	9,657
2026	352,328	5,389
2027	155,365	1,619
2028	1,902	5
Total	<u>\$ 1,224,385</u>	<u>\$ 30,422</u>

As of June 30, 2023, the Office has not entered into any additional lease or subscription agreements subsequent to year end.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 APPROPRIATIONS

The State Treasurer received the following appropriations for the year ended June 30, 2023:

<u>General Fund (STO Fund 18200)</u>	
General Fund Appropriation (HB 2, Laws of 2022):	
State General Fund - BU 34101, Fund 85300	\$ 3,992,600
General Fund Special Appropriation (SB 192, Laws of 2023):	
State General Fund - BU 34101, Fund 85300	75,000
Compensation Appropriation (Laws of 2023):	
Dept of Finance & Administration - BU 34100, Fund 62000	204,700
Total Appropriations	<u><u>\$ 4,272,300</u></u>

NOTE 11 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 12 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, 2023:

<u>Due to State Treasurer's Office</u>	<u>Fund No.</u>	<u>Amount</u>	<u>Due from Other State Agencies</u>	<u>Fund No.</u>	<u>Amount</u>
Severance Tax Bonding Fund	41000	\$ 383,352,936	Tax & Revenue	83300	\$ 383,352,936
2015 Series - Debt Service	35170	1,442,095	Dept of Fin & Adm	80000	1,442,095
2017A Series - Debt Service	50440	2,742,811	Dept of Fin & Adm	80000	2,742,811
2017B Series - Debt Service	68150	1,639,767	Dept of Fin & Adm	80000	1,639,767
2019 Series - Debt Service	20990	2,050,515	Dept of Fin & Adm	80000	2,050,515
2021 Series - Debt Service	21230	4,435,666	Dept of Fin & Adm	80000	4,435,666
2023 Series - Debt Service	18210	1,751,414	Dept of Fin & Adm	80000	1,751,414
Total		<u><u>\$ 397,415,204</u></u>			<u><u>\$ 397,415,204</u></u>

NOTE 13 TRANSFERS

Interfund Transfers

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

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 13 TRANSFERS (CONTINUED)

Interfund Transfers

Severance Tax Bonds (see Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Severance Tax Bond Debt Service Funds)

SHARE Fund	Transfer from	Amount	SHARE Fund	Transfer to	Amount
41000	Severance Tax Bond Fund	\$ 11,689,434	68250	2020A Series Debt Service	\$ 11,689,434
41000	Severance Tax Bond Fund	9,065,244	50170	2015B Series Debt Service	9,065,244
41000	Severance Tax Bond Fund	18,990,896	50180	2015A Series Debt Service	18,990,896
41000	Severance Tax Bond Fund	3,243,870	43160	2016D Series Debt Service	3,243,870
41000	Severance Tax Bond Fund	56,305,769	43230	2016A, B Series Debt Service	56,305,769
41000	Severance Tax Bond Fund	10,007,495	50370	2017A Series Debt Service	10,007,495
41000	Severance Tax Bond Fund	27,086,375	22210	2022A Series Debt Service	27,086,375
41000	Severance Tax Bond Fund	33,537,726	21430	2021A Series Debt Service	33,537,726
41000	Severance Tax Bond Fund	15,941,655	20660	2018A Series Debt Service	15,941,655
41000	Severance Tax Bond Fund	27,803,104	22270	2022B Series Debt Service	27,803,104
	Total	<u>\$ 213,671,568</u>			<u>\$ 213,671,568</u>

Transfers to/from Other State Agencies – General Obligation Bonds

Purpose	Agency & BU	SHARE Fund No.	STO Fund No.	Transfers to (from) STO
Debt Service Payments GOB 2015 Debt Service - Escrow payment from Zions Bank	Board of Finance - 34103	01000	Various*	\$ (117,523,250)
Total	Board of Finance - 34103	01000	Various*	<u>2,980,785</u>
				<u>\$ (114,542,465)</u>

Transfers to/from Other State Agencies – General Fund

Purpose	Agency & BU	SHARE Fund No.	STO Fund No.	Transfers to (from) STO
To transfers funds from state agencies to GSD per Laws of 2023, Chapter 210, Section 6, Items 15, 16 and 17.	General Services Department - 35000	75200	18200	\$ (12,769)
				<u>\$ (12,769)</u>

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 13 TRANSFERS (CONTINUED)

Interfund Transfers (Continued)

Transfers to/from Other State Agencies – Severance Tax Bonds

<u>Purpose</u>	<u>Agency & BU</u>	<u>SHARE Fund No.</u>	<u>STO Fund No.</u>	<u>Transfers to (from) STO</u>
Debt Service Payments	Board of Finance - 34103	20810	Various*	\$ (1,206,207,465)
Sev Tax Perm Fund Transfer (NMSA 7-27)	State Investment Council - 33700	60200	41000	(897,992,700)
Sponge Note Payments	Board of Finance - 34103	01000	41000	(470,384,437)
STB Reversions	Board of Finance - 34103	71850	41000	8,548,320
STB Reversions	Board of Finance - 34103	68360	41000	100,050
STB Reversions	Board of Finance - 34103	68410	41000	24
STB Reversions	Board of Finance - 34103	68350	41000	1,781,665
STB Reversions	Board of Finance - 34103	20650	41000	106,222
STB Reversions	Board of Finance - 34103	20680	41000	10,680
STB Reversions	Board of Finance - 34103	20740	41000	205,909
STB Reversions	Board of Finance - 34104	20920	41000	724
STB Reversions	Board of Finance - 34105	40220	41000	85,000
STB Reversions	Board of Finance - 34106	43110	41000	680,000
STB Reversions	Board of Finance - 34103	11720	41000	950
STB Reversions	Board of Finance - 34103	43140	41000	1,486,928
STB Reversions	Board of Finance - 34103	50230	41000	136,146
STB Reversions	Board of Finance - 34103	68230	41000	402,893
STB Reversions	Board of Finance - 34103	30890	41000	13,775
STB Reversions	Board of Finance - 34103	50560	41000	4,451
STB Reversions	Board of Finance - 34103	96860	41000	54,557
STB Reversions	Board of Finance - 34103	11920	41000	774,375
STB Reversions	Board of Finance - 34103	11560	41000	5,267,408
STB Reversions	Board of Finance - 34103	22240	41000	2,273
STB Reversions	Board of Finance - 34103	50290	41000	14,929
STB Reversions - Prior Year	Board of Finance - 34103	Various*	Various*	377,712
Total - Severance Tax Bond Funds				<u>\$ (2,554,529,611)</u>

* See Combining Schedules of Revenues, Expenditures and Changes in Fund Balances – General Obligation Debt Service Funds and Severance Tax Bond Debt Service Funds for listing of each individual fund.

NOTE 14 PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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 Annual Comprehensive Financial Report (ACFR) of the State of New Mexico.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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 ACFR 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

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

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The State Treasurer's Office is required to contribute 17.24% of the gross covered salary for fiscal year 2023. 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 year ended June 30, 2023, were \$428,553, which equal the amount of the required contributions.

NOTE 15 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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 ACFR 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 ACFR, 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.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

**NOTE 15 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Plan Description

The State Treasurer's Office contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978).

Funding Policy

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2023, 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 year ended June 30, 2023, were \$45,762, which equal the required contributions.

NOTE 16 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, 2022, to June 30, 2023. 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. The Office's risk management policy may require it to share in legal settlements after July 1, 2019, on a case-by-case basis. There were no legal settlements outstanding at June 30, 2023, through October 30, 2023, in connection with the risk policy.

NOTE 17 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 Department of Finance and Administration 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, 2023, was \$126,515.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 18 RESTATEMENT

The beginning balance net position of the External Investment Pool Funds has been adjusted by \$73,645,280 to ensure proper allocation of the net position between the internal and external portions of the pool. This adjustment was made based on the related pool participants and whether they are part of the State of New Mexico reporting entity. The purpose of this beginning balance adjustment is to align with the ending reported balances in the released fiscal year 2022 State of New Mexico ACFR.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING BALANCE SHEET – GENERAL OBLIGATION BONDS –
GENERAL OBLIGATION BOND DEBT SERVICE FUNDS
JUNE 30, 2023**

	SHARE Fund	Assets			Liabilities		Fund Balance Restricted for Debt Service	Total Fund Balance	Total Liabilities and Fund Balance
		Investment in SGFIP	Due From Other Agencies	Total Assets	Accounts Payable	Total Liabilities			
2003 Series - Debt Service	03100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005 Series - Debt Service	03200	-	-	-	-	-	-	-	-
2007 Series - Debt Service	28800	10,236	-	10,236	-	-	10,236	10,236	10,236
2001 Series - Debt Service	41400	-	-	-	-	-	-	-	-
2003B Series - Refunding	41800	-	-	-	-	-	-	-	-
2009 Series - Debt Service	10630	491,073	-	491,073	-	-	491,073	491,073	491,073
2011 Series - Debt Service	11630	1,851,541	-	1,851,541	-	-	1,851,541	1,851,541	1,851,541
2013 Series - Debt Service	11680	12,733	-	12,733	-	-	12,733	12,733	12,733
2008A Series - Redemption	73030	-	-	-	-	-	-	-	-
2008A Series - Debt Service	73010	-	-	-	-	-	-	-	-
2015 Series - Debt Service	35170	53,885,210	1,442,095	55,327,305	-	-	55,327,304	55,327,304	55,327,304
2017A Series - Debt Service	50440	21,161,352	2,742,811	23,904,163	-	-	23,904,163	23,904,163	23,904,163
2017B Series - Debt Service	68150	23,931,581	1,639,767	25,571,348	-	-	25,571,349	25,571,349	25,571,349
2019 Series - Debt Service	20990	23,790,282	2,050,515	25,840,797	-	-	25,840,797	25,840,797	25,840,797
2021 Series - Debt Service	21230	27,510,945	4,435,666	31,946,611	-	-	31,946,611	31,946,611	31,946,611
2023 Series - Debt Service	18210	1,635,080	1,751,414	3,386,494	-	-	3,386,494	3,386,494	3,386,494
Total Debt Service		154,280,033	14,062,268	168,342,301	-	-	168,342,301	168,342,301	168,342,301
2001 Series - Rebate	41500	-	-	-	-	-	-	-	-
2003 Refunding Series - Rebate	41900	-	-	-	-	-	-	-	-
2005 Series - Rebate	42600	-	-	-	-	-	-	-	-
911 - Rebate	48800	-	-	-	-	-	-	-	-
Total Rebate Accounts		-	-	-	-	-	-	-	-
2009 Series - Cost of Issuance	10650	-	-	-	-	-	-	-	-
2011 Series - Cost of Issuance	11320	-	-	-	-	-	-	-	-
2013 Series - Cost of Issuance	11620	-	-	-	-	-	-	-	-
2015 Series - Cost of Issuance	40130	-	-	-	-	-	-	-	-
2017A Series - Cost of Issuance	50390	353,489	-	353,489	500	500	352,989	352,989	353,489
2019 Series - Cost of Issuance	71840	127,439	-	127,439	-	-	127,439	127,439	127,439
2021 Series - Cost of Issuance	21410	41,866	-	41,866	-	-	41,866	41,866	41,866
2023 Series - Cost of Issuance	18220	7,231	-	7,231	-	-	7,231	7,231	7,231
Total Cost of Issuance		530,025	-	530,025	500	500	529,525	529,525	530,025
Combined Total		\$ 154,810,058	\$ 14,062,268	\$ 168,872,326	\$ 500	\$ 500	\$ 168,871,826	\$ 168,871,826	\$ 168,872,326

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GENERAL OBLIGATION DEBT SERVICE FUNDS
JUNE 30, 2023**

SHARE Fund	Revenues		Expenditures			Excess (Deficiency) of Revenues Over (Under) Expenditures	Other Financing Sources (Uses)		Total Other Financing Sources (Uses)	Net Change in Fund Balance	Beginning Fund Balances	Fund Balances June 30, 2023
	Interest Income	State Property Tax Levy	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures		Transfers (to) from Other State Agencies	Interfund Transfers				
2003 Series - Debt Service	03100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005 Series Debt Service	03200	-	-	-	-	-	-	-	-	-	-	-
2007 Series - Debt Service	28800	3,066	-	-	-	3,066	-	-	-	3,066	7,170	10,236
2001 Series - Debt Service	41400	-	-	-	-	-	-	-	-	-	-	-
2003-B Series - Refunding	41800	-	-	-	-	-	-	-	-	-	-	-
2009 Series - Debt Service	10630	22,152	-	-	-	22,152	-	-	-	22,152	468,921	491,073
2011 Series - Debt Service	11630	48,021	-	-	-	48,021	-	-	-	48,021	1,803,520	1,851,541
2013 Series - Debt Service	11680	2,456	-	-	-	2,456	-	-	-	2,456	10,277	12,733
2008A Series - Redemption	73030	-	-	-	-	-	-	-	-	-	-	-
2008A Series - Debt Service	73010	-	-	-	-	-	-	-	-	-	-	-
2015 Series - Debt Service	35170	18,227,137	21,677,205	-	-	39,904,342	(17,174,966)	-	(17,174,966)	22,729,376	32,597,928	55,327,304
2017A Series - Debt Service	50440	473,781	23,363,376	-	-	23,837,157	(19,242,392)	-	(19,242,392)	4,594,765	19,309,398	23,904,163
2017B Series - Debt Service	68150	421,324	37,519,599	-	-	37,940,923	(32,307,000)	-	(32,307,000)	5,633,923	19,937,426	25,571,349
2019 Series - Debt Service	20990	1,541,867	22,353,560	-	-	23,895,427	(18,085,224)	-	(18,085,224)	5,810,203	20,030,594	25,840,797
2021 Series - Debt Service	21230	5,091,055	34,919,010	-	-	40,010,065	(28,199,101)	-	(28,199,101)	11,810,964	20,135,647	31,946,611
2023 Series - Debt Service	18210	1,634,862	1,751,414	-	-	3,386,276	218	-	218	3,386,494	-	3,386,494
Total Debt Service		27,465,721	141,584,164	-	-	169,049,885	(115,008,465)	-	(115,008,465)	54,041,420	114,300,881	168,342,301
2001 Series - Rebate	41500	-	-	-	-	-	-	-	-	-	-	-
2003 Series - Refunding	41900	-	-	-	-	-	-	-	-	-	-	-
2005 Series - Rebate	42600	-	-	-	-	-	-	-	-	-	-	-
911 - Rebate	48800	-	-	-	-	-	-	-	-	-	-	-
Total Rebate Accounts		-	-	-	-	-	-	-	-	-	-	-
2009 Series - Cost of Issuance	10650	-	-	-	-	-	-	-	-	-	-	-
2011 Series - Cost of Issuance	11320	-	-	-	-	-	-	-	-	-	-	-
2013 Series - Cost of Issuance	11620	-	-	-	-	-	-	-	-	-	-	-
2015 Series - Cost of Issuance	40130	-	-	-	750	750	(750)	750	750	-	-	-
2017A Series - Cost of Issuance	50390	-	-	-	10,898	10,898	(10,898)	(750)	(750)	(11,648)	364,637	352,989
2019 Series - Cost of Issuance	71840	-	-	-	1,238	1,238	(1,238)	-	-	(1,238)	128,677	127,439
2021 Series - Cost of Issuance	21410	-	-	-	750	750	(750)	-	-	(750)	42,616	41,866
2023 Series - Cost of Issuance	18220	-	-	-	458,769	458,769	(458,769)	466,000	466,000	7,231	-	7,231
Total Cost of Issuance		-	-	-	472,405	472,405	(472,405)	466,000	466,000	(6,405)	535,930	529,525
Combined Total		\$ 27,465,721	\$ 141,584,164	\$ -	\$ 472,405	\$ 472,405	\$ 168,577,480	\$ (114,542,465)	\$ (114,542,465)	\$ 54,035,015	\$ 114,836,811	\$ 168,871,826

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING BALANCE SHEET – SEVERANCE TAX BONDS – SEVERANCE TAX BOND DEBT SERVICE FUNDS
JUNE 30, 2023**

	SHARE Fund	Assets			Liabilities		Fund Balance		Total Liabilities and Fund Balance
		Interest in State General Fund Investment Pool	Due From Other Agencies	Total Assets	Accounts Payable	Total Liabilities	Restricted for Debt Service	Total Fund Fund Balance	
2009-A Series - Debt Service	10750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010-A Series - Debt Service	10950	-	-	-	-	-	-	-	-
2010-B Series - Debt Service	10960	-	-	-	-	-	-	-	-
2010-C Series - Debt Service	11190	-	-	-	-	-	-	-	-
2010-D Series - Debt Service	11280	-	-	-	-	-	-	-	-
Series 2013A	11770	4,874	-	4,874	-	-	4,874	4,874	4,874
2013 S-C Maturity	11980	-	-	-	-	-	-	-	-
Series 2014A	12160	16,421	-	16,421	-	-	16,421	16,421	16,421
Series 2011A-1	30830	334	-	334	-	-	334	334	334
Series 2011A-2 Refunding	30820	70,414	-	70,414	-	-	70,414	70,414	70,414
2012-A Series - Debt Service	11480	9,779	-	9,779	-	-	9,779	9,779	9,779
2004-A Series Debt Service	49200	-	-	-	-	-	-	-	-
2004-B Series Debt Service	18300	-	-	-	-	-	-	-	-
2005-B1 Series Debt Service	38800	2,498	-	2,498	-	-	2,498	2,498	2,498
Severance Tax Bonding	41000	224,038,984	383,352,936	607,391,920	502,573	502,573	606,889,347	606,889,347	607,391,920
2005-A Series Debt Service	41200	-	-	-	-	-	-	-	-
Series 2016A & Refunding Series 2016B	43230	53,866,071	-	53,866,071	-	-	53,866,071	53,866,071	53,866,071
2003-B Series-Debt Service	48400	-	-	-	-	-	-	-	-
Series 2015B	50170	8,724,583	-	8,724,583	-	-	8,724,583	8,724,583	8,724,583
Series 2015A	50180	17,780,898	-	17,780,898	-	-	17,780,898	17,780,898	17,780,898
Series 2016C	50450	53,222	-	53,222	-	-	53,222	53,222	53,222
2007-A Debt Service	53700	-	-	-	-	-	-	-	-
2005-B2 Series Debt Service	57100	-	-	-	-	-	-	-	-
2008A-1 Series - Debt Service	72010	-	-	-	-	-	-	-	-
2008A-2 Series - Debt Service	72070	-	-	-	1,215	1,215	(1,215)	(1,215)	-
2006-A Series Debt Service	96300	-	-	-	-	-	-	-	-
2016D Series Debt Service	43160	2,706,322	-	2,706,322	-	-	2,706,322	2,706,322	2,706,322
2016E Series Debt Service	43290	11,049	-	11,049	-	-	11,049	11,049	11,049
2017A Series Debt Service	50370	9,135,132	-	9,135,132	-	-	9,135,132	9,135,132	9,135,132
2017SC Series Debt Service	67980	33	-	33	-	-	33	33	33
2018A Series Debt Service	20660	14,074,500	-	14,074,500	-	-	14,074,500	14,074,500	14,074,500
2020A Series Debt Service	68250	11,122,567	-	11,122,567	-	-	11,122,567	11,122,567	11,122,567
2021A Series Debt Service	21430	34,445,198	-	34,445,198	-	-	34,445,198	34,445,198	34,445,198
2022A Series Debt Service	22210	27,950,686	-	27,950,686	-	-	27,950,686	27,950,686	27,950,686
New	22270	31,455,983	-	31,455,983	-	-	31,455,983	31,455,983	31,455,983
Total Debt Service		435,469,548	383,352,936	818,822,484	503,788	503,788	818,318,696	818,318,696	818,822,484
2004-B Series-Rebate	41100	-	-	-	-	-	-	-	-
2003-B Supp-Rebate	42000	-	-	-	-	-	-	-	-
2005-A Series-Rebate	48300	-	-	-	-	-	-	-	-
2005-B1 Series-Rebate	57000	12,209	-	12,209	-	-	12,209	12,209	12,209
2005-B2 Series-Rebate	96000	-	-	-	-	-	-	-	-
2006-A Series-Rebate	96400	-	-	-	-	-	-	-	-
Total Rebate Accounts		12,209	-	12,209	-	-	12,209	12,209	12,209
Combined Total		\$ 435,481,757	\$ 383,352,936	\$ 818,834,693	\$ 503,788	\$ 503,788	\$ 818,330,905	\$ 818,330,905	\$ 818,834,693

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
SEVERANCE TAX BOND DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2023**

SHARE Fund	Revenues		Expenditures		Excess (Deficiency) of Revenues Over (Under) Expenditures	Other Financing Sources (Uses)			Net Change in Fund Balance	Beginning Fund Balance	Fund Balances June 30, 2023	
	Interest Income	Severance Taxes	Other Charges	Total Expenditures		Transfers (to) from Other State Agencies	Interfund Transfers	Total Other Financing Sources (Uses)				
2009-A Series - Debt Service	10750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2010-A Series - Debt Service	10950	-	-	-	-	-	-	-	-	-	-	
2010-B Series - Debt Service	10960	-	-	-	-	-	-	-	-	-	-	
2010-C Series - Debt Service	11190	-	-	-	-	-	-	-	-	-	-	
2010-D Series - Debt Service	11280	-	-	-	-	-	-	-	-	-	-	
Series 2013A	11770	3,954	-	-	3,954	-	-	-	3,954	920	4,874	
2013 S-C Maturity	11980	-	-	-	-	-	-	-	-	-	-	
Series 2014A	12160	13,928	-	-	13,928	-	-	-	13,928	2,493	16,421	
2011A-1 Series	30830	142	-	-	142	-	-	-	142	192	334	
2011A-2 Series Refunding	30820	1,815	-	-	1,815	-	-	-	1,815	68,599	70,414	
2012A - Series	11480	9,369	-	-	9,369	(8,164,125)	-	(8,164,125)	(8,154,756)	8,164,535	9,779	
2004-A Series Debt Service	49200	-	-	-	-	-	-	-	-	-	-	
2004-B Series Debt Service	18300	-	-	-	-	-	-	-	-	-	-	
2005-B1 Series Debt Service	38800	65	-	-	65	-	-	-	65	2,433	2,498	
Severance Tax Bonding	41000	61,690,596	2,329,126,578	1,481,342	1,481,342	2,389,335,832	(2,370,641,864)	(213,671,567)	(2,584,313,431)	(194,977,599)	801,866,947	606,889,348
2005-A Series -Debt Service	41200	-	-	-	-	-	-	-	-	-	-	
Series 2016A & Refunding												
Series 2016B	43230	137,100	-	-	137,100	(55,389,400)	56,305,769	916,369	1,053,469	52,812,602	53,866,071	
2003-B Series-Debt Service	48400	-	-	-	-	-	-	-	-	-	-	
Series 2015B	50170	287,520	-	-	287,520	(9,122,500)	9,065,244	(57,256)	230,264	8,494,319	8,724,583	
Series 2015A	50180	87,120	-	-	87,120	(18,656,625)	18,990,896	334,271	421,391	17,359,507	17,780,898	
Series 2016C	50450	37,299	-	-	37,299	-	-	-	37,299	15,923	53,222	
2007-A Series-Debt Service	53700	-	-	-	-	-	-	-	-	-	-	
2005-B2 Series Debt Service	57100	-	-	-	-	-	-	-	-	-	-	
2008A-1 Debt Service	72010	-	-	-	-	-	-	-	-	-	-	
2008A-2 Debt Service	72070	-	-	-	-	-	-	-	-	(1,215)	(1,215)	
2006-A Series Debt Service	96300	-	-	-	-	-	-	-	-	-	-	
2016D Series Debt Service	43160	7,474	-	-	7,474	(6,123,500)	3,243,870	(2,879,630)	(2,872,156)	5,578,478	2,706,322	
2016E Series Debt Service	43290	8,825	-	-	8,825	-	-	-	8,825	2,224	11,049	
2017A Series Debt Service	50370	172,764	-	-	172,764	(10,463,250)	10,007,495	(455,755)	(282,991)	9,418,123	9,135,132	
2017SC Series Debt Service	67980	-	-	-	-	-	-	-	-	33	33	
2018A Series Debt Service	20660	173,582	-	-	173,582	(15,808,375)	15,941,655	133,280	306,862	13,767,638	14,074,500	
2020A Series Debt Service	68250	1,476,809	-	-	1,476,809	(10,009,125)	11,689,434	1,680,309	3,157,118	7,965,449	11,122,567	
2021A Series Debt Service	21430	7,966,454	-	-	7,966,454	(40,296,875)	33,537,726	(6,759,149)	1,207,305	33,237,893	34,445,198	
2022A Series Debt Service	22210	7,443,267	-	-	7,443,267	(6,594,972)	27,086,375	20,491,403	27,934,670	16,016	27,950,686	
2022B Series Debt Service	22270	6,911,879	-	-	6,911,879	(3,259,000)	27,803,104	24,544,104	31,455,983	-	31,455,983	
Total Debt Service		86,429,962	2,329,126,578	1,481,342	1,481,342	2,414,075,198	(2,554,529,611)	1	(2,554,529,610)	(140,454,412)	958,773,109	818,318,697
2004-B Series-Rebate	41100	-	-	-	-	-	-	-	-	-	-	
2003-B Supp-Rebate	42000	-	-	-	-	-	-	-	-	-	-	
2005-A Series-Rebate	48300	-	-	-	-	-	-	-	-	-	-	
2005-B1 Series-Rebate	57000	315	-	-	315	-	-	-	315	11,894	12,209	
2005-B2 Series-Rebate	96000	-	-	-	-	-	-	-	-	-	-	
2006-A Series-Rebate	96400	-	-	-	-	-	-	-	-	-	-	
Total Rebate Accounts		315	-	-	-	315	-	-	315	11,894	12,209	
Combined Total		\$ 86,430,277	\$ 2,329,126,578	\$ 1,481,342	\$ 1,481,342	\$ 2,414,075,513	\$ (2,554,529,611)	\$ 1	\$ (2,554,529,610)	\$ (140,454,097)	\$ 958,785,003	\$ 818,330,906

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING BALANCE SHEET – GENERAL FUND ACTIVITIES
JUNE 30, 2023**

	<u>General Fund (18200)</u>	<u>Gaming Suspense Fund (02000)</u>	<u>Total General Funds</u>
ASSETS			
Investment in State General Fund			
Investment Pool	\$ 3,803,977	\$ -	\$ 3,803,977
Gaming Suspense Receivables	<u>-</u>	<u>20,377,653</u>	<u>20,377,653</u>
Total Assets	<u><u>\$ 3,803,977</u></u>	<u><u>\$ 20,377,653</u></u>	<u><u>\$ 24,181,630</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 150,018	\$ -	\$ 150,018
Receipts Held in Suspense	3,118,834	-	3,118,834
Accrued Payroll and Payroll Taxes	60,729	-	60,729
Due to State General Fund	<u>-</u>	<u>20,377,653</u>	<u>20,377,653</u>
Total Liabilities	<u>3,329,581</u>	<u>20,377,653</u>	<u>23,707,234</u>
FUND BALANCES			
Restricted for:			
Special Appropriation for Work and Save Program Implementation	<u>474,396</u>	<u>-</u>	<u>474,396</u>
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>474,396</u>	<u>-</u>	<u>474,396</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,803,977</u></u>	<u><u>\$ 20,377,653</u></u>	<u><u>\$ 24,181,630</u></u>

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GENERAL FUND ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	General Fund (18200)	Gaming Suspense Fund (02000)	Total General Funds
REVENUES			
Federal Funds	\$ 2,083	\$ -	\$ 2,083
Miscellaneous Revenues	60	-	60
Other State Funds	390,000	-	390,000
Total Revenues	<u>392,143</u>	<u>-</u>	<u>392,143</u>
EXPENDITURES			
Current:			
Personnel Services and Employee Benefits	3,187,642	-	3,187,642
Operating Costs:			
Contractual Services	443,541	-	443,541
Other Administrative Expenditures	846,693	-	846,693
Other Charges	-	-	-
Total Expenditures	<u>4,477,876</u>	<u>-</u>	<u>4,477,876</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,085,733)	-	(4,085,733)
OTHER FINANCING SOURCES (USES)			
State General Fund Appropriations	4,067,600	-	4,067,600
State General Fund Compensation Appropriation	204,700	-	204,700
Lease Financing Proceeds	27,113	-	27,113
Reversions to State General Fund FY23	(126,515)	-	(126,515)
Transfer (to) from Other State Agencies	(12,769)	-	(12,769)
Total Other Financing Sources (Uses)	<u>4,160,129</u>	<u>-</u>	<u>4,160,129</u>
NET CHANGE IN FUND BALANCES	74,396	-	74,396
Fund Balances - Beginning of Year	<u>400,000</u>	<u>-</u>	<u>400,000</u>
FUND BALANCES - END OF YEAR	<u>\$ 474,396</u>	<u>\$ -</u>	<u>\$ 474,396</u>

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
SCHEDULE OF INVESTMENTS – CUSTODIAL FUNDS
JUNE 30, 2023**

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	\$ 255,827,660	\$ 255,827,660	\$ -
WELLS FARGO CHECKING	Variable	N/A	1,200,266	1,200,266	-
Total Bank Accounts			<u>257,027,925</u>	<u>257,027,925</u>	<u>-</u>
Cash on Deposit at Custodial Bank	Variable	N/A	200,582,260	200,582,260	-
Money Market Deposit Bank Account	Variable	Variable	43,952,899	43,952,899	-
Repurchase Agreements	Variable	Variable	308,115,419	308,115,419	-
Investment in LGIP	Variable	Variable	(321,202)	(321,202)	-
Supranationals:					
INTER-AMERICAN DEVELOPMENT BANK BOND ZERO CPN	0.000%	8/1/2023	13,108,931	13,114,590	5,659
Total Supranationals			<u>13,108,931</u>	<u>13,114,590</u>	<u>5,659</u>
Discounted Notes:					
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/01/2023	25,459,024	25,511,167	52,143
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/26/2023	21,768,336	21,788,473	20,136
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	08/25/2023	21,880,394	21,892,593	12,199
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/13/2023	26,241,622	26,253,489	11,867
UNITED STATES OF AMERICA BILL ZERO CPN 03/AUG/2023	0.000%	08/03/2023	43,690,592	43,697,811	7,219
UNITED STATES OF AMERICA BILL ZERO CPN 13/JUL/2023	0.000%	07/13/2023	46,883,179	46,898,153	14,974
Total Discounted Notes			<u>185,923,148</u>	<u>186,041,685</u>	<u>118,537</u>
U.S. Government Securities:					
Treasury Securities:					
UNITED STATES OF AMERICA NOTES VARIABLE	0.00%	07/31/2024	26,320,030	26,333,640	13,610
UNITED STATES OF AMERICA NOTES VARIABLE	0.000%	10/31/2024	21,936,221	21,964,594	28,373
Total Treasury Securities			<u>48,256,251</u>	<u>48,298,234</u>	<u>41,983</u>
Federal Farm Credit Banks (FFCB):					
FEDERAL FARM CREDIT BANKS FUNDING CORP BOND	0.000%	07/22/2024	17,556,434	17,553,511	(2,923)
FEDERAL FARM CREDIT BANKS FUNDING CORP BOND	0.000%	08/08/2024	17,555,427	17,555,431	4
FEDERAL FARM CREDIT BANKS FUNDING CORP BOND	0.000%	06/07/2024	13,167,326	13,175,866	8,540
FEDERAL FARM CREDIT BANKS FUNDING CORP BOND	0.000%	08/17/2023	21,945,543	21,946,054	512
FEDERAL FARM CREDIT BANKS FUNDING CORP BOND	0.000%	05/24/2024	21,945,543	21,960,448	14,906
FEDERAL FARM CREDIT BANKS FUNDING CORP BOND	0.000%	01/26/2024	21,945,543	21,938,285	(7,258)
FEDERAL FARM CREDIT BANKS FUNDING CORP BOND	0.000%	09/14/2023	17,556,434	17,557,213	779
FEDERAL FARM CREDIT BANKS FUNDING CORP CALLABLE	0.000%	03/20/2024	17,556,434	17,557,271	836
Total Federal Farm Credit Banks			<u>149,228,683</u>	<u>149,244,080</u>	<u>15,396</u>
Federal Home Loan Banks (FHLB):					
FEDERAL HOME LOAN BANKS BOND VARIABLE 01/NOV/2023	0.000%	11/01/2023	43,891,085	43,895,391	4,305
FEDERAL HOME LOAN BANKS BOND VARIABLE 06/SEP/2023	0.000%	09/06/2023	17,556,434	17,559,691	3,257
FEDERAL HOME LOAN BANKS BOND VARIABLE 08/AUG/2023	0.000%	08/08/2023	26,334,651	26,339,565	4,914
FEDERAL HOME LOAN BANKS BOND VARIABLE 26/SEP/2023	0.000%	06/14/2023	43,891,085	43,894,698	3,612
FEDERAL HOME LOAN BANKS BOND VARIABLE 28/AUG/2023	0.000%	09/26/2023	26,334,651	26,334,414	(237)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 5.45%	0.000%	08/28/2023	26,334,651	26,319,323	(15,328)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 5.6%	2.275%	06/30/2025	21,945,543	21,907,179	(38,364)
FEDERAL HOME LOAN BANKS CALLABLE BOND VARIABLE	5.450%	06/18/2024	26,334,651	26,340,279	5,628
FEDERAL HOME LOAN BANKS CALLABLE BOND VARIABLE	5.600%	06/26/2024	26,334,651	26,335,465	814
Total Federal Home Loan Banks			<u>258,957,404</u>	<u>258,926,004</u>	<u>(31,399)</u>
Total U.S. Governmental Securities			<u>456,442,339</u>	<u>456,468,318</u>	<u>25,980</u>
Total Local Government Investment Pool (Short-Term Investment Pool)			<u>\$ 1,464,831,719</u>	<u>\$ 1,464,981,896</u>	<u>\$ 150,176</u>

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
SCHEDULE OF INVESTMENTS – CUSTODIAL FUNDS (CONTINUED)
JUNE 30, 2023**

Security Description	Book Value	Market Value	Unrealized Gain (Loss)
Local Government Investment Pool (Short-Term Investment Pool)	\$ 1,464,831,719	\$ 1,464,981,896	\$ 150,176
Grand Total of all Funds	<u>\$ 1,464,831,719</u>	<u>\$ 1,464,981,896</u>	<u>\$ 150,176</u>

Reconciliation to Financial Statements:

Total Investments per Schedule of Investments	\$ 1,464,981,896
Less: Interfund Investments in Local Government Investment Pool, General Fund Investment Pool	<u>(321,202)</u>
Total Interfund Investments	<u>(321,202)</u>
Total Cash and Investments, Statement of Fiduciary Net Position	<u>\$ 1,464,660,694</u>

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
SCHEDULE OF INVESTMENT POOL NET POSITION (UNAUDITED)
JUNE 30, 2023**

	Investment Pools			Total
	LGIP	Consolidated	General Fund	
	Short-Term Investment Pool (External)	Investment Pool (Internal) BPIP #1 and #2	Investment Pool (Internal)	
ASSETS				
Cash and Investments:				
Fiscal Agent Bank Account	\$ -	\$ -	\$ 46,098,830	\$ 46,098,830
Cash in Banks	292,801,970	36,753	852,368,612	1,145,207,335
Miscellaneous Cash	228,500,000	10,000,000	682,000,000	920,500,000
Money Market Deposit Bank Account	50,070,417	-	550,774,584	600,845,001
Money Market Mutual Funds	-	353,153,916	426,801,081	779,954,997
Repurchase Agreements	351,000,000	-	738,666,929	1,089,666,929
Bank Acceptances	-	-	-	-
Certificates of Deposit	-	2,600,000	-	2,600,000
Commercial Paper	-	116,795,426	784,125,515	900,920,941
Corporate Bonds	-	511,010,307	1,093,568,904	1,604,579,211
Demand Notes	-	4,800,000	287,270,000	292,070,000
Government Bonds	520,001,174	2,282,127,899	5,206,662,942	8,008,792,015
Supranationals	14,939,925	83,968,407	188,272,493	287,180,825
Municipal Bonds	-	2,828,298	62,671,279	65,499,577
Mutual Funds	-	281,333,274	827,576,035	1,108,909,309
Discounted Notes and Treasury				
Bills - Zero Coupon	211,935,617	150,097,224	717,952,683	1,079,985,524
Interfund Investments	(321,202)	-	321,202	-
Total Cash and Investments	<u>1,668,927,900</u>	<u>3,798,751,504</u>	<u>12,465,131,090</u>	<u>17,932,810,495</u>
Accrued Interest Receivable	<u>4,001,478</u>	<u>19,087,655</u>	<u>44,676,707</u>	<u>67,765,840</u>
Total Assets	<u>1,672,929,378</u>	<u>3,817,839,159</u>	<u>12,509,807,797</u>	<u>18,000,576,335</u>
LIABILITIES				
Due to Broker	<u>59,002,500</u>	<u>62,534,857</u>	<u>318,980,860</u>	<u>440,518,217</u>
Total Liabilities	<u>59,002,500</u>	<u>62,534,857</u>	<u>318,980,860</u>	<u>440,518,217</u>
NET POSITION - HELD IN TRUST	<u>\$ 1,613,926,878</u>	<u>\$ 3,755,304,302</u>	<u>\$ 12,190,826,937</u>	<u>\$ 17,560,058,118</u>

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
SCHEDULE OF CHANGES IN INVESTMENT POOL NET POSITION (UNAUDITED)
YEAR ENDED JUNE 30, 2023**

	Investment Pools			Total
	LGIP Short-Term Investment Pool (External)	Consolidated Investment Pool (Internal) BPIP #1 and #2	General Fund Investment Pool (Internal)	
ADDITIONS				
Interest Income on Investments	\$ 31,570,587	\$ 46,176,866	\$ 216,704,866	\$ 294,452,319
Realized Gains (Losses) on Investments	121,024	13,478	136,210	270,712
Unrealized Gains (Losses) on Investments	709,273	(6,555,627)	(61,499,988)	(67,346,342)
Investment Amortization/Accretion	20,741,198	19,341,524	109,885,098	149,967,820
Total Investment Income	53,142,082	58,976,241	265,226,186	377,344,509
Deposits	42,214,841,885	2,003,280,768	96,933,878,853	141,152,001,506
Total Additions	42,267,983,967	2,062,257,009	97,199,105,039	141,529,346,015
DEDUCTIONS				
Management Fees	(691,053)	-	691,053	-
Custodial Fees	-	-	-	-
Other Investment Costs	-	-	-	-
Withdrawals	(42,029,259,491)	(913,125,395)	(95,835,789,302)	(138,778,174,187)
Total Deductions	(42,029,950,544)	(913,125,395)	(95,835,098,249)	(138,778,174,187)
CHANGE IN NET POSITION	238,033,423	1,149,131,614	1,364,006,790	2,751,171,828
Net Position - Held in Trust for Pool Participants, June 30, 2022	1,375,893,455	2,606,172,688	10,826,820,147	14,808,886,290
NET POSITION - HELD IN TRUST FOR POOL Participants, June 30, 2023	<u>\$ 1,613,926,878</u>	<u>\$ 3,755,304,302</u>	<u>\$ 12,190,826,937</u>	<u>\$ 17,560,058,118</u>

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
SCHEDULE OF ASSET MANAGEMENT COSTS (UNAUDITED)
JUNE 30, 2023**

2.2.2.12(G)(1)

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

Consultant	Location	Description of Investments Subject to the Agreement	Fees
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 and
President, State Board of Finance
and
Honorable Laura Montoya, State Treasurer
New Mexico Office of the State Treasurer
and
Honorable Joseph M. Maestas, P.E., State Auditor
New Mexico Office of the State Auditor
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 of the State of New Mexico Office of the State Treasurer (the Office), as of and for the year ended June 30, 2023, 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 30, 2023.

Report on 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) as a basis for designing 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.

Honorable Michelle Lujan Grisham, Governor and
President, State Board of Finance
Honorable Laura Maestas, State Treasurer
Honorable Joseph M. Maestas, P.E., State Auditor

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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency as 2023-001.

Report on Compliance and Other Matters

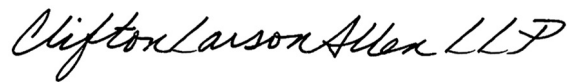
As part of obtaining reasonable assurance about whether the Office’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the of financial statements. 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* and 2.2.2 NMAC.

The State of New Mexico Office of State Treasurer’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Office’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Office’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 30, 2023

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified
that are not considered to be
material weakness(es)? x yes none reported

Noncompliance material to financial
statements noted?

 yes x no

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2023

Section II – Financial Statement Findings

2023-001 Gaming Suspense Receivables – Unrecorded Receivable (Significant Deficiency)

Type of Finding:

- Significant Deficiency in Internal Control over Accrual of Year-End Gaming Suspense Receivables Due from Tribal Casino

Criteria: Gaming suspense receivables are accrued monthly based on gaming compacts the State has with various tribal sovereign nations throughout New Mexico. Reports of the cash payments to be received by the State Treasurer on deposit that list each casino's obligation are used to sum and record the amounts to be collected in future periods.

Condition: During our audit testwork, we determined the gaming receivable was understated by \$1,243,491 at June 30, 2023.

Cause: This was due to a clerical error when the list was sum totaled missing the first line item that was inadvertently omitted. The error was not caught upon review by management.

Effect: The accrued gaming receivable and corresponding liability in the general fund was understated by \$1,243,491 as of June 30, 2023.

Recommendation: We recommend that management review its internal control procedure in place to strengthen the review and approval process for recording gaming suspense receivable amounts each month.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the finding and has taken corrective actions to address this reporting deficiency in an excel sum calculation by ensuring all the cells are accounted for.

Our procedures require accounting entries to be prepared by the accounting staff and approved by the Chief Financial Officer (CFO). In this instance, the CFO transferred to another agency before closing the books for the fiscal year. The review process did not catch the mistake of not including one cell in an excel spreadsheet as part of the sum total for the accrual of year-end gaming receivables in the amount of \$1,243,481. As a result, the amount was inadvertently booked for the current fiscal year. There was not a discrepancy in cash deposits and no direct cash movement occurred.

An unintended error caused the misstatement, it is not pervasive. Given the unforeseen circumstances of transitioning from one CFO to another, DFA allowed STO to make entries after the deadlines, and those entries were corrected at the onset of the error being discovered by the auditors, prior to finalization of the financial statements.

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2023**

<u>Finding No.</u>	<u>Finding Description</u>	<u>Status</u>
2022-001	Internal Controls over Implementation of Fiduciary Activities for LGIP internal participants	Resolved

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
EXIT CONFERENCE
JUNE 30, 2023**

An exit conference was held with the State Treasurer's Office on October 27, 2023. The conference was held online using a virtual forum as allowed in accordance with 2.2.2.10(M)(1) NMAC. 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

Laura Montoya, State Treasurer
Malaquias "JR" Rael, Deputy State Treasurer

CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGFM, CGMA, Principal
Clarke Cagle, CPA, CCIFP, CGFM, Principal
Christopher Gregory, CPA, Manager
Maegan Morris, 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.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.