

STATE OF NEW MEXICO
OFFICE OF THE
STATE TREASURER
Financial Statements
for the Year Ended
June 30, 2010,
and Independent
Auditors' Report

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

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STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Official Roster

Year Ended June 30, 2010

Office of the State Treasurer

James B. Lewis, State Treasurer

Mark F. Valdes, Deputy State Treasurer

State Treasurer's Investment Committee

James B. Lewis, Chairman

Sheila Duffy, Chief Investment Officer, Investment Division Director

Steve Bohlin, Member

Paul Cassidy, Member

Stephanie Schardin-Clarke, State Board of Finance Member

INDEPENDENT AUDITORS' REPORT

Honorable Bill Richardson, Governor
State Board of Finance
Honorable James B. Lewis, State Treasurer
Honorable Hector H. Balderas, State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund of the State of New Mexico Office of the State Treasurer (State Treasurer) as of and for the year ended June 30, 2010, which collectively comprise the State Treasurer's basic financial statements as listed in the table of contents. We have also audited the fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the State Treasurer's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State Treasurer's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the State Treasurer are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the State Treasurer. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2010, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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An Independent Member of the BDO Seidman Alliance

Honorable Bill Richardson, Governor
State Board of Finance
Honorable James B. Lewis, State Treasurer
Honorable Hector H. Balderas, State Auditor
Santa Fe, New Mexico

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 Treasurer as of and for the year ended June 30, 2010, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary funds of the State Treasurer as of June 30, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010, on our consideration of the State Treasurer's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis presented on pages 4 through 13 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements. The additional schedules listed as supplementary information in the table of contents (Schedules 1 and 6 through 10) are presented for purposes of additional analysis and have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Meigs + Company, LLC

December 13, 2010

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Management's Discussion and Analysis - continued
Year Ended June 30, 2010

The State of New Mexico Office of the State Treasurer's (State Treasurer) 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.

Significant Highlights

During fiscal year 2010, the State Treasurer's office (STO) had several staff resignations and held positions vacant to address budget reductions due to state revenue shortfalls. Existing staff members were required to take on additional duties since some positions were not filled. The executive management team continued to identify potential savings, reviewing weekly budget status reports, anticipating future budget reductions.

The State Treasurer's office worked on several cash management initiatives with the Department of Finance and Administration (DFA) and Legislative Finance Committee (LFC) to improve short-term cash investments. The Cash Forecasting Model was developed to identify annual/monthly cash flow projections. The Treasurer's office worked closely with the State Board of Finance and recipient agencies to identify cash flow needs for bond projects so bond proceeds investments could be appropriately laddered until project funding was needed. Also, discussions were held with agencies that had large negative fund balances and they were encouraged to increase the frequency of federal fund draw-downs to address this issue. These initiatives allowed the State Treasurer's office to more appropriately ladder and invest short-term funds after liquidity needs were met.

The Statewide Human Resources, Accounting, and Management Reporting System (SHARE) presented significant challenges to the State Treasurer's Office and to most, if not all, state agencies. Through the collaborative efforts of the State Treasurer's Office and DFA, these challenges continue to be addressed. The State Treasurer's Office and the DFA designed the State Treasurer's Investment Transaction Matrix, which was tested with positive results. The transaction matrix has led to timely and accurate updates to banking and investment accounting processes and more efficient business practices.

Another Cash Management Division initiative, the Streamlined Banking Project involves three state agencies, the State Treasurer's Office, DFA and the Department of Information Technology. There are two primary project goals: #1- Increase the success of the automated reconciliation function by establishing controls over data input and increase the efficiency of automated process to reduce the time required for reconciliation, and #2- Fully implement a daily book to bank reconciliation process by establishing business processes that prevent reconciling items other than timing differences related to the redemption of warrants, test and implement stale-dated warrant process and test and implement a standard process to void warrants. Project is projected to be completed by December 31, 2010.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Management's Discussion and Analysis - continued
Year Ended June 30, 2010

Significant Highlights - continued

The transition to the new fiscal agent bank was completed on schedule with few outstanding issues. The transition was meticulously planned by the new bank and the state. The State Treasurer's Office and the DFA assigned a full time project team to implement the transition for the fiscal agent bank. Issues that plagued the last transition were anticipated and avoided.

The State Treasurer's Office worked with the State Personnel Office and the Communications Workers of America bargaining unit to assure that STO policies and procedures were updated to include current state and federal laws, rules and policies, State Personnel Board rules and terms of the new collective bargaining agreement effective July 21, 2009.

During FY 10, the State Treasurer's Office spent much of its time bolstering security. Since the advent this year of the ZeusV3-Bot, also known as the Z-Bot to target online banking, the STO IT Bureau has implemented a layered approach to cyber security. Traditional Anti-Virus techniques have proved ineffective in this latest round of targeted attacks to which the STO is particularly vulnerable. Through this layered approach to our security, we have implemented rapid centralized OS and Application updates through Windows Update Services also known as WSUS. In addition to rapid software patching, the STO has also implemented various firewall rules and policies to further inhibit successful cyber attacks. Malware filtering and Web reputation are additional methods the State Treasurer's Office implemented.

In fiscal year 2010, the State Treasurer's Office reviewed, made necessary revisions to and received State Board of Finance approval of the State Treasurer's Investment Policy and the Approved Broker/Dealer list. This is done annually as mandated by the State Treasurer's Investment Policy.

The State Treasurer places a high priority on active participation on all of the boards and commissions he serves on as an ex-officio member. He has designated members of the executive staff to serve on his behalf on some boards and commissions if state statutes allow a designee. In fiscal year 2010, a significant amount of time was dedicated to service on boards and commissions.

A strong emphasis was placed on employee education and training again in fiscal year 2010. Training was provided on Title VII from the Equal Employment Opportunity Commission, stress management from the Employee Assistance Program Administrator, confidentiality requirements, housing assistance by the NM Mortgage Finance Authority, Social Security program and benefits, NM Public Employees Retirement Association program and benefits, NM Retirement Health Care Authority, NM Deferred Compensation Program, Impact of Cyber Crime and Xerox training.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Management's Discussion and Analysis - continued
Year Ended June 30, 2010

Financial Highlights

- The State Treasurer's net assets increased by \$17,892,435.
- The General Fund's main revenue was appropriations, which amounted to ninety-nine percent (99%) of all revenue.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State Treasurer's basic financial statements. The State Treasurer's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the State Treasurer's finances, in a manner similar to a private sector business. The statement of net assets presents information on all of the State Treasurer's assets and liabilities, the difference between the two being reported as net assets.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal year periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources segregated for specific activities or objectives. The State Treasurer, like other State and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State Treasurer can be divided into two categories: governmental funds and fiduciary funds.

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.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Management's Discussion and Analysis - continued
Year Ended June 30, 2010

Overview of the Financial Statements - continued

Fund Financial Statements - continued

Governmental Funds - continued

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The State Treasurer maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, General Obligation Bond Fund, Severance Tax Bond Fund, and the Gaming Suspense Fund, all of which are considered to be major funds. The General Obligation and Severance Tax Bond funds combine into a single, aggregated presentation of the activity of each individual bond issue.

Individual bond transaction data of these governmental funds is provided in the form of combining statements elsewhere in this report.

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

Fiduciary Funds

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

Fiduciary funds provide the same type of information as the government-wide financial statements, only in more detail. The fiduciary fund financial statements provide separate information for the Short-term Investment Pool, Consolidated Investment Pool, State Funds Investment Pool and The Reserve Contingency Pool. The State Treasurer's fiduciary funds account for cash, securities, and other investments identified and held in custody on behalf of local and State government agencies, and are separately identified by the types of State and local agencies for which the funds are held. The Short-term Investment Pool accounts for the Local Government Investment Pool (LGIP), the Consolidated Investment Pool accounts for funds held in custody for both State and local government agencies, and the State Funds Investment Pool accounts for funds identified and held in custody on behalf of State agencies. The Reserve Contingency Pool accounts for funds held in custody for local government agencies.

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2010**

Notes to the Financial Statements

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

Other Information

The combining statements referred to earlier in connection with the General Obligation and Severance Tax Bond funds are presented immediately following the notes to the financial statements. Combining statements, schedules of capital assets, and schedules of long-term debt can be found beginning on page 69 of this report. Fiduciary schedules begin on page 89.

Required Supplementary Information (Other than MD&A)

In addition to the basic statements and accompanying notes, this report also presents certain required supplementary information concerning the State Treasurer's progress in funding its obligation to provide pension benefits to its employees.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Management's Discussion and Analysis - continued
Year Ended June 30, 2010

Government-wide Financial Analysis

Net Assets: Table A-1 summarizes the State Treasurer's net assets for the fiscal year ended June 30, 2010. Total State Treasurer net assets for fiscal year 2010 are \$268,441,166. However, most of those net assets are restricted as to the purposes for which they can be used.

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

YEARS ENDED JUNE 30,	2010	2009
Assets:		
Cash, cash equivalents and repurchase agreements	\$ 225,383,229	232,919,856
Due from other agencies	46,838,071	48,085,681
Accrued interest and other receivables	461	461
Capital assets, net	<u>141,278</u>	<u>151,677</u>
 Total assets	 \$ <u>272,363,039</u>	 <u>281,157,675</u>
Current liabilities:		
Accounts payable and other	\$ 3,798,273	30,465,262
Compensated absences, amounts due in one year	<u>123,600</u>	<u>143,682</u>
 Total liabilities	 3,921,873	 30,608,944
Net assets:		
Invested in capital assets	141,278	151,677
Restricted	268,438,422	249,877,585
Unrestricted	<u>(138,534)</u>	<u>519,469</u>
 Total net assets	 <u>268,441,166</u>	 <u>250,548,731</u>
 Total liabilities and net assets	 \$ <u>272,363,039</u>	 <u>281,157,675</u>

As noted earlier, net assets 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 \$268,441,166 at the close of the most recent fiscal year.

By far the largest portion of the State Treasurer's net assets 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 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.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Management's Discussion and Analysis - continued
Year Ended June 30, 2010

Government-wide Financial Analysis - continued

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

An additional portion of the State Treasurer's net assets, \$268,438,422, represents resources that are subject to external restrictions on their use.

Changes in Net Assets: Governmental activities increased the State Treasurer's net assets in the governmental financial statements by \$17,892,435. Key elements of this increase are shown in Table A-2.

**Table A-2
Changes in the State Treasurer's Net Assets**

YEARS ENDED JUNE 30,	2010	2009
Governmental Activities:		
Revenues:		
Program Revenues:		
Operating Grants	\$ <u>6,024</u>	<u>3,083</u>
Total Program Revenues	6,024	3,083
General Revenues:		
State General Fund appropriations (net)	4,061,407	4,425,902
State Property Tax Levy	58,318,809	65,075,456
Severance and Other Taxes	348,875,769	438,295,970
Interest Revenue	<u>27,251,066</u>	<u>50,806,488</u>
Total General Revenues	<u>438,507,051</u>	<u>558,603,816</u>
Total Revenues	438,513,075	558,606,899
Expenses:		
General Government	(8,294,373)	(6,511,432)
Debt Service Activity	(535,184,402)	(608,749,799)
Other Sources:		
Bond Proceeds	121,252,053	-
Operating Financing Sources	<u>1,606,082</u>	<u>(26,291,938)</u>
Net Expenses (Revenue)	<u>(420,620,640)</u>	<u>(641,553,169)</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Management's Discussion and Analysis - continued
Year Ended June 30, 2010

Government-wide Financial Analysis - continued

Table A-2
Changes in the State Treasurer's Net Assets - continued

YEARS ENDED JUNE 30,	2010	2009
Increase (Decrease) in Net Assets	\$ 17,892,435	(82,946,270)
Net Assets, Beginning of Year	250,548,731	371,463,933
Prior Period Adjustment	<u> -</u>	<u>(37,968,932)</u>
Net Assets, Beginning of Year, Restated	<u>250,548,731</u>	<u>333,495,001</u>
Net Assets, End of Year	\$ <u>268,441,166</u>	<u>250,548,731</u>

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 \$268,423,488, an increase of \$17,882,752 in comparison with the prior year. The primary reason for the increase in fund balance is a severance tax bond issuance for the purpose of refunding previously outstanding bonds. As of June 30, 2010, the proceeds of the issuance had been transferred to the State Treasurer's Office, however, the funds had not yet been used to refund the bonds.

The fund balance of the State Treasurer's general fund decreased by \$2,386 during the current fiscal year. This was not a significant change from the prior year.

The fund balance of the State Treasurer's individual debt service funds increased in comparison to the prior year due to new bond issues offset by a decrease in interest income as disclosed in Schedule 3 – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – General Obligation Bond Debt Service Funds, and Schedule 5 – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Severance Tax Bond Debt Service Funds.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Management's Discussion and Analysis - continued
Year Ended June 30, 2010

General Fund Budgetary Highlights

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

There were no significant variances between final budget amounts and actual budget results for the General Fund. The General Fund actual expenditures were less than the final budgeted amounts by half of one percent (0.50%). There were no significant variances between final budget amounts and actual budget results for the General Fund.

Capital Assets and Debt Administration

Capital Assets. The State Treasurer's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$141,278, net of accumulated depreciation. This investment in capital assets includes equipment. The State Treasurer's capital asset additions were \$29,256 with the purchase of equipment.

Additional information on the State Treasurer's capital assets can be found in Note 4 of this report.

GASB #34 requires the recording and depreciation of infrastructure assets such as roads, bridges and traffic signals. The State Treasurer does not own any infrastructure assets.

Long-Term Debt. For the year ended June 30, 2010, the State Treasurer was responsible for administering debt service payments on total bonded debt outstanding of \$1,363,105,000, all of which is secured by pledged tax revenues. More detailed information about the State Treasurer's long-term debt is presented in Note 5 to the financial statements and Schedule 6. Long-term debt increased, net by \$282,660,000 from the prior year due to four new bonds issued in fiscal year ended June 30, 2010.

	<u>Total</u>	
	<u>2010</u>	<u>2009</u>
General Obligation Bonds	\$ 398,580,000	453,730,000
Severance Tax Bonds	<u>964,525,000</u>	<u>626,715,000</u>
Total principal balances	\$ <u>1,363,105,000</u>	<u>1,080,445,000</u>

Economic Factors and Next Year's Budgets and Rates

- Additional resources were added to improve the investment function. A portfolio manager was added to manage the new bond proceeds portfolio. The Local Government Investment Pool received its maiden rating (AAAm) from Standard & Poor's. These additional resources greatly benefited the investment function of the State Treasurer.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Management's Discussion and Analysis - continued
Year Ended June 30, 2010

Economic Factors and Next Year's Budgets and Rates - continued

- The State Treasurer contracted for a higher level of legal services to assist with investment and other internal policy updates, provide legal counsel for various personnel lawsuits and grievance hearings, and draft proposed legislation and other miscellaneous legal advice.
- The State Treasurer added resources to implement numerous recommendations included in the forensic audit prepared by Deloitte.
- The State Treasurer initiated personnel, system, facility and security recommendations made by the Office of the Chief Information Officer.
- The State Treasurer reduced IT budget based on decommissioning of TRACS and recognized staffing efficiencies in banking operations due to SHARE implementation.
- During fiscal year 2010, the state of New Mexico has experienced some severe shortfalls in revenue due to the economic state of the financial markets worldwide. Drastic budget reductions occurred in fiscal year 2010 and will continue for the next two (2) years.

These factors were considered in preparing the State Treasurer's budget for fiscal year 2011.

Contacting the State Treasurer's Financial Management

This financial report is designed to provide a general overview of the State Treasurer's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

James B. Lewis, State Treasurer
Office of the State Treasurer
P.O. Box 608
Santa Fe, New Mexico 87504-0608

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Statement of Net Assets

AS OF JUNE 30, 2010

	<u>Governmental Activities</u>
ASSETS:	
Investment in State General Fund Investment Pool	\$ 166,030
Repurchase agreements	225,217,199
Due from other agencies	46,838,071
Other receivables	461
Capital assets, net of accumulated depreciation:	
Equipment	<u>141,278</u>
TOTAL ASSETS	\$ <u>272,363,039</u>
LIABILITIES AND NET ASSETS:	
Accounts payable	\$ 58,764
Accrued payroll	113,305
Accrued payroll taxes	26,280
Due to State General Fund	111,857
Due to Severance Tax Permanent Fund	3,488,067
Compensated absences	<u>123,600</u>
TOTAL LIABILITIES	3,921,873
NET ASSETS:	
Invested in capital assets	141,278
Restricted for:	
Debt service	267,143,573
Debt service-arbitrage	1,294,849
Unrestricted	<u>(138,534)</u>
TOTAL NET ASSETS	<u>268,441,166</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>272,363,039</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Statement of Activities

YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenue	Net (Expenses) Revenue and Changes in Net Assets <u>Primary Government</u>
PRIMARY GOVERNMENT:			
GOVERNMENTAL ACTIVITIES:			
General government	\$ 8,254,718	6,024	(8,248,694)
Interest on debt service activity	47,857,237	-	(47,857,237)
Depreciation	<u>39,655</u>	-	<u>(39,655)</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>56,151,610</u>	<u>6,024</u>	(56,145,586)
GENERAL REVENUES:			
State property tax levy			58,318,809
UNRESTRICTED INVESTMENT EARNINGS			
BOND ACTIVITY:			
Bond proceeds			121,252,053
Bond principal payments			(487,327,165)
TRANSFER FROM (TO) STATE AGENCY:			
State general fund appropriations			4,084,300
Reversions to State General Fund FY10			(22,893)
Other state agencies			1,606,082
Interest			27,251,066
Severance taxes			<u>348,875,769</u>
TOTAL GENERAL REVENUES AND TRANSFERS			<u>74,038,021</u>
CHANGE IN NET ASSETS			17,892,435
NET ASSETS, BEGINNING			<u>250,548,731</u>
NET ASSETS, ENDING			\$ <u>268,441,166</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2010

	Major Funds				Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	Gaming Suspense Fund	
ASSETS:					
Investment in State General Fund					
Investment Pool	\$ 166,030	-	-	86,419	252,449
Repurchase agreements	-	45,828,250	179,302,530	-	225,130,780
Other receivables	461	-	-	-	461
Due from other agencies	-	-	46,838,071	-	46,838,071
Interest receivable	-	-	-	-	-
Prepaid expense	-	-	-	-	-
TOTAL ASSETS	\$ 166,491	45,828,250	226,140,601	86,419	272,221,761
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 16,402	-	42,362	-	58,764
Due to Severance Tax Permanent Fund	-	-	3,488,067	-	3,488,067
Due to other agencies	-	-	-	-	-
Due to State General Fund	25,438	-	-	86,419	111,857
Deferred revenue	-	-	-	-	-
Accrued payroll	113,305	-	-	-	113,305
Accrued payroll taxes	26,280	-	-	-	26,280
TOTAL LIABILITIES	181,425	-	3,530,429	86,419	3,798,273
FUND BALANCES:					
Reserved for:					
Debt service	-	44,533,401	222,610,172	-	267,143,573
Arbitrage	-	1,294,849	-	-	1,294,849
Unreserved, reported in general fund	(14,934)	-	-	-	(14,934)
Unreserved, reported in:					
Gaming Suspense Fund	-	-	-	-	-
TOTAL FUND BALANCES	(14,934)	45,828,250	222,610,172	-	268,423,488
TOTAL LIABILITIES AND FUND BALANCES	\$ 166,491	45,828,250	226,140,601	86,419	272,221,761

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Reconciliation of the Balance Sheet to the
Statement of Net Assets - Governmental Funds

AS OF JUNE 30, 2010

Total Fund Balance - Governmental Funds
(Governmental Fund Balance Sheet) \$ 268,423,488

Amounts reported for governmental activities in the Statement of
Net Assets 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 Assets. 141,278

Some liabilities (compensated absences) are not due and payable
in the current period and are not included in the fund financial
statement, but are included in the governmental activities
of the Statement of Net Assets. (123,600)

Net assets of governmental activities (Statement of Net Assets) \$ 268,441,166

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds

YEAR ENDED JUNE 30, 2010

	Major Funds				Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	Gaming Suspense Fund	
REVENUES:					
Federal funds	\$ 6,024	-	-	-	6,024
Other income	-	-	-	-	-
Interest income - debt service	-	5,622,749	21,628,317	-	27,251,066
Interest income - arbitrage	-	-	-	-	-
TOTAL REVENUES	6,024	5,622,749	21,628,317	-	27,257,090
EXPENDITURES:					
Current:					
Personnel services and employee benefits	3,147,095	-	-	-	3,147,095
Operating costs:					
Contractual services	208,134	-	-	-	208,134
Other administrative expenditures	685,332	-	-	-	685,332
Debt service:					
Principal and interest on long-term debt	-	75,276,567	184,312,339	-	259,588,906
Principal and interest on short-term debt	-	-	275,595,496	-	275,595,496
Arbitrage	-	-	-	-	-
Other charges	-	2,603,338	1,630,901	-	4,234,239
Capital outlay	29,256	-	-	-	29,256
TOTAL EXPENDITURES	4,069,817	77,879,905	461,538,736	-	543,488,458
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,063,793)	(72,257,156)	(439,910,419)	-	(516,231,368)
OTHER FINANCING SOURCES (USES):					
State general fund appropriations	4,043,300	-	-	-	4,043,300
Special appropriation	41,000	-	-	-	41,000
Reversions to State General Fund FY10	(22,893)	-	-	-	(22,893)
Severance taxes	-	-	348,875,769	-	348,875,769
State property tax levy	-	58,318,809	-	-	58,318,809
Bond proceeds	-	-	121,252,053	-	121,252,053
Other proceeds	-	-	-	-	-
Bond premiums (discounts)	-	-	-	-	-
Other	-	-	-	-	-
Capital projects, reversions in	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-
Miscellaneous other sources	-	-	-	-	-
Severance tax permanent fund, reversions out	-	-	-	-	-
Transfers in (out)	-	-	-	-	-
Transfer to (from) other state agency	-	65,998	1,540,084	-	1,606,082
TOTAL OTHER FINANCING SOURCES (USES)	4,061,407	58,384,807	471,667,906	-	534,114,120
NET CHANGE IN FUND BALANCES	(2,386)	(13,872,349)	31,757,487	-	17,882,752
FUND BALANCES, June 30, 2009	(12,548)	59,700,599	190,852,685	-	250,542,736
FUND BALANCES, June 30, 2010	\$ (14,934)	45,828,250	222,610,172	-	268,423,488

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, 2010

Net Change in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ 17,882,752

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.

This is the amount by which depreciation expense of \$39,655 exceeded
capital outlay expense of \$29,256 in the current period: (10,399)

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

Decrease in compensated absences 20,082

Change in net assets of governmental activities \$ 17,892,435

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (GAAP Basis)

YEAR ENDED JUNE 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (GAAP Basis)	Final Budget Positive (Negative)
REVENUES:				
State General Fund appropriation	\$ 4,212,100	4,043,300	4,043,300	-
Federal grants	4,000	4,000	6,024	2,024
Other	41,000	41,000	41,000	-
TOTAL REVENUES	\$ 4,257,100	4,088,300	4,090,324	2,024
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 3,190,600	3,151,800	3,147,095	4,705
Contractual services	366,900	215,900	208,134	7,766
Operating costs	699,600	720,600	714,588	6,012
TOTAL EXPENDITURES	4,257,100	4,088,300	4,069,817	18,483
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)	\$ -	-	20,507	20,507
RECONCILIATION TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE:				
UNBUDGETED REVERSIONS TO STATE GENERAL FUND			(22,893)	
NET CHANGE IN FUND BALANCES			\$ (2,386)	

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Statement of Fiduciary Net Assets

AS OF JUNE 30, 2010

	<u>Investment Trust Fund</u>
ASSETS:	
Cash and investments:	
Cash	\$ 407,666,044
Certificates of Deposit	54,300,000
Institutional Money Market	11,657,622
Commercial Paper	178,868,846
Asset Backed Securities	223,701,484
U.S. Government Securities	1,092,224,234
Corporate Bonds	711,613,534
Municipal Bonds	99,150,000
Repurchase agreements	<u>842,869,220</u>
Total cash and investments	3,622,050,984
Other assets	<u>8,496,632</u>
TOTAL ASSETS	\$ <u>3,630,547,616</u>
NET ASSETS HELD IN TRUST	\$ <u>3,630,547,616</u>
TOTAL LIABILITIES AND NET ASSETS HELD IN TRUST	\$ <u>3,630,547,616</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Statement of Changes in Fiduciary Net Assets

YEAR ENDED JUNE 30, 2010

	<u>Investment Trust Fund</u>
INVESTMENT INCOME	\$ 42,974,868
EXPENSES:	
Management fees	<u>(413,899)</u>
NET INVESTMENT INCOME	42,560,969
NET PROCEEDS OF DEPOSITS (WITHDRAWALS)	(402,782,186)
NET ASSETS, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2009	<u>3,990,768,833</u>
NET ASSETS, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2010	\$ <u>3,630,547,616</u>

NATURE OF ORGANIZATION

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

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

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

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

NATURE OF ORGANIZATION – continued

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

NATURE OF ORGANIZATION – 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. The proceeds from the issuance of these general obligation and severance tax bonds and the related debt are maintained in agency funds at the New Mexico Department of Finance and Administration (DFA) and are not part of this audit. Those funds are included in the DFA's financial statements. The debt service activity, including the ending balances for the general obligation and severance tax bonds and the amortization of bond premiums, discounts and issuance costs, is included in the Supplementary Information section of this report and the statewide Comprehensive Annual Financial Report (CAFR).

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

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

• **Oversight 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 report the corresponding debt. The debt is reported on the statement of the Board. The details of the debt are reported in the supplementary and additional information sections in this report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

• **Financial Reporting Entity**

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. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. 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 more significant of these accounting policies are described below.

In June 1999, the GASB unanimously approved GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This statement provides for the most significant change in financial reporting in over 20 years and is scheduled for a phased implementation based on size of government. The State Treasurer has implemented the provisions of GASB No. 34. As a part of this statement, there is a reporting requirement regarding the State Treasurer's infrastructure (road, bridges, etc.) The State Treasurer does not own any infrastructure assets and, therefore, is unaffected by this requirement.

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

• **Government-wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Government-wide and Fund Financial Statements - continued**

specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

• **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Federal grant revenue associated with the current fiscal period is all considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available when cash is received by the government.

The government reports the following major governmental funds:

The **General Fund (SHARE Fund 18200)** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is funded through the 2009 General Appropriation Act (Laws of 2009, Chapter 3, Section F) and is subject to reversion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

The government reports the following **Debt Service Funds**:

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

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

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

Additionally, the government reports the following **Fiduciary Funds**:

The Short-Term Investment Pool (SHARE Fund 68599) accounts for cash, securities and other investments identified and held in custody only for the Local Government Investment Pool (LGIP).

The Consolidated Investment Pool (SHARE Fund 10199) accounts for cash and short-term securities, such as overnight repurchase contracts, held in custody for State agencies.

The State Funds Investment Pool (SHARE Fund 10099) accounts for securities and other investments identified and held in custody only for State agencies.

The Reserve Contingency Fund (SHARE Fund 68510) accounts for securities and other investments held in custody for local governments.

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

The effect of interfund activity has been eliminated from the government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Deposits and Investments**

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

State statutes authorize the State Treasurer to invest in, subject to various restrictions, U.S. government obligations; U.S. government agency obligations; commercial paper; corporate bonds; asset backed obligations; 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**

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

• **Capital Assets**

Capital assets, which include equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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) and *AICPA Statement of Position 98-1*.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Capital Assets - continued**

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

<u>Assets</u>	<u>Years</u>
Office equipment	5
Computer equipment	5

• **Compensated Absences**

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

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

• **Long-term Obligations**

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

The State Treasurer reports the debt service activity of the State of New Mexico in its fund financial statements. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Since the State Treasurer reports the debt service activity in its fund financial statements, but does not report the related liabilities in the governmental activities, the State Treasurer reports the debt service

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Long-term Obligations - continued**

activity of the State Board of Finance issued debt in its government-wide financial statements under general revenues and program expenses as follows:

Bond Proceeds. To report the proceeds received from bonds issued by the State Board of Finance.

Bond Premiums. To report premiums on bonds issued by the State Board of Finance.

Bond Principal Payments. To report principal payments on long-term debt made by the State Treasurer on debt issued by the State Board of Finance.

Bond Appropriations Expense. To report bond proceeds transferred to the DFA State Board of Finance for the agencies to draw down as needed.

Debt Issuance Costs. Debt issuance costs are reported as other charges and included in program expenses.

• **Fiduciary Net Assets**

The combining statement of changes in fiduciary net assets reports the deposits and withdrawals made by the participants in the Investment Trust Funds. These amounts are reported as net, rather than gross, due to the volume of transactions completed during a fiscal period.

• **Fund Balance**

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

• **Estimates**

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

• **Net Assets**

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

Investments in capital assets is intended to reflect the portion of net assets which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is debt less the outstanding liquid assets and any associated unamortized cost.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

• Net Assets - continued

Restricted assets are liquid assets (generated from revenues and not bond proceeds) which have third-party (statutory or granting agency) limitation that is legally enforceable on their use. When there is an option, the State Treasurer spends restricted resources first. Net assets are restricted by the bond indenture for debt service. Restricted net assets total \$268,438,422

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

• Budgets and Budgetary Accounting

Per the General Appropriation Act, Laws of 2009, Chapter 28, Section 3, item N, “For the purpose of administering the General Appropriation Act of 2009 and approving operating budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration.” The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year’s budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control is at the appropriation unit level.

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

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued

• **Budgets and Budgetary Accounting – continued**

5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budgetary control is exercised at the category level of the State Treasurer as a whole and changes are approved by the DFA.
7. Formal budgetary integration is employed as a management control device during the year for the General Fund only. The debt service funds (General Obligation Bond Funds and Severance Tax Bonding Funds) are non-budgeted funds.
8. The General Appropriations Act of 2004 established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico beginning July 1, 2004. Accordingly, future budgets will be prepared using the modified accrual basis of accounting.
9. The State Treasurer's budget for the fiscal year ending June 30, 2010 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.

3. DEPOSITS AND INVESTMENTS

• **Fiscal Agent Bank**

The State Board of Finance and Bank of America in Albuquerque (Bank) entered into an agreement whereby the Bank would provide banking services as Fiscal Agent for the State of New Mexico through April 3, 2008, with the option to renew for two additional years at the option of the State Board of Finance, not to extend beyond April 12, 2010. As of May 1, 2010, the State Board of Finance entered into an agreement with Wells Fargo Bank in Albuquerque to provide banking services as Fiscal Agent for the State of New Mexico through May 1, 2012, with the option to renew for two additional years at the option of the State Board of Finance, not to extend beyond May 1, 2014.

• **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 through June 30, 2012, with the option to renew for two additional years at the option of the State Board of Finance.

3. DEPOSITS AND INVESTMENTS - continued

• **Investment Trust Fund**

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

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

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

The State Treasurer has implemented GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments*. This statement requires certain investments as defined in GASB Statement No. 31 to be valued at fair value. Fair value is based on quoted market prices as of the valuation date. The change in fair value is recognized as a component of investment income in the current year.

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

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from fifty percent (50%) to one hundred two percent (102%) of the par value of the investment dependent upon the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50 percent (50%) of the average investment balance.

At June 30, 2010, collateral pledged to public money deposits was as follows:

	Fiscal Agent Account	Certificates of Deposit
Cash in bank (bank balance)	\$ 142,827,830	54,300,000
Less FDIC insurance coverage	500,000	1,843,860
Total unsecured public funds	\$ <u>142,327,830</u>	<u>52,456,140</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• Investment Trust Fund – continued

	Fiscal Agent Account	Certificates of Deposit
Collateral requirement (50%-102% of uninsured public funds)	\$ 115,144,372	33,753,711
Collateral pledged:		
US Government securities	189,671,751	41,963,566
Surety Bond	-	2,000,000
Over collateralized	\$ <u>(74,527,379)</u>	<u>(10,209,855)</u>
See Schedule 10 for reconciliation.		

As part of the Temporary Liquidity Guarantee Program, the FDIC instituted the “Transaction Account Guarantee Program,” which, if a bank chooses to participate, insures all transaction deposit accounts paying no more than 0.50% interest. Bank of America, where the State Treasurer has its fiscal agent account, was participating in the program on June 30, 2010 and elected to have that account covered under the program. As a result, the entire fiscal agent account balance was covered by FDIC insurance at June 30, 2010.

• Brokered Transactions

The State Treasurer initiated electronic purchase trades with the following brokers during the year ended June 30, 2010:

Broker Name	Number of Transactions
CS First Boston	12
Citigroup	3
First Tennessee	1
Morgan Stanley	10
Bank of America	23
Goldman Sachs	9
JP Morgan Chase	2
Cantor Fitzgerald	4
Barclays	8
Bear Stearns	3
UBS	1
Greenwich Capital	5
BNP Paribas	14
Jeffries	10

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS – continued

- **Brokered Transactions - continued**

Broker Name	Number of Transactions
HSBC	14
DB Alex Brown	9
Nomura	10
Deutsche	2

- **Investment Balances**

The fair value of investments administered by the State Treasurer at June 30, 2010 follows:

	Amortized Cost	Carrying Amount Fair Value
Cash in Banks	\$ 407,666,044	407,918,493
Certificates of Deposit	54,300,000	54,300,000
Institutional Money Market	15,638,158	11,657,622
Commercial Paper	178,780,313	178,868,846
Mortgage-Backed Securities	221,997,546	223,701,484
U.S. Government Securities	1,087,270,384	1,092,224,234
Corporate Bonds	701,886,660	711,613,534
Municipal Bonds	99,150,000	99,150,000
Overnight Repurchase Agreements	1,068,000,000	1,068,000,000
	\$ 3,834,689,105	3,847,434,213

The fair value includes repurchase agreements of \$225,130,780 of debt service funds reported in the Statement of Net Assets – Governmental Activities and Governmental Funds Activity for general obligation funds and severance tax bond funds. The remaining \$842,869,220 of repurchase agreements represents the investment portion of the investment trust fund reported in the Statement of Fiduciary Net Assets. In addition, it includes \$252,449 of cash in the governmental activities.

- **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.

3. DEPOSITS AND INVESTMENTS – continued

• **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, severance tax bonds, and supplemental severance tax bonds. The fund's objective is to preserve capital, provide liquidity, and generate returns relative to the true interest cost of all State of New Mexico debt outstanding and in accordance with the Investment Policy of the Office of the State Treasurer.

• **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. 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.

• **Local Government Investment Pool**

Cities, counties, and other non-state agencies invest monies in the State Treasurer external investment pool (Local Government Investment Pool). The investments are recorded at fair value based on quoted market prices as of the valuation date in the financial statements; however, the individual participant balances remain at their carrying cost. At June 30, 2010, the Local Government Investment Pool carrying cost approximated the fair value.

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.

• **Reserve Contingency Fund**

The Reserve Contingency Fund was created to hold what was formerly a Local Government Investment Pool (LGIP) investment in the Primary Fund (The Fund), a money market mutual fund established and managed by The Reserve Fund. On September 16, 2008, The Fund wrote down the value of its debt securities issued by Lehman Brothers Holdings, Inc., to zero, driving the net asset value of the fund below \$1.00 to \$0.97. At that date, the LGIP had \$381.7 million invested in The Fund, roughly 23% of the LGIP's total assets. On September 29, 2008, The Fund announced that it intended to liquidate its assets and distribute the proceeds on a pro rata basis to investors.

3. **DEPOSITS AND INVESTMENTS – continued**

• **Reserve Contingency Fund - continued**

In order to preserve the “AAAm” rating assigned by Standard & Poor’s to the LGIP, the State Treasurer’s Office effected an agreement on behalf of the LGIP and the state’s General Fund CORE portfolio on September 22, 2008. The Agreement provided for the General Fund to purchase all \$381.7 million shares of The Fund held by the LGIP at the par value of \$1.00 per share. The LGIP granted the General Fund a “put” option for those shares at par, plus interest at a stated rate.

On February 27, 2009, the State Treasurer’s Office informed LGIP participants that it intended to segregate each participant’s remaining balance attributable to LGIP holdings in The Fund into a separate fund created by the State Treasurer’s Office, the Reserve Contingency Fund. Balances transferred to the Reserve Contingency Fund would be based on each participant’s share of the LGIP as of September 15, 2008. Any future distributions from The Fund would flow into the Reserve Contingency Fund and be distributed to LGIP participants on a pro rata basis.

Based on analysis of The Fund’s schedule of investments as of June 30, 2010, and on review of an order issued by the U.S. District Court, it was determined that approximately 74.55% of the value of the LGIP’s investment in The Fund as of June 30, 2010 would ultimately be recoverable. The U.S. District Court order established an “Expense Fund,” which is not to be distributed unless ordered by the Court, and which will be used to satisfy anticipated costs and expenses of The Fund, including legal and accounting fees, claims for management fees and expenses, claims for indemnification, and potential claims by shareholders. At June 30, 2010, the “Expense Fund” represented approximately 25.45% of the total remaining fund assets. Management does not expect to be able to recover the portion of its investment in The Fund that was segregated into the Court established “Expense Fund.” For purposes of valuing the LGIP’s investment in The Fund at June 30, 2010, this amount was deemed to be unrecoverable, yielding the net realizable value of 74.55% as shown above. Since the investment in The Fund was being carried at 100% of face value (\$1.00 per share), the fair market value was adjusted downward by approximately 25.45% as reflected on Schedule 7 of the Supplementary Information section of this report.

At June 30, 2010, investments in The Reserve Primary Fund were also held in the General Fund Investment Pool and in both the Taxable and Tax-Exempt Bond Proceeds Investment Pools. Those investments’ fair market values were also marked down by 25.45% as reflected on Schedule 7 of the Supplementary Information section of this report.

• **Investment Guidelines and Limitations**

The investment policy is a comprehensive guide governing the investment functions of the New Mexico State Treasurer with respect to all financial assets of the State of New Mexico invested by the State Treasurer in the exercise of his authority and for which the State Treasurer acts as the investing authority. These assets include, as examples only, the State General Fund, the Local Government

3. **DEPOSITS AND INVESTMENTS – continued**

• **Investment Guidelines and Limitations - continued**

Investment Pool, bond proceeds, bond debt service funds, and those pension and permanent funds and other special funds with respect to which the State Treasurer is the investing authority.

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

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

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

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

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

3. **DEPOSITS AND INVESTMENTS – continued**

• **Investment Guidelines and Limitations - continued**

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

• **Investments Permitted by Policy**

1. U.S. Government Obligations – Securities backed by the full faith and credit of the U.S. government including direct obligations of the U.S. Treasury and obligations of U.S. Government agencies and instrumentalities which are guaranteed by the U.S. Treasury. Investments shall be limited to a maximum maturity of five (5) years at time of purchase, except securities for any advance refunding escrow which may be invested in securities with a maturity of more than five (5) years. These securities may be either fixed rate or variable rate.
 2. 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 mortgaged obligations, and debentures issued by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. Also included are direct obligations of the Federal Farm Credit Bank and the Federal Home Loan Bank. These obligations shall consist of discount notes, notes and debentures with either fixed or LIBOR-based floating rate coupons. Investments in U.S. government agency obligations shall be limited to a maximum maturity of five (5) years at time of purchase.
 3. Commercial Paper – Unsecured obligations with a maturity up to 270 days at time of purchase issued by corporations organized and operating within the United States. The commercial paper shall have investment grade ratings and shall not be split-rated. If the rating declines below investment grade, the State Treasurer's Investment Committee (STIC) will meet to evaluate a course of action.
 4. Corporate Bonds – Debt instruments issued by a corporation organized and operating in the United States with a maturity not exceeding five (5) years at time of purchase. Corporate bonds with maturities up to three (3) years shall be rated A1 or better at the time of purchase. Corporate bonds with maturities between three (3) and five (5) years shall be rated AA or better. If the rating declines below investment grade, then the STIC will meet to evaluate a course of action.
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3. DEPOSITS AND INVESTMENTS – continued

• Investments Permitted by Policy – continued

5. Asset-Backed Obligations – Debt instruments which are backed by defined cash flows or receivables with a final maturity not exceeding five (5) years at time of purchase and rated AAA, or its equivalent, by all national rating agencies that rate the security. If the rating declines below AAA, or its equivalent, then the STIC will meet to evaluate a course of action.
6. 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.
7. 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.
8. 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, indexing and concentration restrictions.
9. Tax Exempt Securities – Pursuant to 6-14-10.1, the State Treasurer or designee may also invest in tax exempt securities that at time of purchase are investment grade and have a final maturity of up to three (3) years. If the rating declines below investment grade, then the STIC will meet to evaluate a course of action.

3. DEPOSITS AND INVESTMENTS – continued

• **Investments Permitted by Policy – continued**

10. 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.
11. 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.
12. 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
7. Range notes and index amortizing notes
8. Reverse repurchase agreements
9. Short sales

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS – continued

• **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 State Treasurer and are held by either the counterparty of the counterparty's trust department of agent but not in State Treasurer's name.

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

All investment and collateral securities were held by the State Treasurer or its Custodian in the name of the State Treasurer. As of June 30, 2010, \$56,105,589 of the State Treasurer's bank balances of \$668,144,894 was 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, 2010 for the general fund investment pool are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA:		
U.S. Treasuries	\$ 101,343,753	7.71%
U.S. Government Agency	108,517,537	8.26%
Corporate Bonds	51,828,050	3.95%
AA:		
Corporate Bonds	23,199,550	1.77%

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS – continued

• Credit Risk - continued

Quality Rating	Fair Value	Percentage of Portfolio
A+:		
Corporate Bonds	\$ 15,433,350	1.17%
A:		
Municipal Bonds	4,210,000	0.32%
Corporate Bonds	50,124,559	3.82%
B:		
Corporate Bonds	4,975,000	0.38%
Not rated and other:		
Overnight Repurchase Pool	714,717,324	54.41%
Institutional Money Markets	4,579,957	0.35%
Mortgage-Backed Securities	53,087,572	4.04%
Certificates of Deposit	52,300,000	3.98%
Cash in Bank	301,126	0.02%
Municipal Bonds	94,940,000	7.23%
Commercial Paper	34,097,674	2.60%
Grand Total	\$ 1,313,655,452	100.00%

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2010, for the local government investment pool are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA:		
U.S. Treasuries	\$ 269,981,579	34.70%
U.S. Government Agency	64,992,500	8.35%
Not rated and other:		
Cash in Bank	407,617,367	52.39%
Commercial Paper	35,498,450	4.56%
Grand Total	\$ 778,089,896	100.00%

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS – continued

• Credit Risk - continued

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2010, for the bond proceeds investment pools are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA:		
U.S. Treasuries	\$ 354,521,941	20.24%
U.S. Government Agency	192,866,924	11.01%
Corporate Bonds	529,865,275	30.25%
AA+:		
Corporate Bonds	10,176,100	0.58%
AA:		
Corporate Bonds	10,036,000	0.57%
A:		
Corporate Bonds	15,975,650	0.91%
Not rated and other:		
Overnight Repurchase Pool	353,282,676	20.17%
Institutional Money Markets	3,180,938	0.18%
Certificates of Deposit	2,000,000	0.11%
Mortgage-Backed Securities	170,613,912	9.74%
Commercial Paper	109,272,722	6.24%
Grand Total	\$ 1,751,792,138	100.00%

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2010, for the Reserve Contingency Fund are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
Not rated and other:		
Institutional Money Markets	\$ 3,896,727	100.00%
Grand Total	\$ 3,896,727	100.00%

3. DEPOSITS AND INVESTMENTS - 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 from the State General Fund. 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 \$350 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 twenty-five percent (25%) 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.

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• Concentration of Credit Risk – continued

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

Issuer	Fair Value	Percentage of Portfolio
US Government Agency Obligations:		
US Treasuries	\$ 101,343,753	7.71%
FFCB	24,683,660	1.88%
FHLB	72,570,857	5.52%
FHLMC	10,180,000	0.77%
FNMA	1,083,020	0.08%
Municipal Bonds:		
City of Albuquerque	29,150,000	2.22%
New Mexico Educational Assistance Foundation	70,000,000	5.33%
Corporate Bonds:		
Abbott Laboratories	10,951,300	0.83%
AIG	4,975,000	0.38%
Banc One Corp	7,129,089	0.54%
Credit Suisse	10,401,000	0.79%
First Mass	5,032,350	0.38%
Genworth Global	10,422,500	0.79%
Goldman Sachs	10,260,000	0.78%
HSBC	37,548,310	2.86%
Morgan Stanley	36,592,710	2.79%
Northern Illinois Gas	7,132,750	0.54%
Wal Mart	5,115,500	0.39%
Mortgage-Backed Securities		
FHLMC	53,087,572	4.04%
Commercial Paper:		
Straight A Funding	34,097,674	2.60%
Overnight Repurchase Pool	714,717,324	54.41%
Certificates of Deposit	52,300,000	3.98%

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• Concentration of Credit Risk – continued

Issuer	Fair Value	Percentage of Portfolio
Cash in Bank	\$ 301,126	0.02%
Institutional Money Markets:		
The Reserve – Primary Fund	4,579,957	0.35%
Grand Total	\$ 1,313,655,452	100.00%

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

Issuer	Fair Value	Percentage of Portfolio
US Government Agency Obligations:		
US Treasuries	269,981,579	34.70%
FHLB	\$ 64,992,500	8.35%
Commercial Paper:		
Straight A Funding	35,498,450	4.56%
Cash in Bank	407,617,367	52.39%
Grand Total	\$ 778,089,896	100.00%

The following lists investments held in the bond proceeds fund investment pools with a single issuer as a percentage of total:

Issuer	Fair Value	Percentage of Portfolio
US Government Agency Obligations:		
US Treasuries	\$ 354,521,941	20.24%
FFCB	11,696,021	0.67%
FHLB	160,733,001	9.18%
FHLMC	17,855,910	1.02%
FNMA	2,581,992	0.15%

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• Concentration of Credit Risk – continued

Issuer	Fair Value	Percentage of Portfolio
Corporate Bonds:		
Bank of America	\$ 76,882,250	4.39%
Citigroup	76,676,125	4.38%
General Electric	10,176,100	0.58%
Goldman Sachs	65,910,050	3.76%
HSBC	77,728,650	4.44%
JP Morgan Chase	45,923,875	2.62%
Morgan Stanley	131,301,325	7.50%
US Central FCU	35,550,350	2.03%
Western Corporate FCU	10,171,300	0.58%
Wal-Mart	10,036,000	0.57%
Wells Fargo	25,697,000	1.47%
Commercial Paper:		
Straight A Funding	109,272,722	6.24%
Mortgage-backed Securities:		
FHLMC	170,613,912	9.74%
Overnight Repurchase Pool	353,282,676	20.17%
Certificates of Deposit	2,000,000	0.11%
Institutional Money Markets:		
The Reserve – Primary Fund	3,180,938	0.18%
Grand Total	\$ 1,751,792,138	100.00%

3. DEPOSITS AND INVESTMENTS - continued

- Concentration of Credit Risk – continued

The following lists investments held in the Reserve Contingency Fund investment pools with a single issuer as a percentage of total:

Issuer	Fair Value	Percentage of Portfolio
Institutional Money Markets:		
The Reserve – Primary Fund	\$ 3,896,727	100.00%
Grand Total	\$ 3,896,727	100.00%

- 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.
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.

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Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• Interest Rate Risk – continued

Maturities on investments in the general fund investment pool are as follows:

Quality Rating	Fair Value	Maturities	
		Less Than 1 Year	1 – 5 Years
AAA:			
U.S. Treasuries	\$ 101,343,753	-	101,343,753
U.S. Government Agency	108,517,537	29,456,810	79,060,727
Corporate Bonds	51,828,050	-	51,828,050
AA:			
Corporate Bonds	23,199,550	12,248,250	10,951,300
A+:			
Corporate Bonds	15,433,350	5,032,350	10,401,000
A:			
Municipal Bonds	4,210,000	4,210,000	-
Corporate Bonds	50,124,559	29,027,849	21,096,710
B:			
Corporate Bonds	4,975,000	4,975,000	-
Not rated and other:			
Overnight Repurchase Pool	714,717,324	714,717,324	-
Institutional Money Markets	4,579,957	4,579,957	-
Mortgage-Backed Securities	53,087,572	-	53,087,572
Certificates of Deposit	52,300,000	52,300,000	-
Cash in Bank	301,126	301,126	-
Municipal Bonds	94,940,000	94,940,000	-
Commercial Paper	34,097,674	34,097,674	-
Grand Total	\$ 1,313,655,452	985,886,340	327,769,112

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Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• Interest Rate Risk – continued

Maturities on investments in the local government investment pool are as follows:

Quality Rating	Fair Value	Maturities	
		Less Than 1 Year	1 – 5 Years
AAA:			
U.S. Treasuries	\$ 269,981,579	269,981,579	-
U.S. Government Agency	64,992,500	64,992,500	-
Not rated and other:			
Commercial Paper	35,498,450	35,498,450	-
Cash in Bank	407,617,367	407,617,367	-
Grand Total	\$ 778,089,896	778,089,896	-

Maturities on investments in the bond proceeds investment pools are as follows:

Quality Rating	Fair Value	Maturities	
		Less Than 1 Year	1 – 5 Years
AAA:			
U.S. Treasuries	\$ 354,521,941	354,521,941	-
U.S. Government Agency	192,866,924	114,689,463	78,177,461
Corporate Bonds	529,865,275	45,157,000	484,708,275
AA+:			
Corporate Bonds	10,176,100	10,176,100	-
AA:			
Corporate Bonds	10,036,000	10,036,000	-
A:			
Corporate Bonds	15,975,650	-	15,975,650

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

- Interest Rate Risk – continued

Quality Rating	Fair Value	Maturities	
		Less Than 1 Year	1 – 5 Years
Not rated and other:			
Overnight Repurchase Pool	\$ 353,282,676	353,282,676	-
Institutional Money Markets	3,180,938	3,180,938	-
Asset-Backed Securities	2,000,000	2,000,000	-
Commercial Paper	170,613,912	-	170,613,912
Corporate Bonds	109,272,722	109,272,722	-
Grand Total	\$ 1,751,792,138	1,002,316,840	749,475,298

The Reserve Contingency Fund's investment in The Reserve Primary Fund has been frozen for redemptions. Currently, as the underlying holdings of The Reserve Primary Fund are maturing, they are refunding investors' money.

- 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, 2010 were denominated in United States Dollars.

- Securities Collateralizing Repurchase Agreements

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

1. The market value of the collateral including accrued interest must be equal to one hundred two percent (102%) of the amount of cash transferred by the State Treasurer to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the market value of securities held as collateral slips below one hundred two percent (102%) of the value of the cash transferred plus accrued interest, then additional cash and/or acceptable securities must be delivered to the third party custodian sufficient to cure any deficiency; and

**STATE OF NEW MEXICO
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Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

2. For repurchase agreements with terms to maturity of greater than one (1) day, the State will value the collateral securities continuously and require that, if additional collateral is required, then that collateral must be delivered within one business day. If a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated; and
3. The collateral on all repurchase agreements will have a maturity date that exceeds the term of the repurchase agreement. If the duration of the collateral is longer than ten (10) years than the term of the repurchase agreement, then the collateral margin must be 103% to compensate for market risk.

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

Quality Rating	Fair Value	Percentage of Portfolio
AAA:		
US Government Agency Obligations	\$ 1,089,375,191	100.00%
US Treasury Notes	-	-
Grand Total	\$ 1,089,375,191	100.00%

Maturities on collateral are as follows:

Quality Rating	Fair Value	Maturities				
		Less Than 1 Year	1-5 Years	6-10 Years	11-20 Years	Over 20 Years
AAA:						
US Government Mortgage Backed Securities	\$ 1,089,375,191	-	-	277,627,433	183,061,023	628,686,735
US Treasury Notes	-	-	-	-	-	-
Grand Total	\$ 1,089,375,191	-	-	277,627,433	183,061,023	628,686,735

Schedule 10 discloses collateral pledged for repurchase agreements.

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental activities:				
Depreciable assets:				
Equipment	\$ <u>397,676</u>	<u>29,256</u>	<u>83,726</u>	<u>343,206</u>
Total capital assets:	397,676	29,256	83,726	343,206
Less accumulated depreciation:				
Equipment	<u>245,999</u>	<u>39,655</u>	<u>83,726</u>	<u>201,928</u>
Total	\$ <u>151,677</u>	<u>(10,399)</u>	<u> -</u>	<u>141,278</u>

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

Governmental activities:	
General government	\$ <u> 39,655</u>

5. LONG-TERM OBLIGATIONS

• **Compensated Absences**

As in prior years, the general fund is used to liquidate compensated absences. Following are the changes in compensated absences for the year ended June 30, 2010:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Compensated absences: \$	<u>143,682</u>	<u>124,287</u>	<u>144,369</u>	<u>123,600</u>	<u>123,600</u>

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

6. **CONDENSED FINANCIAL STATEMENTS**

Condensed financial statements of the Investment Trust Fund, inclusive of external and internal participants for the fiscal year ended June 30, 2010, are as follows:

ASSETS:

Investments	\$ 3,622,050,984
Interest receivable	<u>8,496,632</u>

TOTAL ASSETS \$ 3,630,547,616

LIABILITY:

Other liabilities	\$ -
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NET ASSETS:

External Participant account balances	782,156,208
Other Internal Participant account balances:	
Primary government	<u>2,848,391,408</u>

TOTAL LIABILITIES AND NET ASSETS \$ 3,630,547,616

INVESTMENT INCOME

At June 30, 2010, the State Treasurer's investment income earnings were as follows:

Local Governmental Investment Pool	\$ 1,849,346
Consolidated Investment Pool	23,203,479
State Funds Investment Pool	17,922,043
Reserve Contingency Fund	<u>-</u>
	\$ <u>42,974,868</u>

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

7. APPROPRIATIONS

The State Treasurer received the following appropriations for the year ended June 30, 2010:

<u>General Fund</u>	
General appropriation (General Appropriation Act)	\$ 4,043,300
Other state funds (Special Appropriation)	<u>41,000</u>
Total appropriations	\$ <u>4,084,300</u>

8. 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 the financial statements.

9. DUE TO SEVERANCE TAX PERMANENT FUND AND REVERSIONS

The State Treasurer is required by statute (Section 7-27-8 NMSA 1978, 1986 Repl.) to transfer to the Severance Tax Permanent Fund, all monies in the Severance Tax Bonding Fund, except the amount necessary to meet principal and interest payments on bonds payable of the next two ensuing semi-annual payment dates. The Severance Tax Bonding Fund that was due and payable to the Severance Tax Permanent Fund for the fiscal year ended June 30, 2010 was \$3,488,067.

10. ARBITRAGE ON TAX EXEMPT BONDS

Prior to the Tax Reform Act (TRA) of 1986, State and local governments had up to three years to use the proceeds from tax exempt bonds issued by them before arbitrage on such proceeds had to be paid to the Treasury Department. Arbitrage, as defined, is the excess interest earned by a State or local government on proceeds from the sale of its bonds over interest paid to bond holders.

TRA 1986 required rebate of such arbitrage to the Treasury Department on governmental bonds issued after August 31, 1986, and on private activity bonds issued after December 31, 1984, when the proceeds were held for six months or longer. These rebates must be calculated annually and paid at the end of every fifth year until the bonds are retired.

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

10. **ARBITRAGE ON TAX EXEMPT BONDS - continued**

The Revenue Reconciliation Act of 1989 amended the six-month rule. For bonds issued after December 19, 1989, the rebate requirement does not apply if: 1) all of the gross proceeds of the issue, other than the reserve fund, are spent within the six-month period following the date of issue, and 2) the rebate requirement is satisfied for the reserve fund after the six month period. The term gross proceeds for purposes of the rule include both the sale proceeds received from the bond purchase on the issue date and investment earnings on such proceeds during the six-month period. Gross proceeds deposited in a reserve fund or bona fide debt service fund, however, are not subject to the expenditure requirement.

The following is a schedule of bond issues, along with the bond year ends and arbitrage rebate due dates. The State Treasurer's Office has had the first arbitrage computation for the bonds, completed as indicated:

	First Computation Date	First Payment Due to IRS	First Computation of Arbitrage Completed
General Obligation Capital Projects Bonds Series 1999	9/1/2004	10/1/2004	X
General Obligation Bonds Series 2001	3/21/2006	5/20/2006	X
General Obligation Bonds Refunding Series 2001A	9/1/2004	10/31/2004	X
General Obligation Bonds Refunding Series 2001B	9/1/2006	10/31/2006	X
General Obligation Bonds Series 2003	3/18/2008	5/17/2008	X
General Obligation Bonds Refunding Series 2003B	4/16/2008	6/15/2008	X
General Obligation Bonds Series 2005	3/1/2010	4/30/2010	X
General Obligation Bonds Series 2007	3/1/2012	4/30/2012	
General Obligation Bonds Series 2008A	3/1/2013	4/30/2013	
General Obligation Bonds Series 2009	5/25/2010	7/27/2014	
Severance Tax Bonds Series 1993B	7/1/1998	8/31/1998	X
Severance Tax Bonds Series 1994B	7/1/1999	8/31/1999	X
Severance Tax Bonds Series 1995A	7/1/2000	8/31/2000	X
Severance Tax Bonds Series 1995B	7/1/2000	8/31/2000	X
Severance Tax Bonds Series 1996A	12/20/2001	2/20/2002	X
Severance Tax Refunding Bonds Series 1997A	7/1/2001	8/31/2002	X
Severance Tax Refunding Bonds Series 1998A	7/1/2003	8/31/2003	X
Severance Tax Bonds Series 1999B	7/1/2004	8/31/2004	X
Severance Tax Bonds Series 1999A Supplemental	11/17/2004	1/17/2005	X

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Notes to Financial Statements - continued

10. ARBITRAGE ON TAX EXEMPT BONDS - continued

	Bond Year-End of First Rebate Computation	First Arbitrage Rebate Due Date	First Computation of Arbitrage Completed
Severance Tax Bonds Series 2000	7/1/2005	8/31/2005	X
Severance Tax Bonds 2000C Supplemental	11/16/2005	1/16/2006	X
Severance Tax Bonds Refunding Series 2001A	12/20/2006	2/20/2007	X
Severance Tax Bonds Series 2002A Supplemental	1/16/2007	3/16/2007	X
Severance Tax Bonds Series 2002A	6/19/2007	8/18/2007	X
Severance Tax Bonds Series 2002B Supplemental	11/14/2007	1/13/2008	X
Severance Tax Bonds Series 2003A	6/27/2008	8/26/2008	X
Severance Tax Bonds Series 2003B Supplemental	10/14/2008	12/13/2008	X
Severance Tax Bonds Series 2004A	6/15/2009	8/14/2009	X
Severance Tax Bonds Series 2004B Supplemental	11/17/2009	1/16/2010	X
Severance Tax Bonds Series 2005A	6/15/2010	8/14/2010	X
Severance Tax Bonds Series 2005B-1 Refunding	6/15/2010	8/14/2010	X
Severance Tax Bonds Series 2005B-2 Supplemental and Refunding	6/15/2010	8/14/2010	X
Severance Tax Bonds Series 2006A	6/20/2011	8/16/2011	
Severance Tax Bonds Series 2007A	6/28/2012	8/27/2012	
Severance Tax Bonds Series 2008A-1	6/25/2013	8/24/2013	
Severance Tax Bonds Series 2008A-2	6/25/2013	8/24/2013	
Severance Tax Bonds Series 2009A	7/30/2014	9/28/2014	
Severance Tax Bonds Series 2010A Supplemental	3/24/2015	5/23/2015	
Severance Tax Bonds Series 2010B Supplemental	3/24/2015	5/23/2015	
Severance Tax Bonds Series 2010C Refunding	6/30/2015	8/29/2015	
Enhanced 911 Revenue Bonds Series 2000	9/12/2005	11/11/2005	X

Interest earnings on invested bond proceeds through June 30, 2010 did not exceed the interest costs of the bonds. Such amounts would have been included as a reservation of fund balance in the accompanying financial statements. Amounts due the Internal Revenue Service which are known and measurable are recorded as a liability - accrued arbitrage interest payable in the accompanying financial statements.

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

11. TRANSFERS

Interfund Transfers

Interfund transfers are completed to move revenue from Fund 41000, Severance Tax Bonding Fund, to the specific Debt Service funds per bond resolutions.

Debt Service:

Severance Tax Bonds:

SHARE Fund	Transfer From	Amount	SHARE Fund	Transfer To	Amount
41000	Severance Tax Bonding Fund	\$ <u>108,374,466</u>	10750	STB – 2006A Debt Service	\$ 28,953,386
			10950	STB – 2010A Debt Service	1,260,000
			10960	STB – 2010B Debt Service	1,318,000
			18300	STB – 2004B Debt Service	1,239,000
			38800	STB – 2005B1 Debt Service	8,120,000
			41100	STB – 2004B Rebate	22,502
			41200	STB – 2005A Debt Service	9,789,139
			42700	STB – 2004A Rebate	229,949
			48400	STB – 2003B Debt Service	1,214,000
			53700	STB – 2007A Debt Service	14,029,000
			57100	STB – 2005B2 Debt Service	7,601,000
			72010	STB – 2008A1 Debt Service	13,256,000
			72070	SSTB Ref – 2008A2 Debt Service	5,413,500
			96300	STB – 2006A Debt Service	<u>15,928,990</u>
	Total	\$ <u>108,374,466</u>	Total		\$ <u>108,374,466</u>

General Obligation Bonds:

SHARE Fund	Transfer From	Amount	SHARE Fund	Transfer To	Amount
41800	GO 2003B Refunding	\$ 16,000,000	10630	GO 2009 Debt Service	\$ 5,000,000
03100	GO 2003 Debt Service	280,992	41300	GO 2003 Rebate	280,992
03200	GO 2005 Debt Service	<u>2,004,528</u>	42600	GO 2005 Rebate	2,004,528
			73010	GO 2008 Debt Service	<u>11,000,000</u>
	Total	\$ <u>18,285,520</u>	Total		\$ <u>18,285,520</u>

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Notes to Financial Statements - continued

11. TRANSFERS - continued

Interagency Transfers

Debt Service:

Severance Tax Bonds:

Transfers In From Other State Agencies

Transfers from (purpose)	Fund No.	Amount	Transfers to (purpose)	Fund No.	Amount
Board of Finance	34101	\$ <u>5,124,545</u>	Severance Tax Bonding Fund	41000	\$ <u>5,124,545</u>
Total – Severance Tax Bond Funds		\$ <u>5,124,545</u>			\$ <u>5,124,545</u>

Transfers Out To Other State Agencies

Transfers from (purpose)	Fund No.	Amount	Transfers to (purpose)	Fund No.	Amount
Severance Tax Bonding Fund	41000	\$ <u>3,584,461</u>	Board of Finance	34100	\$ <u>3,584,461</u>
Total – Severance Tax Bond Funds		\$ <u>3,584,461</u>			\$ <u>3,584,461</u>

General Obligation Bonds:

Transfers In From Other State Agencies

Transfers from (purpose)	Fund No.	Amount	Transfers to (purpose)	Fund No.	Amount
Board of Finance	34101	\$ <u>65,998</u>	General Obligation 2005 Debt Service	03200	\$ 65,888
			General Obligation 2007 Debt Service	28800	<u>110</u>
Total – General Obligation Bond Funds		\$ <u>65,998</u>			\$ <u>65,998</u>

12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

• **Plan Description**

Substantially all of the State Treasurer's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. 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 15.09% of the gross covered salary. The contribution requirements of plan members and the State Treasurer's Office are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The State Treasurer's contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$329,143, \$376,046 and \$370,046, respectively, which equal the amount of the required contributions for each fiscal year.

13. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

• **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). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

13. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN - continued

• **Plan Description - continued**

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

• **Funding Policy**

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan, the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The State Treasurer's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$28,268, \$29,467 and \$29,002, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Notes to Financial Statements - continued

14. 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, 2009 to June 30, 2010. The limit of coverage is \$5,000,000, with \$1,000 deductible per occurrence. All State Treasurer employees are covered by this bond.

15. REVERSION TO THE STATE GENERAL FUND

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

The amount expected to revert to the State General Fund as of June 30, 2010 is \$111,857.

Amounts reverted to the State General Fund during 2010 were as follows:

		<u>Appropriation</u>	<u>Reversion</u>
Reversion to State General Fund fiscal year 2010	\$	4,043,300	22,893
Subtotal - Reversion to State General Fund	\$	<u>4,043,300</u>	22,893
Gaming Suspense Fund			86,419
Due to State General Fund prior years (federal grant money not used)			<u>2,545</u>
Total due to State General Fund			\$ <u>111,857</u>

16. SHORT-TERM DEBT

• **Taxation and Revenue Anticipation Notes**

The State Board of Finance issues six month, fixed-rate tax and revenue anticipation notes to provide short-term cash to carry on the State of New Mexico operations until tax revenues are received in June. Repayment of the notes comes from tax payments received in the year.

There was no short-term taxation and revenue anticipation debt activity for the year ended June 30, 2010.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Notes to Financial Statements - continued

16. SHORT-TERM DEBT - continued

• **Sponge Bonds**

The State Board of Finance issues one to three day sponge bonds. Sponge bonds were purchased on the dates specified below. Bond proceeds are recorded by the State Board of Finance. Principal and interest payments were made from the Severance Tax Bonding Fund (SHARE Fund 41000) are as follows:

	<u>Purchased</u>	<u>Matured</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
Sponge Bond - Note	07/30/09	01/01/10	\$ 31,903,307	101,027	32,004,334
Sponge Bond - Senior Note	12/30/09	12/31/09	59,588,858	348	59,589,206
Sponge Bond - Senior Note	06/29/10	06/30/10	87,000,000	925	87,000,925
Sponge Bond - Supplemental Note	06/29/10	06/30/10	<u>97,000,000</u>	<u>1,031</u>	<u>97,001,031</u>
Total			\$ <u>275,492,165</u>	<u>103,331</u>	<u>275,595,496</u>

Short-term debt activity for the year ended June 30, 2010 was as follows:

	<u>Balance July 1, 2009</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Issuance Costs</u>	<u>Balance June 30, 2010</u>
Sponge Bonds	\$ <u>-</u>	<u>275,595,496</u>	<u>275,595,496</u>	<u>-</u>	<u>-</u>

17. BOND ISSUANCE ACTIVITY

During fiscal year 2010, there were three new bond issues as noted below:

- \$218,450,000 Capital Projects and Refunding Severance Tax Bonds Series 2009A
- \$132,265,000 Capital Projects Severance Tax Bonds Series 2010A
- \$100,000,000 Capital Projects Severance Tax Bonds Series 2010B
- \$ 43,780,000 Refunding Severance Tax Bonds Series 2010C

Total activity related to the bonds was approximately as follows: costs \$1,047,000, premiums \$56,024,915 and total transfers to other State agencies of \$428,223,553.

18. FUND BALANCE DEFICIT

The General Fund of the State Treasurer has a deficit fund balance of \$14,934 due to prior years' accounts payable amounts paid out of subsequent years' budgets.

19. SUBSEQUENT EVENT

On June 30, 2010, the State Board of Finance issued Severance Tax Bond Series 2010C Refunding, with a principal amount of \$43,780,000 to provide refunding of Severance Tax Bond Series 2005A. The difference in cash flow required between the prior debt service requirements and new funding debt service requirements resulted in cash flow savings of \$3,924,848. The economic gain, or present value savings, was \$3,772,197. Although the issuance of Severance Tax Bond Series 2010C Refunding occurred in on June 30, 2010, in fiscal year 2010, the actual refunding of Severance Tax Bond Series 2005A did not occur until the following day, on July 1, 2010, in fiscal year 2011.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Capital Assets Used in the Operation of Governmental Funds -
Schedule of Changes by Asset Class and Source

Schedule 1

YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Actual Amounts Deletions	Balance June 30, 2010
GOVERNMENTAL FUNDS CAPITAL ASSETS:				
Equipment, furniture and fixtures	\$ 397,676	29,256	(83,726)	343,206
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 397,676	29,256	(83,726)	343,206
INVESTMENTS IN GOVERNMENTAL FUNDS				
CAPITAL ASSETS BY SOURCE:				
General Fund revenues	\$ 397,676	29,256	(83,726)	343,206
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 397,676	29,256	(83,726)	343,206

Schedule 2

AS OF JUNE 30, 2010

	SHARE Fund	Assets			Total Assets
		Repurchase Agreements	Due From Other Agencies	Accrued Interest Receivable	
2003 Series-Debt Service	03100	\$ 558,373	-	-	558,373
2005 Series Debt Service	03200	3,400,442	-	-	3,400,442
2007 Series-Debt Service	28800	14,900,576	-	-	14,900,576
2001 Series-Debt Service	41400	450,127	-	-	450,127
2003B Series - Refunding	41800	7,945,026	-	-	7,945,026
2009 Series-Debt Service	10630	10,217,131	-	-	10,217,131
2008A Series-Redemption	73030	220,698	-	-	220,698
2008A Series-Debt Service	73010	<u>6,808,092</u>	-	-	<u>6,808,092</u>
Total Debt Service		44,500,465	-	-	44,500,465
2003 Series - Rebate	41300	1,769	-	-	1,769
2001 Series - Rebate	41500	797,507	-	-	797,507
2003 Refunding Series - Rebate	41900	147,982	-	-	147,982
2005 Series - Rebate	42600	794	-	-	794
911 - Rebate	48800	108,261	-	-	108,261
2001A Series - Rebate	71200	<u>238,536</u>	-	-	<u>238,536</u>
Total Rebate Accounts		1,294,849	-	-	1,294,849
2009 Series - Cost of Issuance	10650	<u>32,936</u>	-	-	<u>32,936</u>
Total cost of issuance		<u>32,936</u>	-	-	<u>32,936</u>
Combined total		\$ <u>45,828,250</u>	-	-	<u>45,828,250</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Combining Balance Sheet - General Obligation Bonds -
General Obligation Bond Debt Service Funds

Liabilities	Fund Equity			
Due to Other State Agencies	Unreserved- Designated for Debt Service	Unreserved- Designated for Arbitrage	Total Fund Equity	Total Liabilities & Fund Equity
-	558,373	-	558,373	558,373
-	3,400,442	-	3,400,442	3,400,442
-	14,900,576	-	14,900,576	14,900,576
-	450,127	-	450,127	450,127
-	7,945,026	-	7,945,026	7,945,026
-	10,217,131	-	10,217,131	10,217,131
-	220,698	-	220,698	220,698
-	<u>6,808,092</u>	-	<u>6,808,092</u>	<u>6,808,092</u>
-	44,500,465	-	44,500,465	44,500,465
-	-	1,769	1,769	1,769
-	-	797,507	797,507	797,507
-	-	147,982	147,982	147,982
-	-	794	794	794
-	-	108,261	108,261	108,261
-	-	<u>238,536</u>	<u>238,536</u>	<u>238,536</u>
-	-	1,294,849	1,294,849	1,294,849
-	<u>32,936</u>	-	<u>32,936</u>	<u>32,936</u>
-	<u>32,936</u>	-	<u>32,936</u>	<u>32,936</u>
-	<u>44,533,401</u>	<u>1,294,849</u>	<u>45,828,250</u>	<u>45,828,250</u>

Schedule 3

YEAR ENDED JUNE 30, 2010

	SHARE Fund	Revenues		Expenditures	
		Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures
2003 Series-Debt Service	03100	\$ 29,570	-	-	-
2005 Series Debt Service	03200	243,685	14,574,000	5,751	14,579,751
2007 Series Debt Service	28800	1,330,550	17,464,250	-	17,464,250
2001 Series-Debt Service	41400	10,757	-	2,750	2,750
2003-B Series - Refunding	41800	333,100	-	-	-
2009 Series-Debt Service	10630	3,572,524	19,626,567	-	19,626,567
2008A Series-Redemption	73030	-	-	-	-
2008A Series-Debt Service	73010	<u>75,287</u>	<u>23,611,750</u>	<u>-</u>	<u>23,611,750</u>
Total debt service		5,595,473	75,276,567	8,501	75,285,068
2003 Series-Rebate	41300	2,094	-	398,797	398,797
2001 Series-Rebate	41500	13,967	-	-	-
2003 Series-Refunding	41900	2,592	-	-	-
2005 Rebate	42600	2,549	-	2,149,258	2,149,258
911-Rebate	48800	1,896	-	-	-
2001-A Series-Rebate	71200	<u>4,178</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Rebate Accounts		27,276	-	2,548,055	2,548,055
2009 Series - Cost of Issuance	10650	<u>-</u>	<u>-</u>	<u>46,782</u>	<u>46,782</u>
Total cost of issuance		<u>-</u>	<u>-</u>	<u>46,782</u>	<u>46,782</u>
Combined total	\$	<u>5,622,749</u>	<u>75,276,567</u>	<u>2,603,338</u>	<u>77,879,905</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
General Obligation Bond Debt Service Funds

Excess (Deficiency) of Revenues over (under) Expenditures	Other Financing Sources (Uses)				
	State Property Tax Levy	Transfers (to) from Other State Agencies	Bond Proceeds	Capital Projects Reversions	Interfund Transfers
29,570	-	-	-	-	(280,992)
(14,336,066)	11,728,138	65,888	-	-	(2,004,528)
(16,133,700)	16,282,556	110	-	-	-
8,007	-	-	-	-	-
333,100	-	-	-	-	(16,000,000)
(16,054,043)	15,750,599	-	-	-	5,000,000
-	-	-	-	-	-
<u>(23,536,463)</u>	<u>14,557,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000,000</u>
(69,689,595)	58,318,809	65,998	-	-	(2,285,520)
(396,703)	-	-	-	-	280,992
13,967	-	-	-	-	-
2,592	-	-	-	-	-
(2,146,709)	-	-	-	-	2,004,528
1,896	-	-	-	-	-
<u>4,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,520,779)	-	-	-	-	2,285,520
<u>(46,782)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(46,782)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(72,257,156)</u>	<u>58,318,809</u>	<u>65,998</u>	<u>-</u>	<u>-</u>	<u>-</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
General Obligation Bond Debt Service Funds - continued

Schedule 3 - continued

YEAR ENDED JUNE 30, 2010

	SHARE	Net Change	Beginning		Beginning	Fund
	Fund	in Fund	Fund Balance	Restatement	Fund	Balances
		Balance	as Originally		Balances	Balances
			Reported		as Restated	June 30, 2010
2003 Series-Debt Service	03100	\$ (251,422)	809,795	-	809,795	558,373
2005 Series Debt Service	03200	(4,546,568)	7,947,010	-	7,947,010	3,400,442
2007 Series Debt Service	28800	148,966	14,751,610	-	14,751,610	14,900,576
2001 Series-Debt Service	41400	8,007	442,120	-	442,120	450,127
2003-B Series - Refunding	41800	(15,666,900)	23,611,926	-	23,611,926	7,945,026
2009 Series-Debt Service	10630	4,696,556	5,520,575	-	5,520,575	10,217,131
2008A Series-Redemption	73030	-	220,698	-	220,698	220,698
2008A Series-Debt Service	73010	<u>2,021,053</u>	<u>4,787,039</u>	-	<u>4,787,039</u>	<u>6,808,092</u>
Total debt service		(13,590,308)	58,090,773	-	58,090,773	44,500,465
2003 Series-Rebate	41300	(115,711)	117,481	-	117,481	1,770
2001 Series-Rebate	41500	13,967	783,539	-	783,539	797,506
2003 Series-Refunding	41900	2,592	145,390	-	145,390	147,982
2005 Rebate	42600	(142,181)	142,975	-	142,975	794
911-Rebate	48800	1,896	106,365	-	106,365	108,261
2001-A Series-Rebate	71200	<u>4,178</u>	<u>234,358</u>	-	<u>234,358</u>	<u>238,536</u>
Total Rebate Accounts		(235,259)	1,530,108	-	1,530,108	1,294,849
2009 Series - Cost of Issuance	10650	<u>(46,782)</u>	<u>79,718</u>	-	<u>79,718</u>	<u>32,936</u>
Total cost of issuance		<u>(46,782)</u>	<u>79,718</u>	-	<u>79,718</u>	<u>32,936</u>
Combined total	\$	<u>(13,872,349)</u>	<u>59,700,599</u>	-	<u>59,700,599</u>	<u>45,828,250</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Combining Balance Sheet - Severance Tax Bonds -
Severance Tax Bond Debt Service Funds

Schedule 4

AS OF JUNE 30, 2010

	SHARE Fund	Assets				Total Assets
		Repurchase Agreements	Due From Other Agencies	Accrued Interest Receivable	Prepaid Expense	
2002-A Supp. Series - DS	09500	\$ 53,956	-	-	-	53,956
2009-A Series - Debt Service	10750	27,531,854	-	-	-	27,531,854
2009-A Series - Refunding	10770	-	-	-	-	-
2010-A Series - Debt Service	10950	1,630,726	-	-	-	1,630,726
2010-B Series - Debt Service	10960	1,318,487	-	-	-	1,318,487
2010-C Series - Debt Service	11190	7,079	-	-	-	7,079
2010-C Series - Refunding	11220	48,310,000	-	-	-	48,310,000
2004-B Series Debt Service	18300	1,135,655	-	-	-	1,135,655
2005-B1 Series Debt Service	38800	7,751,895	-	-	-	7,751,895
2000 Series-Debt Service	38900	11,917	-	-	-	11,917
2002-B Supp. Series - DS	39000	48,593	-	-	-	48,593
2000-C Series-Debt Service	40500	279,616	-	-	-	279,616
2001-A Series-Refunding	40800	643,059	-	-	-	643,059
Severance Tax Bonding	41000	21,317,580	46,838,071	-	-	68,155,651
2005-A Series Debt Service	41200	9,410,438	-	-	-	9,410,438
2003-B Series-Debt Service	48400	1,155,901	-	-	-	1,155,901
2004-A Series-Debt Service	49200	165,495	-	-	-	165,495
2007-A Debt Service	53700	14,406,444	-	-	-	14,406,444
2007-A Refunding	53800	-	-	-	-	-
2005-B2 Series Debt Service	57100	7,382,278	-	-	-	7,382,278
2002-A Series-Debt Service	69900	952	-	-	-	952
2008A-1 Series - Debt Service	72010	15,590,314	-	-	-	15,590,314
2008A-2 Series - Debt Service	72070	5,273,114	-	-	-	5,273,114
2003-A Series-Debt Service	88400	149,058	-	-	-	149,058
2006-A Series Debt Service	96300	14,709,456	-	-	-	14,709,456
Total debt service		178,283,867	46,838,071	-	-	225,121,938
2002-B Supp-Rebate	39200	74,697	-	-	-	74,697
2000-C Series-Rebate	40600	370,409	-	-	-	370,409
2004-B Series-Rebate	41100	252	-	-	-	252
2003-B Supp-Rebate	42000	12,297	-	-	-	12,297
2004-A Series-Rebate	42700	124,250	-	-	-	124,250
1999-B Series-Rebate	46100	22,730	-	-	-	22,730
2005-A Series-Rebate	48300	240,440	-	-	-	240,440
2005-B1 Series-Rebate	57000	10,763	-	-	-	10,763
2003-A Series-Rebate	87300	118,888	-	-	-	118,888
2005-B2 Series-Rebate	96000	6,316	-	-	-	6,316
2006-A Series-Rebate	96400	37,621	-	-	-	37,621
Total rebate accounts		1,018,663	-	-	-	1,018,663
Combined total		\$ 179,302,530	46,838,071	-	-	226,140,601

Schedule 4 - continued

AS OF JUNE 30, 2010

	SHARE Fund	Liabilities			
		Due to Other Funds	Due to Other State Agencies	Accounts Payable	Deferred Revenue
2002-A Supp. Series - DS	09500	\$ -	-	-	-
2009-A Series - Debt Service	10750	-	-	-	-
2009-A Series - Refunding	10770	-	-	-	-
2010-A Series - Debt Service	10950	-	-	-	-
2010-B Series - Debt Service	10960	-	-	-	-
2010-C Series - Debt Service	11190	-	-	-	-
2010-C Series - Refunding	11220	-	-	-	-
2004-B Series Debt Service	18300	-	-	-	-
2005-B1 Series Debt Service	38800	-	-	-	-
2000 Series-Debt Service	38900	-	-	-	-
2002-B Supp. Series - DS	39000	-	-	-	-
2000-C Series-Debt Service	40500	-	-	-	-
2001-A Series-Refunding	40800	-	-	-	-
Severance Tax Bonding	41000	-	3,488,067	41,147	-
2005-A Series Debt Service	41200	-	-	-	-
2003-B Series-Debt Service	48400	-	-	-	-
2004-A Series-Debt Service	49200	-	-	-	-
2007-A Debt Service	53700	-	-	-	-
2007-A Refunding	53800	-	-	-	-
2005-B2 Series Debt Service	57100	-	-	-	-
2002-A Series-Debt Service	69900	-	-	-	-
2008A-1 Series - Debt Service	72010	-	-	-	-
2008A-2 Series - Debt Service	72070	-	-	1,215	-
2003-A Series-Debt Service	88400	-	-	-	-
2006-A Series Debt Service	96300	-	-	-	-
Total debt service		-	3,488,067	42,362	-
2002-B Supp-Rebate	39200	-	-	-	-
2000-C Series-Rebate	40600	-	-	-	-
2004-B Series-Rebate	41100	-	-	-	-
2003-B Supp-Rebate	42000	-	-	-	-
2004-A Series-Rebate	42700	-	-	-	-
1999-B Series-Rebate	46100	-	-	-	-
2005-A Series-Rebate	48300	-	-	-	-
2005-B1 Series-Rebate	57000	-	-	-	-
2003-A Series-Rebate	87300	-	-	-	-
2005-B2 Series-Rebate	96000	-	-	-	-
2006-A Series-Rebate	96400	-	-	-	-
Total rebate accounts		-	-	-	-
Combined total		\$ -	3,488,067	42,362	-

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Combining Balance Sheet - Severance Tax Bonds -
Severance Tax Bond Debt Service Funds - continued

Total Liabilities	Fund Equity			Total Liabilities & Fund Equity
	Unreserved- Designated for Debt Service	Unreserved- Designated for Arbitrage	Total Fund Equity	
-	53,956	-	53,956	53,956
-	27,531,854	-	27,531,854	27,531,854
-	-	-	-	-
-	1,630,726	-	1,630,726	1,630,726
-	1,318,487	-	1,318,487	1,318,487
-	7,079	-	7,079	7,079
-	48,310,000	-	48,310,000	48,310,000
-	1,135,655	-	1,135,655	1,135,655
-	7,751,895	-	7,751,895	7,751,895
-	11,917	-	11,917	11,917
-	48,593	-	48,593	48,593
-	279,616	-	279,616	279,616
-	643,059	-	643,059	643,059
3,529,214	64,626,437	-	64,626,437	68,155,651
-	9,410,439	-	9,410,439	9,410,439
-	1,155,901	-	1,155,901	1,155,901
-	165,495	-	165,495	165,495
-	14,406,444	-	14,406,444	14,406,444
-	-	-	-	-
-	7,382,278	-	7,382,278	7,382,278
-	952	-	952	952
-	15,590,314	-	15,590,314	15,590,314
1,215	5,271,899	-	5,271,899	5,273,114
-	149,058	-	149,058	149,058
-	14,709,456	-	14,709,456	14,709,456
3,530,429	221,591,510	-	221,591,510	225,121,939
-	74,697	-	74,697	74,697
-	370,409	-	370,409	370,409
-	251	-	251	251
-	12,297	-	12,297	12,297
-	124,250	-	124,250	124,250
-	22,730	-	22,730	22,730
-	240,440	-	240,440	240,440
-	10,763	-	10,763	10,763
-	118,888	-	118,888	118,888
-	6,316	-	6,316	6,316
-	37,621	-	37,621	37,621
-	1,018,662	-	1,018,662	1,018,662
3,530,429	222,610,172	-	222,610,172	226,140,601

Schedule 5

YEAR ENDED JUNE 30, 2010

	SHARE Fund	Revenues		Expenditures	
		Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures
2002-A Supp. Series - DS	09500	\$ 1,042	-	-	-
2009-A Series - Debt Service	10750	2,630,566	4,054,790	-	4,054,790
2009-A Series - Refunding	10770	-	72,570,000	-	72,570,000
2010-A Series - Debt Service	10950	2,103	-	-	-
2010-B Series - Debt Service	10960	487	-	-	-
2010-C Series - Debt Service	11190	6,341	-	-	-
2010-C Series - Refunding	11220	-	-	-	-
2004-B Series Debt Service	18300	849	1,243,500	-	1,243,500
2005-B1 Series Debt Service	38800	4,850	9,742,700	-	9,742,700
2000 Series-Debt Service	38900	209	-	-	-
2002-B Supp. Series - DS	39000	7,509	-	-	-
2000-C Series-Debt Service	40500	11,418	-	-	-
2001-A Series-Refunding	40800	11,263	-	-	-
Severance Tax Bonding	41000	15,921,206	275,595,496	1,395,950	276,991,446
2005-A Series -Debt Service	41200	195,243	10,335,475	-	10,335,475
2003-B Series-Debt Service	48400	938	1,195,720	-	1,195,720
2004-A Series-Debt Service	49200	62,921	8,197,415	-	8,197,415
2007-A Series-Debt Service	53700	663,393	21,117,625	-	21,117,625
2007-A Refunding	53800	-	-	-	-
2005-B2 Series Debt Service	57100	4,563	7,634,063	-	7,634,063
2002-A Series-Debt Service	69900	17	-	-	-
2008A-1 Debt Service	72010	1,996,471	18,129,650	-	18,129,650
2008A-2 Debt Service	72070	2,984	5,378,975	-	5,378,975
2003-A Series-Debt Service	88400	2,611	8,155,238	-	8,155,238
2006-A Series Debt Service	96300	83,568	16,557,188	-	16,557,188
Total debt service		21,610,552	459,907,835	1,395,950	461,303,785
2002-B Supp-Rebate	39200	1,308	-	-	-
2000-C Series Rebate	40600	6,488	-	-	-
2004-B Series-Rebate	41100	534	-	52,656	52,656
2003-B Supp-Rebate	42000	215	-	-	-
2004-A Series-Rebate	42700	1,970	-	168,724	168,724
1999-B Series-Rebate	46100	-	-	13,571	13,571
2005-A Series-Rebate	48300	4,211	-	-	-
2005-B1 Series-Rebate	57000	188	-	-	-
2003-A Series-Rebate	87300	2,082	-	-	-
2005-B2 Series-Rebate	96000	110	-	-	-
2006-A Series-Rebate	96400	659	-	-	-
Total Rebate Accounts		17,765	-	234,951	234,951
Combined total		\$ 21,628,317	459,907,835	1,630,901	461,538,736

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

Excess (Deficiency) of Revenues over (under) Expenditures	Other Financing Sources (Uses)					Severance Tax Permanent Fund Reversions
	Severance Taxes	Bond Proceeds	Transfers to Other State Agencies	Interfund Transfers	Payment to Escrow Agent	
1,042	-	-	-	-	-	-
(1,424,224)	-	2,692	-	28,953,386	-	-
(72,570,000)	-	72,570,000	-	-	-	-
2,103	-	368,623	-	1,260,000	-	-
487	-	-	-	1,318,000	-	-
6,341	-	738	-	-	-	-
-	-	48,310,000	-	-	-	-
(1,242,651)	-	-	-	1,239,000	-	-
(9,737,850)	-	-	-	8,120,000	-	-
209	-	-	-	-	-	-
7,509	-	-	-	-	-	-
11,418	-	-	-	-	-	-
11,263	-	-	-	-	-	-
(261,070,240)	348,875,769	-	1,540,084	(108,374,466)	-	-
(10,140,232)	-	-	-	9,789,139	-	-
(1,194,782)	-	-	-	1,214,000	-	-
(8,134,494)	-	-	-	-	-	-
(20,454,232)	-	-	-	14,029,000	-	-
-	-	-	-	-	-	-
(7,629,500)	-	-	-	7,601,000	-	-
17	-	-	-	-	-	-
(16,133,179)	-	-	-	13,256,000	-	-
(5,375,991)	-	-	-	5,413,500	-	-
(8,152,627)	-	-	-	-	-	-
(16,473,620)	-	-	-	15,928,990	-	-
(439,693,233)	348,875,769	121,252,053	1,540,084	(252,451)	-	-
1,308	-	-	-	-	-	-
6,488	-	-	-	-	-	-
(52,122)	-	-	-	22,502	-	-
215	-	-	-	-	-	-
(166,754)	-	-	-	229,949	-	-
(13,571)	-	-	-	-	-	-
4,211	-	-	-	-	-	-
188	-	-	-	-	-	-
2,082	-	-	-	-	-	-
110	-	-	-	-	-	-
659	-	-	-	-	-	-
(217,186)	-	-	-	252,451	-	-
(439,910,419)	348,875,769	121,252,053	1,540,084	-	-	-

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 - continued

Schedule 5 - continued

YEAR ENDED JUNE 30, 2010

	SHARE	Total Other	Net Change	Beginning		Beginning	Fund
	Fund	Financing	in Fund	Fund Balance	Restatement	Fund Balance	Balances
		Sources (Uses)	Balance	as Originally		as Restated	June 30, 2010
				Reported			
2002-A Supp. Series - DS	09500	\$ -	1,042	52,914	-	52,914	53,956
2009-A Series - Debt Service	10750	28,956,078	27,531,854	-	-	-	27,531,854
2009-A Series - Refunding	10770	72,570,000	-	-	-	-	-
2010-A Series - Debt Service	10950	1,628,623	1,630,726	-	-	-	1,630,726
2010-B Series - Debt Service	10960	1,318,000	1,318,487	-	-	-	1,318,487
2010-C Series - Debt Service	11190	738	7,079	-	-	-	7,079
2010-C Series - Refunding	11220	48,310,000	48,310,000	-	-	-	48,310,000
2004-B Series Debt Service	18300	1,239,000	(3,651)	1,139,306	-	1,139,306	1,135,655
2005-B1 Series Debt Service	38800	8,120,000	(1,617,850)	9,369,745	-	9,369,745	7,751,895
2000 Series-Debt Service	38900	-	209	11,708	-	11,708	11,917
2002-B Supp. Series - DS	39000	-	7,509	41,084	-	41,084	48,593
2000-C Series-Debt Service	40500	-	11,418	268,198	-	268,198	279,616
2001-A Series-Refunding	40800	-	11,263	631,796	-	631,796	643,059
Severance Tax Bonding	41000	242,041,387	(19,028,853)	83,655,290	-	83,655,290	64,626,437
2005-A Series -Debt Service	41200	9,789,139	(351,093)	9,761,532	-	9,761,532	9,410,439
2003-B Series-Debt Service	48400	1,214,000	19,218	1,136,683	-	1,136,683	1,155,901
2004-A Series-Debt Service	49200	-	(8,134,494)	8,299,989	-	8,299,989	165,495
2007-A Series-Debt Service	53700	14,029,000	(6,425,232)	20,831,676	-	20,831,676	14,406,444
2007-A Refunding	53800	-	-	-	-	-	-
2005-B2 Series Debt Service	57100	7,601,000	(28,500)	7,410,778	-	7,410,778	7,382,278
2002-A Series-Debt Service	69900	-	17	935	-	935	952
2008A-1 Debt Service	72010	13,256,000	(2,877,179)	18,467,493	-	18,467,493	15,590,314
2008A-2 Debt Service	72070	5,413,500	37,509	5,234,390	-	5,234,390	5,271,899
2003-A Series-Debt Service	88400	-	(8,152,627)	8,301,685	-	8,301,685	149,058
2006-A Series Debt Service	96300	15,928,990	(544,630)	15,254,086	-	15,254,086	14,709,456
Total debt service		471,415,455	31,722,222	189,869,288	-	189,869,288	221,591,510
2002-B Supp-Rebate	39200	-	1,308	73,389	-	73,389	74,697
2000-C Series Rebate	40600	-	6,488	363,921	-	363,921	370,409
2004-B Series-Rebate	41100	22,502	(29,620)	29,871	-	29,871	251
2003-B Supp-Rebate	42000	-	215	12,082	-	12,082	12,297
2004-A Series-Rebate	42700	229,949	63,195	61,055	-	61,055	124,250
1999-B Series-Rebate	46100	-	(13,571)	36,301	-	36,301	22,730
2005-A Series-Rebate	48300	-	4,211	236,229	-	236,229	240,440
2005-B1 Series-Rebate	57000	-	188	10,575	-	10,575	10,763
2003-A Series-Rebate	87300	-	2,082	116,806	-	116,806	118,888
2005-B2 Series-Rebate	96000	-	110	6,206	-	6,206	6,316
2006-A Series-Rebate	96400	-	659	36,962	-	36,962	37,621
Total Rebate Accounts		252,451	35,265	983,397	-	983,397	1,018,662
Combined total		\$ 471,667,906	31,757,487	190,852,685	-	190,852,685	222,610,172

Schedule 6

YEAR ENDED JUNE 30, 2010

Issue	SHARE Fund	Date of Issue	Issue Amount	Interest Rate	Unpaid Balance June 30, 2009
General Obligation and Revenue Bonds:					
Series 2005 Debt Service	03200	03/01/05	\$ 111,850,000	5.00%	73,780,000
Series 2007 Debt Service	28800	03/01/07	134,870,000	5.00%	112,885,000
Refunding Series 2008A	73010	06/25/08	71,270,000	5.00%	70,735,000
Series 2009 Debt Service	10630	05/28/09	<u>196,330,000</u>	5.00%	<u>196,330,000</u>
Total General Obligation Bonds			514,320,000		453,730,000
Severance Tax Bonds:					
Series 2003A	88400	06/01/03	89,660,000	2.50-5.00%	41,440,000
Series 2003B Supplemental	48400	11/01/03	10,000,000	3.10-3.70%	5,650,000
Series 2004A	49200	06/15/04	76,430,000	5.00%	45,440,000
Series 2004B Supplemental	18300	11/17/04	10,000,000	2.00-5.00%	6,360,000
Series 2005A	41200	06/15/05	97,000,000	4.00%	64,465,000
Series 2005B-1 Refunding	38800	06/28/05	37,040,000	3.25-5.00%	31,130,000
Series 2005B-2 Supplemental	57100	06/28/05	21,095,000	3.25-5.00%	21,095,000
Series 2006A	96300	06/20/06	135,000,000	4.00-5.00%	112,950,000
Series 2007A	53700	06/28/07	162,840,000	4.00-5.00%	128,635,000
Series 2008A-1	72010	06/25/08	149,000,000	4.00-5.00%	149,000,000
Series 2008A-2 Refunding	72070	06/25/08	20,550,000	3.00%	20,550,000
Series 2009A Refunding	10750	07/30/09	218,450,000	2.00-5.00%	-
Series 2010A	10950	03/24/10	132,265,000	3.00-5.00%	-
Series 2010B Supplemental	10960	03/24/10	100,000,000	4.00-5.00%	-
Series 2010C Refunding	11190	06/30/10	<u>43,780,000</u>	4.00-5.00%	<u>-</u>
Total Severance Tax Bonds			<u>1,303,110,000</u>		<u>626,715,000</u>
Total General Long-Term Debt			\$ <u>1,817,430,000</u>		<u>1,080,445,000</u>
Current year bond premiums:			<u>Premium/Discount</u>		
STB, Series 2009A Refunding			\$ 20,228,084		
STB, Series 2010A			17,907,398		
STB, Series 2010B Supplemental			13,260,150		
STB, Series 2010C Refunding			<u>4,629,283</u>		
Total current year bond premiums			\$ <u>56,024,915</u>		

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Summary of Long-term Debt Obligations -
Long-term Debt Rollforward

New Bonds	Reductions			Unpaid Balance June 30, 2010	Interest to Maturity	Debt Service Requirements
	Refunded Debt	Principal Payments	Total Reductions			
-	-	10,885,000	10,885,000	62,895,000	9,732,250	72,627,250
-	-	11,820,000	11,820,000	101,065,000	21,197,500	122,262,500
-	-	20,075,000	20,075,000	50,660,000	4,761,500	55,421,500
-	-	<u>12,370,000</u>	<u>12,370,000</u>	<u>183,960,000</u>	<u>48,971,750</u>	<u>232,931,750</u>
-	-	55,150,000	55,150,000	398,580,000	84,663,000	483,243,000
-	33,940,000	7,500,000	41,440,000	-	-	-
-	-	1,020,000	1,020,000	4,630,000	339,590	4,969,590
-	38,630,000	6,810,000	45,440,000	-	-	-
-	-	980,000	980,000	5,380,000	679,900	6,059,900
-	-	7,875,000	7,875,000	56,590,000	1,131,800	57,721,800
-	-	8,465,000	8,465,000	22,665,000	1,658,456	24,323,456
-	-	6,760,000	6,760,000	14,335,000	715,750	15,050,750
-	-	11,955,000	11,955,000	100,995,000	15,684,206	116,679,206
-	-	15,965,000	15,965,000	112,670,000	19,250,700	131,920,700
-	-	11,950,000	11,950,000	137,050,000	26,818,500	163,868,500
-	-	4,835,000	4,835,000	15,715,000	719,475	16,434,475
218,450,000	-	-	-	218,450,000	47,489,725	265,939,725
132,265,000	-	-	-	132,265,000	39,138,340	171,403,340
100,000,000	-	-	-	100,000,000	28,617,923	128,617,923
<u>43,780,000</u>	-	-	-	<u>43,780,000</u>	<u>6,603,552</u>	<u>50,383,552</u>
<u>494,495,000</u>	<u>72,570,000</u>	<u>84,115,000</u>	<u>156,685,000</u>	<u>964,525,000</u>	<u>188,847,917</u>	<u>1,153,372,917</u>
<u>494,495,000</u>	<u>72,570,000</u>	<u>139,265,000</u>	<u>211,835,000</u>	<u>1,363,105,000</u>	<u>273,510,917</u>	<u>1,636,615,917</u>

Bond proceeds are accounted for in the Department of Finance and Administrations financial statements for the fiscal year ended June 30, 2010.

Schedule 6 - continued

YEAR ENDED JUNE 30, 2010

Issue	SHARE Fund	Year Ending June 30,		
		2011	2012	2013
General Obligation Bonds:				
Series 2005	03200	\$ 14,559,750	14,544,000	14,525,500
Series 2007	28800	17,463,250	17,467,750	17,466,000
Refunding Series 2008-A	73010	23,748,000	15,792,250	15,881,250
Series 2009 Debt Service	10630	<u>25,883,000</u>	<u>25,878,750</u>	<u>25,883,000</u>
Total General Obligation Bonds		81,654,000	73,682,750	73,755,750
Severance Tax Bonds:				
Series 2003B Supplemental	48400	1,217,483	1,231,976	1,252,099
Series 2004B Supplemental	18300	1,243,650	1,232,500	1,209,750
Series 2005A	41200	57,721,800	-	-
Series 2005B-1 Refunding	38800	8,119,056	8,104,975	8,099,425
Series 2005B-2 Supplemental	57100	7,559,688	7,491,062	-
Series 2006A	96300	16,544,438	16,591,962	16,711,563
Series 2007A	53700	16,487,625	16,470,875	16,519,700
Series 2008A-1	72010	18,219,525	18,201,025	18,185,150
Series 2008A-2 Refunding	72070	5,430,925	5,476,875	5,526,675
Series 2009A Refunding	10750	32,105,400	36,795,850	36,904,850
Series 2010A	10950	4,649,714	16,813,926	16,754,600
Series 2010B Supplemental	10960	3,760,698	13,867,300	13,494,550
Series 2010C Refunding	11190	<u>982,977</u>	<u>9,672,200</u>	<u>9,760,125</u>
Total Severance Tax Bonds		<u>174,042,979</u>	<u>151,950,526</u>	<u>144,418,487</u>
Total Debt Service Requirements		\$ <u>255,696,979</u>	<u>225,633,276</u>	<u>218,174,237</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Summary of Long-term Debt Obligations - continued
Schedule of Debt Service Maturities

<u>2014</u>	<u>2015</u>	<u>2016-2019</u>	<u>Total</u>
14,508,000	14,490,000	-	72,627,250
17,466,750	17,468,250	34,930,500	122,262,500
-	-	-	55,421,500
<u>25,883,250</u>	<u>25,882,500</u>	<u>103,521,250</u>	<u>232,931,750</u>
57,858,000	57,840,750	138,451,750	483,243,000
1,268,032	-	-	4,969,590
1,195,250	1,178,750	-	6,059,900
-	-	-	57,721,800
-	-	-	24,323,456
-	-	-	15,050,750
16,711,662	16,714,494	33,405,087	116,679,206
16,513,400	16,500,400	49,428,700	131,920,700
18,243,400	18,230,700	72,788,700	163,868,500
-	-	-	16,434,475
37,039,250	27,762,500	95,331,875	265,939,725
16,745,000	16,732,100	99,708,000	171,403,340
13,141,675	12,807,425	71,546,275	128,617,923
<u>9,854,000</u>	<u>9,951,375</u>	<u>10,162,875</u>	<u>50,383,552</u>
<u>130,711,669</u>	<u>119,877,744</u>	<u>432,371,512</u>	<u>1,153,372,917</u>
<u>188,569,669</u>	<u>177,718,494</u>	<u>570,823,262</u>	<u>1,636,615,917</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Summary of Long-term Debt Obligations - continued
Amortization of Bond Issuance Costs

Schedule 6 - continued

YEAR ENDED JUNE 30, 2010

	SHARE Fund	Date	Original Cost	Amortization			Net Book Value June 30, 2010
				Accumulated Amortization June 30, 2009	Current Amortization Expense	Accumulated Amortization June 30, 2010	
GENERAL OBLIGATION:							
Series 2005	03200	01/11/05	\$ 801,503	360,676	80,150	440,826	360,677
Series 2007	28800	03/01/07	463,806	104,357	46,381	150,738	313,068
Refunding Series 2008-A	73010	06/25/08	345,413	69,083	69,083	138,166	207,247
Series 2009	10630	05/28/09	<u>984,010</u>	<u>8,200</u>	<u>98,401</u>	<u>106,601</u>	<u>877,409</u>
			2,594,732	542,316	294,015	836,331	1,758,402
SEVERANCE:							
Series 2003-A Refunding	88400	06/01/03	229,530	139,631	89,899	229,530	-
Series 2003-B Supplemental	48400	11/01/03	33,445	18,674	3,345	22,019	11,426
Series 2004-A	49200	06/15/04	158,974	71,537	87,437	158,974	-
Series 2004-B	18300	11/17/04	127,805	57,513	12,781	70,294	57,512
Series 2005-A	41200	05/12/05	565,863	198,051	56,586	254,637	311,226
Series 2005-B1 Refunding	38800	06/28/05	399,646	279,752	79,929	359,681	39,965
Series 2005-B2 Supplemental	57100	06/28/05	110,254	77,178	22,051	99,229	11,025
Series 2006A	96300	06/20/06	346,002	86,500	34,600	121,100	224,902
Series 2007A	53700	06/28/07	325,710	48,856	32,571	81,427	244,283
Series 2008A-1	72010	06/25/08	530,440	53,044	53,044	106,088	424,352
Series 2008-A2 Refunding	72070	06/25/08	57,301	14,325	14,325	28,650	28,651
Series 2009A Refunding	10750	07/30/09	411,478	-	37,719	37,719	373,759
Series 2010A	10950	03/24/10	167,977	-	4,199	4,199	163,778
Series 2010B Supplemental	10960	03/24/10	369,000	-	9,225	9,225	359,775
Series 2010C Refunding	11190	06/30/10	<u>98,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,545</u>
			<u>3,931,970</u>	<u>1,045,061</u>	<u>537,711</u>	<u>1,582,772</u>	<u>2,349,198</u>
			\$ <u>6,526,702</u>	<u>1,587,377</u>	<u>831,726</u>	<u>2,419,103</u>	<u>4,107,599</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Summary of Long-term Debt Obligations - continued
Additional Information

Schedule 6 – continued

ADDITIONAL INFORMATION RELATED TO LONG-TERM DEBT OBLIGATIONS:

The following information is presented as additional explanation of the long-term debt obligations of the State of New Mexico as detailed in Schedule 6 of this report.

GENERAL OBLIGATION BONDS:

General Obligation Bonds are issued to provide funds for capital expenditures for construction, acquisition, or improvement of the projects specified in the Acts authorized by the Legislature of the State of New Mexico. Funds are provided through the collection of property tax levies levied by other State agencies. There were no General Obligation Bonds issued during the fiscal year ended June 30, 2010.

The annual requirements to amortize the combined General Obligation Bond issues outstanding as of June 30, 2010, including interest payments, are as follows (see details on Schedule 6):

Years ending June 30:

2011	\$ 81,654,000
2012	73,682,750
2013	73,755,750
2014	57,858,000
2015	57,840,750
2016 - 2019	<u>138,451,750</u>
	\$ <u>483,243,000</u>

SEVERANCE TAX BONDS:

Severance tax bonds are for State agencies, local governments and public and higher education, including a broad range of State and local capital needs. Funds are provided through tax receipts levied upon natural resource products, severed and saved from the lands of the State of New Mexico.

The following Severance Tax Bonds were issued during the fiscal year ended June 30, 2010:

On July 30, 2009, the State Board of Finance issued bonds with a principal amount of \$218,450,000 to finance capital projects and to refund existing debt. The interest rate varies between two percent and five percent (2% and 5%), with principal payments due through 2019.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Summary of Long-term Debt Obligations - continued
Additional Information

Schedule 6 – continued

ADDITIONAL INFORMATION RELATED TO LONG-TERM DEBT OBLIGATIONS - continued:

SEVERANCE TAX BONDS - continued:

On March 24, 2010, the State Board of Finance issued bonds with a principal amount of \$132,265,000 to finance capital projects. The interest rate varies between three percent and five percent (3% and 5%), with principal payments due through 2020.

On March 24, 2010, the State Board of Finance issued bonds with a principal amount of \$100,000,000 to finance capital projects. The interest rate varies between four percent and five percent (4% and 5%), with principal payments due through 2020.

On June 30, 2010, the State Board of Finance issued bonds with a principal amount of \$43,780,000 to refund existing debt. The interest rate varies between two percent and five percent (2% and 5%), with principal payments due through 2015.

The annual requirements to amortize the combined Severance Tax Bond issues outstanding as of June 30, 2010, including interest payments, are as follows (see details on Schedule 6, page 3):

Years ending June 30:

2011	\$ 174,042,979
2012	151,950,526
2013	144,418,487
2014	130,711,669
2015	119,877,744
2016 - 2020	<u>432,371,512</u>
2016 - 2020	\$ <u>1,153,372,917</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Summary of Long-term Debt Obligations - continued
Additional Information

Schedule 6 – continued

ADVANCE AND CURRENT REFUNDINGS:

The State Board of Finance refunded certain severance tax bonds by placing the proceeds of new bonds in an irrevocable trust to provide for the refunded portion of all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the refunded bonds are not included in the summary of long-term debt obligations in Schedule 6 of this report.

Severance Tax Bonds, Series 2003A	\$ 33,940,000
Severance Tax Bonds, Series 2004A	<u>38,630,000</u>
	\$ <u>72,570,000</u>

The following refunding activity occurred during the year ended June 30, 2010:

On July 30, 2009, the State Board of Finance issued Severance Tax Bond Series 2009A Refunding, with a principal amount of \$218,450,000 to finance capital projects, as well as to provide partial refunding of Severance Tax Bond Series 2003A and Severance Tax Bonds Series 2004A. The difference in cash flow required between the prior debt service requirements and new funding debt service requirements resulted in cash flow savings of \$4,966,338. The economic gain, or present value savings, was \$4,850,908.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7

Schedule of Investments - Fiduciary Funds

YEAR ENDED JUNE 30, 2010

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
GENERAL FUND INVESTMENT POOL:						
Bank Account	Various	Various	Various	\$ 301,126	301,126	-
Repurchase Agreements	Various	Various	Various	714,717,324	714,717,324	-
Certificates of Deposit	Various	Various	Various	52,300,000	52,300,000	-
Institutional Money Markets	Various	Various	Various	6,143,799	4,579,957	(1,563,842)
Municipal Bonds:						
City of Albuquerque G02010A Sponge	0.389%	6/30/2010	7/1/2010	11,103,000	11,103,000	-
City of Albuquerque G02010B Sponge	0.389%	6/30/2010	7/1/2010	13,837,000	13,837,000	-
NMUAFBND NM Educational Assis	1.170%	8/5/2009	9/30/2010	40,000,000	40,000,000	-
NMUAFBND NM Educational Assis	0.756%	8/5/2009	9/30/2010	30,000,000	30,000,000	-
Albuquerque NM ARP	4.380%	11/19/2008	7/1/2010	<u>4,210,000</u>	<u>4,210,000</u>	<u>-</u>
Total Municipal Bonds				99,150,000	99,150,000	-
US Government Securities:						
US Treasury Notes:						
US Treasury Notes	1.875%	3/19/2010	6/15/2012	25,436,523	25,617,189	180,666
US Treasury Notes	1.375%	3/19/2010	9/15/2012	25,087,891	25,382,812	294,921
US Treasury Notes	1.125%	3/9/2010	12/15/2012	24,863,281	25,210,938	347,657
US Treasury Notes	0.875%	3/9/2010	2/29/2012	<u>24,983,399</u>	<u>25,132,814</u>	<u>149,415</u>
Total US Treasury Notes				100,371,094	101,343,753	972,659
Federal Farm Credit Banks Cons Long:						
Federal Farm Credit	4.100%	03/28/08	11/04/10	10,361,000	10,132,000	(229,000)
Federal Farm Credit	4.500%	01/17/08	10/17/12	5,218,850	5,406,850	188,000
Federal Farm Credit	3.500%	01/18/08	01/18/11	2,024,180	2,032,180	8,000
Federal Farm Credit	3.500%	01/18/08	01/18/11	<u>7,084,637</u>	<u>7,112,630</u>	<u>27,993</u>
Total Federal Farm Credit Banks				24,688,667	24,683,660	(5,007)
Federal Home Loan Banks:						
Federal Home Loan	4.875%	01/17/08	12/14/12	15,848,100	16,418,700	570,600
Federal Home Loan	5.000%	04/25/08	09/09/11	10,481,200	10,509,300	28,100
Federal Home Loan	5.000%	01/17/08	10/13/11	7,387,730	7,402,290	14,560
Federal Home Loan	4.875%	01/17/08	06/08/12	10,557,800	10,768,400	210,600
Federal Home Loan	5.000%	01/17/08	09/14/12	14,220,532	14,605,829	385,297
Federal Home Loan	5.000%	04/25/08	09/14/12	7,364,210	7,563,738	199,528
Federal Home Loan	3.500%	04/25/08	03/08/13	<u>4,927,335</u>	<u>5,302,600</u>	<u>375,265</u>
Total Federal Home Loan Banks				70,786,907	72,570,857	1,783,950

See Independent Auditors' Report.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2010

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
GENERAL FUND INVESTMENT POOL - continued:						
Federal Home Loan Mortgage Corporation						
Freddie Mac-2nd	4.500%	05/01/08	12/16/10	\$ <u>10,347,200</u>	<u>10,180,000</u>	<u>(167,200)</u>
Total Federal Home Loan Mortgage Corporation				10,347,200	10,180,000	(167,200)
Federal National Mortgage Corporation						
Fannie Mae-2nd	5.000%	1/17/2008	8/2/2012	<u>1,057,770</u>	<u>1,083,020</u>	<u>25,250</u>
Total Federal National Mortgage Corporation				1,057,770	1,083,020	25,250
Total US Government Securities				<u>207,251,638</u>	<u>209,861,290</u>	<u>2,609,652</u>
Mortgage Backed Securities:						
Federal Home Loan Mortgage Co Mortgaged Backed Securities:						
FHR 3573 LC	1.850%	02/04/10	08/15/14	7,728,618	7,735,816	7,198
FHR 3651 AJ	1.500%	03/30/10	03/15/15	<u>45,280,983</u>	<u>45,351,756</u>	<u>70,773</u>
Total Federal Home Loan Mortgage Co Mortgaged Backed Securities				<u>53,009,601</u>	<u>53,087,572</u>	<u>77,971</u>
Total Mortgage Backed Securities				53,009,601	53,087,572	77,971
Corporate Bonds:						
Corporate Bonds:						
Abbot Laboratories	5.150%	11/09/07	11/30/12	9,996,100	10,951,300	955,200
AIG 2nd	4.625%	9/24/2007	09/01/10	4,931,550	4,975,000	43,450
Banc One Corp-JPM	10.000%	09/24/07	08/15/10	7,957,461	7,129,089	(828,372)
Credit Suisse USA	5.500%	09/27/07	08/16/11	10,029,353	10,401,000	371,647
First Mass BK NA 2	7.625%	09/25/07	06/15/11	5,098,987	5,032,350	(66,637)
Genworth Global	5.375%	09/27/07	09/15/11	10,057,500	10,422,500	365,000
Goldman Sachs Group	6.875%	09/25/07	01/15/11	10,427,400	10,260,000	(167,400)
HSBC Finance Corp	6.750%	09/28/07	05/15/11	6,275,760	6,223,200	(52,560)
HSBC Finance Corp	5.700%	09/25/07	06/01/11	5,262,599	5,415,560	152,961
Morgan Stanley 2nd	6.600%	09/25/07	04/01/12	10,414,200	10,674,210	260,010
Northern ILL Gas	6.625%	11/02/07	02/01/11	7,295,903	7,132,750	(163,153)
WalMart Stores	4.125%	11/02/07	02/15/11	<u>4,895,842</u>	<u>5,115,500</u>	<u>219,658</u>
Total Corporate Bonds				92,642,655	93,732,459	1,089,804
TLGP:						
HSBC primary	3.125%	12/2/08	12/16/11	24,985,750	25,909,550	923,800
Morgan Stanley primary	3.250%	12/16/08	12/01/11	<u>24,991,500</u>	<u>25,918,500</u>	<u>927,000</u>
Total TLGP				<u>49,977,250</u>	<u>51,828,050</u>	<u>1,850,800</u>
Total Corporate Bonds				142,619,905	145,560,509	2,940,604

See Independent Auditors' Report.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2010

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
GENERAL FUND INVESTMENT POOL - continued:						
Commercial Paper:						
Straight A Funding	0.390%	06/28/10	09/24/10	\$ 9,101,315	9,106,174	4,859
Straight A Funding	0.400%	06/16/10	09/14/10	<u>24,975,000</u>	<u>24,991,500</u>	<u>16,500</u>
Total Commercial Paper				<u>34,076,315</u>	<u>34,097,674</u>	<u>21,359</u>
Total General Fund Investment Pool (State Funds Investment Pool)				\$ <u>1,309,569,708</u>	<u>1,313,655,452</u>	<u>4,085,744</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2010

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
LOCAL GOVERNMENT INVESTMENT POOL:						
Bank Account	Various	Various	Various	\$ <u>407,617,367</u>	<u>407,617,367</u>	<u>-</u>
US Government Securities:						
US Treasury Notes						
U.S. TREASURY NOTES	1.125%	06/28/10	06/30/11	\$ <u>15,000,000</u>	<u>15,107,813</u>	<u>107,813</u>
Total US Treasury Notes				15,000,000	15,107,813	107,813
US Treasury Bills						
U.S. TREASURY BILLS	0.190%	03/09/10	08/26/10	20,000,000	19,994,400	(5,600)
U.S. TREASURY BILLS	0.198%	03/25/10	08/26/10	20,000,000	19,994,400	(5,600)
U.S. TREASURY BILLS	0.181%	04/29/10	08/26/10	30,000,000	29,991,600	(8,400)
U.S. TREASURY BILLS	0.234%	04/29/10	10/21/10	40,000,000	39,980,089	(19,911)
U.S. TREASURY BILLS	0.266%	11/23/09	11/18/10	25,000,000	24,982,500	(17,500)
U.S. TREASURY BILLS	0.243%	10/29/09	07/15/10	50,000,000	49,997,861	(2,139)
U.S. TREASURY BILLS	0.353%	02/11/10	02/10/11	30,000,000	29,958,933	(41,067)
U.S. TREASURY BILLS	0.218%	03/18/10	09/02/10	20,000,000	19,994,400	(5,600)
U.S. TREASURY BILLS	0.183%	06/24/10	12/23/10	<u>20,000,000</u>	<u>19,979,583</u>	<u>(20,417)</u>
Total US Treasury Bills				255,000,000	254,873,766	(126,234)
Federal Home Loan Banks:						
Federal Home Loan Bank	0.687%	06/17/10	06/17/11	<u>20,000,000</u>	<u>20,006,000</u>	<u>6,000</u>
Total Federal Home Loan Banks				20,000,000	20,006,000	6,000
Federal Home Loan Banks Discount Notes:						
Federal Home Loan Bank Disc Note	0.195%	6/3/2010	9/1/2010	15,000,000	14,995,500	(4,500)
Federal Home Loan Bank Disc Note	0.180%	4/13/2010	7/2/2010	<u>30,000,000</u>	<u>29,991,000</u>	<u>(9,000)</u>
Total Federal Home Loan Banks Discount Notes				45,000,000	44,986,500	(13,500)
Total US Government Securities				<u>335,000,000</u>	<u>334,974,079</u>	<u>(25,921)</u>
Commercial Paper:						
Commercial Paper- Discount						
Straight A Funding	0.240%	04/06/10	07/01/10	20,000,000	20,000,000	-
Straight A Funding	0.340%	06/02/10	08/02/10	<u>15,500,000</u>	<u>15,498,450</u>	<u>(1,550)</u>
Total Commercial Paper				<u>35,500,000</u>	<u>35,498,450</u>	<u>(1,550)</u>
Total Local Government Investment Pool (Short-term Investment Pool)				\$ <u>778,117,367</u>	<u>778,089,896</u>	<u>(27,471)</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
Schedule of Investments - Fiduciary Funds - continued

Schedule 7 - continued

YEAR ENDED JUNE 30, 2010

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
Bond Proceeds Investment Pool #2 (Taxable):						
Repurchase Agreements	Various	Various	Various	\$ 149,856,973	149,856,973	-
Certificates of Deposit	Various	Various	Various	2,000,000	2,000,000	-
Institutional Money Markets	0.000%	Various	Various	2,539,004	1,892,726	(646,278)
US Government Securities:						
US Treasury Notes:						
US T Notes	0.875%	8/14/2009	5/31/2011	<u>24,791,016</u>	<u>25,117,188</u>	<u>326,172</u>
Total US Treasury Notes				24,791,016	25,117,188	326,172
US Treasury Bills:						
US T Bills	0.080%	6/29/2010	7/29/2010	<u>119,992,000</u>	<u>119,984,134</u>	<u>(7,866)</u>
Total US Treasury Bills				119,992,000	119,984,134	(7,866)
Federal Home Loan Banks:						
FHLB 2nd	4.710%	3/14/2008	8/16/2010	4,766,444	4,571,908	(194,536)
FHLB June/Dec 2nd	4.750%	8/15/2008	12/10/2010	13,122,639	13,011,882	(110,757)
FHLB 2nd	4.875%	8/15/2008	12/10/2010	4,959,976	4,914,714	(45,262)
FHLB 2nd	3.250%	8/7/2008	3/9/2012	16,121,424	17,241,039	1,119,615
FHLB 2nd	3.500%	8/28/2008	12/10/2010	9,833,354	9,946,914	113,560
FHLB 2nd	3.375%	8/15/2008	9/10/2010	7,000,070	7,043,260	43,190
FHLB 2nd	1.250%	5/25/2010	5/25/2012	<u>24,987,500</u>	<u>25,092,500</u>	<u>105,000</u>
Total Federal Home Loan Banks				80,791,407	81,822,217	1,030,810
Federal Home Loan Mortgage Co.:						
FHLMC / Freddie Mac 2nd	4.125%	8/15/2008	2/24/2011	11,043,662	11,164,870	121,208
FHLMC / Freddie Mac 2nd	4.375%	8/15/2008	11/9/2011	3,047,280	3,150,930	103,650
FHLMC / Freddie Mac 2nd	4.750%	8/15/2008	10/4/2010	<u>3,598,385</u>	<u>3,540,110</u>	<u>(58,275)</u>
Total Federal Home Loan Mortgage Co.				17,689,327	17,855,910	166,583
Federal National Mortgage Association Debentures:						
Fannie Mae 2nd	4.000%	8/22/2008	4/15/2013	<u>2,392,046</u>	<u>2,581,992</u>	<u>189,946</u>
Total Federal National Mortgage Association Debentures				<u>2,392,046</u>	<u>2,581,992</u>	<u>189,946</u>
Total US Government Securities				245,655,796	247,361,441	1,705,645
Mortgage Backed Securities:						
Federal Home Loan Mortgage Co Mortgaged Backed Securities:						
FHR 3560 LA	2.000%	08/28/09	08/15/14	<u>73,130,050</u>	<u>73,916,211</u>	<u>786,161</u>
Total Mortgage Backed Securities				73,130,050	73,916,211	786,161

See Independent Auditors' Report.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
Schedule of Investments - Fiduciary Funds - continued

Schedule 7 - continued

YEAR ENDED JUNE 30, 2010

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
Corporate Bonds:						
Corporate Bonds:						
General Electric CAP Corp 2nd	5.000%	11/1/07	12/1/10	\$ 10,105,480	10,176,100	70,620
Goldman Sachs Group Inc 2nd	5.700%	10/12/07	9/1/12	10,167,000	10,645,500	478,500
Morgan Stanley 2nd	5.750%	10/12/07	8/31/12	5,098,150	5,330,150	232,000
WalMart Stores Corp 2nd	4.750%	11/1/07	8/15/10	<u>10,046,800</u>	<u>10,036,000</u>	<u>(10,800)</u>
Total Corporate Bonds:				35,417,430	36,187,750	770,320
Temporary Corporate Credit Union Stabilization Bonds						
US Central FCU	1.250%	10/19/09	10/19/11	14,992,350	15,136,650	144,300
US Central FCU	1.900%	10/19/09	10/19/12	19,987,200	20,413,700	426,500
Western Corp FCU	1.750%	11/2/09	11/2/12	<u>9,987,500</u>	<u>10,171,300</u>	<u>183,800</u>
Total Temporary Corporate Credit Union Stabilization Bonds				44,967,050	45,721,650	754,600
TLGP Securities:						
Bank of America - primary	1.700%	12/23/08	12/23/10	10,000,000	10,050,000	50,000
Citigroup Inc., 2nd	2.875%	7/29/09	12/9/11	25,792,000	25,817,375	25,375
Citigroup Inc., 2nd	1.250%	3/3/10	11/15/11	25,184,000	25,228,250	44,250
HSBC - primary	3.125%	12/16/08	12/16/11	<u>24,985,750</u>	<u>25,909,550</u>	<u>923,800</u>
Total TLGP Securities:				85,961,750	87,005,175	1,043,425
TLGP Securities Variable:						
Goldman Sachs Group Inc	0.500%	2/20/09	11/9/11	55,012,650	55,264,550	251,900
JP Morgan Chase primary	0.347%	2/24/09	2/23/11	10,000,000	10,016,000	16,000
Morgan Stanley primary	1.388%	12/2/08	12/1/11	5,000,000	5,069,775	69,775
Morgan Stanley primary	0.889%	1/20/09	6/20/12	30,000,000	30,253,800	253,800
Morgan Stanley primary	0.736%	3/13/09	3/13/12	<u>25,000,000</u>	<u>25,127,125</u>	<u>127,125</u>
Total TLGP Securities Variable:				<u>125,012,650</u>	<u>125,731,250</u>	<u>718,600</u>
Total Corporate Bonds:				291,358,880	294,645,825	3,286,945
Commercial Paper:						
Commercial Paper- Discount						
Straight A Funding	0.400%	06/16/10	09/14/10	25,410,564	25,427,352	16,788
Straight A Funding	0.390%	6/25/2010	09/23/10	<u>29,970,750</u>	<u>29,988,300</u>	<u>17,550</u>
Total Commercial Paper				<u>55,381,314</u>	<u>55,415,652</u>	<u>34,338</u>
Total Bond Proceeds Investment Pool #2 (Taxable) (Part 1 of the Consolidated Investment Pool)				\$ <u>819,922,017</u>	<u>825,088,828</u>	<u>5,166,811</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2010

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
Bond Proceeds Investment Pool #1 (Tax Exempt):						
Repurchase Agreements	Various	Various	Various	\$ 203,425,703	203,425,703	-
Institutional Money Markets	0.000%	Various	Various	1,728,076	1,288,212	(439,864)
US Government Securities:						
US Treasury Notes:						
US T Notes	4.500%	5/6/2010	2/28/2011	84,773,906	84,306,250	(467,656)
US T Notes	0.875%	06/11/09	05/31/11	<u>24,791,016</u>	<u>25,117,188</u>	<u>326,172</u>
Total US Treasury Notes				109,564,922	109,423,438	(141,484)
US Treasury Bills:						
US T Bills	0.023%	6/29/2010	7/8/2010	49,999,719	49,999,320	(399)
US T Bills	0.043%	6/29/2010	07/15/10	<u>49,999,055</u>	<u>49,997,861</u>	<u>(1,194)</u>
Total US Treasury Bills				99,998,774	99,997,181	(1,593)
Federal Farm Credit Banks Consolidated Long:						
Federal Farm Credit Bank 2nd	3.150%	06/02/08	05/19/11	<u>11,285,176</u>	<u>11,696,021</u>	<u>410,845</u>
Total Federal Farm Credit Banks				11,285,176	11,696,021	410,845
Federal Home Loan Banks:						
Federal Home Loan Bank 2nd	4.700%	06/02/08	08/10/10	14,955,711	14,581,534	(374,177)
Federal Home Loan Bank 2nd	5.250%	05/30/08	06/10/11	3,654,805	3,640,000	(14,805)
Federal Home Loan Bank 2nd	3.375%	06/02/08	06/10/11	14,892,300	15,376,650	484,350
Federal Home Loan Bank 2nd	3.500%	06/02/08	12/10/10	10,017,188	10,134,400	117,212
Federal Home Loan Bank 2nd	3.500%	06/02/08	12/10/10	5,009,074	5,067,200	58,126
Federal Home Loan Bank 2nd	1.250%	05/25/10	05/25/12	<u>29,985,000</u>	<u>30,111,000</u>	<u>126,000</u>
Total Federal Home Loan Banks				<u>78,514,078</u>	<u>78,910,784</u>	<u>396,706</u>
Total US Government Securities				299,362,950	300,027,424	664,474
Mortgage Backed Securities						
Federal Home Loan Mortgage Corp. Mortgage Backed Securities:						
FHR 3573 LC	1.850%	09/30/09	08/15/14	<u>95,857,895</u>	<u>96,697,701</u>	<u>839,806</u>
Total Mortgage Backed Securities				95,857,895	96,697,701	839,806

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2010

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
Corporate Bonds:						
TLGP:						
Bank of America 2nd	3.125%	6/30/09	6/15/12	\$ 25,821,250	26,140,675	319,425
Bank of America Corp primary	2.100%	6/30/09	4/30/12	25,099,750	25,616,575	516,825
Bank of America Corp primary	1.700%	12/23/08	12/23/10	15,000,000	15,075,000	75,000
Citigroup Inc. 2nd	2.125%	7/2/09	4/30/12	25,120,175	25,630,500	510,325
HSBC primary	3.125%	12/16/08	12/16/11	24,985,750	25,909,550	923,800
HSBC primary	3.125%	06/30/09	12/16/11	25,881,750	25,909,550	27,800
JP Morgan 2nd	3.125%	06/30/09	12/01/11	25,887,250	25,891,875	4,625
Wells Fargo Company 2nd	2.125%	06/30/09	06/15/12	<u>25,111,950</u>	<u>25,697,000</u>	<u>585,050</u>
Total TLGP:				192,907,875	195,870,725	2,962,850
TLGP Variable Rate:						
JP Morgan Chase primary	0.347%	02/24/09	02/23/11	10,000,000	10,016,000	16,000
Morgan Stanley primary	1.106%	12/02/08	12/01/11	10,000,000	10,139,550	139,550
Morgan Stanley primary	0.889%	01/20/09	06/20/12	30,000,000	30,253,800	253,800
Morgan Stanley primary	0.736%	03/13/09	03/13/12	<u>25,000,000</u>	<u>25,127,125</u>	<u>127,125</u>
Total TLGP Variable Rate:				<u>75,000,000</u>	<u>75,536,475</u>	<u>536,475</u>
Total Corporate Bonds:				267,907,875	271,407,200	3,499,325
Commercial Paper:						
Commercial Paper Discount:						
Straight A Fndg	0.000%	6/15/2010	9/8/2010	14,454,994	14,464,515	9,521
Straight A Fndg	0.390%	6/29/2010	9/20/2010	3,875,512	3,877,525	2,013
Straight A Fndg	0.390%	6/28/2010	9/24/2010	3,920,259	3,922,430	2,171
Straight A Fndg	0.400%	6/16/2010	9/9/2010	24,976,389	24,992,250	15,861
Straight A Fndg	0.420%	06/10/10	09/02/10	<u>6,595,530</u>	<u>6,600,350</u>	<u>4,820</u>
Total Commercial Paper:				<u>53,822,684</u>	<u>53,857,070</u>	<u>34,386</u>
Total Bond Proceeds Investment Pool #1 (Tax Exempt) (Part 2 of the Consolidated Investment Pool)				\$ <u>922,105,183</u>	<u>926,703,310</u>	<u>4,598,127</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2010

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
Reserve Contingency Fund:						
Institutional Money Markets	0.000%	Various	Various	\$ <u>5,227,279</u>	<u>3,896,727</u>	<u>(1,330,552)</u>
Total Reserve Contingency Fund				\$ <u>5,227,279</u>	<u>3,896,727</u>	<u>(1,330,552)</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2010

Security Description	Book Value	Market Value	Unrealized Gain (loss)
Local Government Investment Pool (Short-term Investment Pool)	\$ 778,117,367	778,089,896	(27,471)
General Fund Investment Pool (State Funds Investment Pool)	1,309,569,708	1,313,655,452	4,085,744
Bond Proceeds Taxable (Consolidated Investment Pool)	819,922,017	825,088,828	5,166,811
Bond Proceeds Tax Exempt (Consolidated Investment Pool)	922,105,183	926,703,310	4,598,127
Reserve Contingency Fund	<u>5,227,279</u>	<u>3,896,727</u>	<u>(1,330,552)</u>
Grand Total of all Funds	\$ <u>3,834,941,554</u>	<u>3,847,434,213</u>	<u>12,492,659</u>

Reconciliation to financial statements:

Per Schedule of Investments	\$ 3,847,434,213
Less: Repurchase Agreements reported in Debt Service Funds*	(225,130,780)
Less: Investment in State General Fund Investment Pool, Governmental Activities*	<u>(252,449)</u>
Total Cash and Investments, Statement of Fiduciary Net Assets	\$ <u>3,622,050,984</u>

* Amounts are deducted from the State Funds Investment Pool

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 8

Combining Statement of Fiduciary Net Assets

AS OF JUNE 30, 2010

	Investment Trust Funds				Total (Memorandum Only)
	Short-term Investment Pool	Consolidated Investment Pool	State Funds Investment Pool	Reserve Contingency Fund	
ASSETS:					
Cash and investments:					
Cash in banks	\$ 407,617,367	-	48,677	-	407,666,044
Certificates of Deposit	-	2,000,000	52,300,000	-	54,300,000
Institutional Money Market	-	3,180,938	4,579,957	3,896,727	11,657,622
Commercial Paper	35,498,450	109,272,722	34,097,674	-	178,868,846
Mortgage Backed securities	-	170,613,912	53,087,572	-	223,701,484
U.S. Government securities	334,974,079	547,388,865	209,861,290	-	1,092,224,234
Corporate Bonds	-	566,053,025	145,560,509	-	711,613,534
Municipal Bonds	-	-	99,150,000	-	99,150,000
Repurchase agreements	-	353,282,676	489,586,544	-	842,869,220
Total cash and investments	778,089,896	1,751,792,138	1,088,272,223	3,896,727	3,622,050,984
Other assets	169,585	4,317,131	4,009,916	-	8,496,632
TOTAL ASSETS	\$ 778,259,481	1,756,109,269	1,092,282,139	3,896,727	3,630,547,616
NET ASSETS HELD IN TRUST	\$ 778,259,481	1,756,109,269	1,092,282,139	3,896,727	3,630,547,616
TOTAL LIABILITIES AND NET ASSETS HELD IN TRUST	\$ 778,259,481	1,756,109,269	1,092,282,139	3,896,727	3,630,547,616

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 9

Combining Statement of Changes in Fiduciary Net Assets

YEAR ENDED JUNE 30, 2010

	Investment Trust Fund				Total (Memorandum Only)
	Short-term Investment Pool	Consolidated Investment Pool	State Funds Investment Pool	Reserve Contingency Fund	
Investment income	\$ 1,849,346	23,203,479	17,922,043	-	42,974,868
Expenses - management fees	(413,899)	-	-	-	(413,899)
Net investment income	1,435,447	23,203,479	17,922,043	-	42,560,969
Net proceeds of desposits (withdrawals)	(151,261,699)	144,821,435	(367,543,763)	(28,798,159)	(402,782,186)
Net assets, held in trust for pool participants, June 30, 2009	<u>928,085,733</u>	<u>1,588,084,355</u>	<u>1,441,903,859</u>	<u>32,694,886</u>	<u>3,990,768,833</u>
Net assets, held in trust for pool participants, June 30, 2010	\$ <u>778,259,481</u>	<u>1,756,109,269</u>	<u>1,092,282,139</u>	<u>3,896,727</u>	<u>3,630,547,616</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 10

Schedule of Collateral Pledged by Depository

YEAR ENDED JUNE 30, 2010

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (under)
					Surety Bond Letter of Credit	Securities	
BANKS:							
Alamagordo							
(FHLB)	First National Bank	\$ 966,792	250,000	358,396	-	675,000	316,604
(FHLB)	Western Bank	1,600,000	250,000	1,012,500	-	1,379,954	367,454
Albuquerque							
(WFB)	Bank of America	10,374,648	250,000	10,327,141	-	28,946,986	18,619,845
(WFB)	Bank of the West	2,025,054	250,000	1,810,555	-	2,663,519	852,964
(WFB)	Compass Bank	193,847,888	192,270,073	1,609,371	1,800,000	-	190,629
(FHLB)	First Community Bank	3,924,959	1,305,528	2,671,820	-	2,874,359	202,539
(WFB)	New Mexico Bank & Trust	297,189	250,000	23,595	-	250,000	226,406
(USB)	Wells Fargo Bank NM, N.A.	227,490,526	250,000	170,430,395	-	182,412,314	11,981,919
Artesia							
(FHLB)	First American Bank	88,730	88,730	-	-	-	-
(FHLB)	Western Bank	-	-	-	-	-	-
Belen							
(USB)	My Bank	2,153,306	250,000	951,653	-	1,000,000	48,347
Carlsbad							
(FHLB)	Carlsbad National Bank	3,156	3,156	-	-	-	-
(FHLB)	Western Commerce Bank	6,063,138	250,000	2,906,569	-	4,315,149	1,408,580
Clayton							
(FHLB)	Farmers & Stockmens Bank	2,039,559	250,000	1,825,350	-	2,262,826	437,476
(FHLB)	First National Bank of NM	1,548,555	250,000	649,278	-	1,858,750	1,209,472
Clovis							
(TIB)	Bank of Clovis	468,103	250,000	109,052	-	1,525,000	1,415,948
	Citizens Bank	13,601	13,601	-	-	-	-
(FHLB)	Western Bank	2,600,000	250,000	1,175,000	-	1,229,367	54,367
Espanola							
(USB)	Valley National Bank	10,000,137	250,000	9,945,140	-	12,376,354	2,431,214
Gallup							
(FHLB)	Pinnacle Bank	1,690	1,690	-	-	-	-
Grants							
(TIB)	Grants State Bank	141,516	141,516	-	-	-	-
Hobbs							
(TIB)	Lea County State Bank	514,701	514,701	-	-	-	-
Las Cruces							
(WFB)	Bank of the Rio Grande	-	-	-	-	-	-
(TIB)	Citizens Bank	3,573	3,573	-	-	-	-
Las Vegas							
(FHLB)	Bank of Las Vegas	1,068,021	250,000	409,011	-	780,473	371,462
(FHLB)	Community First Bank LV	10,657,132	250,000	5,203,566	2,000,000	3,423,890	220,324
SUBTOTAL		477,891,974	198,092,568	211,418,392	3,800,000	247,973,941	40,355,549

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 10 - continued

Schedule of Collateral Pledged by Depository - continued

YEAR ENDED JUNE 30, 2010

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (under)
					Surety Bond Letter of Credit	Securities	
BANKS - continued:							
Lordsburg (FHLB)	Western Bank	\$ 105,498	105,498	-	-	100,000	100,000
Los Alamos (FHLB)	Los Alamos National Bank	11,033	11,033	-	-	-	-
Portales (TIB)	Portales National Bank	376,163	376,163	-	-	-	-
Raton (TIB)	International State Bank	114,901	114,901	-	-	450,000	450,000
Roswell (FHLB)	Bank of the Southwest	386,516	250,000	68,258	-	154,952	86,694
(TIB)	Valley Bank of Commerce	367,582	250,000	58,791	-	250,000	191,209
Ruidoso (FHLB)	First National Bank	-	-	-	-	-	-
Santa Fe (FHLB)	Century Bank	39,003,014	24,253,014	7,375,000	-	12,367,698	4,992,698
(FHLB)	Community Bank	44,725	44,725	-	-	20,250	20,250
(WFB)	First National Bank	-	-	-	-	-	-
Silver City (FHLB)	AM Bank	-	-	-	-	-	-
Socorro (BA)	First State Bank	90,406	90,406	-	-	-	-
Taos (TIB)	Centinel Bank	84,362	84,362	-	-	-	-
(FHLB)	Peoples Bank	-	-	-	-	-	-
SAVINGS AND LOANS:							
Alamogordo (FHLB)	Alamogordo Federal S&L	165,574	165,574	-	-	-	-
Albuquerque (FHLB)	Union Savings Bank	5,000,000	250,000	3,562,500	-	4,439,435	876,935
Roswell (FHLB)	First Federal Bank	-	-	-	-	-	-
Santa Fe (FHLB)	Charter Bank for Savings	-	-	-	-	-	-
CREDIT UNION:							
Santa Fe	Guadalupe Credit Union	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SUBTOTAL		45,849,774	26,095,676	11,064,549	-	17,782,335	6,717,786

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

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 10 - continued

Schedule of Collateral Pledged by Depository - continued

YEAR ENDED JUNE 30, 2010

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (under)
					Surety Bond Letter of Credit	Securities	
ANCILLARY RECEIVERSHIP ACCOUNTS:							
Albuquerque							
(BA)	Bank of America, N.A.	\$ 326,599	250,000	78,131	-	197,980	119,849
(FHLB)	First Community Bank	-	-	-	-	-	-
(WFB)	Wells Fargo Bank, N.A.	4,325	4,325	-	-	-	-
Espanola							
(TIB)	Valley National Bank	405,359	250,000	158,466	-	200,000	41,534
Los Alamos							
(FHLB)	Los Alamos National Bank	-	-	-	-	-	-
Santa Fe							
(WFB)	Century Bank	626,299	250,000	188,150	-	500,000	311,851
(WFB)	First National Bank	212,734	212,734	-	-	149,033	149,033
FISCAL AGENT BANK:							
(USB)	Wells Fargo Bank N.A.	111,472,275	250,000	83,416,706	-	140,139,722	56,723,016
(BA)	Bank of America	<u>31,355,555</u>	<u>250,000</u>	<u>31,727,666</u>	<u>-</u>	<u>49,532,029</u>	<u>17,804,363</u>
SUBTOTAL		<u>144,403,146</u>	<u>1,467,059</u>	<u>115,569,119</u>	<u>-</u>	<u>190,718,764</u>	<u>75,149,645</u>
TOTAL		<u>\$ 668,144,894</u>	<u>225,655,303</u>	<u>338,052,060</u>	<u>3,800,000</u>	<u>456,475,040</u>	<u>122,222,980</u>
Reconciliation to Note 3:							
Fiscal Agent Account		\$ 142,827,830	500,000	115,144,373	-	189,671,751	74,527,378
Certificates of Deposit		<u>54,300,000</u>	<u>1,843,860</u>	<u>33,753,712</u>	<u>2,000,000</u>	<u>41,963,566</u>	<u>10,209,854</u>
		197,127,830	2,343,860	148,898,085	2,000,000	231,635,317	84,737,232
Add:							
Agency Deposits		469,441,748	222,344,384	188,729,228	1,800,000	223,792,710	36,863,482
Ancillary Receivership Accounts		<u>1,575,316</u>	<u>967,059</u>	<u>424,747</u>	<u>-</u>	<u>1,047,013</u>	<u>622,266</u>
		<u>471,017,064</u>	<u>223,311,443</u>	<u>189,153,975</u>	<u>1,800,000</u>	<u>224,839,723</u>	<u>37,485,748</u>
		<u>\$ 668,144,894</u>	<u>225,655,303</u>	<u>338,052,060</u>	<u>3,800,000</u>	<u>456,475,040</u>	<u>122,222,980</u>
Custodial Banks:							
(BA)	Bank of America						
(FHLB)	Fed. Home Loan Bank Dallas						
(WFB)	Wells Fargo Bank						
(TIB)	The Independent Bankers Bank						

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

Schedule 10 - continued

Schedule of Collateral Pledged by Depository - continued

YEAR ENDED JUNE 30, 2010

REPURCHASE AGREEMENTS:

Name of Custodian	Location of Custodian	Repurchase Agreements per Financial Statement	Collateral Required	Collateral Pledged Mortgage Backed Securities (MBS) *	Issuer	CUSIP Number	Excess (Under) Collateralized
Northern Trust	Chicago, IL	\$ 50,862,000	51,879,240	51,879,494	FHLMC	3128P7NG4	254
Northern Trust	Chicago, IL	47,022,000	47,962,440	47,963,081	FNMA	31417SA26	641
Northern Trust	Chicago, IL	20,797,000	21,212,940	21,213,529	FHLMC	3128P7NG4	589
Northern Trust	Chicago, IL	46,498,000	47,427,960	47,428,300	FHLMC	3128JQFG8	340
Northern Trust	Chicago, IL	2,821,000	2,877,420	2,877,785	FNMA	31417SA26	365
Northern Trust	Chicago, IL	28,528,000	29,098,560	29,098,665	FHLMC	3128QSKD7	105
Northern Trust	Chicago, IL	34,834,000	35,530,680	35,530,730	FNMA	31410KWE0	50
Northern Trust	Chicago, IL	45,738,000	46,652,760	46,653,689	FHLMC	31417K2D8	929
Northern Trust	Chicago, IL	39,333,000	40,119,660	40,120,035	FHLMC	31300LBD6	375
Northern Trust	Chicago, IL	50,328,000	51,334,560	51,334,940	FNMA	31418TVS3	380
Northern Trust	Chicago, IL	35,623,000	36,335,460	36,336,211	FHLMC	31381JW65	751
Northern Trust	Chicago, IL	35,623,000	36,335,460	36,336,211	FHLMC	31381JW65	751
Northern Trust	Chicago, IL	33,937,000	34,615,740	34,614,000	FNMA	31419AD87	(1,740)
Northern Trust	Chicago, IL	16,972,000	17,311,440	17,311,543	FNMA	31417LZQ1	103
Northern Trust	Chicago, IL	12,409,000	12,657,180	12,657,317	FHLMC	31349UBU1	137
Northern Trust	Chicago, IL	9,772,000	9,967,440	9,968,000	FNMA	31419AD61	560
Northern Trust	Chicago, IL	13,652,000	13,925,040	13,925,273	FHLMC	31409UWQ4	233
Northern Trust	Chicago, IL	28,170,000	28,733,400	28,733,632	FHLMC	3128S4KE6	232
Northern Trust	Chicago, IL	28,047,000	28,607,940	28,608,062	FHLMC	3128QSKD7	122
Northern Trust	Chicago, IL	24,411,000	24,899,220	24,899,935	FNMA	31410KWE0	715
Northern Trust	Chicago, IL	13,728,000	14,002,560	14,003,571	FHLMC	31417K2D8	1,011
Northern Trust	Chicago, IL	49,019,000	49,999,380	50,000,000	FNMA	31419AD87	620
Northern Trust	Chicago, IL	49,019,000	49,999,380	50,000,000	FNMA	31419AD87	620
Northern Trust	Chicago, IL	49,019,000	49,999,380	50,000,000	FNMA	31419AD87	620
Northern Trust	Chicago, IL	35,334,000	36,040,680	36,041,686	FNMA	31417LZQ1	1,006
Northern Trust	Chicago, IL	20,190,000	20,593,800	20,594,399	FHLMC	31349UBU1	599
Northern Trust	Chicago, IL	20,190,000	20,593,800	20,594,399	FHLMC	31349UBU1	599
Northern Trust	Chicago, IL	49,019,000	49,999,380	50,000,000	FNMA	31419AD61	620
Northern Trust	Chicago, IL	49,019,000	49,999,380	50,000,000	FNMA	31419AD61	620
Northern Trust	Chicago, IL	13,886,000	14,163,720	14,164,367	FHLMC	31409UWQ4	647
Northern Trust	Chicago, IL	13,886,000	14,163,720	14,164,367	FHLMC	31409UWQ4	647
Northern Trust	Chicago, IL	13,886,000	14,163,720	14,164,367	FHLMC	31409UWQ4	647
Northern Trust	Chicago, IL	28,170,000	28,733,400	28,733,632	FHLMC	3128S4KE6	232
Northern Trust	Chicago, IL	23,234,000	23,698,680	23,698,905	FHLMC	31300LBD6	225
Northern Trust	Chicago, IL	15,082,000	15,383,640	15,384,055	FNMA	31418TVS3	415
Northern Trust	Chicago, IL	19,942,000	20,340,840	20,341,011	FHLMC	31381JW65	171
Total		\$ 1,068,000,000	1,089,360,000	1,089,375,191			\$ 15,191

Reconciliation to Financial Statements:

Repurchase agreements reported in Debt Service Funds, page 17	\$ 225,130,780
Repurchase agreements reported in Statement of Fiduciary Net Assets, page 22	<u>842,869,220</u>

Total repurchase agreements **\$ 1,068,000,000**

* Mortgaged Backed Securities is a type of asset backed security that is secured by a mortgage or collection of mortgages.

SCHEDULE OF FINDINGS AND RESPONSES

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND
COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Honorable Bill Richardson, Governor
State Board of Finance
Honorable James B. Lewis, State Treasurer
Honorable Hector H. Balderas, State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund, fiduciary fund and the combining and individual funds and related budgetary comparisons presented as supplemental information of the State of New Mexico, Office of the State Treasurer (State Treasurer), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Treasurer's internal control over financial reporting as a basis for designing our audit procedures 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 State Treasurer's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State Treasurer's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.



Honorable Bill Richardson, Governor
State Board of Finance
Honorable James B. Lewis, State Treasurer
Honorable Hector H. Balderas, State Auditor
Santa Fe, New Mexico

Internal Control Over Financial Reporting - continued

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting. This is identified as finding 2007-04 in the schedule of findings and responses. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Treasurer's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items 2009-06, 2007-04, 2007-05, 2007-06 and 2007-08.

We noted no other matters that are required to be reported pursuant to *Government Auditing Standards January 2007 Revision*, paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978.

The State Treasurer's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the State Treasurer's responses and, accordingly, we express no opinion on them.

Honorable Bill Richardson, Governor
State Board of Finance
Honorable James B. Lewis, State Treasurer
Honorable Hector H. Balderas, State Auditor
Santa Fe, New Mexico

Compliance and Other Matters - continued

This report is intended solely for the information and use of management of the State Treasurer, others within the entity, the State of New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico DFA, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Meignier + Company, LLC

December 13, 2010

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2009-06 REPORTING OF ADDITIONS AND DEDUCTIONS TO FIDUCIARY FUNDS

Condition: The State Treasurer's Office did not segregate gross total additions to and deductions from fiduciary funds for the financial statement presentation. The information regarding additions to and deductions from individual accounts is available, but the information is not readily available in total.

Criteria: GASB Statement 34.109 requires that additions and deductions from fiduciary funds be reported as gross rather than net numbers.

Cause: The current accounting system does not provide the information required to report gross total additions and deductions from fiduciary funds for financial statement presentation, although the information is available on an account by account basis. Segregating the information is time and cost prohibitive to the State Treasurer's Office.

Effect: The State Treasurer's Office is not reporting the additions to and deductions from fiduciary funds as gross amounts for financial statement presentation.

Recommendation: We recommend that the State Treasurer's Office perform a reconciliation of the gross total additions to and deductions from fiduciary funds in preparation for presenting their June 30, 2009 financial statements. In addition, we recommend that the Office uses two separate general ledger account numbers for additions to and deletions from fiduciary accounts, so the information is readily available for future financial statement presentations.

State Treasurer's Office Response: The State Treasurer's Office agrees with this finding. The accounting information in the Statement of Changes in Fiduciary Net Assets should be reported as gross total additions and deductions and not as net information. The Investment Division is planning to work with the new custodial bank, J.P. Morgan, in researching this issue and determining if the custodial bank can provide this type of statement or report.

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

2007-04 DAILY AUTO RECONCILIATION PROCESS REQUIRES MANUAL INTERVENTION (Significant Deficiency)

Condition: The purpose of the State Treasurer's Office's daily auto reconciliation process is to identify differences between the bank's activity and the transactions recorded in the Cash Management Module and subsequently in the general ledger. We noted that this reconciliation process is not always automatic and takes manual intervention to reconcile bank transactions to the Cash Management Module. We noted:

1. ACH and wire transactions are not automatically reconciled by the SHARE accounting system. The State Treasurer's Office must manually research and reconcile each one of these transactions.
2. Wire authorization reference (form) numbers issued by the DFA do not always agree to bank transaction reference number. The State Treasurer's Office must manually research and reconcile each one of these transactions.
3. ACH returns (errors in routing numbers, bank account number or payee, or account closure) are not automatically reconciled in SHARE. Each state agency must research and identify all ACH return activity and restore cash. Agencies do not always provide supporting documentation to the State Treasurer's Office. The State Treasurer's Office must manually research and reconcile each one of these transactions.
4. SHARE does not provide a sufficient audit trail to identify multiple bank transactions against one deposit recorded in SHARE. The State Treasurer's Office must manually research and reconcile each one of these transactions.

Criteria: The State Treasurer is responsible for reconciling the state's daily bank transactions per the fiscal agent bank to the general ledger.

Cause: Current business processes and the SHARE system functionality precluded The State Treasurer's Office from effectively and efficiently reconciling daily bank activity to the cash module and general ledger. Budgetary restrictions have also prevented The State Treasurer's Office from implementing the requisite staffing to be able to complete this process in a timely manner.

Effect: The State Treasurer's Office must perform a manual reconciliation to clear transactions that did not auto-reconcile which is a labor intensive and time consuming process. Unreconciled cash transactions may or may not have a general ledger impact on the book balances of State Agencies with Investment(s) in State General Fund Investment Pool.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

2007-04 DAILY AUTO RECONCILIATION PROCESS REQUIRES MANUAL INTERVENTION (Significant Deficiency) - continued

Recommendation: We recommend the State Treasurer's Office review and change business processes and reconfigure the SHARE accounting system functionality to improve the daily bank reconciliation process.

State Treasurer's Office Response: STO and DFA are currently working on a Streamline Banking Project in conjunction with Oracle, to facilitate the overall auto-reconciliation between the bank's activity and the transactions recorded in the Cash Management Module. System changes outlined in the streamlined banking project will facilitate the overall auto-reconciliation of transactions are scheduled to be put into production by December 31, 2010.

1. ACH and wire transactions – The auto-reconciliation of wire transactions has been addressed in the Streamlined Banking project and the auto-reconciliation of wires will be put into production by December 31, 2010. Due to certain system and fiscal bank constraints the auto-reconciliation of ACH transactions is not possible at this time. There are adequate reports that allow the Treasurer's Office to accurately reconcile ACH transactions through the semi-manual recon process.
2. Wire authorization numbers – The auto-reconciliation of wire transactions has been addressed in the Streamlined Banking project and changes to the business processes and method of identifying and recording of wire reference numbers by DFA will no longer require manual reconciliation. The change to wire authorization numbers will be put into production by December 31, 2010.
3. ACH returns - The auto-reconciliation of ACH returns has been addressed in the Streamlined Banking project to allow agencies the ability to record ACH returns through the regular deposit entry process to facilitate the auto-reconciliation of these transactions.
4. SHARE does not provide a sufficient audit trail – Changes to business processes will be implemented to ensure that transactions are recorded on a one to one (bank to Book) basis thereby providing a clear audit trail transactions. In addition, DFA has developed and implemented an overall bank to book reconciliation of SHARE activity that provides a detailed registers between bank and general ledger.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

2007-05 WARRANTS NOT STALE DATED – Repeated

Condition: The SHARE accounting system does not have a mechanism in place to identify stale dated warrants and to reestablish cash. The transaction date (date warrant was issued) is greater than the bank redeemed date by one year or more.

Criteria: A stale dated warrant is an unredeemed warrant which was issued more than one year prior to the current date. A stale dated warrant is expired and the original instrument is no longer negotiable.

Cause: Before the stale dated warrant process can be implemented, outstanding warrant data must be verified. In the past, a lack of resources has prevented this.

Effect: The State Treasurer's Office must reconcile all stale dated warrants presented for payment on a daily basis. The State Treasurer's Office is honoring all stated warrants at this time.

Recommendation: We recommend that the State Treasurer's Office work with the DFA to develop a process whereby warrants issued by the State can be stale dated and cash can be restored automatically by the SHARE accounting system.

State Treasurer's Office Response: STO and DFA are currently working on a Streamline Banking Project in conjunction with Oracle, to implement the stale date warrant process. On September 30, 2010 DFA reconciled all outstanding warrants from SHARE to Bank of America Outstanding warrant list. The testing of the stale date process for AP payments is complete as of November 19, 2010. As of December 13, 2010 DFA has begun to stale date warrants in SHARE and prepare the necessary journal entries to re-establish cash for the agencies.

For the 3rd party warrant agencies, DFA and STO are working in conjunction with the agencies (TRD, DWS, HSD, and CYFD) and Oracle to implement a stale date warrant program. DFA and STO are currently testing the stale date process design. This testing will be complete December 16, 2010 and stale dating of warrants and re-establishment of cash will begin December 20, 2010.

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

2007-06 WARRANT CANCELLATIONS PROCESS INCONSISTENT FOR THIRD PARTY WARRANT ISSUING STATE AGENCIES – Repeated and Modified

Condition: The warrant cancellation process for a State agency that issues a third party warrant is not always consistent.

Criteria: A third party warrant is a negotiable instrument issued by a State agency that is authorized to issue its own warrants (i.e., Human Services Department, Taxation and Revenue Department, Department of Workforce Solutions). The warrant cancellation process must be consistent to facilitate the reconciliation process between the bank table and the cash management module.

Cause: The business processes for recording warrants by third party warrant issuing State agencies has not been developed.

Effect: The status of a warrant (issued or cancelled) is not always posted to the general ledger in a timely manner.

Recommendation: We recommend that the State Treasurer's Office and the DFA work with third party warrant issuing State agencies to develop and implement business processes to ensure consistency in recording warrant transactions.

State Treasurer's Office Response: STO and DFA are working on a Streamline Banking project in conjunction with Oracle and the 3rd party warrant issuing State agencies (TRD, CYFD, HSD, DWS) to implement a consistent warrant cancelation process. The design document has been transmitted to the 3rd party warrant issuing agencies and DFA has received and tested cancel warrant files for all agencies as of December 13, 2010 and is currently working with STO to test the files. Once the testing of the files has been completed the new procedures and process will be moved to production, which is tasked for completion on December 20, 2010.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

2007-08 CASH OVERDRAFTS

Condition: The State's bank account was overdrawn with the State's fiscal agent Bank of America on the following dates:

July 13, 2009	\$ 14,877,915
October 13, 2009	\$ 10,034,900

Criteria: Chapter 8-6-3.1 NMSA 1978 states that one of the duties of the state's cash manager (under the direction of the State Treasurer) includes the "projection of the state's short-term and long-term cash needs to determine the amount available for short-term and long-term investment."

Cause: The Investment Division of the State Treasurer's Office was not notified of certain ACH transactions by a state agency that were scheduled for payment by the State's fiscal agent and as a result, insufficient cash balances were on hand after the overnight investment purchase had been made.

Effect: The State's fiscal agent does not cover overdrafts.

Recommendation: We recommend that State Treasurer work with the DFA and other state agencies to develop and implement a business process to inform the State Treasurer's Office when the settlement of ACH payments are to occur. This would provide the State Treasurer with the information needed to formulate a reasonable cash projection for daily activity.

State Treasurer's Office Response: In an effort to avoid and eliminate cash overdrafts and more accurately project daily cash needs, the Cash Management Division has implemented certain cash flow reporting requires for all the major disbursing agencies, including daily ACH and warrant disbursement reporting from the Department of Finance and Administration, Financial Control Division. Additionally, daily controlled disbursement reports which are provided by the current fiscal agent to assist the Investment Division to more accurately position cash. The Treasurer's Office will continue to work with state agencies and the DFA to modify business processes in an effort to more accurately project daily cash needs.

STATE OF NEW MEXICO
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Summary Schedule of Prior Year Audit Findings

2007-04	Daily Auto Reconciliation Process Requires Manual Intervention (Significant Deficiency) – Repeated and Modified
2007-05	Warrants Not Stale-Dated – Repeated
2007-06	Warrant Cancellations Process Inconsistence for Third Party Warrant Issuing State Agencies – Repeated
2007-08	Cash Overdrafts – Repeated
2009-01	Per Diem Payment – Resolved
2009-02	Timesheet Hours and Authorization – Resolved
2009-03	Capital Asset Inventory and Disposition – Resolved
2009-04	Investment Policy Violations – Resolved
2009-05	Recording of Fiduciary Funds – Resolved
2009-06	Reporting of Additions and Deductions to Fiduciary Funds – Repeated
2009-07	Cross-Training – Resolved

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Exit Conference

An exit conference was held with the State Treasurer's Office on December 13, 2010. The conference was held at the State Treasurer's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO
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James B. Lewis, State Treasurer
Mark F. Valdes, Deputy State Treasurer
Sheila Duffy, Chief Investment Officer, Investment Division Director
Orlando Romero, State Cash Manager, Cash Management Division
Clarence L. Smith, Chief Operations Officer, Operations Division
Ronald Crespin, Chief Financial Officer & Budget and Finance Division Director
Kathy Abeyta, Investment Accounting Bureau Chief
Patricia J. Ortiz, Finance & Budget Financial Analyst
Victor Vigil, Cash Management Division Bureau Chief
Yasmin Dennig, Legal Counsel & Public Information Officer
Willie Ryan, Human Resources

MEYNNERS + COMPANY, LLC

Janet Pacheco-Morton, CPA, CGFM, Assurance Director
Joel Blackman, CPA, Assurance Senior Auditor

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.