

STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER  
Albuquerque, New Mexico

FINANCIAL STATEMENTS  
June 30, 2011

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**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
OFFICIAL ROSTER  
June 30, 2011**

**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

Paul Cassidy, Member

Paul Boushelle, Member

Stephanie Schardin-Clarke, State Board of Finance Member

## Independent Auditor's Report

Honorable Susanna Martinez, 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 comparison 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, 2011, 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, 2011, 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, 2011, 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.

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, 2011, 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, 2011, 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, 2011, 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.

The management's discussion and analysis presented on pages 4 through 12 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.

*Clifton Gunderson LLP*

Albuquerque, New Mexico  
December 13, 2011

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

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 2011, the State Treasurer's Office 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. Additionally the State Treasurer initiated a request for proposals for leased office space and reduced annual rent costs by \$153,000 by moving to new facilities. The executive management team continued to identify potential savings, reviewing weekly budget status reports, anticipating future budget reductions. Due to budget savings, \$98,603 was reverted to the General Fund at fiscal year-end. Over the past four years, the State Treasurer's budget has been reduced by approximately \$700,000 through vacancies and other cost-saving measures.

The State Treasurer's Office worked on several cash management initiatives during fiscal year 2011. The staff continued to make improvements to the Cash Forecasting Model, which is used to identify annual/monthly cash flow projections. The State 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 or bond proceeds 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.

Another Cash Management Division initiative, the Streamlined Banking project was successfully completed. This initiative improved the automated reconciliation function and the daily transaction reconciliation process.

The State Treasurer's office began the process of reviewing New Mexico statutes, which define the State Treasurer's authorities and responsibilities in law to determine which provisions are obsolete and what amendments are needed to align statutory provisions with current business practices, and banking and investment industry standards. The intent is to draft legislation to amend the statutes and seek legislative and executive support to incorporate these changes into law over the next several years.

During the first half of fiscal year 2011, the State Treasurer's Office Information Technology Bureau spent much of its time planning and executing a move of systems and infrastructure into a new facility. This included a new installation of a high performance network infrastructure and a new network design. During the remaining half of fiscal year 2011, the IT Bureau furthered the implementation of a Hyper-V virtualized infrastructure and is in the process of moving most of our server assets to a virtualized environment. In addition, security once again played a central role in the planning and implementation of various systems and processes.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

In fiscal year 2011, the State Treasurer's office hosted ratings analysts from Standard & Poor's rating agency to review the status and management of the Local Government Investment Pool (LGIP), which is a pooled investment, managed on behalf of local governments, school districts, higher education institutions, special districts, quasi-governmental agencies and Indian tribes and pueblos. The AAAm rating was reaffirmed based on a strong analysis of credit quality, market price exposure and management.

The Investment Division of the State Treasurer's office again hosted its LGIP Stakeholder Meeting in August 2010, inviting all participants to attend. The program was held in Albuquerque and included speakers such as Rosie Rios, United States Treasurer. Participants heard presentations on management of the LGIP, market conditions, the economic outlook and other specific topics and issues. Participants found the meeting beneficial and it was hosted with almost no direct cost to the Treasurer's office.

In fiscal year 2011, 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 2011, 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 2011. Among other topics and seminars, training was provided on Title VII, Equal Employment Opportunity laws and regulations, Retiree Health Care Authority, NM Deferred Compensation Program, State Personnel Office supervisor and working in a union environment, driver safety, and the impact of cyber crime and malware on IT systems.

**Financial Highlights**

- The State Treasurer's net assets decreased by \$39,650,318.
- The General Fund's main revenue was appropriations, which amounted to ninety-nine percent (99.5%) of all revenue.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**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.

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 five 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, Taxation Revenue Anticipation Note (TRAN) 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

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.

**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 67 of this report. Fiduciary schedules begin on page 87.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Government-wide Financial Analysis**

**Net Assets:** Table A-1 summarizes the State Treasurer's net assets for the fiscal year ended June 30, 2011. Total State Treasurer net assets for fiscal year 2011 are \$228,790,848. 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**

<b>YEARS ENDED JUNE 30,</b>	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Cash, cash equivalents and repurchase agreements	\$ 190,436,304	\$ 225,383,229
Due from other agencies	40,988,192	46,838,071
Accrued interest and other receivables	461	461
Capital assets, net	122,029	141,278
<b>Total assets</b>	<b>\$ 231,546,986</b>	<b>\$ 272,363,039</b>
<b>Current liabilities:</b>		
Accounts payable and other	\$ 2,646,446	\$ 3,798,273
Compensated absences, amounts due in one year	109,692	123,600
<b>Total liabilities</b>	2,756,138	3,921,873
<b>Net assets:</b>		
Invested in capital assets	122,029	141,278
Restricted	228,773,510	268,438,422
Unrestricted	(104,691)	(138,534)
<b>Total net assets</b>	<b>228,790,848</b>	<b>268,441,166</b>
<b>Total liabilities and net assets</b>	<b>\$ 231,546,986</b>	<b>\$ 272,363,039</b>

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 \$228,790,848 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.

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, \$228,773,510, represents resources that are subject to external restrictions on their use.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Changes in Net Assets:** Governmental activities decreased the State Treasurer's net assets in the governmental financial statements by \$39,650,318. Key elements of this increase are shown in Table A-2.

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

<b>YEARS ENDED JUNE 30,</b>	<b>2011</b>	<b>2010</b>
Governmental Activities:		
Revenues:		
Program revenues:		
General government	\$ <u>18,099</u>	\$ <u>6,024</u>
Total program revenues	<u>18,099</u>	<u>6,024</u>
General revenues:		
State General Fund appropriations, net	3,813,197	4,061,407
State property tax levy	58,624,127	58,318,809
Severance and other taxes	360,876,842	348,875,769
Interest revenue	21,860,898	27,251,066
Miscellaneous revenue	<u>649</u>	<u>-</u>
Total general revenues	<u>445,175,713</u>	<u>438,507,051</u>
Total revenues	445,193,812	438,513,075
Expenses and other financing sources (uses):		
General government	(14,264,942)	(8,294,373)
Debt service activity	(690,213,466)	(535,184,402)
Other sources:		
Bond proceeds	3,288,681	121,252,053
Transfers in from other state agencies	<u>216,345,597</u>	<u>1,606,082</u>
Net (expenses) revenue	<u>(484,844,130)</u>	<u>(420,620,640)</u>
Increase (Decrease) in net assets	(39,650,318)	17,892,435
Net assets, beginning of year	<u>268,441,166</u>	<u>250,548,731</u>
Net assets, end of year	<u>\$228,790,848</u>	<u>\$268,441,166</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**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 \$228,778,511, a decrease of \$39,644,977 in comparison with the prior year. The primary reason for the decrease in fund balance is debt service payments exceeding property and severance taxes and transfers in from other state agencies.

The fund balance of the State Treasurer's general fund increased by \$19,935 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 decreased in comparison to the prior year due to large debt service payments offset by property and severance taxes and transfers in from other agencies as disclosed 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.

**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 2.6%.

**Capital Assets and Debt Administration**

**Capital Assets.** The State Treasurer's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$122,029, net of accumulated depreciation. This investment in capital assets includes equipment. The State Treasurer's capital asset additions were \$24,431 with the purchase of equipment.

Additional information on the State Treasurer's capital assets can be found in Note 5 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Long-Term Debt.** For the year ended June 30, 2011, the State Treasurer was responsible for administering debt service payments on total bonded debt outstanding of \$1,396,393,211, all of which is secured by pledged tax revenues. More detailed information about the State Treasurer's long-term debt is presented in Schedule 6. Long-term debt service requirements decreased, net by \$240,222,706 from the prior year due to fewer new bonds issued in fiscal year ended June 30, 2011.

<b>YEARS ENDED JUNE 30,</b>	<u>2011</u>	<u>2010</u>
General Obligation Bonds	\$ 424,046,166	\$ 483,243,000
Severance Tax Bonds	<u>972,347,045</u>	<u>1,153,372,917</u>
Total Principal Balances	<u>\$1,396,393,211</u>	<u>\$1,636,615,917</u>

**Economic Factors and Next Year's Budgets and Rates**

- Challenging economic conditions require state government to reduce expenditure levels and the State Treasurer's office will continue to look for cost savings within these budget constraints.
- The State Treasurer's office continues to reduce budget through vacancy savings. Through attrition, staffing levels have been reduced and existing staff has been assigned additional job duties.
- The State Treasurer's office will continue work on its business continuity plan as IT equipment and systems are set up and maintained at the disaster recovery hot site in Albuquerque.
- Budget and staffing levels in the Information Technology Bureau have been reduced, utilizing available resources more efficiently.
- The overall costs of facilities, equipment and transportation have been reduced within current budget constraints.

These factors were considered in preparing the State Treasurer's budget for fiscal year 2012.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 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 5135  
Santa Fe, New Mexico 87505

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	\$ 284,117
Repurchase agreements (held in State General Fund Investment Pool)	190,152,187
Due from other agencies	40,988,192
Other receivables	461
Capital assets, net of accumulated depreciation:	
Equipment	122,029
Total assets	231,546,986
<b>LIABILITIES</b>	
Accounts payable	265,071
Accrued arbitrage interest payable	2,190,933
Accrued payroll	80,898
Accrued payroll taxes	8,246
Due to State General Fund	101,298
Compensated absences	109,692
Total liabilities	2,756,138
<b>NET ASSETS</b>	
Invested in capital assets	122,029
Restricted for:	
Debt service	228,773,510
Unrestricted	(104,691)
Total net assets	228,790,848
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 231,546,986</b>

The accompanying notes are an integral part of the financial statements.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>	<b>Net (Expenses) Revenue and Changes in Net Assets</b>
			<b>Primary Government</b>
<b>PRIMARY GOVERNMENT</b>			
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	\$ 14,264,942	\$ 18,099	\$ (14,246,843)
Interest on debt service activity	53,465,237	-	(53,465,237)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 67,730,179</b>	<b>\$ 18,099</b>	<b>(67,712,080)</b>
<b>GENERAL REVENUES:</b>			
			58,624,127
State property tax levy			649
Miscellaneous			
<b>UNRESTRICTED INVESTMENT EARNINGS</b>			
<b>BOND ACTIVITY:</b>			
			3,288,681
Bond proceeds			(636,748,229)
Bond principal payments			
<b>TRANSFER FROM (TO) STATE AGENCY:</b>			
			3,911,800
State general fund appropriations			(98,603)
Reversions to State General Fund FY11			216,345,597
Other state agencies			21,860,898
Interest			360,876,842
Severance taxes			
	Total general revenues and transfers		28,061,762
			<b>CHANGE IN NET ASSETS</b>
			(39,650,318)
			<b>NET ASSETS, BEGINNING</b>
			268,441,166
			<b>NET ASSETS, ENDING</b>
			<b>\$ 228,790,848</b>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2011**

	<b>General Fund</b>	<b>General Obligation Bond Fund</b>
<b>ASSETS</b>		
Investment in State General Fund		
Investment Pool	\$ 284,117	\$ -
Repurchase agreements (held in State General Fund		
Investment Pool)	-	29,033,002
Other receivables	461	-
Due from other agencies	-	-
	-	-
Total assets	\$ 284,578	\$ 29,033,002
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 89,135	\$ 4,000
Accrued arbitrage interest payable	-	-
Due to State General Fund	101,298	-
Accrued payroll	80,898	-
Accrued payroll taxes	8,246	-
	-	-
Total liabilities	279,577	4,000
 <b>FUND BALANCES:</b>		
Restricted for:		
Debt service	-	29,029,002
Unrestricted, unassigned	5,001	-
	5,001	-
Total fund balances	5,001	29,029,002
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 284,578</b>	 <b>\$ 29,033,002</b>

<b>Major Funds</b>			
<b>Severance Tax Bond Fund</b>	<b>Tax &amp; Revenue Anticipation Notes</b>	<b>Gaming Suspense Fund</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 284,117
161,119,185	-	-	190,152,187
-	-	-	461
<u>40,988,192</u>	<u>-</u>	<u>-</u>	<u>40,988,192</u>
<u>\$ 202,107,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,424,957</u>
\$ 171,936	\$ -	\$ -	\$ 265,071
2,190,933	-	-	2,190,933
-	-	-	101,298
-	-	-	80,898
<u>-</u>	<u>-</u>	<u>-</u>	<u>8,246</u>
2,362,869	-	-	2,646,446
199,744,508	-	-	228,773,510
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,001</u>
<u>199,744,508</u>	<u>-</u>	<u>-</u>	<u>228,778,511</u>
<u>\$ 202,107,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,424,957</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2011**

<b>Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)</b>	<b>\$ 228,778,511</b>
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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.

Capital assets total acquisition value	301,104
Total accumulated depreciation	<u>(179,075)</u>

Total capital assets, net	122,029
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Some liabilities (compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

	<u>(109,692)</u>
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<b>Net assets of governmental activities (Statement of Net Assets)</b>	<b><u>\$ 228,790,848</u></b>
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The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2011**

	<u>General Fund</u>	<u>General Obligation Bond Fund</u>
<b>REVENUES</b>		
Federal funds	\$ 18,099	\$ -
Other income	-	-
Interest income - debt service	-	3,692,800
Interest income - arbitrage	-	-
	<u>18,099</u>	<u>3,692,800</u>
Total revenues		
<b>EXPENDITURES</b>		
Current:		
Personnel services and employee benefits	2,852,945	-
Operating costs:		
Contractual services	228,713	-
Other administrative expenditures	705,921	-
Debt service:		
Principal and interest on long-term debt	-	81,654,000
Principal and interest on short-term debt	-	-
Arbitrage	-	-
Other charges	-	117,201
Capital outlay	24,431	-
	<u>3,812,010</u>	<u>81,771,201</u>
Total expenditures		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(3,793,911)	(78,078,401)
<b>OTHER FINANCING SOURCES (USES):</b>		
State general fund appropriations	3,789,500	-
Special appropriation	122,300	-
Reversions to State General Fund FY11	(98,603)	-
Severance taxes	-	-
State property tax levy	-	58,624,127
Bond proceeds	-	139,366
Other proceeds	-	-
Bond premiums (discounts)	-	-
Other	-	-
Capital projects, reversions in	-	-
Payment to escrow agent	-	-
Miscellaneous other sources	649	-
Severance tax permanent fund, reversions out	-	-
Transfers in (out)	-	-
Transfer (to) from other state agency	-	2,754,196
	<u>3,813,846</u>	<u>61,517,689</u>
Total other financing sources (uses)		
<b>NET CHANGE IN FUND BALANCES</b>	19,935	(16,560,712)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>(14,934)</u>	<u>45,589,714</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 5,001</u>	<u>\$ 29,029,002</u>

<b>Major Funds</b>			
<b>Severance Tax Bond Fund</b>	<b>Tax &amp; Revenue Anticipation Notes</b>	<b>Gaming Suspense Fund</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 18,099
-	-	-	-
18,168,098	-	-	21,860,898
-	-	-	-
<u>18,168,098</u>	<u>-</u>	<u>-</u>	<u>21,878,997</u>
-	-	-	2,852,945
-	-	-	228,713
-	-	-	705,921
171,389,621	-	-	253,043,621
233,403,178	203,766,667	-	437,169,845
-	-	-	-
10,330,390	-	-	10,447,591
-	-	-	24,431
<u>415,123,189</u>	<u>203,766,667</u>	<u>-</u>	<u>704,473,067</u>
(396,955,091)	(203,766,667)	-	(682,594,070)
-	-	-	3,789,500
-	-	-	122,300
-	-	-	(98,603)
360,876,842	-	-	360,876,842
-	-	-	58,624,127
3,149,315	-	-	3,288,681
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	649
-	-	-	-
-	-	-	-
<u>9,824,734</u>	<u>203,766,667</u>	<u>-</u>	<u>216,345,597</u>
<u>373,850,891</u>	<u>203,766,667</u>	<u>-</u>	<u>642,949,093</u>
(23,104,200)	-	-	(39,644,977)
<u>222,848,708</u>	<u>-</u>	<u>-</u>	<u>268,423,488</u>
<u>\$ 199,744,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,778,511</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011**

<b>Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)</b>	<b>\$(39,644,977)</b>
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

This is the amount by which depreciation expense of \$43,680 exceeded capital outlay expense of \$24,431 in the current period:	(19,249)
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Some expenses reported in the statement of activities do not require the use of current financial resources, and these are not reported as expenditures in governmental funds:

Decrease in compensated absences	<u>13,908</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$(39,650,318)</u></b>
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The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENT FUNDS -  
BUDGET AND ACTUAL (Budgetary Basis)  
Year Ended June 30, 2011**

	<b>GENERAL FUND</b>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(GAAP Basis)</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
State General Fund appropriation	\$ 3,916,600	\$ 3,789,500	\$ 3,789,500	\$ -
Federal grants	-	-	18,099	18,099
Other	<u>122,300</u>	<u>122,300</u>	<u>122,949</u>	<u>649</u>
Total revenues	4,038,900	3,911,800	3,930,548	18,748
<b>EXPENDITURES</b>				
Current:				
Personnel services and benefits	3,192,100	2,893,500	2,852,945	40,555
Contractual services	143,000	244,400	228,713	15,687
Operating costs	<u>703,800</u>	<u>773,900</u>	<u>730,352</u>	<u>43,548</u>
Total expenditures	<u>4,038,900</u>	<u>3,911,800</u>	<u>3,812,010</u>	<u>99,790</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)</b>				
	<u>\$ -</u>	<u>\$ -</u>	118,538	<u>\$ 118,538</u>
<b>RECONCILIATION TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE:</b>				
Unbudgeted reversions to State General Fund			<u>(98,603)</u>	
<b>NET CHANGE IN FUND BALANCES (GAAP BASIS)</b>			<u>\$ 19,935</u>	

The accompanying notes are an integral part of the financial statements.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2011**

	<b>Investment Trust Fund</b>
<b>ASSETS</b>	
Cash and investments:	
Cash	\$ 547,951,101
Certificates of Deposit	67,308,033
U.S. Government Securities	1,095,576,456
Corporate Bonds	716,244,970
Municipal Bonds	19,179,795
Repurchase agreements	1,093,000,000
Total cash and investments	3,539,260,355
Interest receivable	6,622,740
<b>TOTAL ASSETS</b>	<b>\$ 3,545,883,095</b>
<b>NET ASSETS HELD IN TRUST</b>	<b>\$ 3,545,883,095</b>
<b>TOTAL LIABILITIES AND NET ASSETS HELD IN TRUST</b>	<b>\$ 3,545,883,095</b>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
Year Ended June 30, 2011**

	<u>Investment Trust Fund</u>
<b>INVESTMENT INCOME</b>	\$ 28,149,668
<b>EXPENSES:</b>	
Management fees	<u>(381,824)</u>
Net investment income	<u>27,767,844</u>
<b>NET PROCEEDS OF DEPOSITS (WITHDRAWALS)</b>	(112,432,365)
<b>NET ASSETS, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2010</b>	<u>3,630,547,616</u>
<b>NET ASSETS, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2011</b>	<u>\$ 3,545,883,095</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

The Office of the State Treasurer (State Treasurer) has existed continuously since 1851 (Laws 1851-1852). The Legislative Assembly of the Territory of New Mexico passed an act to establish and regulate the Treasury Department of the Territory of New Mexico. This act established the office of territorial Treasurer and designed the duties of 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 – DEFINITION OF REPORTING ENTITY (CONTINUED)**

- a. There is created in the State treasury the “short-term investment fund.” The fund shall consist of all deposits from governmental entities and Indian tribes or pueblos that are placed in the custody of the State Treasurer for short-term investment purposes pursuant to this section. The State Treasurer shall maintain a separate account for each governmental entity and Indian tribe or pueblo having deposits in the fund.
- b. If any local public body is unable to receive payment on public money at the rate of interest as set forth in Section 6-10-36 NMSA 1978 from financial institutions within the geographic boundaries of the governmental unit, then a local public finance official having money of that local public body in his custody required for expenditure within thirty days or less may, with the consent of the appropriate local board of finance, if any, remit some or all of such money to the State Treasurer, bank, savings and loan association or credit union for deposit for the purpose of short-term investment as allowed by this section.
- c. Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to this section, the local public body finance official shall notify and make sure funds are made available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the State Treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.
- d. The local public body finance official shall specify the length of time each deposit shall be in the short-term investment fund, but in any event the deposit shall not be made for more than thirty days. The State Treasurer, through the use of the State fiscal agent, shall separately track each such deposit and shall make such information available to the public upon written request.
- e. The State Treasurer shall invest the fund as provided for State funds under Section 6-10-10 NMSA 1978 and may elect to have the short-term investment fund consolidated for investment purposes with the State funds under the control of the State Treasurer, provided that accurate and detailed accounting records are maintained for the account of each participating entity and Indian tribe or pueblo and that a proportionate amount of interest earned is credited to each of the separate government accounts. The fund shall be invested to achieve its objective, which is to realize the maximum return consistent with safe and prudent management.
- f. At the end of each month, all interest earned from investment of the short-term investment fund shall be distributed by the State Treasurer to the contributing entities and Indian tribes or pueblos in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. No fees or transfer expenses shall be charged to the participating entities and Indian tribes or pueblos for investment in the short-term investment fund.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 – DEFINITION OF REPORTING ENTITY (CONTINUED)**

The State Treasurer is responsible for making the State of New Mexico's debt service and interest payments on general obligation and severance tax bonds and maintaining the related accounting records. 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**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.

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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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 Taxation and Revenue Anticipation Notes (TRANS) Fund (SHARE Fund 32300) was established to account for the transactions related to the issuance of Taxation and Revenue Notes. 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.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 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 governmental fund financial statements, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation. See Note 18 for additional information about fund balances.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

Management evaluated subsequent events through December 13, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to December 13, 2011, that provided additional evidence about conditions that existed at June 30, 2011 have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2011.

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**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.

**Restricted assets** are liquid assets (generated from revenues and not bond proceeds) which have third-party (statutory or granting agency) limitations that are legally enforceable on their use. When there is an option, the State Treasurer spends restricted resources first. Net assets are restricted by the bond indenture for debt service. Restricted net assets total \$228,773,510.

**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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

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.
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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**Fiscal Agent Bank**

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, 2013.

**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, 2013, with the option to renew for one additional year at the discretion of the State Board of Finance, not to extend beyond June 30, 2014.

**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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

At June 30, 2011, collateral pledged to public money deposits was as follows:

	<u>Fiscal Agent Account</u>	<u>Certificates of Deposit</u>
Cash in bank (bank balance)	\$ 70,688,084	\$ 67,300,000
Less FDIC insurance coverage	<u>425,893</u>	<u>1,924,295</u>
Total unsecured public funds	<u>\$ 70,262,191</u>	<u>\$ 65,375,705</u>
Collateral requirement (50%-102% of uninsured public funds)	\$ 35,131,096	\$ 53,165,353
Collateral pledged:		
US Government securities	71,824,348	53,454,357
Surety Bond	<u>-</u>	<u>3,000,000</u>
(Over) under collateralized	<u>\$ (36,693,252)</u>	<u>\$ (3,289,004)</u>

See Schedule 10 for reconciliation.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Brokered Transactions**

The State Treasurer initiated electronic purchase trades with the following brokers during the year ended June 30, 2011:

<b>Broker Name</b>	<b>Number of Transactions</b>
CS First Boston	10
CIBC	1
Citigroup	11
First Tennessee	3
Morgan Stanley	18
Bank of America	9
Goldman Sachs	4
JP Morgan Chase	13
Cantor Fitzgerald	5
Barclays	6
UBS	3
Pershing	3
Piper Jaffray	3
BNP Paribas	10
Jefferies	6
DB Alex Brown	3
Nomura	3
FTN Financial	1
Morgan Keegan	1
Vining Sparks	3
Williams Capital Group	1



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investment Balances**

The fair value of investments administered by the State Treasurer at June 30, 2011 follows:

	<u>Amortized Cost</u>	<u>Carrying Amount Fair Value</u>
Cash in Banks	\$ 547,951,101	\$ 547,951,101
Certificates of Deposit	67,300,000	67,308,033
U.S. Government Securities	1,089,413,858	1,095,576,456
Corporate Bonds	710,942,823	716,244,970
Municipal Bonds	19,182,841	19,179,795
Overnight Repurchase Agreements	<u>1,093,000,000</u>	<u>1,093,000,000</u>
<b>Total</b>	<u>\$ 3,527,790,623</u>	<u>\$3,539,260,355</u>

The fair value includes repurchase agreements of \$190,152,187 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. In addition, it includes \$284,117 of cash in the general fund.

**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.

**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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**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, 2011, 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.

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 October 30, 2008, the Fund announced a first distribution of approximately 50% of participant balances to outstanding holders of the Fund.

On December 3, 2008, the Fund announced a second distribution of an additional amount to Fund holders representing approximately 80% of their invested balances.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
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**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

On February 20, 2009, the Fund announced a third distribution of an additional amount to Fund holders representing approximately 85% of their invested balances.

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.

On April 17, 2009, the Fund announced a fourth distribution of an additional amount to Fund holders representing approximately 90% of their invested balances.

On October 2, 2009, the Fund announced a fifth distribution of an additional amount to Fund holders representing approximately 92% of their invested balances.

On January 29, 2010, the Fund announced a sixth distribution of an additional amount to Fund holders representing approximately 95% of their invested balances.

On July 15, 2010, the Fund announced a seventh distribution of an additional amount to Fund holders representing approximately 99.04% of their invested balances.

On September 3, 2010, the Fund announced a change in classification of the Fund to a pass-through entity enabling investors to book losses on their Fund positions as of August 31, 2011. The replacement fund is to be known as the "Primary Fund – In Liquidation".

On November 24, 2010, the Fund announced that Credarian Fund Services LLC became liquidating services agent for the Fund and that all assets of the fund have been transferred to Credarian.

On January 26, 2011, the Primary Fund – In Liquidation announced an 80% decrease in fund balances coincident with the transfer of assets to Credarian reflecting "deemed distributions" of pass-through losses as of the August 30, 2010 conversion date.

On July 29, 2011, Credarian released a statement of assets and potential claims for the Primary Fund – In Liquidation. The statement listed fund assets as of May 14 were \$110 million and potential claims on those assets of \$106 million. The remaining \$3.8 million is subject to additional claims by the estate. Distributions to claimants are ongoing and litigation surrounding potential claims has been initiated. Until there is final resolution of the matter, RCF participants have a pro-rata claim on any distributed assets.

In total, the Fund has returned 99.04% of assets invested to investors as of the date when the Fund assets were frozen and the liquidation process initiated. However, the Reserve Contingency Fund also assumed the cost of the 2008 Put Agreement with the general fund and the net return to participants was less than the return of assets percentage.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

At June 30, 2011, investments in The Primary Fund – In Liquidation 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 marked down by 100% 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 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

**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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 - DEPOSITS AND INVESTMENTS (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. Municipal Securities – Pursuant to 6-14-10.1, the State Treasurer or designee may also invest in municipal securities that at time of purchase are investment grade and have a final maturity of up to three (3) years. If the rating declines below investment grade, then the STIC will meet to evaluate a course of action.
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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

11. Government Money Market Mutual Funds – Shares of an open-ended diversified investment company that: (i) is registered with the United States Securities and Exchange Commission; (ii) complies with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, of the United States Securities and Exchange Commission applicable to money market mutual funds; (iii) assesses no fees pursuant to Rule 12b-1, or any successor rule, of the United States Securities and Exchange Commission, no sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, however designated, provided that the State shall not, at any time, own more than five percent (5%) of a money market mutual fund's assets; and (iv) is rated AAA or equivalent by a nationally recognized rating agency. In addition, the State Treasurer may act as the investing authority for those agencies which have independent statutory authority to invest. The State Treasurer shall act in a manner consistent with each agency's guidelines and directives.
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

**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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
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**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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, 2011, \$21,113,503 of the State Treasurer's bank balances of \$739,187,672 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, 2011 for the general fund investment pool are as follows:



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**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Quality Rating	Fair Value	Percentage of Portfolio
<b>AAA:</b>		
U.S. Treasuries	\$ 314,966,600	21.07
U.S. Government Agency	70,210,468	4.71
Municipal Bonds	8,134,215	0.54
Local Government Investment Pool*	30,022,001	2.01
<b>AA+:</b>		
U.S. Government Agency	164,680,409	11.01
Corporate Bonds	76,116,000	5.09
<b>AA:</b>		
Corporate Bonds	10,631,000	0.71
Municipal Bonds	11,045,580	0.74
<b>A:</b>		
Corporate Bonds	10,444,200	0.70
<b>Not rated and other:</b>		
Overnight Repurchase Pool	684,536,328	45.78
Certificates of Deposit	52,103,808	3.48
U.S. Government Agency	42,199,660	2.82
Corporate Bonds	20,065,876	1.34
Institutional Money Markets	-	-
<b>Grand Total</b>	<b>\$1,495,156,145</b>	<b>100.00</b>

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2011, for the local government investment pool are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
<b>AAA:</b>		
U.S. Treasuries	\$ 65,416,850	9.46
<b>Not rated and other:</b>		
U.S. Treasuries	78,191,920	11.31
Cash in Bank	547,951,101	79.23
<b>Grand Total</b>	<b>\$ 691,559,871</b>	<b>100.00</b>

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**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2011, for the bond proceeds investment pools are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
<b>AAA:</b>		
U.S. Treasuries	\$ 138,088,800	9.99
U.S. Government Agency	159,635,659	11.55
<b>AA+:</b>		
U.S. Government Agency	62,186,090	4.50
Corporate Bonds	583,209,244	42.18
<b>A:</b>		
Corporate Bonds	15,778,650	1.14
<b>Not rated and other:</b>		
Overnight Repurchase Pool	408,463,672	29.54
Certificates of Deposit	15,204,225	1.10
Institutional Money Markets	-	-
<b>Grand Total</b>	<b>\$1,382,566,340</b>	<b>100.00</b>

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2011, for the Reserve Contingency Fund are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
<b>Not rated and other:</b>		
Institutional Money Markets	\$ -	100.00
<b>Grand Total</b>	<b>\$ -</b>	<b>100.00</b>

**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.

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**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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**NOTE 4 - DEPOSITS AND INVESTMENTS (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
<b>US Government Agency Obligations:</b>		
US Treasuries	\$ 314,996,600	21.07
FFCB	18,267,020	1.22
FHLB	182,456,877	12.21
FHLMC	30,330,200	2.03
FNMA	46,036,440	3.08
<b>Municipal Bonds:</b>		
Santa Fe, NM Public School District	5,970,230	0.40
New Mexico Finance Authority	8,134,215	0.54
State of Connecticut	5,075,350	0.34
<b>Corporate Bonds:</b>		
Abbott Laboratories	10,631,000	0.71
Citigroup	25,486,250	1.70
Credit Suisse	9,984,476	0.67
Genworth Global	10,081,400	0.68
HSBC	25,336,250	1.69
Morgan Stanley	35,737,700	2.39
<b>Overnight Repurchase Pool</b>	<b>684,536,328</b>	<b>45.78</b>
<b>Certificates of Deposit</b>	<b>52,103,808</b>	<b>3.48</b>
<b>Local Government Investment Pool*</b>	<b>30,022,001</b>	<b>2.01</b>
<b>Institutional Money Markets:</b>		
The Reserve – Primary Fund	-	-
<b>Grand Total</b>	<b>\$ 1,495,156,145</b>	<b>100.00</b>

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**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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
<b>US Government Agency Obligations:</b>		
US Treasuries	\$ 143,608,770	20.77
<b>Cash in Bank</b>	547,951,101	79.23
<b>Grand Total</b>	\$ 691,559,871	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
<b>US Government Agency Obligations:</b>		
US Treasuries	\$ 138,088,800	9.99
FFCB	68,606,174	4.97
FHLB	102,485,815	7.42
FHLMC	48,178,800	3.48
FNMA	2,550,960	0.18
<b>Corporate Bonds:</b>		
Bank of America	51,075,500	3.69
Citigroup	167,932,650	12.16
General Electric	77,265,944	5.59
Goldman Sachs	65,591,650	4.74
HSBC	15,201,750	1.10
JP Morgan Chase	20,245,200	1.46
Morgan Stanley	130,689,100	9.45
US Central FCU	35,405,450	2.56
Western Corporate FCU	10,157,400	0.73
Wells Fargo	25,423,250	1.84
<b>Overnight Repurchase Pool</b>	408,463,672	29.54
<b>Certificates of Deposit</b>	15,204,225	1.10
<b>Institutional Money Markets:</b>		
The Reserve – Primary Fund	-	-
<b>Grand Total</b>	\$ 1,382,566,340	100.00

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**NOTE 4 - DEPOSITS AND INVESTMENTS (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
<b>Institutional Money Markets:</b>		
The Reserve – Primary Fund	\$ -	100.00
<b>Grand Total</b>	<b>\$ -</b>	<b>100.00</b>

**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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**June 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS (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
<b>AAA:</b>			
U.S. Treasuries	\$ 314,966,600	\$ 50,512,500	\$ 264,454,100
U.S. Government Agency	70,210,468	-	70,210,468
Municipal Bonds	8,134,215	2,913,004	5,221,211
Investment in LGIP*	30,022,001	30,022,001	-
<b>AA+:</b>			
U.S. Government Agency	164,680,409	10,387,600	154,292,809
Corporate Bonds	76,116,000	50,629,750	25,486,250
<b>AA:</b>			
Corporate Bonds	10,631,000	-	10,631,000
Municipal Bonds	11,045,580	-	11,045,580
<b>A:</b>			
Corporate Bonds	10,444,200	10,444,200	-
<b>Not rated and other:</b>			
U.S. Government Agency	42,199,660	17,187,160	25,012,500
Corporate Bonds	20,065,876	20,065,876	-
Overnight Repurchase Pool	684,536,328	684,536,328	-
Certificates of Deposit	52,103,808	52,103,808	-
Institutional Money Markets	-	-	-
<b>Grand Total</b>	<b>\$1,495,156,145</b>	<b>\$ 928,802,227</b>	<b>\$ 566,353,918</b>

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

Quality Rating	Fair Value	Maturities	
		Less Than 1 Year	1 – 5 Years
<b>AAA:</b>			
U.S. Treasuries	\$ 65,416,850	\$ 65,416,850	-
<b>Not rated and other:</b>			
U.S. Treasuries	78,191,920	78,191,920	-
Cash in Bank	547,951,101	547,951,101	-
<b>Grand Total</b>	<b>\$ 691,559,871</b>	<b>\$691,559,871</b>	<b>-</b>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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

Quality Rating	Fair Value	Maturities	
		Less Than 1 Year	1 – 5 Years
<b>AAA:</b>			
U.S. Treasuries	\$ 138,088,800	\$ -	\$ 138,088,800
U.S. Government Agency	159,635,659	-	159,635,659
<b>AA+:</b>			
U.S. Government Agency	62,186,090	19,936,263	42,249,827
Corporate Bonds	583,209,244	383,290,800	199,918,444
<b>A:</b>			
Corporate Bonds	15,778,650	-	15,778,650
<b>Not rated and other:</b>			
Overnight Repurchase Pool	408,463,672	408,463,672	-
Certificates of Deposit	15,204,225	15,204,225	-
Institutional Money Markets	-	-	-
<b>Grand Total</b>	<b>\$1,382,566,340</b>	<b>\$ 826,894,960</b>	<b>\$ 555,671,380</b>

**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, 2011 were denominated in United States Dollars.

\* This symbol denotes an investment by the State General Fund Investment Pool in the Local Government Fund Investment Pool. Both are part of the Investment Trust Fund, and whenever a combined presentation of the Investment Trust Fund is presented, this investment is removed.

**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:



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**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

1. The market value of the collateral including accrued interest must be equal to one hundred two percent (102%) of the amount of cash transferred by the State Treasurer to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the market value of securities held as collateral slips below one hundred two percent (102%) of the value of the cash transferred plus accrued interest, then additional cash and/or acceptable securities must be delivered to the third party custodian sufficient to cure any deficiency; and
2. For repurchase agreements with terms to maturity of greater than one (1) day, the State will value the collateral securities continuously and require that, if additional collateral is required, then that collateral must be delivered within one business day. If a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated; and
3. The collateral on all repurchase agreements will have a maturity date that exceeds the term of the repurchase agreement. If the duration of the collateral is longer than ten (10) years than the term of the repurchase agreement, then the collateral margin must be 103% to compensate for market risk.

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

Quality Rating	Fair Value	Percentage of Portfolio
<b>AAA:</b>		
US Government Agency Obligations	1,114,860,000	100.00
<b>Grand Total</b>	<b>1,114,860,000</b>	<b>100.00</b>

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
<b>AAA:</b>						
US Government Mortgage Backed Securities	1,114,860,000	-	-	-	396,051,720	718,808,280
<b>Grand Total</b>						

Schedule 10 discloses collateral pledged for repurchase agreements.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Governmental activities:				
Depreciable assets:				
Equipment	\$ 343,206	\$ 24,431	\$66,533	\$ 301,104
Total capital assets:	343,206	24,431	66,533	301,104
Less accumulated depreciation:				
Equipment	<u>201,928</u>	<u>43,680</u>	<u>66,533</u>	<u>179,075</u>
Total	<u>\$ 141,278</u>	<u>\$(19,249)</u>	<u>\$ -</u>	<u>\$ 122,029</u>

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

Governmental activities:	
General government	<u>\$ 43,680</u>

**NOTE 6 - 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, 2011:

	<u>Balance June 30, 2010</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Compensated absences	<u>\$ 123,600</u>	<u>\$ 116,570</u>	<u>\$ 130,478</u>	<u>\$ 109,692</u>	<u>\$109,692</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
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**NOTE 7 – CONDENSED FINANCIAL STATEMENTS**

Condensed financial statements of the Investment Trust Fund, inclusive of external and internal participants for the fiscal year ended June 30, 2011, are as follows:

Assets:	
Investments	\$ 3,539,260,355
Interest receivable	<u>6,622,740</u>
<b>Total assets</b>	<b><u>\$3,545,883,095</u></b>
Liabilities:	
Other liabilities	\$ -
Net assets:	
External participant account balances	692,337,318
Other internal participant account balances	
Primary government	<u>2,853,545,777</u>
<b>Total liabilities and net assets</b>	<b><u>\$3,545,883,095</u></b>

At June 30, 2011, the State Treasurer's investment income earnings were as follows:

Local Government Investment Pool	\$ 2,129,217
Consolidated Investment Pool	18,874,230
State Funds Investment Pool	11,042,948
Reserve Contingency Fund	<u>(3,896,727)</u>
<b>Total</b>	<b><u>\$ 28,149,668</u></b>

**NOTE 8 - APPROPRIATIONS**

The State Treasurer received the following appropriations for the year ended June 30, 2011:

<b><u>General Fund</u></b>	
General appropriation (General Appropriation Act)	\$ 3,789,500
Other state funds (Special Appropriation)	<u>122,300</u>
<b>Total appropriations</b>	<b><u>\$ 3,911,800</u></b>

**NOTE 9 - 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.

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**NOTE 10 – DUE TO/FROM OTHER STATE AGENCIES**

**Due From Other State Agencies**

<b>Transfers From Other State Agencies</b>	<b>Fund No.</b>	<b>Amount</b>	<b>Due From Agency/Purpose</b>	<b>Fund No.</b>	<b>Amount</b>
Severance Tax Bonding Fund	41000	<u>\$ 40,988,192</u>	Tax & Revenue	82500	<u>\$ 40,988,192</u>
Total All Funds		<u>\$ 40,988,192</u>			<u>\$ 40,988,192</u>

Purpose: To receive tax receipts billed by other state agencies.

**Due To Other State Agencies**

<b>Transfers To Other State Agencies</b>	<b>Fund No.</b>	<b>Amount</b>	<b>Due From Agency/Purpose</b>	<b>Fund No.</b>	<b>Amount</b>
General Fund	18200	<u>\$ 101,298</u>	Dept. of Finance & Administration	85400	<u>\$ 101,298</u>
Total All Funds		<u>\$ 101,298</u>			<u>\$ 101,298</u>

Purpose: To fund reversion to State General Fund.

**NOTE 11 - 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.

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.

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**NOTE 11 - ARBITRAGE ON TAX EXEMPT BONDS (CONTINUED)**

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:

	<b>First Computation Date</b>	<b>First Payment Due to IRS</b>	<b>First Computation of Arbitrage Completed</b>	<b>Next Payment Due to IRS</b>
General Obligation Bonds Series 2005	3/1/2010	4/30/2010	X	3/1/2015
General Obligation Bonds Series 2007	3/1/2012	4/30/2012		3/1/2017
General Obligation Bonds Refunding Series 2008A	3/1/2013	4/30/2013		
General Obligation Bonds Series 2009	5/28/2014	7/27/2014		7/1/2019
General Obligation Bonds Series 2011	5/26/2016	7/25/2016		3/1/2021
Severance Tax Bonds Series 2003B	10/14/2008	12/13/2008	X	7/1/2013
Severance Tax Bonds Series 2004B	11/17/2009	1/16/2010	X	7/1/2014
Severance Tax Bonds Series 2005A	6/15/2010	8/14/2010	X	7/1/2012
Severance Tax Bonds Series 2005B-1	6/15/2010	8/14/2010	X	7/1/2012
Severance Tax Bonds Series 2005B-2	6/15/2010	8/14/2010	X	7/1/2012
Severance Tax Bonds Series 2006A	6/20/2011	8/16/2011	X	
Severance Tax Bonds Series 2007A	6/30/2011	8/29/2011	X	7/1/2012
Severance Tax Bonds Series 2008A-1	6/25/2013	8/24/2013		6/25/2018
Severance Tax Bonds Series 2008A-2	6/25/2013	8/24/2013		6/25/2018
Severance Tax Bonds Series 2009A	7/30/2014	9/28/2014		7/1/2019
Severance Tax Bonds Series 2010A	3/24/2015	5/23/2015		3/24/2020
Severance Tax Bonds Series 2010B	3/24/2015	5/23/2015		3/24/2020
Severance Tax Bonds Series 2010C	6/30/2015	8/29/2015		7/1/2015
Severance Tax Bonds Series 2010D	12/8/2015	2/6/2016		7/1/2017

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**NOTE 11 - ARBITRAGE ON TAX EXEMPT BONDS (CONTINUED)**

Interest earnings on invested bond proceeds through June 30, 2011 exceeded the interest costs of the bonds for STB Series 2006A by \$2,190,933. This amount is due to the Internal Revenue Service and is recorded as a liability - accrued arbitrage interest payable in the accompanying financial statements.

**NOTE 12 - 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:**

<b>SHARE Fund</b>	<b>Transfer From</b>	<b>Amount</b>	<b>SHARE Fund</b>	<b>Transfer To</b>	<b>Amount</b>
09500	SSTB - 2002A Debt Svc	\$ 54,710	10750	STB – 2006A Debt Svc	\$ 35,222,500
11280	STB – 2010D Debt Svc	2,918,705	10950	STB – 2010A Debt Svc	16,975,500
38900	STB – 2000 Debt Svc	12,081	10960	STB – 2010B Debt Svc	14,096,000
39000	SSTB - 2002B Debt Svc	54,315	11190	STB – 2010C Debt Svc	9,731,300
39200	SSTB – 2002B Rebate	75,723	11280	STB – 2010 Debt Svc	3,662,000
40500	STB – 2003A Debt Svc	287,595	18300	STB – 2004B Debt Svc	1,257,200
40600	STB – 2000C Rebate	375,495	38800	STB – 2005B1 Debt Svc	8,282,700
41000	Severance Tax Bonding Fund	148,182,450	41000	Severance Tax Bonding Fund	5,257,955
40800	STB – 2001A Debt Svc	651,888	41200	STB – 2005A Debt Svc	2,000
42700	STB – 2004A Rebate	125,956	48400	STB – 2003B Debt Svc	1,249,350
49200	STB – 2004A Debt Svc	187,071	53700	STB – 2007A Debt Svc	13,470,100
69900	STB – 2002A Debt Svc	965	57100	STB – 2005B2 Debt Svc	7,668,500
71200	STB – 2001A Rebate	241,812	72010	STB – 2008A1 Debt Svc	17,307,900
87300	STB – 2003A Rebate	120,521	72070	SSTB Ref – 2008A2 Debt Svc	5,553,000
88400	STB – 2003A Debt Svc	<u>151,118</u>	96300	STB – 2006A Debt Svc	<u>13,704,400</u>
	Total	<u>\$153,440,405</u>		Total	<u>\$153,440,405</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 12 – TRANSFERS (CONTINUED)**

**General Obligation Bonds:**

<b>SHARE Fund</b>	<b>Transfer From</b>	<b>Amount</b>	<b>SHARE Fund</b>	<b>Transfer To</b>	<b>Amount</b>
10630	GO 2009 Debt Service	\$ 3,900,000	03200	GO 2005 Debt Service	\$ 3,900,000
28800	GO 2007 Debt Service	<u>11,100,000</u>	73010	GO 2008A Debt Service	<u>11,100,000</u>
	Total	<u>\$ 15,000,000</u>		Total	<u>\$ 15,000,000</u>

**Interagency Transfers**

**Debt Service:**

**Severance Tax Bonds:**

**Transfers In From Other State Agencies**

<b>Transfers from (purpose)</b>	<b>Fund No.</b>	<b>Amount</b>	<b>Transfers to (purpose)</b>	<b>Fund No.</b>	<b>Amount</b>
Board of Finance	34101	<u>\$9,824,734</u>	Severance Tax Bonding Fund	41000	<u>\$9,824,734</u>
Total – Severance Tax Bond Funds		<u>\$9,824,734</u>			<u>\$9,824,734</u>

**General Obligation Bonds:**

**Transfers In From Other State Agencies**

<b>Transfers from (purpose)</b>	<b>Fund No.</b>	<b>Amount</b>	<b>Transfers to (purpose)</b>	<b>Fund No.</b>	<b>Amount</b>
Board of Finance	34101	<u>\$2,765,505</u>	GO 2003 Debt Service	03100	\$ 423,023
			GO 2005 Debt Service	03200	12,105
			GO 2009 Debt Service	10630	765
			GO 2007 Debt Service	28800	<u>2,329,612</u>
Total – General Obligation Bond Funds		<u>\$2,765,505</u>			<u>\$2,765,505</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 12 – TRANSFERS (CONTINUED)**

**Transfers Out To Other State Agencies**

Transfers from (purpose)	Fund No.	Amount	Transfers to (purpose)	Fund No.	Amount
GO 2007 Debt Service	28800	\$ 11,309	Board of Finance	34100	\$ 11,309
Total – General Obligation Bond Funds		<u>\$ 11,309</u>			<u>\$ 11,309</u>

**Tax Revenue Anticipation Notes:**

**Transfers In From Other State Agencies**

Transfers from (purpose)	Fund No.	Amount	Transfers to (purpose)	Fund No.	Amount
Board of Finance	34101	\$203,766,667	TRAN Fund	32300	\$203,766,667
Total – TRAN Fund		<u>\$203,766,667</u>			<u>\$203,766,667</u>

**NOTE 13 - 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](http://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, 2011, 2010 and 2009 were \$294,619, \$329,143 and \$376,046, respectively, which equal the amount of the required contributions for each fiscal year.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 14 - 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.

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](http://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, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 14 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

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>
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, 2011, 2010 and 2009 were \$32,334, \$28,268 and \$29,467, respectively, which equal the required contributions for each year.

**NOTE 15 - 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, 2010 to June 30, 2011. The limit of coverage is \$5,000,000, with \$1,000 deductible per occurrence. All State Treasurer employees are covered by this bond.

The State Treasurer had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2011, 2010 and 2009, there were no settlements that exceeded insurance coverage.

**NOTE 16 - 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, 2011 is \$101,298.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 16 - REVERSION TO THE STATE GENERAL FUND (CONTINUED)**

Amounts reverted to the State General Fund during 2011 were as follows:

	<u>Appropriation</u>	<u>Reversion</u>
Reversion to State General Fund fiscal year 2011	\$ 3,789,500	\$ 98,603
Subtotal – Reversion to State General Fund	<u>\$ 3,789,500</u>	98,603
Due to State General Fund prior years		<u>2,695</u>
<b>Total Due to State General Fund</b>		<b><u>\$ 101,298</u></b>

**NOTE 17 - 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.

Short-term debt activity for the year ended June 30, 2011, was as follows:

	<u>Balance July 1, 2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Issuance Cost</u>	<u>Balance June 30, 2011</u>
Tax and Revenue Anticipation Notes	\$ -	<u>\$203,766,667</u>	<u>\$203,766,667</u>	\$ -	<u>\$ -</u>

**Sponge Bonds**

The State Board of Finance issues one to three day sponge bonds. Sponge bonds were purchases 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) as follows:

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 17 - SHORT-TERM DEBT (CONTINUED)**

	<u>Purchased</u>	<u>Matured</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
Sponge Bond – Supplemental Note	12/29/10	12/30/10	\$ 51,520,400	\$ 445	\$ 51,520,845
Sponge Bond – Senior Note	6/29/11	6/30/11	27,273,218	176	27,273,394
Sponge Bond – Supplemental Note	6/29/11	6/30/11	<u>154,607,944</u>	<u>995</u>	<u>1 54,608,939</u>
<b>Total</b>			<u>\$233,401,562</u>	<u>\$ 1,616</u>	<u>\$233,403,178</u>

Short-term debt activity for the year ended June 30, 2011 was as follows:

	<u>Balance June 30, 2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Issuance Costs</u>	<u>Balance June 30, 2011</u>
Sponge Bonds	<u>\$ -</u>	<u>\$233,401,562</u>	<u>\$233,401,562</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 18 - BOND ISSUANCE ACTIVITY**

During fiscal year 2011, there were two new bond issues as noted below:

- \$ 18,645,000 Capital Projects General Obligation Bonds, Series 2011
- \$140,520,000 Severance Tax Bonds, Refunding Series 2010D

Total activity related to the bonds was approximately as follows: costs \$551,289, premiums \$17,964,757, refunding escrow deposits of \$158,574,790 and total transfers to other State agencies of \$19,700,000.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 19 - NEW PRONOUNCEMENTS**

The Department's fund balances represent: 1) Restricted purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2011 follows:

	<b>General Fund</b>	<b>General Obligation Bond Fund</b>	<b>Severance Tax Bond Fund</b>
Fund Balances:			
Restricted for:			
Debt service	\$ -	\$ 29,029,002	\$199,744,508
Unrestricted, unassigned	<u>5,001</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 5,001</u>	<u>\$ 29,029,002</u>	<u>\$199,744,508</u>

**NOTE 20 – SUBSEQUENT EVENT**

Additional information regarding the fair market value of the Investment Trust Fund's investment in The Reserve Primary Fund (Fund) was made available on July 29, 2011, when Credarian (the liquidating services agent for the Fund) released a statement of assets and potential claims for the Fund (now referred to as Primary Fund – In Liquidation). The statement listed Fund assets as of May 14 of \$110 million and potential claims on those assets of \$106 million. The remaining \$3.8 million is subject to additional claims by the estate. Distributions to claimants are ongoing and litigation surrounding potential claims has been initiated. Until there is final resolution of the matter, RCF participants have a pro-rata claim on any distributed assets.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 1 - CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -**  
**SCHEDULE OF CHANGES BY ASSET CLASS AND SOURCE**  
**Year Ended June 30, 2011**

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Actual</u> <u>Amounts</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>GOVERNMENTAL FUNDS</b>				
<b>CAPITAL ASSETS</b>				
Equipment, furniture and fixtures	\$ 343,206	\$ 24,431	\$ (66,533)	\$ 301,104
<b>TOTAL GOVERNMENTAL FUNDS</b>				
<b>CAPITAL ASSETS</b>	<u>\$ 343,206</u>	<u>\$ 24,431</u>	<u>\$ (66,533)</u>	<u>\$ 301,104</u>
<b>INVESTMENTS IN GOVERNMENTAL</b>				
<b>FUNDS CAPITAL ASSETS BY SOURCE</b>				
General Fund revenues	\$ 343,206	\$ 24,431	\$ (66,533)	\$ 301,104
<b>TOTAL GOVERNMENTAL FUNDS</b>				
<b>CAPITAL ASSETS</b>	<u>\$ 343,206</u>	<u>\$ 24,431</u>	<u>\$ (66,533)</u>	<u>\$ 301,104</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 2 - COMBINING BALANCE SHEET - GENERAL OBLIGATION BONDS -**  
**GENERAL OBLIGATION BOND DEBT SERVICE FUNDS**  
**June 30, 2011**

	SHARE Fund	Assets			Total Assets
		Repurchase Agreements	Due From Other Agencies	Accrued Interest Receivable	
2003 Series-Debt Service	03100	\$ 1,007,995	\$ -	\$ -	\$ 1,007,995
2005 Series Debt Service	03200	2,437,575	-	-	2,437,575
2007 Series-Debt Service	28800	3,435,828	-	-	3,435,828
2001 Series-Debt Service	41400	458,039	-	-	458,039
2003B Series - Refunding	41800	8,084,690	-	-	8,084,690
2009 Series-Debt Service	10630	8,110,318	-	-	8,110,318
2011 Series-Debt Service	11630	23,525	-	-	23,525
2008A Series-Redemption	73030	220,699	-	-	220,699
2008A Series-Debt Service	73010	<u>4,120,101</u>	<u>-</u>	<u>-</u>	<u>4,120,101</u>
Total Debt Service		27,898,770	-	-	27,898,770
2003 Series - Rebate	41300	3,871	-	-	3,871
2001 Series - Rebate	41500	811,526	-	-	811,526
2003 Refunding Series - Rebate	41900	150,583	-	-	150,583
2005 Series - Rebate	42600	3,352	-	-	3,352
911 - Rebate	48800	<u>110,165</u>	<u>-</u>	<u>-</u>	<u>110,165</u>
Total Rebate Accounts		1,079,497	-	-	1,079,497
2009 Series - Cost of Issuance	10650	32,936	-	-	32,936
2003 Series - Cost of Issuance	11320	<u>21,799</u>	<u>-</u>	<u>-</u>	<u>21,799</u>
Total cost of issuance		<u>54,735</u>	<u>-</u>	<u>-</u>	<u>54,735</u>
<b>COMBINED TOTAL</b>		<u>\$ 29,033,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,033,002</u>



<u>Liabilities</u>			<u>Fund Equity</u>		
<u>Due to Other State Agencies</u>	<u>Accounts Payable</u>	<u>Total Liabilities</u>	<u>Restricted for Debt Service</u>	<u>Total Fund Equity</u>	<u>Total Liabilities &amp; Fund Equity</u>
\$ -	\$ -	\$ -	\$ 1,007,995	\$ 1,007,995	\$ 1,007,995
-	-	-	2,437,575	2,437,575	2,437,575
-	4,000	4,000	3,431,828	3,431,828	3,435,828
-	-	-	458,039	458,039	458,039
-	-	-	8,084,690	8,084,690	8,084,690
-	-	-	8,110,318	8,110,318	8,110,318
-	-	-	23,525	23,525	23,525
-	-	-	220,699	220,699	220,699
-	-	-	4,120,101	4,120,101	4,120,101
-	4,000	4,000	27,894,770	27,894,770	27,898,770
-	-	-	3,871	3,871	3,871
-	-	-	811,526	811,526	811,526
-	-	-	150,583	150,583	150,583
-	-	-	3,352	3,352	3,352
-	-	-	110,165	110,165	110,165
-	-	-	1,079,497	1,079,497	1,079,497
-	-	-	32,936	32,936	32,936
-	-	-	21,799	21,799	21,799
-	-	-	54,735	54,735	54,735
<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 29,029,002</u>	<u>\$ 29,029,002</u>	<u>\$ 29,033,002</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 3 - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GENERAL OBLIGATION DEBT SERVICE FUNDS**  
**Year Ended June 30, 2011**

	SHARE Fund	Revenues		Expenditures	
		Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures
2003 Series-Debt Service	03100	\$ 26,599	\$ -	\$ -	\$ -
2005 Series Debt Service	03200	133,897	14,559,750	-	14,559,750
2007 Series Debt Service	28800	496,088	17,463,250	4,000	17,467,250
2001 Series-Debt Service	41400	7,912	-	-	-
2003-B Series - Refunding	41800	139,664	-	-	-
2009 Series-Debt Service	10630	2,733,179	25,883,000	-	25,883,000
2011 Series-Debt Service	11630	19,159	-	-	-
2008A Series-Redemption	73030	1	-	-	-
2008A Series-Debt Service	73010	113,117	23,748,000	-	23,748,000
<b>Total Debt Service</b>		<b>3,669,616</b>	<b>81,654,000</b>	<b>4,000</b>	<b>81,658,000</b>
2003 Series-Rebate	41300	2,102	-	-	-
2001 Series-Rebate	41500	14,019	-	-	-
2003 Series-Refunding	41900	2,601	-	-	-
2005 Rebate	42600	2,558	-	-	-
911-Rebate	48800	1,904	-	-	-
<b>Total Rebate Accounts</b>		<b>23,184</b>	<b>-</b>	<b>-</b>	<b>-</b>
2009 Series - Cost of Issuance	10650	-	-	-	-
2011 Series - Cost of Issuance	11320	-	-	113,201	113,201
<b>Total cost of issuance</b>		<b>-</b>	<b>-</b>	<b>113,201</b>	<b>113,201</b>
<b>COMBINED TOTAL</b>		<b>\$ 3,692,800</b>	<b>\$ 81,654,000</b>	<b>\$ 117,201</b>	<b>\$ 81,771,201</b>

**Other Financing Sources (Uses)**

<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>State Property Tax Levy</b>	<b>Transfers (to) from Other State Agencies</b>	<b>Bond Proceeds</b>	<b>Capital Projects Reversions</b>	<b>Interfund Transfers</b>
\$ 26,599	\$ -	\$ 423,023	\$ -	\$ -	\$ -
(14,425,853)	9,550,881	12,105	-	-	3,900,000
(16,971,162)	14,284,111	2,318,303	-	-	(11,100,000)
7,912	-	-	-	-	-
139,664	-	-	-	-	-
(23,149,821)	24,942,243	765	-	-	(3,900,000)
19,159	-	-	4,366	-	-
1	-	-	-	-	-
(23,634,883)	9,846,892	-	-	-	11,100,000
(77,988,384)	58,624,127	2,754,196	4,366	-	-
2,102	-	-	-	-	-
14,019	-	-	-	-	-
2,601	-	-	-	-	-
2,558	-	-	-	-	-
1,904	-	-	-	-	-
23,184	-	-	-	-	-
-	-	-	-	-	-
(113,201)	-	-	135,000	-	-
(113,201)	-	-	135,000	-	-
<b>\$ (78,078,401)</b>	<b>\$ 58,624,127</b>	<b>\$ 2,754,196</b>	<b>\$ 139,366</b>	<b>\$ -</b>	<b>\$ -</b>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 3 - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GENERAL OBLIGATION DEBT SERVICE FUNDS (CONTINUED)**  
**Year Ended June 30, 2011**

	<b>SHARE</b>	<b>Net Change</b>	<b>Beginning</b>		<b>Beginning</b>	<b>Fund</b>
	<b>Fund</b>	<b>in Fund</b>	<b>Fund Balance</b>	<b>Restatement</b>	<b>Fund</b>	<b>Fund</b>
		<b>Balance</b>	<b>as Originally</b>		<b>Balances</b>	<b>Balances</b>
			<b>Reported</b>		<b>as Restated</b>	<b>June 30, 2011</b>
2003 Series-Debt Service	03100	\$ 449,622	\$ 558,373	\$ -	\$ 558,373	\$ 1,007,995
2005 Series Debt Service	03200	(962,867)	3,400,442	-	3,400,442	2,437,575
2007 Series Debt Service	28800	(11,468,748)	14,900,576	-	14,900,576	3,431,828
2001 Series-Debt Service	41400	7,912	450,127	-	450,127	458,039
2003-B Series - Refunding	41800	139,664	7,945,026	-	7,945,026	8,084,690
2009 Series-Debt Service	10630	(2,106,813)	10,217,131	-	10,217,131	8,110,318
2011 Series-Debt Service	10631	23,525	-	-	-	23,525
2008A Series-Redemption	73030	1	220,698	-	220,698	220,699
2008A Series-Debt Service	73010	(2,687,991)	6,808,092	-	6,808,092	4,120,101
<b>Total debt service</b>		<b>(16,605,695)</b>	<b>44,500,465</b>	<b>-</b>	<b>44,500,465</b>	<b>27,894,770</b>
2003 Series-Rebate	41300	2,102	1,769	-	1,769	3,871
2001 Series-Rebate	41500	14,019	797,507	-	797,507	811,526
2003 Series-Refunding	41900	2,601	147,982	-	147,982	150,583
2005 Rebate	42600	2,558	794	-	794	3,352
911-Rebate	48800	1,904	108,261	-	108,261	110,165
<b>Total Rebate Accounts</b>		<b>23,184</b>	<b>1,056,313</b>	<b>-</b>	<b>1,056,313</b>	<b>1,079,497</b>
2009 Series - Cost of Issuance	10650	-	32,936	-	32,936	32,936
2003 Series - Cost of Issuance	41600	21,799	-	-	-	21,799
<b>Total cost of issuance</b>		<b>21,799</b>	<b>32,936</b>	<b>-</b>	<b>32,936</b>	<b>54,735</b>
<b>COMBINED TOTAL</b>		<b>\$ (16,560,712)</b>	<b>\$ 45,589,714</b>	<b>\$ -</b>	<b>\$ 45,589,714</b>	<b>\$ 29,029,002</b>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 4 - COMBINING BALANCE SHEET - SEVERANCE TAX BONDS -**  
**SEVERANCE TAX BOND DEBT SERVICE FUNDS**  
**June 30, 2011**

	SHARE Fund	Assets				Total Assets
		Repurchase Agreements	Due From Other Agencies	Accrued Interest Receivable	Prepaid Expense	
2002-A Supp. Series - DS	09500	\$ -	\$ -	\$ -	\$ -	\$ -
2009-A Series - Debt Service	10750	32,736,002	-	-	-	32,736,002
2009-A Series - Refunding	10770	-	-	-	-	-
2010-A Series - Debt Service	10950	13,959,015	-	-	-	13,959,015
2010-B Series - Debt Service	10960	11,655,873	-	-	-	11,655,873
2010-C Series - Debt Service	11190	8,772,974	-	-	-	8,772,974
2010-C Series - Refunding	11220	-	-	-	-	-
2010-D Series - Debt Service	11280	3,252,608	-	-	-	3,252,608
2004-B Series Debt Service	18300	1,149,536	-	-	-	1,149,536
2005-B1 Series Debt Service	38800	7,916,984	-	-	-	7,916,984
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	24,654,965	40,988,192	-	-	65,643,157
2005-A Series Debt Service	41200	71,669	-	-	-	71,669
2003-B Series-Debt Service	48400	1,188,134	-	-	-	1,188,134
2004-A Series-Debt Service	49200	-	-	-	-	-
2007-A Debt Service	53700	13,214,268	-	-	-	13,214,268
2007-A Refunding	53800	-	-	-	-	-
2005-B2 Series Debt Service	57100	7,492,462	-	-	-	7,492,462
2002-A Series-Debt Service	69900	-	-	-	-	-
2008A-1 Series - Debt Service	72010	15,898,874	-	-	-	15,898,874
2008A-2 Series - Debt Service	72070	5,396,174	-	-	-	5,396,174
2003-A Series-Debt Service	88400	-	-	-	-	-
2006-A Series Debt Service	96300	13,446,018	-	-	-	13,446,018
<b>Total Debt Service</b>		<b>160,805,556</b>	<b>40,988,192</b>	<b>-</b>	<b>-</b>	<b>201,793,748</b>
2002-B Supp-Rebate	39200	-	-	-	-	-
2000-C Series-Rebate	40600	-	-	-	-	-
2004-B Series-Rebate	41100	787	-	-	-	787
2003-B Supp-Rebate	42000	12,513	-	-	-	12,513
2004-A Series-Rebate	42700	-	-	-	-	-
1999-B Series-Rebate	46100	-	-	-	-	-
2005-A Series-Rebate	48300	244,667	-	-	-	244,667
2005-B1 Series-Rebate	57000	10,953	-	-	-	10,953
2001A Series - Rebate	71200	-	-	-	-	-
2003-A Series-Rebate	87300	-	-	-	-	-
2005-B2 Series-Rebate	96000	6,427	-	-	-	6,427
2006-A Series-Rebate	96400	38,282	-	-	-	38,282
<b>Total Rebate Accounts</b>		<b>313,629</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>313,629</b>
<b>COMBINED TOTAL</b>		<b>\$ 161,119,185</b>	<b>\$ 40,988,192</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 202,107,377</b>



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 4 - COMBINING BALANCE SHEET - SEVERANCE TAX BONDS -  
SEVERANCE TAX BOND DEBT SERVICE FUNDS (CONTINUED)**

June 30, 2011

	<u>Fund Equity</u>		<u>Total Liabilities &amp; Fund Equity</u>
	<u>Restricted for Debt Service</u>	<u>Total Fund Equity</u>	
2002-A Supp. Series - DS	\$ -	\$ -	\$ -
2009-A Series - Debt Service	32,736,002	32,736,002	32,736,002
2009-A Series - Refunding	-	-	-
2010-A Series - Debt Service	13,959,015	13,959,015	13,959,015
2010-B Series - Debt Service	11,655,873	11,655,873	11,655,873
2010-C Series - Debt Service	8,772,974	8,772,974	8,772,974
2010-C Series - Refunding	-	-	-
2010-D Series - Debt Service	3,252,608	3,252,608	3,252,608
2004-B Series Debt Service	1,149,536	1,149,536	1,149,536
2005-B1 Series Debt Service	7,916,984	7,916,984	7,916,984
2000 Series-Debt Service	-	-	-
2002-B Supp. Series - DS	-	-	-
2000-C Series-Debt Service	-	-	-
2001-A Series-Refunding	-	-	-
Severance Tax Bonding	63,281,503	63,281,503	65,643,157
2005-A Series Debt Service	71,669	71,669	71,669
2003-B Series-Debt Service	1,188,134	1,188,134	1,188,134
2004-A Series-Debt Service	-	-	-
2007-A Debt Service	13,214,268	13,214,268	13,214,268
2007-A Refunding	-	-	-
2005-B2 Series Debt Service	7,492,462	7,492,462	7,492,462
2002-A Series-Debt Service	-	-	-
2008A-1 Series - Debt Service	15,898,874	15,898,874	15,898,874
2008A-2 Series - Debt Service	5,394,959	5,394,959	5,396,174
2003-A Series-Debt Service	-	-	-
2006-A Series Debt Service	<u>13,446,018</u>	<u>13,446,018</u>	<u>13,446,018</u>
Total Debt Service	199,430,879	199,430,879	201,793,748
2002-B Supp-Rebate	-	-	-
2000-C Series-Rebate	-	-	-
2004-B Series-Rebate	787	787	787
2003-B Supp-Rebate	12,513	12,513	12,513
2004-A Series-Rebate	-	-	-
1999-B Series-Rebate	-	-	-
2005-A Series-Rebate	244,667	244,667	244,667
2005-B1 Series-Rebate	10,953	10,953	10,953
2001A Series - Rebate	-	-	-
2003-A Series-Rebate	-	-	-
2005-B2 Series-Rebate	6,427	6,427	6,427
2006-A Series-Rebate	<u>38,282</u>	<u>38,282</u>	<u>38,282</u>
Total Rebate Accounts	<u>313,629</u>	<u>313,629</u>	<u>313,629</u>
<b>COMBINED TOTAL</b>	<u>\$ 199,744,508</u>	<u>\$ 199,744,508</u>	<u>\$ 202,107,377</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 5 - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - SEVERANCE TAX BOND DEBT SERVICE FUNDS**  
**Year Ended June 30, 2011**

	SHARE Fund	Revenues		Expenditures	
		Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures
2002-A Supp. Series - DS	09500	\$ 754	\$ -	\$ -	\$ -
2009-A Series - Debt Service	10750	2,087,048	32,105,400	-	32,105,400
2009-A Series - Refunding	10770	-	-	-	-
2010-A Series - Debt Service	10950	2,503	4,649,714	-	4,649,714
2010-B Series - Debt Service	10960	2,084	3,760,698	-	3,760,698
2010-C Series - Debt Service	11190	17,572	982,977	-	982,977
2010-C Series - Refunding	11220	-	48,310,000	-	48,310,000
2010-D Series - Debt Service	11280	837	415,524	-	415,524
2004-B Series Debt Service	18300	331	1,243,650	-	1,243,650
2005-B1 Series Debt Service	38800	1,445	8,119,056	-	8,119,056
2000 Series-Debt Service	38900	164	-	-	-
2002-B Supp. Series - DS	39000	5,722	-	-	-
2000-C Series-Debt Service	40500	7,979	-	-	-
2001-A Series-Refunding	40800	8,829	-	-	-
Severance Tax Bonding	41000	14,363,508	233,403,178	10,082,345	243,485,523
2005-A Series -Debt Service	41200	71,030	9,411,800	-	9,411,800
2003-B Series-Debt Service	48400	366	1,217,483	-	1,217,483
2004-A Series-Debt Service	49200	21,576	-	-	-
2007-A Series-Debt Service	53700	330,649	14,992,925	-	14,992,925
2007-A Refunding	53800	-	-	-	-
2005-B2 Series Debt Service	57100	1,372	7,559,688	-	7,559,688
2002-A Series-Debt Service	69900	13	-	-	-
2008A-1 Debt Service	72010	1,220,185	18,219,525	-	18,219,525
2008A-2 Debt Service	72070	985	5,430,925	-	5,430,925
2003-A Series-Debt Service	88400	2,060	-	-	-
2006-A Series Debt Service	96300	<u>2,418</u>	<u>14,970,256</u>	<u>-</u>	<u>14,970,256</u>
<b>Total Debt Service</b>		<b>18,149,430</b>	<b>404,792,799</b>	<b>10,082,345</b>	<b>414,875,144</b>
2002-B Supp-Rebate	39200	1,026	-	-	-
2000-C Series Rebate	40600	5,086	-	-	-
2004-B Series-Rebate	41100	536	-	-	-
2003-B Supp-Rebate	42000	216	-	-	-
2004-A Series-Rebate	42700	1,706	-	-	-
1999-B Series-Rebate	46100	-	-	248,045	248,045
2005-A Series-Rebate	48300	4,227	-	-	-
2005-B1 Series-Rebate	57000	190	-	-	-
2001-A Series-Rebate	71200	3,276	-	-	-
2003-A Series-Rebate	87300	1,633	-	-	-
2005-B2 Series-Rebate	96000	111	-	-	-
2006-A Series-Rebate	96400	<u>661</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Rebate Accounts</b>		<b>18,668</b>	<b>-</b>	<b>248,045</b>	<b>248,045</b>
<b>COMBINED TOTAL</b>		<b>\$ 18,168,098</b>	<b>\$ 404,792,799</b>	<b>\$ 10,330,390</b>	<b>\$ 415,123,189</b>



Excess (Deficiency) of Revenues over (under) Expenditures	Other Financing Sources (Uses)					
	Severance Taxes	Bond Proceeds	Transfers (to) from Other State Agencies	Interfund Transfers	Payment to Escrow Agent	Severance Tax Permanent Fund Reversions
\$ 754	\$ -	\$ -	\$ -	\$ (54,710)	-	-
(30,018,352)	-	-	-	35,222,500	-	-
-	-	-	-	-	-	-
(4,647,211)	-	-	-	16,975,500	-	-
(3,758,614)	-	-	-	14,096,000	-	-
(965,405)	-	-	-	9,731,300	-	-
(48,310,000)	-	-	-	-	-	-
(414,687)	-	2,924,000	-	743,295	-	-
(1,243,319)	-	-	-	1,257,200	-	-
(8,117,611)	-	-	-	8,282,700	-	-
164	-	-	-	(12,081)	-	-
5,722	-	-	-	(54,315)	-	-
7,979	-	-	-	(287,595)	-	-
8,829	-	-	-	(651,888)	-	-
(229,122,015)	360,876,842	-	9,824,734	(142,924,495)	-	-
(9,340,770)	-	-	-	2,000	-	-
(1,217,117)	-	-	-	1,249,350	-	-
21,576	-	-	-	(187,071)	-	-
(14,662,276)	-	-	-	13,470,100	-	-
-	-	-	-	-	-	-
(7,558,316)	-	-	-	7,668,500	-	-
13	-	-	-	(965)	-	-
(16,999,340)	-	-	-	17,307,900	-	-
(5,429,940)	-	-	-	5,553,000	-	-
2,060	-	-	-	(151,118)	-	-
(14,967,838)	-	-	-	13,704,400	-	-
(396,725,714)	360,876,842	2,924,000	9,824,734	939,507	-	-
1,026	-	-	-	(75,723)	-	-
5,086	-	-	-	(375,495)	-	-
536	-	-	-	-	-	-
216	-	-	-	-	-	-
1,706	-	-	-	(125,956)	-	-
(248,045)	-	225,315	-	-	-	-
4,227	-	-	-	-	-	-
190	-	-	-	-	-	-
3,276	-	-	-	(241,812)	-	-
1,633	-	-	-	(120,521)	-	-
111	-	-	-	-	-	-
661	-	-	-	-	-	-
(229,377)	-	225,315	-	(939,507)	-	-
<u>\$ (396,955,091)</u>	<u>\$ 360,876,842</u>	<u>\$ 3,149,315</u>	<u>\$ 9,824,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 5 - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - SEVERANCE TAX BOND DEBT SERVICE FUNDS (CONTINUED)**  
**Year Ended June 30, 2011**

	<b>SHARE</b>	<b>Total Other</b>	<b>Net Change</b>	<b>Beginning</b>		<b>Beginning</b>	<b>Fund</b>
	<b>Fund</b>	<b>Financing</b>	<b>in Fund</b>	<b>Fund Balance</b>	<b>Restatement</b>	<b>Fund Balance</b>	<b>Balances</b>
		<b>Sources (Uses)</b>	<b>Balance</b>	<b>as Originally</b>		<b>as Restated</b>	<b>June 30, 2011</b>
				<b>Reported</b>			
2002-A Supp. Series - DS	09500	\$ (54,710)	\$ (53,956)	\$ 53,956	\$ -	\$ 53,956	\$ -
2009-A Series - Debt Service	10750	35,222,500	5,204,148	27,531,854	-	27,531,854	32,736,002
2009-A Series - Refunding	10770	-	-	-	-	-	-
2010-A Series - Debt Service	10950	16,975,500	12,328,289	1,630,726	-	1,630,726	13,959,015
2010-B Series - Debt Service	10960	14,096,000	10,337,386	1,318,487	-	1,318,487	11,655,873
2010-C Series - Debt Service	11190	9,731,300	8,765,895	7,079	-	7,079	8,772,974
2010-C Series - Refunding	11220	-	(48,310,000)	48,310,000	-	48,310,000	-
2010-D Series - Debt Service	11280	3,667,295	3,252,608	-	-	-	3,252,608
2004-B Series Debt Service	18300	1,257,200	13,881	1,135,655	-	1,135,655	1,149,536
2005-B1 Series Debt Service	38800	8,282,700	165,089	7,751,895	-	7,751,895	7,916,984
2000 Series-Debt Service	38900	(12,081)	(11,917)	11,917	-	11,917	-
2002-B Supp. Series - DS	39000	(54,315)	(48,593)	48,593	-	48,593	-
2000-C Series-Debt Service	40500	(287,595)	(279,616)	279,616	-	279,616	-
2001-A Series-Refunding	40800	(651,888)	(643,059)	643,059	-	643,059	-
Severance Tax Bonding	41000	227,777,081	(1,344,934)	64,626,437	-	64,626,437	63,281,503
2005-A Series -Debt Service	41200	2,000	(9,338,770)	9,410,439	-	9,410,439	71,669
2003-B Series-Debt Service	48400	1,249,350	32,233	1,155,901	-	1,155,901	1,188,134
2004-A Series-Debt Service	49200	(187,071)	(165,495)	165,495	-	165,495	-
2007-A Series-Debt Service	53700	13,470,100	(1,192,176)	14,406,444	-	14,406,444	13,214,268
2007-A Refunding	53800	-	-	-	-	-	-
2005-B2 Series Debt Service	57100	7,668,500	110,184	7,382,278	-	7,382,278	7,492,462
2002-A Series-Debt Service	69900	(965)	(952)	952	-	952	-
2008A-1 Debt Service	72010	17,307,900	308,560	15,590,314	-	15,590,314	15,898,874
2008A-2 Debt Service	72070	5,553,000	123,060	5,271,899	-	5,271,899	5,394,959
2003-A Series-Debt Service	88400	(151,118)	(149,058)	149,058	-	149,058	-
2006-A Series Debt Service	96300	13,704,400	(1,263,438)	14,709,456	-	14,709,456	13,446,018
<b>Total Debt Service</b>		<b>374,565,083</b>	<b>(22,160,631)</b>	<b>221,591,510</b>	<b>-</b>	<b>221,591,510</b>	<b>199,430,879</b>
2002-B Supp-Rebate	39200	(75,723)	(74,697)	74,697	-	74,697	-
2000-C Series Rebate	40600	(375,495)	(370,409)	370,409	-	370,409	-
2004-B Series-Rebate	41100	-	536	251	-	251	787
2003-B Supp-Rebate	42000	-	216	12,297	-	12,297	12,513
2004-A Series-Rebate	42700	(125,956)	(124,250)	124,250	-	124,250	-
1999-B Series-Rebate	46100	225,315	(22,730)	22,730	-	22,730	-
2005-A Series-Rebate	48300	-	4,227	240,440	-	240,440	244,667
2005-B1 Series-Rebate	57000	-	190	10,763	-	10,763	10,953
2001-A Series-Rebate	71200	(241,812)	(238,536)	238,536	-	238,536	-
2003-A Series-Rebate	87300	(120,521)	(118,888)	118,888	-	118,888	-
2005-B2 Series-Rebate	96000	-	111	6,316	-	6,316	6,427
2006-A Series-Rebate	96400	-	661	37,621	-	37,621	38,282
<b>Total Rebate Accounts</b>		<b>(714,192)</b>	<b>(943,569)</b>	<b>1,257,198</b>	<b>-</b>	<b>1,257,198</b>	<b>313,629</b>
<b>COMBINED TOTAL</b>		<b>\$ 373,850,891</b>	<b>\$ (23,104,200)</b>	<b>\$ 222,848,708</b>	<b>\$ -</b>	<b>\$ 222,848,708</b>	<b>\$199,744,508</b>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS -**  
**LONG-TERM DEBT ROLLFORWARD**  
**Year Ended June 30, 2011**

Issue	SHARE Fund	Date of Issue	Issue Amount	Interest Rate	Unpaid Balance June 30, 2010
General Obligation and Revenue Bonds:					
Series 2005 Debt Service	03200	03/01/05	\$ 111,850,000	5.00%	\$ 62,895,000
Series 2007 Debt Service	28800	03/01/07	134,870,000	5.00%	101,065,000
Refunding Series 2008A	73010	06/25/08	71,270,000	5.00%	50,660,000
Series 2009 Debt Service	10630	05/28/09	196,330,000	5.00%	183,960,000
Series 2011 Debt Service	11630	05/26/11	<u>18,645,000</u>	2.00-4.00%	<u>-</u>
Total General Obligation Bonds			532,965,000		398,580,000
Severance Tax Bonds:					
Series 2003A	88400	06/01/03	89,660,000	2.50-5.00%	-
Series 2003B Supplemental	48400	11/01/03	10,000,000	3.10-3.70%	4,630,000
Series 2004A	49200	06/15/04	76,430,000	5.00%	-
Series 2004B Supplemental	18300	11/17/04	10,000,000	2.00-5.00%	5,380,000
Series 2005A	41200	06/15/05	97,000,000	4.00%	56,590,000
Series 2005B-1 Refunding	38800	06/28/05	37,040,000	3.25-5.00%	22,665,000
Series 2005B-2 Supplemental	57100	06/28/05	21,095,000	3.25-5.00%	14,335,000
Series 2006A	96300	06/20/06	135,000,000	4.00-5.00%	100,995,000
Series 2007A	53700	06/28/07	162,840,000	4.00-5.00%	112,670,000
Series 2008A-1	72010	06/25/08	149,000,000	4.00-5.00%	137,050,000
Series 2008A-2 Refunding	72070	06/25/08	20,550,000	3.00%	15,715,000
Series 2009A Refunding	10750	07/30/09	218,450,000	2.00-5.00%	218,450,000
Series 2010A	10950	03/24/10	132,265,000	3.00-5.00%	132,265,000
Series 2010B Supplemental	10960	03/24/10	100,000,000	4.00-5.00%	100,000,000
Series 2010C Refunding	11190	06/30/10	43,780,000	4.00-5.00%	43,780,000
Series 2010D Refunding	11280	12/08/10	<u>140,520,000</u>	3.00-5.00%	<u>-</u>
Total Severance Tax Bonds			<u>1,443,630,000</u>		<u>964,525,000</u>
<b>TOTAL GENERAL LONG-TERM DEBT</b>			<u>\$ 1,976,595,000</u>		<u>\$ 1,363,105,000</u>
<b>Premium/Discount</b>					
Current year bond premiums:					
GO, Series 2011			\$ 1,262,045		
STB, Series 2010D			<u>16,702,712</u>		
<b>TOTAL CURRENT YEAR BOND PREMIUMS</b>			<u>\$ 17,964,757</u>		

New Bonds	Reductions			Unpaid Balance June 30, 2011	Interest to Maturity	Debt Service Requirements
	Refunded Debt	Principal Payments	Total Reductions			
\$ -	\$ -	\$ 11,415,000	\$ 11,415,000	\$ 51,480,000	\$ 6,587,500	\$ 58,067,500
-	-	12,410,000	12,410,000	88,655,000	16,144,250	104,799,250
-	-	21,215,000	21,215,000	29,445,000	2,228,500	31,673,500
-	-	16,685,000	16,685,000	167,275,000	39,773,750	207,048,750
<u>18,645,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,645,000</u>	<u>3,812,166</u>	<u>22,457,166</u>
18,645,000	-	61,725,000	61,725,000	355,500,000	68,546,166	424,046,166
-	-	-	-	-	-	-
-	-	1,075,000	1,075,000	3,555,000	197,108	3,752,108
-	-	-	-	-	-	-
-	-	1,010,000	1,010,000	4,370,000	446,250	4,816,250
-	48,310,000	8,280,000	56,590,000	-	-	-
-	-	7,210,000	7,210,000	15,455,000	749,400	16,204,400
-	-	7,025,000	7,025,000	7,310,000	181,062	7,491,062
-	75,260,000	12,555,000	87,815,000	13,180,000	263,600	13,443,600
-	74,735,000	12,035,000	86,770,000	25,900,000	1,111,775	27,011,775
-	-	12,655,000	12,655,000	124,395,000	21,253,975	145,648,975
-	-	5,035,000	5,035,000	10,680,000	323,550	11,003,550
-	-	22,665,000	22,665,000	195,785,000	38,049,325	233,834,325
-	-	-	-	132,265,000	34,488,625	166,753,625
-	-	-	-	100,000,000	24,857,225	124,857,225
-	-	-	-	43,780,000	5,620,575	49,400,575
<u>140,520,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,520,000</u>	<u>27,609,575</u>	<u>168,129,575</u>
<u>140,520,000</u>	<u>198,305,000</u>	<u>89,545,000</u>	<u>287,850,000</u>	<u>817,195,000</u>	<u>155,152,045</u>	<u>972,347,045</u>
<u>\$159,165,000</u>	<u>\$198,305,000</u>	<u>\$151,270,000</u>	<u>\$349,575,000</u>	<u>\$1,172,695,000</u>	<u>\$223,698,211</u>	<u>\$1,396,393,211</u>

Bond proceeds are accounted for in the Department of Finance and Administrations financial statements for the fiscal year ended June 30, 2011.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS (CONTINUED) -**  
**SCHEDULE OF DEBT SERVICE MATURITIES**  
**Year Ended June 30, 2011**

<b>Issue</b>	<b>SHARE Fund</b>	<b>2012</b>	<b>2013</b>
General Obligation Bonds:			
Series 2005	03200	\$ 14,544,000	\$ 14,525,500
Series 2007	28800	17,467,750	17,466,000
Refunding Series 2008-A	73010	15,792,250	15,881,250
Series 2009 Debt Service	10630	25,878,750	25,883,000
Series 2011	11630	<u>2,247,316</u>	<u>2,244,450</u>
Total General Obligation Bonds		75,930,066	76,000,200
Severance Tax Bonds:			
Series 2003B Supplemental	48400	1,231,976	1,252,099
Series 2004B Supplemental	18300	1,232,500	1,209,750
Series 2005B-1 Refunding	38800	8,104,975	8,099,425
Series 2005B-2 Supplemental	57100	7,491,062	-
Series 2006A	96300	13,443,600	-
Series 2007A	53700	13,481,475	13,530,300
Series 2008A-1	72010	18,201,025	18,185,150
Series 2008A-2 Refunding	72070	5,476,875	5,526,675
Series 2009A Refunding	10750	36,795,850	36,904,850
Series 2010A	10950	16,813,925	16,754,600
Series 2010B Supplemental	10960	13,867,300	13,494,550
Series 2010C Refunding	11190	9,672,200	9,760,125
Series 2010D Refunding	11280	<u>6,503,850</u>	<u>19,244,825</u>
Total Severance Tax Bonds		<u>152,316,613</u>	<u>143,962,349</u>
<b>TOTAL DEBT SERVICE REQUIREMENTS</b>		<u>\$ 228,246,679</u>	<u>\$ 219,962,549</u>

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017-2021</b>	<b>Total</b>
\$	14,508,000	\$ 14,490,000	\$ -	\$ -	\$ 58,067,500
	17,466,750	17,468,250	17,463,750	17,466,750	104,799,250
	-	-	-	-	31,673,500
	25,883,250	25,882,500	25,878,500	77,642,750	207,048,750
	<u>2,246,350</u>	<u>2,247,550</u>	<u>2,243,550</u>	<u>11,227,950</u>	<u>22,457,166</u>
	60,104,350	60,088,300	45,585,800	106,337,450	424,046,166
	1,268,033	-	-	-	3,752,108
	1,195,250	1,178,750	-	-	4,816,250
	-	-	-	-	16,204,400
	-	-	-	-	7,491,062
	-	-	-	-	13,443,600
	-	-	-	-	27,011,775
	18,243,400	18,230,700	18,219,100	54,569,600	145,648,975
	-	-	-	-	11,003,550
	37,039,250	27,762,500	19,067,500	76,264,375	233,834,325
	16,745,000	16,732,100	16,661,750	83,046,250	166,753,625
	13,141,675	12,807,425	12,495,425	59,050,850	124,857,225
	9,854,000	9,951,375	10,162,875	-	49,400,575
	<u>31,933,900</u>	<u>31,811,125</u>	<u>31,784,875</u>	<u>46,851,000</u>	<u>168,129,575</u>
	<u>129,420,508</u>	<u>118,473,975</u>	<u>108,391,525</u>	<u>319,782,075</u>	<u>972,347,045</u>
\$	<u>189,524,858</u>	<u>\$ 178,562,275</u>	<u>\$ 153,977,325</u>	<u>\$ 426,119,525</u>	<u>\$ 1,396,393,211</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS (CONTINUED) -**  
**AMORTIZATION OF BOND ISSUANCE COSTS**  
**Year Ended June 30, 2011**

	<u>SHARE</u> <u>Fund</u>	<u>Date</u>	<u>Original</u> <u>Cost</u>
<b>GENERAL OBLIGATION:</b>			
Series 2005	03200	01/11/05	\$ 801,503
Series 2007	28800	03/01/07	463,806
Refunding Series 2008-A	73010	06/25/08	345,413
Series 2009	10630	05/28/09	984,010
Series 2011	11630	05/26/11	<u>135,000</u>
			2,594,732
<b>SEVERANCE:</b>			
Series 2003-B Supplemental	48400	11/01/03	33,445
Series 2004-B	18300	11/17/04	127,805
Series 2005-A	41200	05/12/05	565,863
Series 2005-B1 Refunding	38800	06/28/05	399,646
Series 2005-B2 Supplemental	57100	06/28/05	110,254
Series 2006A	96300	06/20/06	346,002
Series 2007A	53700	06/28/07	325,710
Series 2008A-1	72010	06/25/08	530,440
Series 2008-A2 Refunding	72070	06/25/08	57,301
Series 2009A Refunding	10750	07/30/09	411,478
Series 2010A	10950	03/24/10	167,977
Series 2010B Supplemental	10960	03/24/10	369,000
Series 2010C Refunding	11190	06/30/10	98,545
Series 2010D Refunding	11280	12/08/10	<u>688,548</u>
			<u>4,232,014</u>
			<u>\$ 6,826,746</u>

<b>Amortization</b>			
<b>Accumulated Amortization June 30, 2010</b>	<b>Current Amortization Expense</b>	<b>Accumulated Amortization June 30, 2011</b>	<b>Net Book Value June 30, 2011</b>
\$ 440,826	\$ 80,151	\$ 520,977	\$ 280,526
150,738	46,380	197,118	266,688
138,166	69,082	207,248	138,165
106,601	98,401	205,002	779,008
-	1,154	1,154	133,846
836,331	294,014	1,130,345	1,464,387
22,019	3,343	25,362	8,083
70,294	12,779	83,073	44,732
254,637	56,588	311,225	254,638
359,681	19,982	379,663	19,983
99,229	11,025	110,254	-
121,100	34,601	155,701	190,301
81,427	32,571	113,998	211,712
106,088	53,044	159,132	371,308
28,650	14,326	42,976	14,325
37,719	41,148	78,867	332,611
4,199	16,798	20,997	146,980
9,225	36,900	46,125	322,875
-	19,709	19,709	78,836
-	61,011	61,011	627,537
1,194,268	413,825	1,608,093	2,623,921
\$ 2,030,599	\$ 707,839	\$ 2,738,438	\$ 4,088,308



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS (CONTINUED) –**  
**ADDITIONAL INFORMATION**  
**June 30, 2011**

**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.

The following General Obligation Bonds were issued during the fiscal year ended June 30, 2011:

On May 26, 2011, the State Board of Finance issued bonds with a principal amount of \$18,645,000 to finance capital projects. The interest rate varies between two percent and four percent (2% and 4%), with principal payments due through 2021.

The annual requirements to amortize the combined General Obligation Bond issues outstanding as of June 30, 2011, including interest payments, are as follows (see details on Schedule 6):

Years ending June 30:

2012	\$ 75,930,066
2013	76,000,200
2014	60,104,350
2015	60,088,300
2016	45,585,800
2017 - 2021	<u>106,337,450</u>
<b>Total</b>	<b><u>\$ 424,046,166</u></b>

**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, 2011:

On December 8, 2010, the State Board of Finance issued bonds with a principal amount of \$140,520,000 to refund existing debt. The interest rate varies between three and five percent (3% and 5%), with principal due through 2017.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS (CONTINUED) –**  
**ADDITIONAL INFORMATION**  
**June 30, 2011**

**ADDITIONAL INFORMATION RELATED TO LONG-TERM DEBT OBLIGATIONS**  
**(CONTINUED):**

The annual requirements to amortize the combined Severance Tax Bond issues outstanding as of June 30, 2011, including interest payments, are as follows (see details on Schedule 6, page 3):

Years ending June 30:

2012	\$ 152,316,613
2013	143,962,349
2014	129,420,508
2015	118,473,975
2016	108,391,525
2017 - 2021	<u>319,782,075</u>
<b>Total</b>	<b><u>\$ 972,347,045</u></b>

**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 2006A	\$ 75,260,000
Severance Tax Bonds, Series 2007A	<u>74,735,000</u>
<b>Total</b>	<b><u>\$ 149,995,000</u></b>

The following refunding activity occurred during the year ended June 30, 2011:

On June 30, 2010, the State Board of Finance issued Severance Tax Bonds, Refunding Series 2010C, 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 Bonds, Refunding Series 2010C occurred on June 30, 2010, on the last day of 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.

On December 8, 2010, the State Board of Finance issued Severance Tax Bonds, Refunding Series 2010D, with a principal amount of \$140,520,000 to provide partial refunding of Severance Tax Bond Series 2006A and Severance Tax Bonds Series 2007A. The difference in cash flow required between the prior debt service requirements and new funding debt service requirements resulted in cash flow savings of \$7,590,330. The economic gain, or present value savings, was \$7,044,510.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS**  
Year Ended June 30, 2011

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>GENERAL FUND INVESTMENT POOL:</b>						
<b>Repurchase Agreements</b>	Various	Various	Various	\$ 684,536,328	\$ 684,536,328	\$ -
<b>Certificates of Deposit</b>	Various	Various	Various	52,100,000	52,103,808	3,808
<b>Institutional Money Markets</b>	Various	Various	Various	4,327,110	4,327,110	-
<b>Valuation Allowance</b>				<u>(4,327,110)</u>	<u>(4,327,110)</u>	<u>-</u>
<b>Estimated Recoverable Balance</b>				-	-	-
<b>Mutual Funds (Investment in LGIP)</b>	Various	Various	Various	30,022,001	30,022,001	-
<b>Municipal Bonds:</b>						
Connecticut State	1.720%	05/19/11	05/15/13	5,067,492	5,075,350	7,858
NMFA Rev Amt-Sr Lien	2.000%	04/28/11	06/01/12	2,929,563	2,913,004	(16,559)
NMFA Rev Amt-Sr Lien	2.000%	04/28/11	06/01/13	2,037,842	2,029,600	(8,242)
NMFA Rev Amt-Sr Lien	3.000%	04/28/11	06/01/14	3,193,123	3,191,611	(1,512)
SFNM Pub Sch Dist	3.000%	02/02/11	08/01/12	<u>5,954,821</u>	<u>5,970,230</u>	<u>15,409</u>
<b>Total Municipal Bonds</b>				19,182,841	19,179,795	(3,046)
<b>US Government Securities:</b>						
<b>US Treasury Notes:</b>						
US Treasury Notes	1.875%	03/19/10	06/15/12	25,245,544	25,391,500	145,956
US Treasury Notes	1.375%	03/19/10	09/15/12	25,054,380	25,328,250	273,870
US Treasury Notes	1.875%	02/14/11	04/30/14	20,220,125	20,625,000	404,875
US Treasury Notes	1.125%	03/09/10	12/15/12	24,909,532	25,282,250	372,718
US Treasury Notes	0.625%	05/16/11	04/30/13	20,032,234	20,071,800	39,566
US Treasury Notes	0.625%	05/16/11	01/31/13	20,055,067	20,078,800	23,733
US Treasury Notes	0.750%	06/14/11	06/15/14	19,987,680	19,976,600	(11,080)
US Treasury Notes	0.750%	05/16/11	03/31/13	15,063,523	15,087,900	24,377
US Treasury Notes	2.250%	02/14/11	05/31/14	20,420,884	20,848,400	427,516
US Treasury Notes	1.875%	02/14/11	02/28/14	20,248,968	20,623,400	374,432
US Treasury Notes	2.625%	02/17/11	07/31/14	15,500,310	15,812,100	311,790
US Treasury Notes	0.625%	05/16/11	02/28/13	20,048,778	20,077,400	28,622
US Treasury Notes	1.250%	02/14/11	02/15/14	19,916,404	20,293,800	377,396
US Treasury Notes	1.375%	05/16/11	05/15/13	20,307,378	20,348,400	41,022
US Treasury Notes	0.875%	03/09/10	02/29/12	<u>24,992,165</u>	<u>25,121,000</u>	<u>128,835</u>
<b>Total US Treasury Notes</b>				312,002,972	314,966,600	2,963,628
<b>Federal Farm Credit Banks Cons Long:</b>						
Federal Farm Credit	0.875%	10/28/10	10/28/13	12,991,908	13,001,170	9,262
Federal Farm Credit	4.500%	01/17/08	10/17/12	<u>5,138,976</u>	<u>5,265,850</u>	<u>126,874</u>
<b>Total Federal Farm Credit Banks</b>				18,130,884	18,267,020	136,136

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)**  
**Year Ended June 30, 2011**

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>GENERAL FUND INVESTMENT POOL - continued:</b>						
<b>Federal Home Loan Banks:</b>						
Federal Home Loan	4.875%	01/17/08	12/14/12	15,560,841	15,954,750	393,909
Federal Home Loan	0.825%	10/28/10	10/25/13	17,095,042	17,116,198	21,156
Federal Home Loan	1.875%	08/25/10	09/03/15	18,000,000	17,963,640	(36,360)
Federal Home Loan	0.875%	04/18/11	12/27/13	9,946,172	10,038,800	92,628
Federal Home Loan	0.875%	10/28/10	10/28/13	21,996,405	22,009,680	13,275
Federal Home Loan	1.625%	10/28/10	07/29/14	25,171,073	25,024,500	(146,573)
Federal Home Loan	1.875%	04/18/11	06/21/13	10,202,150	10,268,500	66,350
Federal Home Loan	1.000%	12/06/10	11/18/13	14,979,345	15,018,600	39,255
Federal Home Loan	5.000%	04/25/08	09/09/11	10,099,317	10,090,000	(9,317)
Federal Home Loan	5.000%	01/17/08	10/13/11	7,107,703	7,097,160	(10,543)
Federal Home Loan	4.875%	01/17/08	06/08/12	10,310,994	10,387,600	76,606
Federal Home Loan	5.000%	01/17/08	09/14/12	13,917,479	14,156,433	238,954
Federal Home Loan	5.000%	04/25/08	09/14/12	<u>7,207,271</u>	<u>7,331,016</u>	<u>123,745</u>
<b>Total Federal Home Loan Banks</b>				181,593,792	182,456,877	863,085
<b>Federal Home Loan Mortgage Corporation</b>						
Freddie Mac	1.820%	10/28/11	08/24/15	25,108,198	25,074,500	(33,698)
Freddie Mac	3.500%	04/24/08	03/08/13	<u>4,949,625</u>	<u>5,255,700</u>	<u>306,075</u>
<b>Total Federal Home Loan Mortgage Corporation</b>				30,057,823	30,330,200	272,377
<b>Federal National Mortgage Association</b>						
Fannie Mae	0.500%	06/15/11	08/09/13	19,966,609	19,974,400	7,791
Fannie Mae	1.375%	07/08/10	07/19/13	24,994,501	25,012,500	17,999
Fannie Mae	5.000%	01/17/08	08/02/12	<u>1,034,300</u>	<u>1,049,540</u>	<u>15,240</u>
<b>Total Federal National Mortgage Corporation</b>				<u>45,995,410</u>	<u>46,036,440</u>	<u>41,030</u>
<b>Total US Government Securities</b>				<u>587,780,881</u>	<u>592,057,137</u>	<u>4,276,256</u>
<b>Corporate Bonds:</b>						
<b>Corporate Bonds:</b>						
Abbot Laboratories	5.150%	11/09/07	11/30/12	9,997,444	10,631,000	633,556
Credit Suisse USA	5.500%	09/27/07	08/16/11	9,948,858	9,984,476	35,618
Genworth Global	5.375%	09/27/07	09/15/11	10,012,650	10,081,400	68,750
Morgan Stanley	6.600%	09/25/07	04/01/12	<u>10,208,232</u>	<u>10,444,200</u>	<u>235,968</u>
<b>Total Corporate Bonds:</b>				40,167,184	41,141,076	973,892

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
 Year Ended June 30, 2011

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>GENERAL FUND INVESTMENT POOL - continued:</b>						
<b>TLGP Securities:</b>						
Citigroup Funding, Inc.	1.875%	08/17/10	10/22/12	25,375,776	25,486,250	110,474
HSBC Finance Corp	3.125%	12/09/08	12/16/11	24,994,552	25,336,250	341,698
Morgan Stanley	3.250%	12/26/08	12/01/11	<u>24,996,935</u>	<u>25,293,500</u>	<u>296,565</u>
<b>Total TLGP Securities:</b>				<u>75,367,263</u>	<u>76,116,000</u>	<u>748,737</u>
<b>Total Corporate Bonds</b>				<u>115,534,447</u>	<u>117,257,076</u>	<u>1,722,629</u>
<b>Total General Fund Investment Pool (State Funds Investment Pool)</b>				<u>\$1,489,156,498</u>	<u>\$1,495,156,145</u>	<u>\$ 5,999,647</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)**  
Year Ended June 30, 2011

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>LOCAL GOVERNMENT INVESTMENT POOL:</b>						
<b>Bank Account</b>	Various	Various	Various	<u>\$ 547,951,101</u>	<u>\$ 547,951,101</u>	<u>\$ -</u>
<b>US Government Securities:</b>						
<b>US Treasury Notes</b>						
U.S. TREASURY NOTES	1.375%	01/25/11	02/15/12	\$ 10,065,336	\$ 10,076,900	\$ 11,564
U.S. TREASURY NOTES	4.875%	07/23/10	07/31/11	20,105,480	20,079,600	(25,880)
U.S. TREASURY NOTES	1.000%	04/14/11	04/30/12	20,118,553	20,132,800	14,247
U.S. TREASURY NOTES	1.000%	09/13/10	09/30/11	14,027,039	14,032,760	5,721
U.S. TREASURY NOTES	1.000%	09/16/10	09/30/11	14,027,039	14,032,760	5,721
U.S. TREASURY NOTES	1.000%	03/01/11	03/31/12	15,077,105	15,091,950	14,845
U.S. TREASURY NOTES	1.000%	03/09/11	03/31/12	10,051,403	10,061,300	9,897
U.S. TREASURY NOTES	1.125%	12/27/10	01/15/12	10,039,158	10,053,900	14,742
U.S. TREASURY NOTES	1.000%	08/12/10	08/31/11	10,014,685	10,015,600	915
U.S. TREASURY NOTES	1.000%	08/25/10	08/31/11	<u>20,029,371</u>	<u>20,031,200</u>	<u>1,829</u>
<b>Total US Treasury Notes</b>				<u>143,555,169</u>	<u>143,608,770</u>	<u>53,601</u>
<b>Total Local Government Investment Pool (Short-term Investment Pool)</b>				<u>\$ 691,506,270</u>	<u>\$ 691,559,871</u>	<u>\$ 53,601</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)**  
Year Ended June 30, 2011

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>Bond Proceeds Investment Pool #1 (Tax Exempt):</b>						
<b>Repurchase Agreements</b>	Various	Various	Various	\$219,191,931	\$ 219,191,931	\$ -
<b>Institutional Money Markets</b>	0.000%	Various	Various	963,170	963,170	-
<b>Valuation Allowance</b>				(963,170)	(963,170)	-
<b>Estimated Recoverable Balance</b>				-	-	-
<b>US Government Securities:</b>						
<b>US Treasury Notes:</b>						
US T Notes	1.875%	9/3/2010	2/28/2014	15,355,603	15,467,550	111,947
US T Notes	1.750%	9/3/2010	04/15/13	15,282,053	15,352,800	70,747
<b>Total US Treasury Notes</b>				30,637,656	30,820,350	182,694
<b>Federal Farm Credit Banks Consolidated Long:</b>						
Federal Farm Credit Bank	0.875%	10/28/10	10/28/13	49,980,548	50,004,500	23,952
<b>Total Federal Farm Credit Banks</b>				49,980,548	50,004,500	23,952
<b>Federal Home Loan Banks:</b>						
Federal Home Loan Bank	1.625%	10/28/10	07/29/14	25,171,073	25,024,500	(146,573)
<b>Total Federal Home Loan Banks</b>				25,171,073	25,024,500	(146,573)
<b>Federal Home Loan Mortgage Co.:</b>						
Freddie Mac	1.820%	10/28/10	08/24/15	25,108,198	25,074,500	(33,698)
<b>Total Federal Home Loan Mortgage Co.</b>				25,108,198	25,074,500	(33,698)
<b>Total US Government Securities</b>				130,897,475	130,923,850	26,375

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)**  
Year Ended June 30, 2011

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>Corporate Bonds:</b>						
<b>TLGP:</b>						
Bank of America 2nd	3.125%	6/30/09	6/15/12	25,461,953	25,683,500	221,547
Bank of America Corp primary	2.100%	6/30/09	4/30/12	25,052,636	25,392,000	339,364
Citigroup Inc. 2nd	2.125%	7/2/09	4/30/12	25,063,414	25,394,250	330,836
Citigroup Funding	2.250%	08/23/10	12/10/12	51,121,322	51,261,500	140,178
General Electric Corp	2.625%	08/23/10	12/28/12	51,447,883	51,511,500	63,617
JP Morgan 2nd	3.125%	06/30/09	12/01/11	20,255,993	20,245,200	(10,793)
Wells Fargo Company 2nd	2.125%	06/30/09	06/15/12	<u>25,062,971</u>	<u>25,423,250</u>	<u>360,279</u>
<b>Total TLGP:</b>				223,466,172	224,911,200	1,445,028
<b>TLGP Variable Rate:</b>						
Morgan Stanley primary	1.104%	12/02/08	12/01/11	10,000,000	10,039,900	39,900
Morgan Stanley primary	0.597%	01/20/09	06/20/12	30,000,000	30,129,900	129,900
Morgan Stanley primary	0.450%	03/13/09	03/13/12	<u>25,000,000</u>	<u>25,053,000</u>	<u>53,000</u>
<b>Total TLGP Variable Rate:</b>				<u>65,000,000</u>	<u>65,222,800</u>	<u>222,800</u>
<b>Total Corporate Bonds:</b>				<u>288,466,172</u>	<u>290,134,000</u>	<u>1,667,828</u>
<b>Total Bond Proceeds Investment Pool #1 (Tax Exempt)</b> <b>(Part 2 of the Consolidated Investment Pool)</b>				<u>\$638,555,578</u>	<u>\$ 640,249,781</u>	<u>\$ 1,694,203</u>
<b>Reserve Contngency Fund:</b>						
<b>Institutional Money Markets</b>				\$ 3,896,727	\$ 3,896,727	\$ -
<b>Valuation Allowance</b>				<u>(3,896,727)</u>	<u>(3,896,727)</u>	<u>-</u>
<b>Estimated Recoverable Balance</b>				<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Reserve Contingency Fund</b>				<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)**  
Year Ended June 30, 2011

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>Bond Proceeds Investment Pool #2 (Taxable):</b>						
<b>Repurchase Agreements</b>	Various	Various	Various	\$ 189,271,741	\$ 189,271,741	\$ -
<b>Certificates of Deposit</b>	Various	Various	Various	15,200,000	15,204,225	4,225
<b>Institutional Money Markets</b>	0.000%	Various	Various	1,788,233	1,788,233	-
<b>Valuation Allowance</b>				<u>(1,788,233)</u>	<u>(1,788,233)</u>	<u>-</u>
<b>Estimated Recoverable Balance</b>				-	-	-
<b>US Government Securities:</b>						
<b>US Treasury Notes:</b>						
US Treasury Notes	1.875%	1/19/11	2/28/14	20,575,360	20,741,086	165,726
US Treasury Notes	1.875%	2/14/11	2/28/14	20,341,870	20,505,714	163,844
US Treasury Notes	0.625%	2/24/11	2/28/13	4,991,857	5,019,350	27,493
US Treasury Notes	0.750%	9/3/10	8/15/13	29,942,068	30,159,300	217,232
US Treasury Notes	2.250%	3/28/11	5/31/14	10,257,408	10,424,200	166,792
US Treasury Notes	1.000%	3/28/11	7/15/13	10,017,345	10,106,300	88,955
US Treasury Notes	1.875%	3/28/11	4/30/14	<u>10,159,992</u>	<u>10,312,500</u>	<u>152,508</u>
<b>Total US Treasury Notes</b>				106,285,900	107,268,450	982,550
<b>Federal Farm Credit Banks Cons Long:</b>						
Federal Farm Credit	0.875%	10/28/10	10/28/13	<u>18,588,422</u>	<u>18,601,674</u>	<u>13,252</u>
<b>Total Federal Farm Credit Banks</b>				18,588,422	18,601,674	13,252
<b>Federal Home Loan Banks:</b>						
Federal Home Loan	0.850%	12/6/10	1/27/14	9,936,778	9,998,500	61,722
Federal Home Loan	0.750%	10/28/10	10/28/13	20,847,516	20,880,835	33,319
Federal Home Loan	0.875%	12/6/10	11/22/13	14,953,798	15,016,050	62,252
Federal Home Loan	1.625%	10/28/10	7/29/14	14,760,317	14,674,367	(85,950)
Federal Home Loan	3.250%	8/7/08	3/9/12	<u>16,311,248</u>	<u>16,891,563</u>	<u>580,315</u>
<b>Total Federal Home Loan Banks</b>				76,809,657	77,461,315	651,658
<b>Federal Home Loan Mortgage Co.:</b>						
Freddie Mac	1.820%	10/28/10	8/24/15	20,086,558	20,059,600	(26,958)
Freddie Mac	4.375%	8/15/08	11/9/11	<u>3,015,410</u>	<u>3,044,700</u>	<u>29,290</u>
<b>Total Federal Home Loan Mortgage Co.</b>				23,101,968	23,104,300	2,332
<b>Federal National Mortgage Association Debentures:</b>						
Fannie Mae 2nd	4.000%	8/22/08	4/15/13	<u>2,394,386</u>	<u>2,550,960</u>	<u>156,574</u>
<b>Total Federal National Mortgage Association Debentures</b>				<u>2,394,386</u>	<u>2,550,960</u>	<u>156,574</u>
<b>Total US Government Securities</b>				227,180,333	228,986,699	1,806,366

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)**  
Year Ended June 30, 2011

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>Corporate Bonds:</b>						
<b>Corporate Bonds:</b>						
Goldman Sachs Group Inc	5.700%	10/9/07	9/1/12	10,102,056	10,515,200	413,144
Morgan Stanley-2nd	5.750%	10/9/07	8/31/12	<u>5,059,926</u>	<u>5,263,450</u>	<u>203,524</u>
<b>Total Corporate Bonds:</b>				15,161,982	15,778,650	616,668
<b>Temporary Corporate Credit Union Stabilization Bonds:</b>						
US Central FCU	1.250%	10/19/09	10/19/11	14,997,788	15,050,250	52,462
US Central FCU	1.900%	10/19/09	10/19/12	19,991,860	20,355,200	363,340
Western Corp FCU	1.750%	11/2/09	11/2/12	<u>9,991,966</u>	<u>10,157,400</u>	<u>165,434</u>
<b>Total Temporary Corporate Credit Union Stabilization Bonds</b>				44,981,614	45,562,850	581,236
<b>TLGP Securities:</b>						
Citigroup Inc., 2nd	2.875%	7/29/09	12/9/11	25,294,952	25,294,750	(202)
Citigroup Funding	2.250%	8/23/10	12/10/12	20,449,056	20,504,600	55,544
Citigroup Inc., 2nd	1.250%	3/3/10	11/15/11	25,061,781	25,103,750	41,969
Citibank NA	1.750%	8/23/10	12/28/12	20,308,988	20,373,800	64,812
General Electric Capital Corp	2.125%	8/23/10	12/21/12	25,682,977	25,754,444	71,467
HSBC - primary	3.125%	12/16/08	12/16/11	<u>14,996,731</u>	<u>15,201,750</u>	<u>205,019</u>
<b>Total TLGP Securities</b>				131,794,485	132,233,094	438,609
<b>TLGP Securities Variable:</b>						
Goldman Sachs Group Inc	0.518%	2/20/09	11/9/11	55,004,123	55,076,450	72,327
Morgan Stanley primary	1.147%	12/2/08	12/1/11	5,000,000	5,019,950	19,950
Morgan Stanley primary	0.641%	1/20/09	6/20/12	30,000,000	30,129,900	129,900
Morgan Stanley primary	0.493%	3/13/09	3/13/12	<u>25,000,000</u>	<u>25,053,000</u>	<u>53,000</u>
<b>Total TLGP Securities Variable</b>				<u>115,004,123</u>	<u>115,279,300</u>	<u>275,177</u>
<b>Total Corporate Bonds:</b>				<u>306,942,204</u>	<u>308,853,894</u>	<u>1,911,690</u>
<b>Total Bond Proceeds Investment Pool #2 (Taxable)</b> <b>(Part 1 of the Consolidated Investment Pool)</b>				<u>\$ 738,594,278</u>	<u>\$ 742,316,559</u>	<u>\$ 3,722,281</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)**  
**Year Ended June 30, 2011**

Security Description	Book Value	Market Value	Unrealized Gain (loss)
Local Government Investment Pool (Short-term Investment Pool)	\$ 691,506,270	\$ 691,559,871	\$ 53,601
General Fund Investment Pool (State Funds Investment Pool)	1,489,156,498	1,495,156,145	5,999,647
Bond Proceeds Taxable (Consolidated Investment Pool)	738,594,278	742,316,559	3,722,281
Bond Proceeds Tax Exempt (Consolidated Investment Pool)	638,555,578	640,249,781	1,694,203
Reserve Contingency Fund	<u>-</u>	<u>-</u>	<u>-</u>
<b>Grand total of all funds</b>	<u>\$ 3,557,812,624</u>	<u>\$ 3,569,282,356</u>	<u>\$ 11,469,732</u>

Reconciliation to financial statements:

Per Schedule of Investments	\$ 3,569,282,356
Less: Investment in Local Government Investment Pool, General Fund Investment Pool*	<u>(30,022,001)</u>
Total Cash and Investments, Statement of Fiduciary Net Assets	<u>\$ 3,539,260,355</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**  
 June 30, 2011

	<u>Investment Trust Funds</u>				<u>Total (Memorandum Only)</u>
	<u>Short-term Investment Pool</u>	<u>Consolidated Investment Pool</u>	<u>State Funds Investment Pool</u>	<u>Reserve Contingency Fund</u>	
<b>ASSETS</b>					
Cash and investments:					
Cash in banks	\$547,951,101	\$ -	\$ -	\$ -	\$ 547,951,101
Certificates of Deposit	-	15,204,225	52,103,808	-	67,308,033
Institutional Money Market	-	-	-	-	-
U.S. Government securities	143,608,770	359,910,549	592,057,137	-	1,095,576,456
Corporate Bonds	-	598,987,894	117,257,076	-	716,244,970
Municipal Bonds	-	-	19,179,795	-	19,179,795
Repurchase agreements	-	408,463,672	684,536,328	-	1,093,000,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and investments	691,559,871	1,382,566,340	1,465,134,144	-	3,539,260,355
Other assets	<u>777,447</u>	<u>2,660,035</u>	<u>3,185,258</u>	<u>-</u>	<u>6,622,740</u>
<b>TOTAL ASSETS</b>	<u>\$ 692,337,318</u>	<u>\$ 1,385,226,375</u>	<u>\$ 1,468,319,402</u>	<u>\$ -</u>	<u>\$ 3,545,883,095</u>
<b>NET ASSETS HELD IN TRUST</b>	<u>\$ 692,337,318</u>	<u>\$ 1,385,226,375</u>	<u>\$ 1,468,319,402</u>	<u>\$ -</u>	<u>\$ 3,545,883,095</u>
<b>TOTAL LIABILITIES AND NET ASSETS HELD IN TRUST</b>	<u>\$ 692,337,318</u>	<u>\$ 1,385,226,375</u>	<u>\$ 1,468,319,402</u>	<u>\$ -</u>	<u>\$ 3,545,883,095</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 9 - COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**June 30, 2011**

	<b>Investment Trust Fund</b>				<b>Total (Memorandum Only)</b>
	<b>Short-term Investment Pool</b>	<b>Consolidated Investment Pool</b>	<b>State Funds Investment Pool</b>	<b>Reserve Contingency Fund</b>	
Investment income	\$ 2,129,217	\$ 18,874,230	\$ 11,042,948	\$ (3,896,727)	\$ 28,149,668
Expenses - management fees	(381,824)	-	-	-	(381,824)
Net investment income	1,747,393	18,874,230	11,042,948	(3,896,727)	27,767,844
Net proceeds of desposits (withdrawals)	(87,669,556)	(389,757,124)	364,994,315	-	(112,432,365)
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>
Net assets, held in trust for pool participants, June 30, 2011	<u>\$ 692,337,318</u>	<u>\$ 1,385,226,375</u>	<u>\$ 1,468,319,402</u>	<u>\$ -</u>	<u>\$3,545,883,095</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**  
**June 30, 2011**

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (under)
					Surety Bond Letter of Credit	Securities	
<b>BANKS:</b>							
<b>Alamagordo</b>							
(FHLB)	First National Bank	\$ 724,938	\$ 250,000	\$ 237,469	\$ -	\$ 642,787	\$ 405,318
(FHLB)	Western Bank	2,600,000	250,000	1,762,500	-	2,859,749	1,097,249
<b>Albuquerque</b>							
(WFB)	Bank of America	7,790,386	2,152,276	2,819,055	-	8,605,174	5,786,119
(WFB)	Bank of the West	171,141,696	257,905	174,301,467	-	181,720,344	7,418,877
(WFB)	Compass Bank	168,913,662	1,640,934	170,618,183	174,500,000	-	3,881,817
(FHLB)	First Community Bank	44,921,760	579,286	22,171,237	120,000,000	-	97,828,763
(WFB)	New Mexico Bank & Trust	237,514	237,514	-	-	250,000	250,000
(USB)	Wells Fargo Bank NM, N.A.	198,592,838	6,408,112	96,092,363	-	185,650,855	89,558,492
<b>Artesia</b>							
(FHLB)	First American Bank	60,189	60,189	-	-	-	-
(FHLB)	Western Bank	-	-	-	-	-	-
<b>Belen</b>							
(USB)	My Bank	2,116,402	253,687	931,358	-	1,135,000	203,642
<b>Carlsbad</b>							
(FHLB)	Carlsbad National Bank	2,601	2,601	-	-	-	-
(FHLB)	Western Commerce Bank	6,082,676	269,686	2,906,495	-	3,084,798	178,303
<b>Clayton</b>							
(FHLB)	Farmers & Stockmens Bank	3,313,330	268,760	3,105,461	-	3,121,791	16,330
(FHLB)	First National Bank of NM	2,173,062	250,000	961,531	-	1,030,066	68,535
<b>Clovis</b>							
(TIB)	Bank of Clovis	470,243	250,000	110,122	-	1,525,000	1,414,878
(FHLB)	Citizens Bank	35,889	35,889	-	-	-	-
(FHLB)	Western Bank	2,600,000	250,000	1,175,000	-	1,302,621	127,621
<b>Espanola</b>							
(USB)	Valley National Bank	7,000,500	250,500	6,885,000	-	7,133,589	248,589
<b>Gallup</b>							
(FHLB)	Pinnacle Bank	1,595	1,595	-	-	-	-
<b>Grants</b>							
(TIB)	Grants State Bank	133,420	133,420	-	-	-	-
<b>Hobbs</b>							
(TIB)	Lea County State Bank	414,231	284,811	64,710	100,000	-	35,290
<b>Las Cruces</b>							
(WFB)	Bank of the Rio Grande	-	-	-	-	-	-
(TIB)	Citizens Bank	3,582	3,582	-	-	-	-
<b>Las Vegas</b>							
(FHLB)	Bank of Las Vegas	5,759,193	295,140	2,732,027	-	3,039,068	307,041
(FHLB)	Community First Bank LV	10,308,092	558,092	4,875,000	3,000,000	2,582,134	707,134
Subtotal		635,397,799	14,943,979	491,748,978	297,600,000	403,682,976	209,533,998

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY (CONTINUED)**  
**June 30, 2011**

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (under)
					Surety Bond Letter of Credit	Securities	
<b>BANKS - continued:</b>							
<b>Lordsburg</b>							
(FHLB)	Western Bank	117,236	117,236	-	-	100,000	100,000
<b>Los Alamos</b>							
(FHLB)	Los Alamos National Bank	10,012	10,012	-	-	-	-
<b>Portales</b>							
(TIB)	Portales National Bank	346,697	346,697	-	-	-	-
<b>Raton</b>							
(TIB)	International State Bank	100,631	100,631	-	-	450,000	450,000
<b>Roswell</b>							
(FHLB)	Bank of the Southwest	383,863	282,015	50,924	-	290,597	239,673
(TIB)	Valley Bank of Commerce	345,075	345,075	-	-	-	-
<b>Ruidoso</b>							
(FHLB)	First National Bank	-	-	-	-	-	-
<b>Santa Fe</b>							
(FHLB)	Century Bank	24,000,000	250,000	24,225,000	-	24,500,000	275,000
(FHLB)	Community Bank	268,615	250,100	18,885	-	517,556	498,671
(WFB)	First National Bank	-	-	-	-	-	-
<b>Silver City</b>							
(FHLB)	AM Bank	22,735	22,735	-	-	-	-
<b>Socorro</b>							
(BA)	First State Bank	114,439	114,439	-	-	-	-
<b>Taos</b>							
(TIB)	Centinel Bank	101,573	101,573	-	-	-	-
(FHLB)	Peoples Bank	15,505	15,505	-	-	-	-
<b>SAVINGS AND LOANS:</b>							
<b>Alamogordo</b>							
(FHLB)	Alamogordo Federal S&L	927,467	250,000	691,016	-	998,640	307,624
<b>Albuquerque</b>							
(FHLB)	Union Savings Bank	5,000,000	250,000	4,845,000	-	6,231,294	1,386,294
<b>Roswell</b>							
(FHLB)	First Federal Bank	-	-	-	-	-	-
<b>Santa Fe</b>							
(FHLB)	Charter Bank for Savings	-	-	-	-	-	-
<b>CREDIT UNION:</b>							
<b>Santa Fe</b>							
	Guadalupe Credit Union	100,000	100,000	-	-	-	-
<b>SUBTOTAL</b>		31,853,848	2,556,018	29,830,825	-	33,088,087	3,257,262

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 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY (CONTINUED)**  
**June 30, 2011**

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (under)
					Surety Bond Letter of Credit	Securities	
<b>ANCILLARY RECEIVERSHIP ACCOUNTS:</b>							
<b>Albuquerque</b>							
(BA)	Bank of America, N.A.	-	-	-	-	-	-
(FHLB)	First Community Bank	-	-	-	-	-	-
(WFB)	Wells Fargo Bank, N.A.	-	-	-	-	-	-
<b>Espanola</b>							
(TIB)	Valley National Bank	407,572	250,000	160,723	-	200,000	39,277
<b>Los Alamos</b>							
(FHLB)	Los Alamos National Bank	-	-	-	-	-	-
<b>Santa Fe</b>							
(WFB)	Century Bank	627,102	250,000	384,644	-	500,000	115,356
(WFB)	First National Bank	213,267	213,267	-	-	-	-
<b>FISCAL AGENT BANK:</b>							
(USB)	Wells Fargo Bank N.A.	70,512,191	250,000	35,131,096	-	67,701,112	32,570,016
(BA)	Bank of America	175,893	175,893	-	-	4,123,236	4,123,236
<b>SUBTOTAL</b>		<u>71,936,025</u>	<u>1,139,160</u>	<u>35,676,463</u>	<u>-</u>	<u>72,524,348</u>	<u>36,847,885</u>
<b>TOTAL</b>		<u>\$ 739,187,672</u>	<u>\$ 18,639,157</u>	<u>\$ 557,256,266</u>	<u>\$ 297,600,000</u>	<u>\$ 509,295,411</u>	<u>\$ 249,639,145</u>
<b>Reconciliation to Note 4:</b>							
	Fiscal Agent Account	\$ 70,688,084	\$ 425,893	\$ 35,131,096	\$ -	\$ 71,824,348	\$ 36,693,252
	Certificates of Deposit	<u>67,300,000</u>	<u>1,924,295</u>	<u>53,165,353</u>	<u>3,000,000</u>	<u>53,454,357</u>	<u>3,289,004</u>
		137,988,084	2,350,188	88,296,449	3,000,000	125,278,705	39,982,256
<b>Add:</b>							
	Agency Deposits	599,951,647	15,575,702	468,414,450	294,600,000	383,316,706	209,502,256
	Ancillary Receivership Accounts	<u>1,247,941</u>	<u>713,267</u>	<u>545,367</u>	<u>-</u>	<u>700,000</u>	<u>154,633</u>
		<u>601,199,588</u>	<u>16,288,969</u>	<u>468,959,817</u>	<u>294,600,000</u>	<u>384,016,706</u>	<u>209,656,889</u>
		<u>\$ 739,187,672</u>	<u>\$ 18,639,157</u>	<u>\$ 557,256,266</u>	<u>\$ 297,600,000</u>	<u>\$ 509,295,411</u>	<u>\$ 249,639,145</u>
<b>Custodial Banks:</b>							
(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.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY (CONTINUED)**  
**June 30, 2011**

**REPURCHASE AGREEMENTS:**

Name of Custodian	Location of Custodian	Repurchase Agreements per Financial Statement	Collateral Required	Collateral Pledged Mortgage Backed Securities (MBS) *	Issuer	CUSIP Number	Excess (Under) Collateralized
JP Morgan Chase	New York, NY	\$ 49,336,000	\$ 50,322,720	\$ 50,322,720	GNMA	3620E0DG8	\$ -
JP Morgan Chase	New York, NY	44,812,000	45,708,240	45,708,240	GNMA	36225EY48	-
JP Morgan Chase	New York, NY	24,647,000	25,139,940	25,139,940	GNMA	36225E2F8	-
JP Morgan Chase	New York, NY	11,580,000	11,811,600	11,811,600	GNMA	36225FC98	-
JP Morgan Chase	New York, NY	94,185,000	96,068,700	96,068,700	FNMA	3138ABBB4	-
JP Morgan Chase	New York, NY	245,255,000	250,160,100	250,160,100	FHLMC	3128PTUW3	-
JP Morgan Chase	New York, NY	230,185,000	234,788,700	234,788,700	FNMA	31416VCL6	-
JP Morgan Chase	New York, NY	48,251,752	49,216,787	49,216,787	FHAR	3128UGDG9	-
JP Morgan Chase	New York, NY	48,211,559	49,175,790	49,175,790	FHLMC	3128QP5B4	-
JP Morgan Chase	New York, NY	46,536,689	47,467,423	47,467,423	FHAR	3128JQJC3	-
JP Morgan Chase	New York, NY	149,491,000	152,480,820	152,480,820	FNAR	3138ADS97	-
JP Morgan Chase	New York, NY	9,456,000	9,645,120	9,645,120	FHAR	3128UGSB4	-
JP Morgan Chase	New York, NY	42,207,000	43,051,140	43,051,140	FNAR	31419ADY0	-
JP Morgan Chase	New York, NY	<u>48,846,000</u>	<u>49,822,920</u>	<u>49,822,920</u>	FNCI	3138A8KH8	<u>-</u>
<b>Total</b>		<u>\$ 1,093,000,000</u>	<u>\$ 1,114,860,000</u>	<u>\$ 1,114,860,000</u>			<u>\$ -</u>

**Reconciliation to Financial Statements:**

Repurchase agreements reported in Statement of Fiduciary Net Assets, page 22 1,093,000,000

\* 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**

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

Honorable Susanna Martinez, 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 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, 2011, and have issued our report thereon dated December 13, 2011. 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.

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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*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. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2011-02 to be a material weakness in internal control over financial reporting.

## **Internal Control over Financial Reporting (continued)**

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. None of the deficiencies described in the accompanying schedule of findings and responses is deemed to be a significant deficiency.

## **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 findings 2007-04, 2007-08, 2009-06, 2011-01, and 2011-03.

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.

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 Department of Finance & Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gunderson LLP*

Albuquerque, New Mexico  
December 13, 2011

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2011**

**Section I – Financial Statement Findings**

**Finding 2009-06 Reporting of Additions and Deductions to Fiduciary Funds (Control Deficiency)**

**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:** Although the State Treasurer's Office concurs with the significance of this condition, the State Treasurer's Office does not accept sole responsibility for the occurrence of this condition. The Accounting information presented in the Statement of Fiduciary Net Assets should be reported as gross total additions and deductions and not as net information. The Treasurer's Investment Accounting system, QED, is able to provide the Gross information for the various Fiduciary Funds covered by the audit finding.

Unfortunately, due to limitations of the SHARE system as well as consolidation of Fiscal Bank Agency balances in the master depository account, the State Treasurer's office is unable to give gross numbers for the State Funds Investment Pool. While unable to provide the gross detail, the State Treasurer is able to provide the net proceeds as shown in Schedule 9 to the Financial Statements. The State Treasurer will continue to work with the Fiscal Agent Bank to see if there is a method of separating agency deposits and payments in order to be able to report on the desired data elements.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2011**

**Section I – Financial Statement Findings (continued)**

**Finding 2007-04 Reconciliation Process Requires Manual Intervention (Control Deficiency)**

**Condition:** On July 1, 2006, the State of New Mexico implemented the SHARE accounting system requiring changes to business processes at the State Treasurer's Office, DFA and other State Agencies. The State Treasurer's Office was not able to maintain the TRACS subsidiary system that provided for maintaining cash balances by State Agency when the transition to the SHARE system occurred due to lack of funding for redundant systems. Due to the change in business processes and system configuration, the State Treasurer's Office was unable to continue to provide an independent verification of cash balances by State Agency. At this time, DFA assumed the task of performing an overall book to bank reconciliation for the State of New Mexico, with assistance from the State Treasurer's Office.

At the inception of SHARE, the following were some of the issues identified that required significant manual intervention by the Office, affected the daily auto reconciliation process and ultimately inhibited a timely book-to-bank reconciliation:

1. ACH 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. 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.
3. 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.

These processes have improved significantly with minimal daily exceptions in the current fiscal year and are operating effectively.

However, the State's overall book-to-bank reconciliation process has not improved and is not being performed on a timely basis. We noted the following issues related to the reconciliation:

1. The reconciliation contains significant items dating back to fiscal years 2008, 2009 and 2010 that remain unchanged or uncleared.
2. The reconciliation contains various "buckets" of unidentified reconciling items that required manual research and intervention to clear.
3. Some items noted as "reconciling" items were noted within the reconciliation that appeared to have been previously reconciled.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2011

**Section I – Financial Statement Findings** (continued)

**Finding 2007-04 Reconciliation Process Requires Manual Intervention (Control Deficiency)** (continued)

4. Various unmatched general ledger entries and transactions to/from register transactions.
5. The book to bank reconciliation is being performed on a quarterly basis, rather than a monthly basis.

**Criteria:** Section 8-6-3 NMSA 1978 provides that the State Treasurer shall keep a just, true and comprehensive account of all monies received and disbursed. Section 6-5-2.1 NMSA 1978 provides that DFA shall perform monthly reconciliations with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies. There are various other statutes addressing the reconciliation and maintenance of cash balances for the State of New Mexico that provide conflicting information related to responsibility over the related functions.

**Cause:** The State Treasurer's Office is not able to access the necessary agency specific information within SHARE to prepare a book-to-bank reconciliation, nor do they have the financial resources or personnel that would be required to accomplish this function. Current business processes and the SHARE system functionality preclude the State Treasurer's Office from performing a book-to-bank reconciliation.

**Effect:** Unreconciled cash transactions may or may not have a general ledger impact on the book balances of State Agencies with investment(s) in the State General Fund Investment Pool. The reconciling items noted in the book to bank reconciliation could not be validated. The State's overall book balance for cash cannot be determined. Also, the State book-to-bank reconciliation cannot currently be performed exclusively by either the State Treasurer's Office or DFA.

**Recommendation:** We recommend the State Treasurer's Office collaborate with DFA to review the unidentified items included in the book-to-bank reconciliation to:

1. Ensure only items affecting cash are included in the reconciliation.
2. Resolve unmatched register to/from general ledger transactions and register to journal transactions.

A monthly book-to-bank reconciliation is necessary to provide an accurate book balance for the State. We recommend that the State Treasurer's Office work closely with DFA to develop a monthly reconciliation process that will effectively provide a book balance, as well as review and change business processes as needed and/or reconfigure the SHARE accounting system functionality to improve the reconciliation process.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2011

**Section I – Financial Statement Findings (continued)**

**Finding 2007-04 Reconciliation Process Requires Manual Intervention (Control Deficiency) (continued)**

**State Treasurer’s Office Response:** Although the State Treasurer’s Office concurs with the significance of this condition, the State Treasurer’s Office does not accept sole responsibility for the occurrence of this condition. NMSA 1978 Section 6-5-2.1(J) requires the Financial Control Division of the Department of Finance and Administration to “perform monthly reconciliations with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.” STO will work collaboratively with the Financial Control Division and assist in preparing the monthly book to bank reconciliation and will also work with agencies to improve business processes to minimize recurring issues that may affect the overall book-to-bank reconciliation.

**Finding 2007-08 Cash Overdrafts (Control Deficiency)**

**Condition:** The State’s bank account was overdrawn with the State’s fiscal agent Wells Fargo and at the bank account at the former fiscal agent (Bank of America) on the following dates:

WF	July 13, 2010	\$	5,539,553
BofA	July 14, 2010	\$	215,369
BofA	January 28, 2011	\$	1,339
BofA	June 30, 2011	\$	1,097

**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 settlements 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 OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2011**

**Section I – Financial Statement Findings (continued)**

**Finding 2007-08 Cash Overdrafts (Control Deficiency) (continued)**

**State Treasurer’s Office Response:** The cash flow team has implemented a system that calendars major disbursements throughout the month and requires agencies to communicate the amounts of these disbursements to STO. This data is used to project future cash needs. Agencies however occasionally still deviate from the reported dates and cause cash flow difficulties. This situation caused the overdraft at Wells Fargo. STO will monitor consistent problems and will require the CFO of repeat offender agencies to meet with STO and explain what actions have been taken to avoid future occurrences.

The overdrafts at Bank of America were not the result of any systemic problems. Bank of America was previously the State’s primary fiscal agent bank and while attempting to close these accounts, balances were transferred to Wells Fargo and attempts were made to stop all ACH and wire activity. The bank however continued to receive and post ACH transactions. The transactions were valid but had not been accounted for in cash positioning which caused these overdrafts. The Bank of America accounts are now closed and the bank is returning any transactions it receives.

The State Treasurer’s office agrees with this finding. The Treasurer agrees that all account information, including cash and accrual calculations performed by the Custody Bank should be reconciled to the QED system.

The Treasurer’s Office has begun a project with QED to enable cash elements for each of the STO portfolios. This enablement will allow for additional tracking and reconciling of accounts on that basis. In addition, the State Treasurer will identify and reconcile, on a monthly basis, the differences between the QED system and the statewide SHARE system.

**Finding 2011-01 Reconciliation of Investment Income from QED to JP Morgan (Control Deficiency)**

**Condition:** Investment income earned on investments held in fiduciary funds as calculated by the State Treasurer’s Office investment accounting software, QED, is not being reconciled to investment income as calculated by the custody bank, JP Morgan.

**Criteria:** Earnings as calculated by QED and recorded by the State Treasurer’s Office should be verified by an independent source, in this case monthly statements from the custody bank (JP Morgan), which show an independent calculation of the same investment earnings figures.

**Cause:** Although a reconciliation of cash receipts and cash basis income in connection with portfolio sales, calls, and maturities is being performed, the State Treasurer’s Office does not have controls in place to reconcile earnings on the accrual basis.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2011**

**Section I – Financial Statement Findings** (continued)

**Finding 2011-01 Reconciliation of Investment Income from QED to JP Morgan (Control Deficiency)** (continued)

**Effect:** Investment earnings on Investment Trust Fund investments could be potentially misstated. As a result of this, there are several possible effects. Entities with investments in these fiduciary fund investment pools could have their earnings misstated. Also, bond arbitrage rebate and yield restriction calculations could be misstated resulting in either an overpayment or an underpayment of rebate liabilities to the Internal Revenue Service and possible loss of tax-exempt status of bonds.

**Recommendation:** We recommend the State Treasurer's Office begin to perform a monthly reconciliation of investment earnings between QED and JP Morgan.

**State Treasurer's Office Response:** The State Treasurer's office agrees with this finding. The Treasurer agrees that all account information, including cash and accrual calculations performed by the Custody Bank should be reconciled to the QED system.

The Treasurer's Office has begun a project with QED to enable cash elements for each of the STO portfolios. This enablement should allow for additional tracking and reconciling of accounts on that basis.

**Finding 2011-02 Reporting of Impairment of Investments Held by Fiduciary Funds (Material Weakness)**

**Condition:** On September 3, 2010, The Reserve Primary Fund (Fund) (an Investment Trust Fund investment) announced a change in classification of the Fund to a pass-through entity enabling investors to book losses on their Fund positions as of August 31, 2011. The State Treasurer's Office did not notify entities with investments in the Investment Trust Fund that this investment had become impaired.

**Criteria:** The State Treasurer's Office should have made entities with investments in the Investment Trust Fund aware of the impairment of a portion of their investment on a timely basis.

**Cause:** Inadequate controls over assessing and reporting the impairment of investments to entities with balances in the Investment Trust Fund.

**Effect:** Misstatement of Investment Trust Fund investment balances over the course of the fiscal year and misstatement of participating entities' investment balances.

**Recommendation:** We recommend that the State Treasurer's Office notify participating entities as soon as possible that a portion of their investment has become impaired and then allocate that loss to those entities.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2011**

**Section I – Financial Statement Findings** (continued)

**Finding 2011-02 Reporting of Impairment of Investments Held by Fiduciary Funds**  
**(Material Weakness)** (continued)

**State Treasurer’s Office Response:** The State Treasurer’s Office agrees with this recommendation.

In response, the Treasurer’s Office would note three material issues:

- The Reserve Primary Fund Investments for the Reserve Contingency Fund, for the General Fund and for the Bond Proceeds Investment Pool were not transferred as part of the change in Custody Agent Bank from Northern Trust to JP Morgan;
- The Reserve Primary Fund on November 24, 2010 announced that Credarian Fund Services LLC would become Liquidating Services Agent for the Reserve Primary Fund; and
- Specific communication, including participant statements, regarding the change in investment values were not communicated to Reserve Primary Fund holders until Credarian released statements on January 26, 2011.

Regardless of these issues, we would propose the following changes to the reporting and procedures for the Reserve Contingency Fund (and a related fiduciary fund, the Local Government Investment Pool) in response to the specific finding:

- Immediately retain external auditors for the Local Government Investment Pool and the Reserve Contingency Fund, ensuring transparency and full disclosure of fund assets, liabilities and earnings;
- Perform an audit of the Reserve Contingency Fund and the Local Government Investment Pool for FY 2011 and include separate audits for the funds on an annual basis moving forward.
- Effect the transfer all positions in the Primary Fund-In Liquidation to the current custody bank for the STO so that custody bank positions are attributed correctly. This transfer has been initiated in November 2011;
- Retroactively adjust the asset balances in the Reserve Contingency Fund in the investment accounting system to reflect the identified change in value on the reclassification of the Reserve Primary Fund investments to a “pass-through” entity, enabling participants in the Reserve Contingency Fund to recognize a loss on their previously booked positions in the Reserve Primary Fund;
- Change the designation of the Reserve Primary Fund investments to the “Primary Fund - In Liquidation” investments to reflect the actual holdings in the Reserve Contingency Fund;
- Communicate these changes in a letter to all participants, including the proposed actions of the Treasurer’s Office in its own holdings of the “Primary Fund – In Liquidation” assets in the General Fund and Bond Proceeds portfolios;
- Circulate a copy of the FY11 audit as soon as it is available to all participants and make a copy available in electronic form on the STO website in the LGIP section; and
- Implement more stringent monthly reconciliation and matching of all external statements to the Reserve Contingency Fund and the Local Government Investment Pool to statements provided by external reporting entities.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2011**

**Section I – Financial Statement Findings (continued)**

**Finding 2011-03 Inadequate Collateralization of Repurchase Agreement Accounts (Control Deficiency)**

**Condition:** The market value of the collateral was not greater than or 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 agreements.

**Criteria:** 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.

**Cause:** Lack of monitoring over value of collateral that dealer banks use to secure repurchase agreements.

**Effect:** In the event that the counterparties become unable to repurchase investments, the State Treasurer's Office would then take possession of those investments and, in order to recover their original investment, would have to sell them on the open market. If the value of that collateral was below the 102% required by the State Investment Policy, it is more likely that an amount less than the original investment would be recovered.

**Recommendation:** We understand that there are several different sources that prices for these collateral securities can be obtained. We therefore recommend that the State Investment Policy be amended to specify a specific pricing source to be used. We also recommend that the State Treasurer's Office establish a procedure to monitor the value of collateral securing repurchase agreement balances on a daily basis. We also recommend that the State Treasurer monitor the duration of securities pledged to ensure that any securities with durations of greater than 10 years are collateralized at 103% in accordance with the State Investment Policy.

**State Treasurer's Office Response:** The State Treasurer's office agrees with this finding. Currently, the Treasurer's Office processes repurchase agreement transactions through the contract with the Fiscal Agent Bank. That contract is further subcontracted to a third party entity which physically processes the repurchase agreements on behalf of the State Treasurer. That contract specifies that the repurchase agreement contracts shall be created using the investment policy requirements as adopted by the state.

The audit has raised some concern as to the sufficiency of those calculations and we agree that the collateralization levels should be monitored. The Treasurer's office will work with its financial advisor to place an appropriate third-part pricing methodology into place which will ensure that the collateralization levels are sufficient and in conformance with the investment policy.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**June 30, 2011**

**Section I – Financial Statement Findings**

Finding 2007-04 Daily Auto Reconciliation Process Requires Manual Intervention (Significant Deficiency) – Repeated and Modified

Finding 2007-05 Warrants Not State-Dated – Resolved

Finding 2007-06 Warrant Cancellations Process Inconsistence for Third Party Warrant Issuing State Agencies – Resolved

Finding 2007-08 Cash Overdrafts – Repeated

Finding 2009-06 Reporting of Additions and Deductions to Fiduciary Funds – Repeated

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
EXIT CONFERENCE  
June 30, 2011**

An exit conference was held with the State Treasurer's Office on December 12, 2011. The conference was held at the State Treasurer's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

James B. Lewis, State Treasurer  
Mark F. Valdes, Deputy State Treasurer  
Clarence L. Smith, Chief Operations Officer, Operations Division  
Ronald Crespín, Chief Financial Officer & Budget and Finance Division Director  
Samuel K. Collins, Jr., State Cash Manager  
Kathy Abeyta, Investment Accounting Bureau Chief  
Spencer Wright, Portfolio Manager  
Patricia J. Ortiz, Finance & Budget Financial Analyst  
Victor Vigil, Cash Management Division Bureau Chief  
Yasmin Dennig, Legal Counsel & Public Information Officer

CLIFTON GUNDERSON LLP

Georgie Ortiz, CPA, CGFM, Partner  
Joel Blackman, CPA, Manager

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.