

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

**FINANCIAL STATEMENTS  
June 30, 2012**

## TABLE OF CONTENTS

	PAGE
<b>OFFICIAL ROSTER</b> .....	1
<b>INDEPENDENT AUDITORS' REPORT</b> .....	2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	4
 <b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Assets .....	15
Statement of Activities .....	16
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	17
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities .....	22
Statement of Revenues and Expenditures – Major Governmental Funds – Budget and Actual (Budgetary Basis) .....	23
Statement of Fiduciary Net Assets .....	24
Statement of Changes in Fiduciary Net Assets .....	25
Notes to Financial Statements .....	26
 <b>SUPPLEMENTARY INFORMATION</b> .....	 71
Schedule 1 – Capital Assets Used in the Operation of Governmental Funds – Schedule of Changes by Asset Class and Source .....	72
Schedule 2 – Combining Balance Sheet – General Obligation Bonds – General Obligation Bond Debt Service Funds .....	73
Schedule 3 – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – General Obligation Bond Debt Service Funds .....	75
Schedule 4 – Combining Balance Sheet – Severance Tax Bonds – Severance Tax Bond Debt Service Funds .....	78

Schedule 5 – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Severance Tax Bond Debt Service Funds.....	81
Schedule 6 – Summary of Long-term Debt Obligations – Long-term Debt Rollforward .....	84
Schedule 6 – Summary of Long-term Debt obligations – Schedule of Debt Service Maturities.....	86
Schedule 6 – Summary of Long-term Debt obligations – Amortization of Bond Issuance Costs.....	88
Schedule 6 – Summary of Long-term Debt obligations – Additional Information.....	90
Schedule 7 – Schedule of Investments – Fiduciary Funds .....	92
Schedule 8 – Combining Statement of Fiduciary Net Assets.....	101
Schedule 9 – Combining Statement of Changes in Fiduciary Net Assets.....	102
Schedule 10 – Schedule of Collateral Pledged by Depository .....	103
<b>SCHEDULE OF FINDINGS AND RESPONSES.....</b>	<b>107</b>
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	108
Schedule of Findings and Responses .....	110
Summary Schedule of Prior Year Audit Findings.....	118
Exit Conference .....	119

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
OFFICIAL ROSTER  
June 30, 2012**

**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

Linda T. Roseborough, Chief Investment Officer, Investment Division Director

Paul Cassidy, Member

Paul Boushelle, Member

Stephanie Schardin-Clarke, State Board of Finance Member



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## Independent Auditors' 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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 17, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*CliftonLarsonAllen LLP*

Albuquerque, New Mexico  
December 17, 2012

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

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.

### **Financial Highlights**

- The State Treasurer's net assets increased by \$23,460,520.
- The General Fund's main revenue was appropriations, which amounted to ninety-nine percent (99.4%) of all revenue.

### **Overview of the Financial Statements**

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

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

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

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

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

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.

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 26 of this report.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

**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 71 of this report. Fiduciary schedules begin on page 92.

**Government-wide Financial Analysis**

**Net Assets:** Table A-1 summarizes the State Treasurer's net assets for the fiscal year ended June 30, 2012. Total State Treasurer net assets for fiscal year 2012 are \$265,645,207. 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>	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>Assets:</b>		
Cash, cash equivalents and repurchase agreements	\$ 282,930,948	\$ 190,436,304
Due from other agencies	87,129,282	40,988,192
Accrued interest and other receivables	461	461
Capital assets, net	<u>75,678</u>	<u>122,029</u>
<b>Total assets</b>	<u><b>\$ 370,136,369</b></u>	<u><b>\$ 231,546,986</b></u>
<b>Current liabilities:</b>		
Accounts payable and others	\$ 104,368,246	\$ 2,646,446
Compensated absences, amounts due in one year	<u>122,916</u>	<u>109,692</u>
<b>Total liabilities</b>	<u><b>104,491,162</b></u>	<u><b>2,756,138</b></u>
<b>Net assets:</b>		
Invested in capital assets	75,678	122,029
Restricted	265,683,559	228,773,510
Unrestricted	<u>(114,030)</u>	<u>(104,691)</u>
<b>Total net assets</b>	<u><b>265,645,207</b></u>	<u><b>228,790,848</b></u>
<b>Total liabilities and net assets</b>	<u><b>\$ 370,136,369</b></u>	<u><b>\$ 231,546,986</b></u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the State Treasurer, assets exceeded liabilities by \$265,645,207 at the close of the most recent fiscal year.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

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, \$265,683,559, represents resources that are subject to external restrictions on their use.

**Changes in Net Assets:** Governmental activities increased the State Treasurer's net assets in the governmental financial statements by \$23,460,520. Key elements of this increase are shown in Table A-2.

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

YEARS ENDED JUNE 30,	2012	2011
Governmental Activities:		
Revenues:		
Program revenues:		
General government	\$ 22,617	\$ 18,099
Total program revenues	22,617	18,099
General revenues:		
State General Fund appropriations, net	3,575,854	3,813,197
State property tax levy	76,097,456	58,624,127
Severance and other taxes	494,789,094	360,876,842
Interest revenue	11,279,240	21,860,898
Miscellaneous revenue	63	649
Total general revenues	585,741,707	445,175,713
Total revenues	585,764,324	445,193,812

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

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

YEARS ENDED JUNE 30,	2012	2011
Expenses and other financing sources (uses):		
General government	(7,121,914)	(14,264,942)
Debt service activity	(451,561,518)	(690,213,466)
Other sources:		
Bond proceeds	4,276	3,288,681
Transfers in from other state agencies	(103,624,648)	216,345,597
Net (expenses) revenue	(562,303,804)	(484,844,130)
Increase (Decrease) in net assets	23,460,520	(39,650,318)
Net assets, beginning of year	228,790,848	268,441,166
Restatement	13,393,839	-
Net assets, beginning of year, restated	242,184,687	-
Net assets, end of year	\$ 265,645,207	\$ 228,790,848

**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 \$265,692,445, a decrease of \$36,913,934 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 \$3,885 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

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

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 2.7%.

**Capital Assets and Debt Administration**

**Capital Assets.** The State Treasurer's investment in capital assets for its governmental activities as of June 30, 2012 amounts to \$75,678, net of accumulated depreciation. This investment in capital assets includes equipment. The State Treasurer's capital asset additions were \$0.

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.

**Long-Term Debt.** For the year ended June 30, 2012, the State Treasurer was responsible for administering debt service payments on total bonded debt outstanding of \$1,296,826,992, 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 \$99,566,219 from the prior year due to fewer new bonds issued in fiscal year ended June 30, 2012.

<b>Years Ended June 30,</b>	<u><b>2012</b></u>	<u><b>2011</b></u>
General obligation bonds	\$ 348,116,100	\$ 424,046,166
Severance tax bonds	<u>948,710,892</u>	<u>972,347,045</u>
Total principal balances	<u><b>\$1,296,826,992</b></u>	<u><b>\$1,396,393,211</b></u>

**Significant Highlights**

During fiscal year 2012, the State Treasurer's Office continued to hold operating costs down, to stay within state budget constraints. The office had several staff retirements and held positions vacant to reduce operating costs. Existing staff members were required to take on additional duties since some positions were not filled. The executive management team continued to identify potential savings, closely reviewing weekly budget status reports, to identify potential cost savings. By the end of fiscal year 2012, cost savings yielded a \$97,246 reversion to the General Fund. Over the past five years, the State Treasurer's budget has been reduced by approximately \$791,000 through vacancies, reductions in building rental costs and other cost-saving measures.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

During fiscal year 2012, the fiduciary funds that are managed by the State Treasurer's Office enjoyed a very successful year. Following the agency's stated objective of selecting investments based primarily on safety, then liquidity, and finally yield, the agency ended fiscal year 2012 with unrealized gains of \$12,668,951 as compared to \$11,469,732 in fiscal year 2011. Earnings decreased to \$25,764,732 in 2012 from \$27,767,844 in 2011 a decrease of 7.21%. The values of the agency's portfolios which are primarily bond portfolios benefited from historically low interest rates as the value of bonds rise as market interest rates fall. The low yields however caused the decline in interest earned. Balances of fiduciary funds managed by the State Treasurer totaled \$3,989,040,030 at June 30, 2012 an increase of 12.5% from June 30, 2011 when balances totaled \$3,545,883,095.

The State Treasurer's office began working with the Department of Finance and Administration (DFA) and the Department of Information Technology (DoIT) on the remediation of the business processes and issues with the Statewide Human Resources, Accounting, and Management Reporting (SHARE) system that resulted in DFA being unable to perform a meaningful reconciliation between its general ledger and funds held by the State Treasurer. On June 20, 2012, the "Current State Diagnostic of Cash Control" report was issued by consultants that were hired to assess the current state of cash reconciliation and make recommendations for remediation. The Diagnostic identified a number of issues that are preventing the completion of a timely and accurate statewide cash reconciliation and recommended an approach to remediate the current cash control issues. Deloitte is the consultant that prepared the diagnostic and will perform project management.

Most issues are a result of deficient implementation of the SHARE system in 2006. The SHARE system which is Oracle Peoplesoft based did not have the full treasury management system implemented at conversion. This resulted in many processes being disjointed and the system that tracks the investment portfolios that the State Treasurer's office manages is not integrated into SHARE.

This remediation project is a quick strike project that is intended to provide a point forward reconciliation in early 2013. The SHARE system is scheduled to have its software upgraded late in calendar year 2013 which will facilitate the implementation of the full treasury management module which will include the deal management module which is an integrated investment tracking system. An IT budget request for \$1.95 million to fund the full implementation will be presented to the legislature in January 2013.

An initiative was undertaken to revise the projection of the timing of major receipts and disbursements. This was done to improve the accuracy of the State Treasurer's cash flow projections as well as to assist with daily cash positioning. All agencies with significant monthly receipts or disbursements transactions were asked to prepare an annual forecast of the amounts and dates that each of these transactions were anticipated to occur. The agency was then asked to use the projection as a guide and if possible, to make the actual transaction match the projection. This process has been successful as overdrafts at the fiscal agent bank have been reduced and the accuracy of the cash forecast has improved. The cash forecast was extended from a month to month projection to a full twelve month projection during FY 2012.

During FY 2012, resources were allocated to provide for a full-time Accountant Auditor – Advanced to exclusively manage the Cash Management Improvement Act of 1990 (CMIA) function. CMIA was enacted to ensure that federal funds that are directed to states would not

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

be drawn prematurely. Conversely, the State Treasurer's office wants to verify that the drawn down of federal funds is also not delayed thereby causing the use of State funds that could be otherwise be invested. The State Treasurer's office has improved the compliance reviews that it performs on agencies that have programs that are covered by CMIA. Agencies collect data on an ongoing basis throughout the year to facilitate a smooth compliance review process. Ensuring that these large receipts and disbursements are properly timed help improve the cash forecasting as well.

During FY2012, the State Treasurer's office began a monthly process of reviewing agencies' fund balances and took action to contact agencies' whose fund balances were negative. Negative fund balances are typically a result of an agency paying out funds before reimbursement is received. While CMIA discussed above covers large federal draws, this initiative is more widespread. An example would be agencies that have made disbursements to fund construction of projects that submit vouchers to request reimbursement from bond proceeds accounts. If reimbursements are not requested and received in a timely fashion, a negative fund balance could occur. Eliminating negative fund balances minimizes the volatility of the State General Fund Investment Pool and reinforces business practices that result in timely reimbursement.

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.

In fiscal year 2012, the Operations Division accomplished several initiatives. In August 2011, the entire Human Resources (HR) office was reorganized. A complete audit of HR records was initiated, assuring that all pertinent records were in place and up to date. Records retention and disposition schedules were updated to state archives standards and documents were managed according to these retention and disposition guidelines. HR records and personnel files are now secured and properly maintained.

Over fiscal year 2012 the Human Resources office addressed numerous personnel issues, assuring professionalism, confidentiality, proper documentation and accountability. Both management and employees were provided confidential guidance on HR issues in strict accordance with federal regulations, state laws, State Personnel Board rules, the State Treasurer policies and the Communication Workers of America (CWA) agreement to address HR issues. Investigations were conducted regarding employee complaints, grievances and worker's comp issues with the final outcome resulting in improved employee accountability and performance, better working relationships and preventive measures to reduce injuries.

The staff recruitment process was formalized and streamlined in fiscal year 2012, ensuring the best qualified candidates are considered and selected for position vacancies in accordance with personnel rules and policies.

Staff development programs provided ongoing education and training for the State Treasurer employees, providing training on supervisory skills, working in a union environment, operating state vehicles and defensive driving, use of the new SPO NeoGov system, civil rights, ethics, sexual harassment prevention and EEOC. Other training was resourced on the benefits of the

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

deferred compensation program, the state public employees retirement program and retiree health care coverage.

An employee recognition program was developed, honoring retiring employees and recognizing employee years of service once they have been employed for five years or longer.

The Emergency Response plan and the fire and safety building assessment were also updated in fiscal year 2012, addressing risk management guidelines.

Fiscal year 2012 marked a number of implementations and future planning opportunities. The disaster recovery hot-site was reconfigured to allow for complete server virtualization as well as remote access and remote desktop services. This change will allow users (in the event of an emergency) to now work from any location that has a computer available including home or other state office location. Planning and forecasting was also an important focus in the last part of FY2012 as an analysis was completed of our current investment accounting system, our cash management system and our process relationship to both DFA and DoIT. A strategic alliance was formed with both agencies and we initiated a special IT funding request for 1.9 million dollars for the implementation and configuration of the PeopleSoft "Treasury Management System." This proposed project passed the first phase of approval by being recommended by the Department of Information Technology for funding.

The Investment Division experienced staff changes throughout the year with the appointment of the new Chief Investment Officer at the end of January, replacement of an Account Auditor Advanced position, and cross-trained internal staff to cover two staff while on maternity leave.

In fiscal year 2012, 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.

In the summer of 2012, CliftonLarsonAllen LLP conducted an "Applying Agreed-Upon Procedures" review of the Local Government Investment Pool (LGIP) and the results were that no exceptions were noted with regard to compliance with investment policies, internal controls, GASB 40, or compliance with New Mexico statutes.

The Investment Division of the State Treasurer's Office hosted the 4<sup>th</sup> Annual LGIP Stakeholder Meeting in August 2012, inviting all participants to attend. The program was held in Albuquerque and included speakers such as Dr. Anthony Chan, Economist with JPMorgan Chase Bank, Jennifer Bridwell from PIMCO, and representatives of the three major rating agencies. 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 minimal cost to the Treasurer's Office.

In fiscal year 2012, the State Treasurer's Office reviewed, made necessary revisions to and received State Board of Finance approval of the State Treasurer's Approved Broker/Dealer list as well as implemented new benchmarks for the State Treasurer's Office investment portfolios as of July 1, 2012.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

Two major advancements were implemented in fiscal year 2012 to enhance the State Treasurer's QED investment accounting system. These include the implementation of Securities Information Retrieval Services (SIRS) Global Reference Data from Interactive Data to provide improved reconciliation, analytics and reporting purposes and the creation and activation of the QED Cash Keys and cash accounts adding capability to view all cash activity. These advancements allowed for continuous reconciliations between the state's fiscal agent bank, the custodial bank and State Treasurer's QED investment accounting system. Reconciliations between par value, book value and market value of investment holdings are now current.

Looking forward into fiscal year 2013, the State Treasurer's Office and the Investment Division is currently undertaking a thorough review of state investment statutes and is proposing legislation to clarify statutory language and investment authorizations. Investment procedures will be bifurcated from investment policy and separately documented. The new procedures document and the revised State Treasurer's Investment Policy will be completed by the Spring of 2013.

Contingent on receiving funding, the PeopleSoft Treasury Management System will be integrated into the current SHARE configuration and it will include the Cash Management module and the Deal Management module. Once this integration is complete it will replace QED, the State Treasurer's legacy investment accounting software. Once this integration is completed, the Treasurer's Office will not have to enter financial information into two different systems, reconciliations will be simplified and a number of ongoing audit findings will be addressed.

The Investment Division outreach on behalf of the Local Government Investment Pool was continued in fiscal year 2012 through the following organizations: New Mexico Association of Counties, New Mexico Municipal League and the Local Government Division of the Department of Finance and Administration (DFA). Outreach also included participation in the New Mexico State University EDGE course instruction.

The Investment Division collaborated with the DFA to sponsor UNM Interns that focused on specific investment accounting projects. The division also reviewed DVP and tri-party collateral agreements, developed recommendations and proceeded with implementation. On the topic of collateral, state collateral pool and CDARs programs were researched and discussed with the state's banking community. Additionally, the corporate credit process has been proposed; however, infrastructure is required to implement this process.

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 2012, a significant amount of time was dedicated to service on boards and commissions.

**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.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

- 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 2013.

**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, 2012**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	\$ 270,726
Repurchase agreements (held in State General Fund Investment Pool)	282,660,222
Due from other agencies	87,129,282
Other receivables	461
Capital assets, net of accumulated depreciation:	
Equipment	75,678
<b>Total assets</b>	<b>370,136,369</b>
 <b>LIABILITIES</b>	
Accounts payable	274,765
Accrued payroll	75,869
Accrued payroll taxes	29,623
Due to State General Fund	99,961
Due to Other State Agencies	103,888,028
Compensated absences	122,916
<b>Total liabilities</b>	<b>104,491,162</b>
 <b>NET ASSETS</b>	
Invested in capital assets	75,678
Restricted for:	
Debt service	265,683,559
Unrestricted	(114,030)
<b>Total net assets</b>	<b>265,645,207</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 370,136,369</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, 2012

Functions/Programs	Expenses	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets  Primary Government
<b>PRIMARY GOVERNMENT</b>			
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	\$ 7,121,914	\$ 22,617	\$ (7,099,297)
Interest on debt service activity	<u>50,548,432</u>	<u>-</u>	<u>(50,548,432)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 57,670,346</u></b>	<b><u>\$ 22,617</u></b>	<b><u>(57,647,729)</u></b>
<b>GENERAL REVENUES:</b>			
State property tax levy			76,097,456
Miscellaneous			63
<b>UNRESTRICTED INVESTMENT EARNINGS</b>			
<b>BOND ACTIVITY:</b>			
Bond proceeds			4,276
Bond principal payments			(401,013,086)
<b>TRANSFER FROM (TO) STATE AGENCY:</b>			
State general fund appropriations			3,673,100
Reversions to State General Fund FY11			(97,246)
Other state agencies			(103,624,648)
Interest			11,279,240
Severance taxes			<u>494,789,094</u>
		Total general revenues and transfers	<u>81,108,249</u>
<b>CHANGE IN NET ASSETS</b>			<u>23,460,520</u>
<b>NET ASSETS, BEGINNING</b>			228,790,848
<b>RESTATEMENT</b>			<u>13,393,839</u>
<b>NET ASSETS, BEGINNING, restated</b>			<u>242,184,687</u>
<b>NET ASSETS, ENDING</b>			<u>\$ 265,645,207</u>

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, 2012

	<b>Major Funds</b>	
	<b>General Fund</b>	<b>General Obligation Bond Fund</b>
<b>ASSETS</b>		
Investment in State General Fund Investment Pool	\$ 270,726	\$ -
Repurchase agreements (held in State General Fund Investment Pool)	-	30,108,156
Other receivables	461	-
Due from other Agencies	-	14,183,262
Total assets	\$ 271,187	\$ 44,291,418
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 56,849	\$ -
Due to Other Agencies	-	-
Due to State General Fund	99,961	-
Accrued payroll	75,868	-
Accrued payroll taxes	29,623	-
Total liabilities	262,301	-
<b>FUND BALANCES:</b>		
Restricted for:		
Debt service	-	44,291,418
Unrestricted, unassigned	8,886	-
Total fund balances	8,886	44,291,418
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 271,187</b>	<b>\$ 44,291,418</b>

<u>Severance Tax Bond Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 270,726
252,552,066	282,660,222
-	461
<u>72,946,020</u>	<u>87,129,282</u>
<u>\$ 325,498,086</u>	<u>\$ 370,060,691</u>
\$ 217,916	\$ 274,765
103,888,029	103,888,029
-	99,961
-	75,868
<u>-</u>	<u>29,623</u>
<u>104,105,945</u>	<u>104,368,246</u>
221,392,141	265,683,559
<u>-</u>	<u>8,886</u>
<u>221,392,141</u>	<u>265,692,445</u>
<u>\$ 325,498,086</u>	<u>\$ 370,060,691</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, 2012**

**Total Fund Balance - Governmental Funds**  
**(Balance Sheet - Governmental Funds)** \$ 265,692,445

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>(225,426)</u>
Total capital assets, net	75,678

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.

(122,916)

**Net assets of governmental activities (Statement of Net Assets)** \$ 265,645,207

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, 2012

	Major Funds	
	General Fund	General Obligation Bond Fund
<b>REVENUES</b>		
Federal funds	\$ 22,617	\$ -
Interest income - debt service	-	1,334,438
Total revenues	<u>22,617</u>	<u>1,334,438</u>
<b>EXPENDITURES</b>		
Current:		
Personnel services and employee benefits	2,778,711	-
Operating costs:		
Contractual services	217,359	-
Other administrative expenditures	598,579	-
Debt service:		
Principal and interest on long-term debt	-	75,930,066
Principal and interest on short-term debt	-	-
Other charges	-	387,839
Total expenditures	<u>3,594,649</u>	<u>76,317,905</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,572,032)</b>	<b>(74,983,467)</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
State general fund appropriations	3,550,800	-
Special appropriation	122,300	-
Reversions to State General Fund FY12	(97,246)	-
Severance taxes	-	-
State property tax levy	-	76,097,456
Bond proceeds	-	-
Miscellaneous other sources	63	-
Transfer (to) from other state agency	-	754,588
Total other financing sources (uses)	<u>3,575,917</u>	<u>76,852,044</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,885</b>	<b>1,868,577</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u><b>5,001</b></u>	<u><b>29,029,002</b></u>
<b>RESTATEMENT</b>	<u><b>-</b></u>	<u><b>13,393,839</b></u>
<b>FUND BALANCES, JUNE 30, 2011, restated</b>	<u><b>5,001</b></u>	<u><b>42,422,841</b></u>
<b>FUND BALANCES, END OF YEAR</b>	<u><u><b>\$ 8,886</b></u></u>	<u><u><b>\$ 44,291,418</b></u></u>

<u>Severance Tax Bond Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 22,617
<u>9,944,802</u>	<u>11,279,240</u>
<u>9,944,802</u>	<u>11,301,857</u>
-	2,778,711
-	217,359
-	598,579
150,666,414	226,596,480
224,965,038	224,965,038
<u>3,079,851</u>	<u>3,467,690</u>
<u>378,711,303</u>	<u>458,623,857</u>
(368,766,501)	(447,322,000)
-	3,550,800
-	122,300
-	(97,246)
494,789,094	494,789,094
-	76,097,456
4,276	4,276
-	63
<u>(104,379,236)</u>	<u>(103,624,648)</u>
<u>390,414,134</u>	<u>470,842,095</u>
21,647,633	23,520,095
<u>199,744,508</u>	<u>228,778,511</u>
-	13,393,839
<u>199,744,508</u>	<u>242,172,350</u>
<u>\$ 221,392,141</u>	<u>\$ 265,692,445</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, 2012**

<b>Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)</b>	<b>\$ 23,520,095</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 \$46,351 exceeded capital outlay expense of \$0 in the current period:	(46,351)
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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:

Increase in compensated absences	<u>(13,224)</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 23,460,520</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, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State General Fund appropriation	\$ 3,550,800	\$ 3,550,800	\$ 3,550,800	\$ -
Federal grants	-	22,617	22,617	-
Other	122,300	122,300	122,363	63
Total revenues	3,673,100	3,695,717	3,695,780	63
<b>EXPENDITURES</b>				
Current:				
Personnel services and benefits	2,864,200	2,839,817	2,778,711	61,106
Contractual services	205,600	222,600	217,359	5,241
Operating costs	603,300	633,300	598,579	34,721
Total expenditures	3,673,100	3,695,717	3,594,649	101,068
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	101,131	<b>\$ 101,131</b>
<b>RECONCILIATION TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE</b>				
Unbudgeted reversions to State General Fund			(97,246)	
<b>NET CHANGE IN FUND BALANCES (GAAP BASIS)</b>			<b>\$ 3,885</b>	

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, 2012**

	<u>Investment Trust Fund</u>
<b>ASSETS</b>	
Cash and investments:	
Cash	\$ 194,963,321
Certificates of Deposit	42,450,000
U.S. Government Securities	1,875,186,653
Corporate Bonds	442,382,759
Municipal Bonds	75,036,703
Repurchase agreements	1,292,665,000
Commercial Paper	39,483,062
CMO/REMIC	<u>16,438,650</u>
Total cash and investments	<u>3,978,606,148</u>
Interest receivable	<u>10,433,882</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 3,989,040,030</b></u>
<b>NET ASSETS HELD IN TRUST</b>	<u><b>\$ 3,989,040,030</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS HELD IN TRUST</b>	<u><b>\$ 3,989,040,030</b></u>

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, 2012**

	<b>Investment Trust Fund</b>
<b>INVESTMENT INCOME</b>	\$ 26,187,406
<b>EXPENSES</b>	
Management fees	(422,674)
Net investment income	25,764,732
<b>NET PROCEEDS OF DEPOSITS (WITHDRAWALS)</b>	417,392,203
<b>NET ASSETS, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2011</b>	3,545,883,095
<b>NET ASSETS, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2012</b>	\$ 3,989,040,030

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, 2012**

**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, 2012**

**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, 2012

**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.

**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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**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. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

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

**Government-wide and Fund Financial Statements**

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

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



STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

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

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.

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.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

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

**Receivables and Payables**

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

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

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

**Capital Assets**

Capital assets, which include equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment, including software, is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5) and *AICPA Statement of Position 98-1*.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

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

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

**Long-term Obligations**

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

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

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

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**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 21 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.

**Subsequent Events**

Management evaluated subsequent events through December 17, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to December 17, 2012, that provided additional evidence about conditions that existed at June 30, 2012 have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, 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, 2012.

**NOTE 3 – STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED**

In June 2012, an independent expert diagnostic report revealed that the State General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management REporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx). The document title is, "Current State Diagnostic of Cash Control".

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 3 – STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED (CONTINUED)**

The State General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the State General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the State Treasurer's balances at the business unit/fund level is not possible.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items. DFA is responsible for the preparation of the book-to-bank reconciliation.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

**NOTE 4 – INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL**

State law (Section 8-6-3 NMSA 1978) requires the State Treasurer's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the State Treasurer consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2012 the State Treasurer had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool: \$270,726

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 4 – INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL  
(CONTINUED)**

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

**NOTE 5 – 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 \$265,683,559.

**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, 2012

**NOTE 5 – 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.

**NOTE 6 - 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.



STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**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, 2012

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

At June 30, 2012, collateral pledged to public money deposits was as follows:

	<u>Fiscal Agent Account</u>	<u>Certificates of Deposit</u>
Cash in bank (bank balance)	\$ 127,355,555	\$ 42,450,000
Less FDIC insurance coverage	<u>127,355,555</u>	<u>1,426,731</u>
<b>Total unsecured public funds</b>	<u>\$ -</u>	<u>\$ 41,023,269</u>
Collateral requirement (50%-102% of uninsured public funds)	\$ -	\$ 28,590,000
Collateral pledged:		
US Government securities		35,425,335
Surety Bond	<u>15,913,386</u>	<u>1,000,000</u>
<b>(Over) under collateralized</b>	<u>\$ (15,913,386)</u>	<u>\$ (7,835,335)</u>

See Schedule 10 for reconciliation.

**Brokered Transactions**

The State Treasurer initiated electronic purchase trades with the following brokers during the year ended June 30, 2012:

<u>Broker Name</u>	<u>Number of Transactions</u>
Bank of New York	46
Barclays	22
Bank of America	22
BNP Paribas	12
Barclays	12
Cantor Fitzgerald	1
Citigroup	23
Credit Suisse	9
Deutsche Bank	5
First Tenn BK	9
FTN Financial Securities	2
JP Morgan	147
Jefferies & Co	16
Morgan Keegan	16
Morgan Stanley	9
National Finl SVCS Corp	1
Nomura	4
SEC PAC CLRG & SVCS CORP	1
UBS	12

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investment Balances**

The fair value of investments administered by the State Treasurer at June 30, 2012 follows:

	<u>Amortized Cost</u>	<u>Carrying Amount Fair Value</u>
Cash in Banks	\$ 194,963,321	\$ 194,963,321
Certificates of Deposit	42,450,000	42,450,000
U.S. Government Securities	1,863,522,926	1,875,186,653
Corporate Bonds	441,518,474	442,382,759
Municipal Bonds	74,899,604	75,036,703
Mutual Funds (Investment in LGIP)	249,958,107	249,958,107
Repurchase Agreements	1,292,665,000	1,292,665,000
Commercial Paper	39,484,123	39,483,062
CMO/REMIC	<u>16,434,810</u>	<u>16,438,650</u>
	4,215,896,365	4,228,564,255
Less interfund investments	<u>(249,958,107)</u>	<u>(249,958,107)</u>
<b>Total</b>	<b><u>\$3,965,938,258</u></b>	<b><u>\$3,978,606,148</u></b>

The fair value includes repurchase agreements of \$282,660,222 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 \$270,726 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Taxable Bond Proceeds Investment Pool**

The Taxable Bond Proceeds Investment Pool comprises pooled assets received through the issuance of State of New Mexico severance tax bonds. The fund's objective is to preserve capital, provide liquidity, and generate returns relative to a benchmark and in accordance with the State Treasurer's Investment Policy.

**Local Government Investment Pool**

Cities, counties, and other non-state agencies invest monies in the State Treasurer external investment pool (Local Government Investment Pool). The investments are recorded at fair value based on quoted market prices as of the valuation date in the financial statements; however, the individual participant balances remain at their carrying cost. At June 30, 2012, 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. As of June 30, 2012, the WAM(R) of the LGIP was 60 days, and the WAM(F) was 83 days. The fund was rated AAAM by Standard & Poor's as of June 30, 2012.

**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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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.

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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

On October 9th, 2012, the case of Securities and Exchange Commission v. Reserve Management Company, Inc. et al., 09-Civ. 4346 (PGG) (S.D.N.Y.), went to trial. On November 12, 2012, the jury returned a verdict and found that Defendant Reserve Management Company, Inc. ("RMCI") and Defendant Resrv Partners knowingly or recklessly violated certain provisions of the federal securities laws and that RMCI and Defendant Bruce Bent II negligently violated certain provisions of the federal securities laws. The jury found that the SEC had not proved the remainder of its claims against Defendants by a preponderance of the evidence, including claims that Defendant Bruce Bent Sr. violated any federal securities laws or that Bruce Bent II knowingly or recklessly violated any federal securities laws.

One or more parties may appeal from the verdict. The Primary Fund – In Liquidation does not anticipate making any further distributions unless and until the Court resolves various pending motions, including motions by RMCI seeking certain fees and expenses from the Fund.

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.

**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

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

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

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

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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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.
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
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.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

10. Securities Issued by the State or a Political Subdivision of the State, or any Agency, Institution or Instrumentality of the State or a Political Subdivision – These include, but are not limited to, the New Mexico Mortgage Finance Authority, the New Mexico Finance Authority and the New Mexico Educational Assistance Foundation, if the statute authorizing the issuance of such securities expressly authorizes the State or the State Treasurer to purchase such security.
11. Government Money Market Mutual Funds – Shares of an open-ended diversified investment company that: (i) is registered with the United State 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

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

All investment and collateral securities were held by the State Treasurer or its Custodian in the name of the State Treasurer. As of June 30, 2012, \$46,927,673 of the State Treasurer's bank balances of \$364,248,875 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, 2012 for the general fund investment pool are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
<b>AAA:</b>		
Municipal Bonds	1,662,459	0.08%
<b>AA+:</b>		
U.S. Treasuries	375,550,100	17.06%
U.S. Government Agency	643,178,515	29.23%

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Quality Rating	Fair Value	Percentage of Portfolio
<b>AA1:</b>		
Municipal Bonds	4,549,437	0.21%
<b>AA:</b>		
Municipal Bonds	15,545,788	0.71%
<b>AA-</b>		
Municipal Bonds	2,090,300	0.10%
<b>A+:</b>		
Corporate Bonds	10,186,200	0.46%
<b>A:</b>		
U.S. Government Agency	13,876,460	0.63%
<b>Not rated and other:</b>		
U.S. Treasuries	25,063,500	1.14%
Municipal Bonds	51,188,719	2.33%
U.S. Government Agency	75,460,758	3.43%
Corporate Bonds	36,647,750	1.67%
Overnight Repurchase Pool	873,001,968	39.67%
Certificates of Deposit	32,750,000	1.49%
Investment in LGIP	40,027,793	1.82%
<b>Grand Total</b>	<b>2,200,779,747</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, 2012, for the local government investment pool are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
<b>AA+:</b>		
U.S. Government Agency	90,181,874	10.31%
U.S. Treasuries	10,013,300	1.15%
Corporate Bonds	110,444,942	12.63%

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2012

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Quality Rating	Fair Value	Percentage of Portfolio
<b>Not Rated and Other:</b>		
U.S. Treasuries	10,003,900	1.14%
U.S. Government Agency	80,183,180	9.17%
Overnight Repurchase Pool	300,000,000	34.31%
Corporate Bonds	73,139,281	8.36%
CMO/REMIC	16,438,650	1.88%
Cash	144,628,321	16.54%
Commercial Paper	39,483,062	4.52%
<b>Grand Total</b>	<b>874,516,510</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, 2012, for the Bond Proceeds Investment Pool #2 are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
<b>AA+:</b>		
U.S. Government Agency	202,114,663	31.29%
U.S. Treasuries	182,736,500	28.29%
Corporate Bonds	65,700,036	10.17%
<b>A:</b>		
U.S. Government Agency	24,241,108	3.75%
<b>Not rated and other:</b>		
U.S Government Agency	5,020,060	0.78%
Corporate Bonds	45,247,050	7.00%
Overnight Repurchase Pool	1,989,027	0.31%
Certificates of Deposit	9,700,000	1.50%
Mutual Funds	109,292,564	16.92%
<b>Grand Total</b>	<b>646,041,008</b>	<b>100.00%</b>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - 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, 2012, for the Bond Proceeds Investment Pool # 1 are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
<b>AA+:</b>		
U.S. Government Agency	71,083,585	14.01%
U.S. Treasuries	40,590,150	8.00%
Corporate Bonds	101,017,500	19.92%
<b>A:</b>		
U.S. Government Agency	25,889,000	5.10%
<b>Not rated and other:</b>		
Overnight Repurchase Pool	117,674,005	23.20%
Cash	50,335,000	9.92%
Mutual Funds	100,637,750	19.84%
<b>Grand Total</b>	<b>507,426,990</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.
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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

4. Investments in commercial paper, corporate bonds and asset-backed obligations shall not exceed forty percent (40%) of assets of each portfolio. Commercial paper and corporate bonds shall be limited, per issuer, to five percent (5%) of each portfolio.
5. Investments in United States agency securities issued by any single agency shall be limited to thirty-five percent (35%) of the combined portfolios.
6. Investment in repurchase agreements from any single provider shall be limited to twenty-five percent (25%) of the combined portfolios.
7. Investment in commercial paper and corporate bonds guaranteed by the full faith and credit of the United States government, with a final maturity not to exceed the expiration date of any such guarantee, shall not exceed forty percent (40%) of the assets of each portfolio. Commercial paper and corporate bonds guaranteed by the full faith and credit of the United States government shall be limited, per issuer, to twenty percent (20%) of each portfolio.
8. United States Government Agency issued mortgage-backed securities and collateralized mortgage obligations shall be limited to twenty-five percent (25%) of a portfolio.
9. Securities issued by a municipal entity shall be limited to fifteen percent (15%) of a portfolio.
10. Securities issued by the State or a political subdivision of the State, or any agency, institution or instrumentality of the State shall be limited to fifteen percent (15%) of the general fund portfolio.

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 Treasury Obligations:</b>		
US Treasuries	400,613,600	18.20%
<b>US Government Agency Obligations:</b>		
FFCB	70,403,300	3.20%
FHLB	126,252,706	5.74%
FHLMC	182,627,365	8.30%
FNMA	353,232,362	16.05%
<b>Municipal Bonds:</b>		
Alamagordo School District	711,071	0.03%
Bernalillo County	1,154,549	0.05%
Catron & Cibola County Indpt School	143,795	0.01%
Connecticut St	5,051,050	0.23%
Espanola Pub Sch Dist	2,840,111	0.13%
Farmington Mun Sch Dist	4,587,970	0.21%

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Issuer	Fair Value	Percentage of Portfolio
Gadsden Indpt Sch Dist	6,732,544	0.31%
Los Alamos County	2,090,300	0.10%
Los Alamos Pub Sch Dist	2,717,564	0.12%
Lovington Mun Sch Dist	2,409,549	0.11%
NMFA	14,642,546	0.67%
NM St Sev Tax	20,516,251	0.93%
Rio Rancho Pub Sch Dist	3,186,530	0.15%
Santa Fe Pub Sch Dist	5,811,890	0.26%
Santa Rosa Cons Sch Dist	628,540	0.03%
UNM	1,812,443	0.08%
<b>Corporate Bonds:</b>		
Abbott Laboratories	10,186,200	0.46%
Citigroup	25,122,750	1.14%
PPPS	4,000,000	0.18%
PPPS	7,525,000	0.34%
<b>Overnight Repurchase Pool</b>	<b>873,001,968</b>	<b>39.67%</b>
<b>Certificates of Deposit</b>	<b>32,750,000</b>	<b>1.49%</b>
<b>Local Government Investment Pool*</b>	<b>40,027,793</b>	<b>1.82%</b>
<b>Grand Total</b>	<b>2,200,779,747</b>	<b>100.00%</b>

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 Treasury Obligations:</b>		
US Treasuries	20,017,200	2.29%
<b>US Government Agency Obligations:</b>		
FFCB	49,972,500	5.71%
FHLB	59,212,964	6.77%
FNMA	61,179,590	7.00%
<b>Corporate Bonds</b>		
Intl Finance Corp	19,999,020	2.29%
Ally Financial Inc. GTD	2,703,996	0.31%
Ally Financial Inc	32,596,514	3.73%
Citigroup Funding Inc.	21,042,569	2.41%
GE Capital Corp	24,269,158	2.78%
JP Morgan Chase & Co.	29,832,705	3.41%
Multibank CRE Vent	9,983,000	1.14%
US Central Federal Cred	4,369,914	0.50%
Western Corp Federal Credit	38,787,347	4.44%

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Issuer	Fair Value	Percentage of Portfolio
<b>CMO/REMIC</b>		
Corus Construction Venture	16,438,650	1.88%
<b>Commercial Paper</b>		
Straight A FDG	39,483,062	4.51%
<b>Cash in Bank</b>	144,628,321	16.54%
<b>Overnight Repurchase Pool</b>	300,000,000	34.31%
<b>Grand Total</b>	874,516,510	100.00%

The following lists investments held in the bond proceed investment pool # 2 with a single issuer as a percentage of total:

Issuer	Fair Value	Percentage of Portfolio
<b>US Treasury Obligations:</b>		
US Treasuries	182,736,500	28.29%
<b>US Government Agency Obligations:</b>		
FFCB	4,374,341	0.68%
FHLMC	73,773,632	11.42%
FNMA	153,227,858	23.72%
<b>Corporate Bonds:</b>		
Goldman Sachs Group Inc	10,062,700	1.56%
Morgan Stanley-2 <sup>nd</sup>	5,032,150	0.78%
US Central FCU	20,100,800	3.11%
Western Corp FCU	10,051,400	1.56%
Citigroup Funding	20,179,400	3.12%
Citibank NA	20,148,800	3.12%
GE Capital Corp	25,371,836	3.93%
<b>Overnight Repurchase Pool</b>	1,989,027	0.31%
<b>Certificates of Deposit</b>	9,700,000	1.50%
<b>Mutual Funds</b>	109,292,564	16.92%
<b>Grand Total</b>	646,041,008	100.00%



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The following lists investments held in the bond proceeds investment pool # 1 with a single issuer as a percentage of total:

Issuer	Fair Value	Percentage of Portfolio
<b>US Treasury Obligations:</b>		
US Treasuries	40,590,150	8.00%
<b>US Government Agency Obligations:</b>		
FFCB	10,021,400	1.98%
FHLMC	31,073,600	6.13%
FNMA	55,877,585	11.02%
<b>Corporate Bonds:</b>		
Citigroup Funding	50,448,500	9.95%
GE Corp	50,569,000	9.97%
<b>Overnight Repurchase Pool</b>	<b>117,674,005</b>	<b>23.20%</b>
<b>Mutual Funds</b>	<b>100,637,750</b>	<b>19.84%</b>
<b>Cash</b>	<b>50,335,000</b>	<b>9.92%</b>
<b>Grand Total</b>	<b>507,226,990</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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

5. General Economic and Interest Rate Outlook: Review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.

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

Quality Rating	Maturities		
	Fair Value	Less Than 1 Year	1 – 5 Years
<b>AAA:</b>			
Municipal Bonds	1,662,459	1,069,471	592,988
<b>AA+:</b>			
U.S. Government Agency	643,178,515	50,996,900	592,581,615
U.S. Treasuries	375,550,100	70,224,300	305,325,800
<b>AA1:</b>			
Municipal Bonds	4,549,437		4,549,437
<b>AA:</b>			
Municipal Bonds	15,545,788	5,051,050	10,494,738
<b>AA-</b>			
Municipal Bonds	2,090,300		2,090,300
<b>A+</b>			
Corporate Bonds	10,186,200	10,186,200	
<b>A</b>			
U.S. Government Agency	13,876,460		13,876,460
<b>Not rated and other:</b>			
U.S. Treasuries	25,063,500	25,063,500	
Municipal Bonds	51,188,719	25,107,352	26,081,367
U.S. Government Agency	75,460,758	19,574,046	55,886,712
Corporate Bonds	36,647,750	4,000,000	32,647,750
Overnight Repurchase Pool	873,001,968	873,001,968	
Certificates of Deposit	32,750,000	32,750,000	
Mutual Funds	40,027,793	40,027,793	
<b>Grand Total</b>	<b>2,200,779,747</b>	<b>1,156,652,580</b>	<b>1,044,127,167</b>

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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

Quality Rating	Maturities		
	Fair Value	Less Than 1 Year	1 – 5 Years
<b>AA+</b>			
U.S. Government Agency	90,181,874	30,213,774	59,968,100
U.S. Treasuries	10,013,300	10,013,300	
Corporate Bonds	110,444,942	76,027,066	34,417,876
<b>Not rated and other:</b>			
U.S. Treasuries	10,003,900	10,003,900	
U.S. Government Agency	80,183,180		80,183,180
Corporate Bonds	73,139,281		73,139,281
CMO/REMIC	16,438,650	4,297,033	12,141,617
Overnight Repurchase pool	300,000,000	300,000,000	
Cash in Bank	144,628,321	144,628,321	
Commercial Paper	39,483,062	39,483,062	
<b>Grand Total</b>	<b>874,516,510</b>	<b>614,666,456</b>	<b>259,850,054</b>

Maturities on investments in the bond proceeds investment pool # 2 are as follows:

Quality Rating	Maturities		
	Fair Value	Less Than 1 Year	1 – 5 Years
<b>AA+:</b>			
U.S. Government Agency	202,114,663	7,490,500	194,624,163
U.S. Treasuries	182,736,500	45,084,650	137,651,850
Corporate Bonds	65,700,036	65,700,036	
<b>A:</b>			
U.S. Government Agency	24,241,108		24,241,108
<b>Not rated and other:</b>			
U.S. Government Agency	5,020,060	5,020,060	
Corporate Bonds	45,247,050	45,247,050	
Overnight Repurchase Pool	1,989,027	1,989,027	
Certificates of Deposit	9,700,000	9,700,000	
Mutual Funds	109,292,564	109,292,564	
<b>Grand Total</b>	<b>646,041,008</b>	<b>289,523,887</b>	<b>356,517,121</b>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Maturities on investments in the bond proceeds investment pool # 1 are as follows:

Quality Rating	Fair Value	Maturities	
		Less Than 1 Year	1 – 5 Years
<b>AA+:</b>			
U.S. Government Agency	71,083,585	10,021,400	61,062,185
U.S. Treasuries	40,590,150	25,205,250	15,384,900
Corporate Bonds	101,017,500	101,017,500	
<b>A:</b>			
U.S. Government Agency	25,889,000		25,889,000
<b>Not rated and other:</b>			
Overnight Repurchase Pool	117,674,005	117,674,005	
Mutual Funds	100,637,750	100,637,750	
Cash	50,335,000	50,335,000	
<b>Grand Total</b>	<b>507,226,990</b>	<b>354,555,905</b>	<b>102,336,085</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, 2012 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:

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

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

Quality Rating	Fair Value	Percentage of Portfolio
<b>AA+:</b>		
US Government Agency Obligations	1,369,860,000	100.00
<b>Grand Total</b>	<b>1,369,860,000</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>AA+:</b>						
US Government Mortgage Backed Securities	1,369,860,000	306,000,000			317,186,112	746,673,888
<b>Grand Total</b>	<b>1,369,860,000</b>	<b>306,000,000</b>			<b>317,186,112</b>	<b>746,673,888</b>

Schedule 10 discloses collateral pledged for repurchase agreements.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Governmental activities:				
Depreciable assets:				
Equipment	\$ 301,104	\$ -	\$ -	\$ 301,104
Total capital assets	301,104	-	-	301,104
Less accumulated depreciation:				
Equipment	<u>179,075</u>	<u>46,351</u>	<u>-</u>	<u>225,426</u>
Total	<u>\$ 122,029</u>	<u>\$ 46,351</u>	<u>\$ -</u>	<u>\$ 75,678</u>

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

Governmental activities:	
General government	<u>\$ 46,351</u>

**NOTE 8 - 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, 2012:

	<u>Balance June 30, 2011</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Compensated absences	<u>\$ 109,692</u>	<u>\$ 146,406</u>	<u>\$(133,182)</u>	<u>\$ 122,916</u>	<u>\$ 122,916</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 9 – CONDENSED FINANCIAL STATEMENTS**

Condensed financial statements of the Investment Trust Fund, inclusive of external and internal participants for the fiscal year ended June 30, 2012, are as follows:

Assets:	
Investments	\$ 3,978,606,148
Interest receivable	<u>10,433,882</u>
<b>Total assets</b>	<b><u>\$ 3,989,040,030</u></b>
Liabilities:	
Other liabilities	\$ -
Net assets:	
External participant account balances	875,779,255
Other internal participant account balances	
Primary government	<u>3,113,260,775</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 3,989,040,030</u></b>

At June 30, 2012, the State Treasurer's investment income earnings were as follows:

Local Government Investment Pool	\$ 2,121,836
Consolidated Investment Pool	8,979,643
State Funds Investment Pool	<u>15,085,927</u>
<b>Total</b>	<b><u>\$ 26,187,406</u></b>

**NOTE 10 - APPROPRIATIONS**

The State Treasurer received the following appropriations for the year ended June 30, 2012:

<u>General Fund</u>	
General appropriation (General Appropriation Act)	\$ 3,550,800
Other state funds (Special Appropriation)	<u>122,300</u>
<b>Total appropriations</b>	<b><u>\$ 3,673,100</u></b>

**NOTE 11 - COLLATERAL IN TRUST**

The State Treasurer holds a variety of different types of collateral, government guaranteed loans and mortgages, certificates of deposit, surety bonds, etc., for certain State agencies, which are not included in the financial statements.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 12 – DUE TO/FROM OTHER STATE AGENCIES**

Due to State Treasurer's Office	Fund No.	Amount	Due From Agency/Purpose	Fund No.	Amount
Severance Tax Bonding Fund	41000	\$ 72,946,020	Tax & Revenue	82500	\$ 72,946,020
G.O Bonding Fund	03200	2,792,054	BOF	34103	2,792,054
G.O Bonding Fund	28800	3,212,088	BOF	34103	3,212,088
G.O Bonding Fund	10630	4,569,574	BOF	34103	4,569,574
G.O Bonding Fund	11630	438,579	BOF	34103	438,579
G.O Bonding Fund	73010	<u>3,170,967</u>	BOF	34103	<u>3,170,967</u>
Total All Funds		<u>\$ 87,129,282</u>			<u>\$ 87,129,282</u>

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

Due From State Treasurer's Office	Fund No.	Amount	Due To Agency/Purpose	Fund No.	Amount
General Fund	18200	<u>\$ 99,961</u>	Dept. of Finance & Administration	85400	<u>\$ 99,961</u>

Purpose: To fund reversion to State General Fund.

Due From State Treasurer's Office	Fund No.	Amount	Due To Agency/Purpose	Fund No.	Amount
STB Bond Fund	41000	<u>\$ 103,888,029</u>	State Investment Council	33700	<u>\$ 103,888,029</u>

Purpose: Funds due to The NM State Investment Council.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 13 - 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.

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	X	3/1/2017
General Obligation Bonds Refunding Series 2008A	3/1/2013	4/30/2013	X	3/1/2013
General Obligation Bonds Series 2009	5/28/2014	7/28/2014	X	3/1/2019
General Obligation Bonds Series 2011	5/26/2016	7/25/2016		3/1/2021
Severance Tax Bonds Series 2003B	6/30/2006	8/29/2006	X	7/1/2013
Severance Tax Bonds Series 2004B	11/17/2009	1/19/2010	X	7/1/2014
Severance Tax Bonds Series 2005A	6/15/2010	8/16/2010	X	7/1/2012
Severance Tax Bonds Series 2005B-1	6/15/2010	8/16/2010	X	7/1/2012
Severance Tax Bonds Series 2005B-2	6/15/2010	8/16/2010	X	7/1/2012

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 13 - ARBITRAGE ON TAX EXEMPT BONDS (CONTINUED)**

	First Computation Date	First Payment Due to IRS	First Computation of Arbitrage Completed	Next Payment Due to IRS
Severance Tax Bonds Series 2006A	6/28/2011	8/19/2011	X	7/1/2011
Severance Tax Bonds Series 2007A	6/28/2011	8/27/2011	X	7/1/2012
Severance Tax Bonds Series 2008A-1	6/25/2013	8/26/2013		7/1/2013
Severance Tax Bonds Series 2008A-2	6/25/2013	8/26/2013		7/1/2013
Severance Tax Bonds Series 2009A	7/30/2014	9/29/2014		7/1/2019
Severance Tax Bonds Series 2010A	3/24/2015	5/26/2015		3/24/2020
Severance Tax Bonds Series 2010B	3/24/2015	5/26/2015		3/24/2020
Severance Tax Bonds Series 2010C	6/30/2015	8/31/2015	X	7/1/2015
Severance Tax Bonds Series 2010D	12/8/2015	2/8/2016		7/1/2017
Severance Tax Bonds Series 2011A-1	12/6/2016	2/6/2017		7/1/2012
Severance Tax Bonds Series 2011A-2	12/6/2016	2/6/2017		7/1/2021
Severance Tax Bonds Series 2012A	6/21/2017	8/21/2017		6/21/2022

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2012

**NOTE 14 - TRANSFERS**

**Interfund Transfers**

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

**Debt Service:**

**Severance Tax Bonds:**

SHARE Fund	Transfer From	Amount	SHARE Fund	Transfer To	Amount
41000	Severance Tax Bonding Fund	\$ 36,970,785	10750	STB – 2006A Debt Svc	\$ 36,970,785
41000	Severance Tax Bonding Fund	12,762,500	10950	STB – 2010A Debt Svc	12,762,500
41000	Severance Tax Bonding Fund	11,278,419	10960	STB – 2010B Debt Svc	11,278,419
41000	Severance Tax Bonding Fund	9,956,360	11190	STB – 2010C Debt Svc	9,956,360
41000	Severance Tax Bonding Fund	19,437,440	11280	STB – 2010 Debt Svc	19,437,440
41000	Severance Tax Bonding Fund	1,236,250	18300	STB – 2004B Debt Svc	1,236,250
41000	Severance Tax Bonding Fund	2,077,200	30820	STB – 2011A-2	2,077,200
41000	Severance Tax Bonding Fund	2,324,500	30830	STB – 2011A-1	2,324,500
41000	Severance Tax Bonding Fund	8,287,400	38800	STB – 2005-B1	8,287,400
41000	Severance Tax Bonding Fund	1,273,042	48400	STB – 2003B Debt Svc	1,273,042
41000	Severance Tax Bonding Fund	13,723,207	53700	STB – 2007A Debt Svc	13,723,207
41000	Severance Tax Bonding Fund	14,914,403	72010	STB – 2008A1 Debt Svc	14,914,403
41000	Severance Tax Bonding Fund	<u>5,607,498</u>	72070	SSTB Ref – 2008A2 Debt Svc	<u>5,607,498</u>
	Total	<u>\$139,849,004</u>		Total	<u>\$139,849,004</u>

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 14 – TRANSFERS (CONTINUED)

General Obligation Bonds:

SHARE Fund	Transfer From	Amount	SHARE Fund	Transfer To	Amount
03200	GO 2005 Debt Service	\$ 200,000	03200	GO 2005 Debt Service	\$ 2,600,000
10630	GO 2009 Debt Service	6,750,000	11630	GO 2011 Series	1,250,000
28800	GO 2007 Debt Service	<u>381,477</u>	29000	GO 2007 Rebate	381,477
			73010	GO 2008A Debt Service	<u>3,100,000</u>
	Total	<u>\$ 7,331,477</u>		Total	<u>\$ 7,331,477</u>

Interagency Transfers

Debt Service:

Severance Tax Bonds:

Transfers In From Other State Agencies

Transfers from (purpose)	Fund No.	Amount	Transfers to (purpose)	Fund No.	Amount
Board of Finance	34103	<u>\$ 7,137,042</u>	Severance Tax Bonding Fund	41000	<u>\$ 7,137,042</u>
Total – Severance Tax Bond Funds		<u>\$ 7,137,042</u>			<u>\$ 7,137,042</u>

General Obligation Bonds:

Transfers In From Other State Agencies

Transfers from (purpose)	Fund No.	Amount	Transfers to (purpose)	Fund No.	Amount
Board of Finance	34103	<u>\$ 754,588</u>	GO 2005 Debt Service	03200	\$ 90,373
			GO 2009 Debt Service	10630	71,868
			GO 2007 Debt Service	28800	<u>592,347</u>
Total – General Obligation Bond Funds		<u>\$ 754,588</u>			<u>\$ 754,588</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2012

**NOTE 14 – TRANSFERS (CONTINUED)**

**Transfers Out To Other State Agencies**

Transfers from (purpose)	Fund No.	Amount	Transfers to (purpose)	Fund No.	Amount
STB Bond Fund	41000	\$ 11,191	Board of Finance	34103	\$ 11,191
Total – General Obligation Bond Funds		<u>\$ 11,191</u>			<u>\$ 11,191</u>

**NOTE 15 - 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, 2012, 2011 and 2010 were \$260,521, \$294,619 and \$329,143, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 16 - 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 16 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 16 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

The State Treasurer's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$35,649, \$32,334 and \$28,268, respectively, which equal the required contributions for each year.

**NOTE 17 - 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, 2011 to June 30, 2012. 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, 2012, 2011 and 2010, there were no settlements that exceeded insurance coverage.

**NOTE 18 - 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, 2012 is \$99,931.

Amounts reverted to the State General Fund during 2012 were as follows:

	<u>Appropriation</u>	<u>Reversion</u>
Reversion to State General Fund fiscal year 2012	\$ 3,550,800	\$ 97,246
Subtotal – Reversion to State General Fund	<u>\$ 3,550,800</u>	97,246
Due to State General Fund prior years		<u>2,715</u>
<b>Total Due to State General Fund</b>		<u><b>\$ 99,961</b></u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 19 - SHORT-TERM DEBT**

**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:

	<u>Purchased</u>	<u>Matured</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
Sponge Bond – Senior Note	12/29/11	12/30/11	\$ 16,444,400	\$ 153	\$ 16,444,553
Sponge Bond – Supplemental Note	12/29/11	12/30/11	98,718,500	919	98,719,419
Sponge Bond – Senior Note	6/28/12	6/29/12	59,775,000	479	59,775,479
Sponge Bond – Supplemental Note	6/29/12	6/30/12	<u>50,025,186</u>	<u>401</u>	<u>50,025,587</u>
<b>Total</b>			<u>\$ 224,963,086</u>	<u>\$ 1,952</u>	<u>\$ 224,965,038</u>

Short-term debt activity for the year ended June 30, 2012 was as follows:

	<u>Balance June 30, 2011</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Issuance Costs</u>	<u>Balance June 30, 2012</u>
Sponge Bonds	<u>\$ -</u>	<u>\$ 224,963,086</u>	<u>\$ 224,965,038</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 20 - BOND ISSUANCE ACTIVITY**

During fiscal year 2012, there were three new bond issues as noted below:

- \$ 47,790,000 STB – Series 2011A-1
- \$ 75,715,000 STB – Series 2011A-2
- \$ 57,990,000 STB – Series 2012A

Total activity related to the bonds was approximately as follows: costs \$400,438, premiums \$27,668,187, refunding escrow deposits of \$88,897,678 and total transfers to other State agencies of \$111,505,087.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 21 – FUND BALANCES**

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, 2012 follows:

	<u>General Fund</u>	<u>General Obligation Bond Fund</u>	<u>Severance Tax Bond Fund</u>
Fund Balances:			
Restricted for:			
Debt service	\$ -	\$ 44,291,418	\$ 221,392,141
Unrestricted, unassigned	<u>8,886</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 8,886</u>	<u>\$ 44,291,418</u>	<u>\$ 221,392,141</u>

**NOTE 22 – RESTATEMENT**

In fiscal year 2011 the New Mexico State Treasurer's Office should have accrued income that it received in July 2011 that was for their June 2011 General State Levy Revenue. STO does not have to request this money, rather it is sent to them by DFA automatically by an operating transfer. STO received the operating transfer on July 20, 2011. There were twelve months of revenue included in fiscal year 2011, however, those months were June 2010 through May 2011. The difference between the amount that should have been accrued in prior year, and the amount to be accrued in the current year, is material to the fund financial statement and required restatement. The effect of this restatement was to increase fiscal year 2011's net assets by \$13,393,839.

**NOTE 23 – SUBSEQUENT EVENT**

Regarding the Reserve Primary Fund – In Liquidation and the Reserve Contingency Fund addressed in Note 6, the following events occurred subsequent to June 30, 2012. On October 9th, 2012, the case of Securities and Exchange Commission v. Reserve Management Company, Inc. et al., 09-Civ. 4346 (PGG) (S.D.N.Y.), went to trial. On November 12, 2012, the jury returned a verdict and found that Defendant Reserve Management Company, Inc. ("RMCI") and Defendant Resrv Partners knowingly or recklessly violated certain provisions of the federal securities laws and that RMCI and Defendant Bruce Bent II negligently violated certain provisions of the federal securities laws. The jury found that the SEC had not proved the remainder of its claims against Defendants by a preponderance of the evidence, including claims that Defendant Bruce Bent Sr. violated any federal securities laws or that Bruce Bent II knowingly or recklessly violated any federal securities laws.

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

**SUPPLEMENTARY 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, 2012**

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>GOVERNMENTAL FUNDS</b>				
<b>CAPITAL ASSETS</b>				
Equipment, furniture and fixtures	\$ 301,104	\$ -	\$ -	\$ 301,104
<b>TOTAL GOVERNMENTAL FUNDS</b>				
<b>CAPITAL ASSETS</b>	<u>\$ 301,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,104</u>
<b>INVESTMENTS IN GOVERNMENTAL</b>				
<b>FUNDS CAPITAL ASSETS BY SOURCE</b>				
General Fund revenues	\$ 301,104	\$ -	\$ -	\$ 301,104
<b>TOTAL GOVERNMENTAL FUNDS</b>				
<b>CAPITAL ASSETS</b>	<u>\$ 301,104</u>	<u>\$ -</u>	<u>\$ -</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, 2012

	SHARE Fund	Assets			Total Assets
		Repurchase Agreements	Due From Other Agencies	Accrued Interest Receivable	
2003 Series-Debt Service	03100	\$ 773,693	\$ -	\$ -	\$ 773,693
2005 Series Debt Service	03200	2,703,369	2,792,054	-	5,495,423
2007 Series-Debt Service	28800	4,589,895	3,212,088	-	7,801,983
2001 Series-Debt Service	41400	337,036	-	-	337,036
2003B Series - Refunding	41800	8,160,772	-	-	8,160,772
2009 Series-Debt Service	10630	8,596,027	4,569,574	-	13,165,601
2011 Series-Debt Service	11630	566,203	438,579	-	1,004,782
2008A Series-Redemption	73030	220,699	-	-	220,699
2008A Series-Debt Service	73010	3,014,261	3,170,967	-	6,185,228
<b>Total Debt Service</b>		<b>28,961,955</b>	<b>14,183,262</b>	<b>-</b>	<b>43,145,217</b>
2007 Series - Rebate	29000	-	-	-	-
2003 Series - Rebate	41300	4,743	-	-	4,743
2001 Series - Rebate	41500	819,596	-	-	819,596
2003 Refunding Series - Rebate	41900	152,080	-	-	152,080
2005 Series - Rebate	42600	4,400	-	-	4,400
911 - Rebate	48800	111,260	-	-	111,260
<b>Total Rebate Accounts</b>		<b>1,092,079</b>	<b>-</b>	<b>-</b>	<b>1,092,079</b>
2009 Series - Cost of Issuance	10650	32,936	-	-	32,936
2003 Series - Cost of Issuance	11320	21,186	-	-	21,186
<b>Total cost of issuance</b>		<b>54,122</b>	<b>-</b>	<b>-</b>	<b>54,122</b>
<b>COMBINED TOTAL</b>		<b>\$ 30,108,156</b>	<b>\$ 14,183,262</b>	<b>\$ -</b>	<b>\$ 44,291,418</b>

Liabilities			Fund Equity		
Due to Other State Agencies	Accounts Payable	Total Liabilities	Restricted for Debt Service	Total Fund Equity	Total Liabilities & Fund Equity
\$ -	\$ -	\$ -	\$ 773,693	\$ 773,693	\$ 773,693
-	-	-	5,495,423	5,495,423	5,495,423
-	-	-	7,801,983	7,801,983	7,801,983
-	-	-	337,036	337,036	337,036
-	-	-	8,160,772	8,160,772	8,160,772
-	-	-	13,165,601	13,165,601	13,165,601
-	-	-	1,004,782	1,004,782	1,004,782
-	-	-	220,699	220,699	220,699
-	-	-	6,185,228	6,185,228	6,185,228
-	-	-	43,145,217	43,145,217	43,145,217
-	-	-	-	-	-
-	-	-	4,743	4,743	4,743
-	-	-	819,596	819,596	819,596
-	-	-	152,080	152,080	152,080
-	-	-	4,400	4,400	4,400
-	-	-	111,260	111,260	111,260
-	-	-	1,092,079	1,092,079	1,092,079
-	-	-	32,936	32,936	32,936
-	-	-	21,186	21,186	21,186
-	-	-	54,122	54,122	54,122
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,291,418</u>	<u>\$ 44,291,418</u>	<u>\$ 44,291,418</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, 2012**

	SHARE Fund	Revenues		Expenditures	
		Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures
2003 Series-Debt Service	03100	\$ 13,108	\$ -	\$ -	\$ -
2005 Series Debt Service	03200	61,568	14,544,000	-	14,544,000
2007 Series Debt Service	28800	118,215	17,467,750	1,750	17,469,500
2001 Series-Debt Service	41400	4,133	-	-	-
2003-B Series - Refunding	41800	80,377	-	-	-
2009 Series-Debt Service	10630	791,853	25,878,750	1,749	25,880,499
2011 Series-Debt Service	11630	191,557	2,247,316	-	2,247,316
2008A Series-Redemption	73030	-	-	-	-
2008A Series-Debt Service	73010	61,045	15,792,250	2,250	15,794,500
<b>Total Debt Service</b>		<b>1,321,856</b>	<b>75,930,066</b>	<b>5,749</b>	<b>75,935,815</b>
2007 Series-Rebate	29000	-	-	381,477	381,477
2003 Series-Rebate	41300	872	-	-	-
2001 Series-Rebate	41500	8,070	-	-	-
2003 Series-Refunding	41900	1,497	-	-	-
2005 Rebate	42600	1,048	-	-	-
911-Rebate	48800	1,095	-	-	-
<b>Total Rebate Accounts</b>		<b>12,582</b>	<b>-</b>	<b>381,477</b>	<b>381,477</b>
2009 Series - Cost of Issuance	10650	-	-	-	-
2011 Series - Cost of Issuance	11320	-	-	613	613
<b>Total cost of issuance</b>		<b>-</b>	<b>-</b>	<b>613</b>	<b>613</b>
<b>COMBINED TOTAL</b>		<b>\$ 1,334,438</b>	<b>\$ 75,930,066</b>	<b>\$ 387,839</b>	<b>\$ 76,317,905</b>

**Other Financing Sources (Uses)**

Excess (Deficiency) of Revenues over (under) Expenditures	State Property Tax Levy	Transfers (to) from Other State Agencies	Bond Proceeds	Capital Projects Reversions	Interfund Transfers
\$ 13,108	\$ (247,410)	\$ -	\$ -	\$ -	\$ -
(14,482,432)	12,623,459	90,373	-	-	2,400,000
(17,351,285)	18,719,942	592,347	-	-	(381,477)
4,133	(125,136)	-	-	-	-
80,377	(4,295)	-	-	-	-
(25,088,646)	32,845,545	71,868	-	-	(6,750,000)
(2,055,759)	1,787,016	-	-	-	1,250,000
-	-	-	-	-	-
(15,733,455)	10,498,335	-	-	-	3,100,000
(74,613,959)	76,097,456	754,588	-	-	(381,477)
(381,477)	-	-	-	-	381,477
872	-	-	-	-	-
8,070	-	-	-	-	-
1,497	-	-	-	-	-
1,048	-	-	-	-	-
1,095	-	-	-	-	-
(368,895)	-	-	-	-	381,477
-	-	-	-	-	-
(613)	-	-	-	-	-
(613)	-	-	-	-	-
<u>\$ (74,983,467)</u>	<u>\$ 76,097,456</u>	<u>\$ 754,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 (CONTINUED)  
Year Ended June 30, 2012

	SHARE Fund	Net Change in Fund Balance	Beginning Fund Balance as Originally Reported	Restatement	Beginning Fund Balances as Restated	Fund Balances June 30, 2012
2003 Series-Debt Service	03100	\$ (234,302)	\$ 1,007,995	\$ -	\$ 1,007,995	\$ 773,693
2005 Series Debt Service	03200	631,400	2,437,575	2,426,448	4,864,023	5,495,423
2007 Series Debt Service	28800	1,579,527	3,431,828	2,790,628	6,222,456	7,801,983
2001 Series-Debt Service	41400	(121,003)	458,039	-	458,039	337,036
2003-B Series - Refunding	41800	76,082	8,084,690	-	8,084,690	8,160,772
2009 Series-Debt Service	10630	1,078,767	8,110,318	3,976,516	12,086,834	13,165,601
2011 Series-Debt Service	11630	981,257	23,525	-	23,525	1,004,782
2008A Series-Redemption	73030	-	220,699	-	220,699	220,699
2008A Series-Debt Service	73010	(2,135,120)	4,120,101	4,200,247	8,320,348	6,185,228
<b>Total debt service</b>		<b>1,856,608</b>	<b>27,894,770</b>	<b>13,393,839</b>	<b>41,288,609</b>	<b>43,145,217</b>
2007 Series-Rebate	29000	-	-	-	-	-
2003 Series-Rebate	41300	872	3,871	-	3,871	4,743
2001 Series-Rebate	41500	8,070	811,526	-	811,526	819,596
2003 Series-Refunding	41900	1,497	150,583	-	150,583	152,080
2005 Rebate	42600	1,048	3,352	-	3,352	4,400
911-Rebate	48800	1,095	110,165	-	110,165	111,260
<b>Total Rebate Accounts</b>		<b>12,582</b>	<b>1,079,497</b>	<b>-</b>	<b>1,079,497</b>	<b>1,092,079</b>
2009 Series - Cost of Issuance	10650	-	32,936	-	32,936	32,936
2003 Series - Cost of Issuance	41600	(613)	21,799	-	21,799	21,186
<b>Total cost of issuance</b>		<b>(613)</b>	<b>54,735</b>	<b>-</b>	<b>54,735</b>	<b>54,122</b>
<b>COMBINED TOTAL</b>		<b>\$ 1,868,577</b>	<b>\$ 29,029,002</b>	<b>\$ 13,393,839</b>	<b>\$ 42,422,841</b>	<b>\$ 44,291,418</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, 2012

	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	33,524,513	-	-	-	33,524,513
2009-A Series - Refunding	10770	-	-	-	-	-
2010-A Series - Debt Service	10950	14,258,182	-	-	-	14,258,182
2010-B Series - Debt Service	10960	11,540,335	-	-	-	11,540,335
2010-C Series - Debt Service	11190	9,065,789	-	-	-	9,065,789
2010-C Series - Refunding	11220	-	-	-	-	-
Series 2011A-1 Refunding	11280	16,190,687	-	-	-	16,190,687
Series 2011A-2 Refunding	30830	2,610,671	-	-	-	2,610,671
Series 2012A - Refunding	30820	2,077,665	-	-	-	2,077,665
2010-D Series - Debt Service	11480	18,082	-	-	-	18,082
2004-B Series Debt Service	18300	1,153,609	-	-	-	1,153,609
2005-B1 Series Debt Service	38800	8,101,279	-	-	-	8,101,279
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	118,661,613	72,946,020	-	-	191,607,633
2005-A Series Debt Service	41200	91,302	-	-	-	91,302
2003-B Series-Debt Service	48400	1,229,488	-	-	-	1,229,488
2004-A Series-Debt Service	49200	-	-	-	-	-
2007-A Debt Service	53700	13,543,296	-	-	-	13,543,296
2007-A Refunding	53800	-	-	-	-	-
2005-B2 Series Debt Service	57100	1,414	-	-	-	1,414
2002-A Series-Debt Service	69900	-	-	-	-	-
2008A-1 Series - Debt Service	72010	14,636,675	-	-	-	14,636,675
2008A-2 Series - Debt Service	72070	5,528,060	-	-	-	5,528,060
2003-A Series-Debt Service	88400	-	-	-	-	-
2006-A Series Debt Service	96300	2,446	-	-	-	2,446
<b>Total Debt Service</b>		<b>252,235,106</b>	<b>72,946,020</b>	<b>-</b>	<b>-</b>	<b>325,181,126</b>
2002-B Supp-Rebate	39200	-	-	-	-	-
2000-C Series-Rebate	40600	-	-	-	-	-
2004-B Series-Rebate	41100	1,007	-	-	-	1,007
2003-B Supp-Rebate	42000	12,638	-	-	-	12,638
2004-A Series-Rebate	42700	-	-	-	-	-
1999-B Series-Rebate	46100	-	-	-	-	-
2005-A Series-Rebate	48300	247,100	-	-	-	247,100
2005-B1 Series-Rebate	57000	11,061	-	-	-	11,061
2001A Series - Rebate	71200	-	-	-	-	-
2003-A Series-Rebate	87300	-	-	-	-	-
2005-B2 Series-Rebate	96000	6,491	-	-	-	6,491
2006-A Series-Rebate	96400	38,663	-	-	-	38,663
<b>Total Rebate Accounts</b>		<b>316,960</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>316,960</b>
<b>COMBINED TOTAL</b>		<b>\$ 252,552,066</b>	<b>\$ 72,946,020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 325,498,086</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, 2012

	<u>Fund Equity</u>		
	<u>Restricted for Debt Service</u>	<u>Total Fund Equity</u>	<u>Total Liabilities &amp; Fund Equity</u>
2002-A Supp. Series - DS	\$ -	\$ -	\$ -
2009-A Series - Debt Service	33,524,513	33,524,513	33,524,513
2009-A Series - Refunding	-	-	-
2010-A Series - Debt Service	14,258,182	14,258,182	14,258,182
2010-B Series - Debt Service	11,540,335	11,540,335	11,540,335
2010-C Series - Debt Service	9,065,789	9,065,789	9,065,789
2010-C Series - Refunding	-	-	-
2010-D Series - Debt Service	16,190,687	16,190,687	16,190,687
Series 2011A-1 Refunding	2,610,671	2,610,671	2,610,671
Series 2011A-2 Refunding	2,077,665	2,077,665	2,077,665
Series 2012A - Refunding	18,082	18,082	18,082
2004-B Series Debt Service	1,153,609	1,153,609	1,153,609
2005-B1 Series Debt Service	8,101,279	8,101,279	8,101,279
2000 Series-Debt Service	-	-	-
2002-B Supp. Series - DS	-	-	-
2000-C Series-Debt Service	-	-	-
2001-A Series-Refunding	-	-	-
Severance Tax Bonding	87,502,903	87,502,903	191,607,633
2005-A Series Debt Service	91,302	91,302	91,302
2003-B Series-Debt Service	1,229,488	1,229,488	1,229,488
2004-A Series-Debt Service	-	-	-
2007-A Debt Service	13,543,296	13,543,296	13,543,296
2007-A Refunding	-	-	-
2005-B2 Series Debt Service	1,414	1,414	1,414
2002-A Series-Debt Service	-	-	-
2008A-1 Series - Debt Service	14,636,675	14,636,675	14,636,675
2008A-2 Series - Debt Service	5,526,845	5,526,845	5,528,060
2003-A Series-Debt Service	-	-	-
2006-A Series Debt Service	2,446	2,446	2,446
<b>Total Debt Service</b>	<b>221,075,181</b>	<b>221,075,181</b>	<b>325,181,126</b>
2002-B Supp-Rebate	-	-	-
2000-C Series-Rebate	-	-	-
2004-B Series-Rebate	1,007	1,007	1,007
2003-B Supp-Rebate	12,638	12,638	12,638
2004-A Series-Rebate	-	-	-
1999-B Series-Rebate	-	-	-
2005-A Series-Rebate	247,100	247,100	247,100
2005-B1 Series-Rebate	11,061	11,061	11,061
2001A Series - Rebate	-	-	-
2003-A Series-Rebate	-	-	-
2005-B2 Series-Rebate	6,491	6,491	6,491
2006-A Series-Rebate	38,663	38,663	38,663
<b>Total Rebate Accounts</b>	<b>316,960</b>	<b>316,960</b>	<b>316,960</b>
<b>COMBINED TOTAL</b>	<b>\$ 221,392,141</b>	<b>\$ 221,392,141</b>	<b>\$ 325,498,086</b>

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, 2012

	SHARE Fund	Revenues		Expenditures	
		Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures
2002-A Supp. Series - DS	09500	\$ -	\$ -	\$ -	\$ -
2009-A Series - Debt Service	10750	613,576	36,795,850	-	36,795,850
2009-A Series - Refunding	10770	-	-	-	-
2010-A Series - Debt Service	10950	4,350,592	16,813,925	-	16,813,925
2010-B Series - Debt Service	10960	2,473,343	13,867,300	-	13,867,300
2010-C Series - Debt Service	11190	8,655	9,672,200	-	9,672,200
2010-C Series - Refunding	11220	-	-	-	-
2010-D Series - Debt Service	11280	4,489	6,503,850	-	6,503,850
2011A-1 Series	30830	284,863	-	-	-
2011A-2 Series Refunding	30820	465	-	-	-
2012A - Series	11480	15,114	-	-	-
2004-B Series Debt Service	18300	323	1,232,500	-	1,232,500
2005-B1 Series Debt Service	38800	1,870	8,104,975	-	8,104,975
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	1,705,435	224,965,038	3,079,851	228,044,889
2005-A Series -Debt Service	41200	19,633	-	-	-
2003-B Series-Debt Service	48400	288	1,231,976	-	1,231,976
2004-A Series-Debt Service	49200	-	-	-	-
2007-A Series-Debt Service	53700	87,296	13,481,475	-	13,481,475
2007-A Refunding	53800	-	-	-	-
2005-B2 Series Debt Service	57100	15	7,491,063	-	7,491,063
2002-A Series-Debt Service	69900	-	-	-	-
2008A-1 Debt Service	72010	374,223	16,550,825	-	16,550,825
2008A-2 Debt Service	72070	1,263	5,476,875	-	5,476,875
2003-A Series-Debt Service	88400	-	-	-	-
2006-A Series Debt Service	96300	28	13,443,600	-	13,443,600
<b>Total Debt Service</b>		<b>9,941,471</b>	<b>375,631,452</b>	<b>3,079,851</b>	<b>378,711,303</b>
2002-B Supp-Rebate	39200	-	-	-	-
2000-C Series Rebate	40600	-	-	-	-
2004-B Series-Rebate	41100	220	-	-	-
2003-B Supp-Rebate	42000	125	-	-	-
2004-A Series-Rebate	42700	-	-	-	-
1999-B Series-Rebate	46100	-	-	-	-
2005-A Series-Rebate	48300	2,433	-	-	-
2005-B1 Series-Rebate	57000	108	-	-	-
2001-A Series-Rebate	71200	-	-	-	-
2003-A Series-Rebate	87300	-	-	-	-
2005-B2 Series-Rebate	96000	64	-	-	-
2006-A Series-Rebate	96400	381	-	-	-
<b>Total Rebate Accounts</b>		<b>3,331</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>COMBINED TOTAL</b>		<b>\$ 9,944,802</b>	<b>\$ 375,631,452</b>	<b>\$ 3,079,851</b>	<b>\$ 378,711,303</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
\$ -	\$ -	\$ -	\$ -	\$ -	-	-
(36,182,274)	-	-	-	36,970,785	-	-
-	-	-	-	-	-	-
(12,463,333)	-	-	-	12,762,500	-	-
(11,393,957)	-	-	-	11,278,419	-	-
(9,663,545)	-	-	-	9,956,360	-	-
-	-	-	-	-	-	-
(6,499,361)	-	-	-	19,437,440	-	-
284,863	-	1,308	-	2,324,500	-	-
465	-	-	-	2,077,200	-	-
15,114	-	2,968	-	-	-	-
(1,232,177)	-	-	-	1,236,250	-	-
(8,103,105)	-	-	-	8,287,400	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(226,339,454)	494,789,094	-	(104,379,236)	(139,849,004)	-	-
19,633	-	-	-	-	-	-
(1,231,688)	-	-	-	1,273,042	-	-
-	-	-	-	-	-	-
(13,394,179)	-	-	-	13,723,207	-	-
-	-	-	-	-	-	-
(7,491,048)	-	-	-	-	-	-
-	-	-	-	-	-	-
(16,176,602)	-	-	-	14,914,403	-	-
(5,475,612)	-	-	-	5,607,498	-	-
-	-	-	-	-	-	-
(13,443,572)	-	-	-	-	-	-
(368,769,832)	494,789,094	4,276	(104,379,236)	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
220	-	-	-	-	-	-
125	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,433	-	-	-	-	-	-
108	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
64	-	-	-	-	-	-
381	-	-	-	-	-	-
3,331	-	-	-	-	-	-
\$ (368,766,501)	\$ 494,789,094	\$ 4,276	\$ (104,379,236)	\$ -	\$ -	\$ -

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, 2012

	SHARE	Total Other	Net Change	Beginning		Beginning	Fund
	Fund	Financing	in Fund	Fund Balance	Restatement	Fund Balance	Balances
		Sources (Uses)	Balance	as Originally		as Restated	June 30, 2012
				Reported			
2002-A Supp. Series - DS	09500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009-A Series - Debt Service	10750	36,970,785	788,511	32,736,002	-	32,736,002	33,524,513
2009-A Series - Refunding	10770	-	-	-	-	-	-
2010-A Series - Debt Service	10950	12,762,500	299,167	13,959,015	-	13,959,015	14,258,182
2010-B Series - Debt Service	10960	11,278,419	(115,538)	11,655,873	-	11,655,873	11,540,335
2010-C Series - Debt Service	11190	9,956,360	292,815	8,772,974	-	8,772,974	9,065,789
2010-C Series - Refunding	11220	-	-	-	-	-	-
2010-D Series - Debt Service	11280	19,437,440	12,938,079	3,252,608	-	3,252,608	16,190,687
2011A-1 Series	30830	2,325,808	2,610,671	-	-	-	2,610,671
2011A-2 Series Refunding	30830	2,077,200	2,077,665	-	-	-	2,077,665
2012A - Series	30830	2,968	18,082	-	-	-	18,082
2004-B Series Debt Service	18300	1,236,250	4,073	1,149,536	-	1,149,536	1,153,609
2005-B1 Series Debt Service	38800	8,287,400	184,295	7,916,984	-	7,916,984	8,101,279
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	250,560,854	24,221,400	63,281,503	-	63,281,503	87,502,903
2005-A Series -Debt Service	41200	-	19,633	71,669	-	71,669	91,302
2003-B Series-Debt Service	48400	1,273,042	41,354	1,188,134	-	1,188,134	1,229,488
2004-A Series-Debt Service	49200	-	-	-	-	-	-
2007-A Series-Debt Service	53700	13,723,207	329,028	13,214,268	-	13,214,268	13,543,296
2007-A Refunding	53800	-	-	-	-	-	-
2005-B2 Series Debt Service	57100	-	(7,491,048)	7,492,462	-	7,492,462	1,414
2002-A Series-Debt Service	69900	-	-	-	-	-	-
2008A-1 Debt Service	72010	14,914,403	(1,262,199)	15,898,874	-	15,898,874	14,636,675
2008A-2 Debt Service	72070	5,607,498	131,886	5,394,959	-	5,394,959	5,526,845
2003-A Series-Debt Service	88400	-	-	-	-	-	-
2006-A Series Debt Service	96300	-	(13,443,572)	13,446,018	-	13,446,018	2,446
<b>Total Debt Service</b>		<b>390,414,134</b>	<b>21,644,302</b>	<b>199,430,879</b>	<b>-</b>	<b>199,430,879</b>	<b>221,075,181</b>
2002-B Supp-Rebate	39200	-	-	-	-	-	-
2000-C Series Rebate	40600	-	-	-	-	-	-
2004-B Series-Rebate	41100	-	220	787	-	787	1,007
2003-B Supp-Rebate	42000	-	125	12,513	-	12,513	12,638
2004-A Series-Rebate	42700	-	-	-	-	-	-
1999-B Series-Rebate	46100	-	-	-	-	-	-
2005-A Series-Rebate	48300	-	2,433	244,667	-	244,667	247,100
2005-B1 Series-Rebate	57000	-	108	10,953	-	10,953	11,061
2001-A Series-Rebate	71200	-	-	-	-	-	-
2003-A Series-Rebate	87300	-	-	-	-	-	-
2005-B2 Series-Rebate	96000	-	64	6,427	-	6,427	6,491
2006-A Series-Rebate	96400	-	381	38,282	-	38,282	38,663
<b>Total Rebate Accts.</b>		<b>-</b>	<b>3,331</b>	<b>313,629</b>	<b>-</b>	<b>313,629</b>	<b>316,960</b>
<b>COMBINED TOTAL</b>		<b>\$ 390,414,134</b>	<b>\$ 21,647,633</b>	<b>\$ 199,744,508</b>	<b>\$ -</b>	<b>\$ 199,744,508</b>	<b>\$221,392,141</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, 2012

Issue	SHARE Fund	Date of Issue	Issue Amount	Interest Rate	Unpaid Balance June 30, 2011
General Obligation and Revenue Bonds:					
Series 2005 Debt Service	3200	03/01/05	111,850,000	5.00%	51,480,000
Series 2007 Debt Service	28800	03/01/07	134,870,000	5.00%	88,655,000
Refunding Series 2008A	73010	06/25/08	71,270,000	5.00%	29,445,000
Series 2009 Debt Service	10630	05/28/09	196,330,000	5.00%	167,275,000
Series 2011 Debt Service	11630	05/26/11	<u>18,645,000</u>	2.00-4.00%	<u>18,645,000</u>
Total General Obligation Bonds			532,965,000		355,500,000
Severance Tax Bonds:					
Series 2003B Supplemental	48400	11/01/03	10,000,000	3.10-3.70%	3,555,000
Series 2004B Supplemental	18300	11/17/04	10,000,000	2.00-5.00%	4,370,000
Series 2005B-1 Refunding	38800	06/28/05	37,040,000	3.25-5.00%	15,455,000
Series 2005B-2 Supplemental	57100	06/29/05	21,095,000	3.50-5.00%	7,310,000
Series 2006A	96300	06/20/06	135,000,000	4.00-5.00%	13,180,000
Series 2007A	53700	06/28/07	162,840,000	4.00-5.00%	25,900,000
Series 2008A-1	72010	06/25/08	149,000,000	4.00-5.00%	124,395,000
Series 2008A-2 Supplemental	72070	06/25/08	20,550,000	3.00%	10,680,000
Series 2009A Refunding	10750	07/30/09	218,450,000	2.00-5.00%	195,785,000
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	140,520,000	3.00-5.00%	140,520,000
Series 2011A-1 Refunding	30830	12/06/11	47,790,000	3.00-5.00%	-
Series 2011A-2 Refunding	30820	12/06/11	75,715,000	4.00-5.00%	-
Series 2012A - Refunding	11480	06/21/12	<u>57,990,000</u>	3.00-5.00%	<u>-</u>
Total Severance Tax Bonds			<u>1,180,540,000</u>		<u>817,195,000</u>
TOTAL GENERAL LONG-TERM DEBT			<u>1,713,505,000</u>		<u>1,172,695,000</u>
<b><u>Premium/Discount</u></b>					
Current year bond premiums:					
STB, Series 2012A			12,385,779		
STB, Series 2011A-1			3,277,394		
STB, Series 2011A-2			<u>12,005,014</u>		
TOTAL CURRENT YEAR BOND PREMIUMS			<u>27,668,187</u>		

New Bonds	Reductions			Unpaid Balance June 30, 2012	Interest to Maturity	Debt Service Requirements
	Refunded Debt	Principal Payments	Total Reductions			
\$ -	\$ -	\$ 11,970,000	\$ 11,970,000	\$ 39,510,000	\$ 4,013,500	\$ 43,523,500
-	-	13,035,000	13,035,000	75,620,000	11,711,500	87,331,500
-	-	14,320,000	14,320,000	15,125,000	756,250	15,881,250
-	-	17,515,000	17,515,000	149,760,000	31,410,000	181,170,000
-	-	1,770,000	1,770,000	16,875,000	3,334,850	20,209,850
-	-	58,610,000	58,610,000	296,890,000	51,226,100	348,116,100
-	-	1,125,000	1,125,000	2,430,000	90,131	2,520,131
-	-	1,040,000	1,040,000	3,330,000	253,750	3,583,750
-	-	7,545,000	7,545,000	7,910,000	189,425	8,099,425
-	-	7,310,000	7,310,000	-	-	-
-	-	13,180,000	13,180,000	-	-	-
-	-	12,635,000	12,635,000	13,265,000	265,300	13,530,300
-	82,510,000	13,285,000	95,795,000	28,600,000	1,227,750	29,827,750
-	-	5,235,000	5,235,000	5,445,000	81,675	5,526,675
-	-	28,145,000	28,145,000	167,640,000	29,398,475	197,038,475
-	-	10,935,000	10,935,000	121,330,000	28,609,700	149,939,700
-	-	9,210,000	9,210,000	90,790,000	20,199,925	110,989,925
-	-	7,795,000	7,795,000	35,985,000	3,743,375	39,728,375
-	-	-	-	140,520,000	21,105,725	161,625,725
47,790,000.00	-	-	-	47,790,000	8,968,755	56,758,755
75,715,000.00	-	-	-	75,715,000	17,298,934	93,013,934
57,990,000.00	-	-	-	57,990,000	18,537,972	76,527,972
<u>181,495,000.00</u>	<u>82,510,000</u>	<u>117,440,000</u>	<u>199,950,000</u>	<u>798,740,000</u>	<u>149,970,892</u>	<u>948,710,892</u>
<u>181,495,000.00</u>	<u>82,510,000</u>	<u>176,050,000</u>	<u>258,560,000</u>	<u>1,095,630,000</u>	<u>201,196,992</u>	<u>1,296,826,992</u>

Bond proceeds are accounted for in the Department of Finance and Administrations financial statements for the fiscal year ended June 30, 2012.



**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, 2012**

Issue	SHARE Fund	2013	2014
<b>General Obligation Bonds:</b>			
Series 2005	3200	\$ 14,525,500	\$ 14,508,000
Series 2007	28800	17,466,000	17,466,750
Refunding Series 2008-A	73010	15,881,250	-
Series 2009 Debt Service	10630	25,883,000	25,883,250
Series 2011	11630	<u>2,244,450</u>	<u>2,246,350</u>
Total General Obligation Bonds		76,000,200	60,104,350
<b>Severance Tax Bonds:</b>			
Series 2003B Supplemental	48400	1,252,099	1,268,033
Series 2004B Supplemental	18300	1,209,750	1,195,250
Series 2005B-1 Refunding	38800	8,099,425	-
Series 2007A	53700	13,530,300	-
Series 2008A-1	72010	14,884,750	14,943,000
Series 2008A-2 Refunding	72070	5,526,675	-
Series 2009A Refunding	10750	36,904,850	37,039,250
Series 2010A	10950	16,754,600	16,745,000
Series 2010B Supplemental	10960	13,494,550	13,141,675
Series 2010C Refunding	11190	9,760,125	9,854,000
Series 2010D Refunding	11280	19,244,825	31,933,900
Series 2011A-1 Refunding	30830	3,370,898	4,827,738
Series 2011A-2 Refunding	30820	3,900,959	3,647,650
Series 2012A - Refunding	11480	<u>1,500,472</u>	<u>4,320,500</u>
Total Severance Tax Bonds		<u>149,434,278</u>	<u>138,915,996</u>
<b>TOTAL DEBT SERVICE REQUIREMENTS</b>		<u>\$ 225,434,478</u>	<u>\$ 199,020,346</u>

	2015	2016	2017	2018-2021	Total
\$	14,490,000	\$ -	\$ -	\$ -	\$ 43,523,500
	17,468,250	17,463,750	17,466,750	-	87,331,500
	-	-	-	-	15,881,250
	25,882,500	25,878,500	25,879,000	51,763,750	181,170,000
	<u>2,247,550</u>	<u>2,243,550</u>	<u>2,246,950</u>	<u>8,981,000</u>	<u>20,209,850</u>
	60,088,300	45,585,800	45,592,700	60,744,750	348,116,100
	-	-	-	-	2,520,132
	1,178,750	-	-	-	3,583,750
	-	-	-	-	8,099,425
	-	-	-	-	13,530,300
	-	-	-	-	29,827,750
	-	-	-	-	5,526,675
	27,762,500	19,067,500	19,066,500	57,197,875	197,038,475
	16,732,100	16,661,750	16,642,500	66,403,750	149,939,700
	12,807,425	12,495,425	12,223,675	46,827,175	110,989,925
	9,951,375	10,162,875	-	-	39,728,375
	31,811,125	31,784,875	31,757,875	15,093,125	161,625,725
	6,222,637	6,187,913	6,183,412	29,966,156	56,758,754
	17,181,450	17,101,125	17,080,000	34,102,750	93,013,934
	<u>5,395,000</u>	<u>8,166,625</u>	<u>8,163,750</u>	<u>48,981,625</u>	<u>76,527,972</u>
	<u>129,042,362</u>	<u>121,628,088</u>	<u>111,117,712</u>	<u>298,572,456</u>	<u>948,710,892</u>
\$	<u>189,130,662</u>	<u>\$ 167,213,888</u>	<u>\$ 156,710,412</u>	<u>\$ 359,317,206</u>	<u>\$ 1,296,826,992</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, 2012**

Issue	SHARE Fund	Date	Original Cost
<b>GENERAL OBLIGATION:</b>			
Series 2005	3200	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>67,679</u>
			2,662,411
<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	688,548
Series 2011A-1	30830	12/06/11	124,051
Series 2011A-2 Refunding	30820	12/06/11	196,537
Series 2012A	11480	06/21/12	<u>79,850</u>
			<u>4,632,452</u>
			<u>\$ 7,294,863</u>

		<b>Amortization</b>			
<b>Accumulated Amortization 6/30/2011</b>	<b>Current Amortization Expense</b>	<b>Accumulated Amortization 6/30/2012</b>	<b>Net Book Value 6/30/2012</b>		
\$ 520,977	\$ 80,151	\$ 601,128	\$ 200,375		
197,118	46,381	243,499	220,307		
207,248	69,082	276,330	69,083		
205,002	98,401	303,403	680,607		
1,154	6,941	8,095	59,584		
<hr/>	<hr/>	<hr/>	<hr/>		
1,131,499	300,956	1,432,455	1,229,956		
25,362	3,344	28,706	4,739		
83,073	12,780	95,853	31,952		
311,225	56,586	367,811	198,052		
379,663	19,983	399,646	-		
110,254	-	110,254	-		
155,701	34,600	190,301	155,701		
113,998	32,571	146,569	179,141		
159,132	53,044	212,176	318,264		
42,976	14,325	57,301	-		
78,867	41,148	120,015	291,463		
20,997	16,798	37,795	130,182		
46,125	36,900	83,025	285,975		
19,709	19,709	39,418	59,127		
61,011	104,590	165,601	522,947		
-	6,529	6,529	117,522		
-	15,118	15,118	181,419		
-	-	-	79,850		
<hr/>	<hr/>	<hr/>	<hr/>		
1,608,093	468,025	2,076,118	2,556,334		
<hr/>	<hr/>	<hr/>	<hr/>		
\$ 2,739,592	\$ 768,981	\$ 3,508,573	\$ 3,786,290		

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS (CONTINUED) –  
 ADDITIONAL INFORMATION  
 June 30, 2012**

**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 annual requirements to amortize the combined General Obligation Bond issues outstanding as of June 30, 2012, including interest payments, are as follows (see details on Schedule 6):

Years ending June 30:

2013	\$ 76,000,200
2014	60,104,350
2015	60,088,300
2016	45,485,800
2017	45,592,700
2018 - 2021	<u>60,744,750</u>
<b>Total</b>	<b><u>\$ 348,116,100</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, 2012:

On December 6, 2011, the State Board of Finance issued bond series 2011A-1 and 2011A-2 refunding with principal amounts of \$47,790,000 for projects and \$75,715,000 to refund existing debt. The interest rate for both varies between three and five percent (3% and 5%), with principal due through 2021 and 2018.

On June 21, 2012, the State Board of Finance issued bonds with a principal amount of \$57,990,000 for projects. The interest rate varies between three and five percent (3% and 5%), with principal due through 2022.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS (CONTINUED) –  
 ADDITIONAL INFORMATION  
 June 30, 2012**

**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, 2012, including interest payments, are as follows (see details on Schedule 6, page 3):

Years ending June 30:

2013	\$ 149,434,278
2014	138,915,996
2015	129,042,362
2016	121,628,088
2017	111,117,712
2018 - 2021	<u>298,572,456</u>
<b>Total</b>	<b><u>\$ 948,710,892</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 2008A	<u>\$ 82,510,000</u>
<b>Total</b>	<b><u>\$ 82,510,000</u></b>

The following refunding activity occurred during the year ended June 30, 2012:

On December 6, 2011, the State Board of Finance issued Severance Tax Bonds, Refunding Series 2011A-2, with a principal amount of \$75,715,000 to provide refunding of Severance Tax Bond Series 2008A. The difference in cash flow required between the prior debt service requirements and new funding debt service requirements resulted in cash flow savings of \$4,881,299. The economic gain, or present value savings, was \$4,256,241.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS  
 Year Ended June 30, 2012

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>GENERAL FUND INVESTMENT POOL:</b>						
Repurchase Agreements	Various	Various	Various	\$ 873,001,968	\$ 873,001,968	\$ -
Certificates of Deposit	Various	Various	Various	32,750,000	32,750,000	-
Mutual Funds (Investment in LGIP)	Various	Various	Various	40,027,793	40,027,793	-
<b>Municipal Bonds:</b>						
ALAMOGORDO N MEX MUN SCH DI S1' NO 001	1.500%	06/19/12	08/01/13	354,158	354,088	(70)
ALAMOGORDO N MEX MUN SCH DI S1' NO 001	1.500%	06/19/12	08/01/14	357,243	356,983	(260)
BERNALILLO CNTY N MEX 01 / FEB/2013	4.000%	10/05/11	02/01/13	561,222	561,561	339
BERNALILLO CNTY N MEX 01 / FEB/2013	3.000%	10/05/11	02/01/14	590,618	592,988	2,370
CATRON & CIBOLA CN'Y'S N HEX INDPT SCH 01	2.000%	03/27/12	08/01/14	144,342	143,795	(547)
CONNECTICUT ST FOR ISSUES DATED PRIOR T	1.720%	05/19/11	05/15/13	5,031,600	5,051,050	19,450
ESPANOLA N MEX PUB SCH DIST NO 55 RIO AR	2.000%	09/30/11	09/01/12	571,554	571,436	(118)
ESPANOLA N MEX PUB SCH DIST NO 55 RIO AR	2.000%	09/30/11	09/01/13	1,116,611	1,117,886	1,275
ESPANOLA N MEX PUB SCH DIST NO 55 RIO AR	2.000%	09/30/11	09/01/14	1,145,182	1,150,789	5,607
FARMINGTON N MEX MUN SCH DIST NO 005 SC	2.000%	04/13/12	09/01/12	2,507,306	2,506,300	(1,006)
FARMINGTON N MEX MUN SCH DIST NO 005 SC	3.000%	04/13/12	09/01/13	1,030,225	1,029,520	(705)
FARMINGTON N MEX MUN SCH DIST NO 005 SC	3.000%	04/13/12	09/01/14	1,052,692	1,052,150	(542)
GADSDEN N MEX INDPT SCH DIST NO 016 RFD	2.000%	10/26/11	08/15/12	2,389,994	2,389,293	(701)
GADSDEN N MEX INDPT SCH DIST NO 016 RFD	2.000%	10/26/11	08/15/13	2,280,106	2,283,996	3,890
GADSDEN N MEX INDPT SCH DIST NO 016 RFD	2.000%	10/26/11	08/15/14	2,053,376	2,059,255	5,879
LOS ALAMOS CNTY N HEX I NC UTIL SYS REV F	5.000%	06/01/12	07/01/13	2,090,924	2,090,300	(624)
LOS ALAMOS N MEX PUB seH DI ST RFDG-SCH	2.000%	08/17/11	08/01/12	1,101,495	1,101,287	(208)
LOS ALAMOS N MEX PUB seH DI ST RFDG-SCH	2.000%	08/17/11	08/01/13	482,437	483,085	648
LOS ALAMOS N MEX PUB seH DI ST RFDG-SCH	2.000%	08/17/11	08/01/14	333,044	334,831	1,787
LOS ALAMOS N MEX PUB seH DI ST RFDG-SCH	2.000%	05/16/12	08/01/13	798,546	798,361	(185)
LOVINGTON N MEX MUN SCH DIST NO 001 RFD	2.000%	11/15/11	10/01/12	526,976	527,021	45
LOVINGTON N MEX MUN SCH DIST NO 001 RFD	2.000%	11/15/11	10/01/13	914,552	917,496	2,944
LOVINGTON N MEX MUN SCH DIST NO 001 RFD	2.000%	11/15/11	10/01/14	955,763	965,032	9,269
NEW MEX I CO FIN AUTH REV AMT-SR LIEN-PUI	2.000%	04/28/11	06/01/13	2,018,203	2,019,860	1,657
NEW MEX I CO FIN AUTH REV AMT-SR LIEN-PUI	3.000%	04/28/11	06/01/14	3,148,142	3,174,260	26,118
NEW MEXICO FIN AUTH REV SR LIEN OUB PRO	2.000%	03/09/12	06/01/13	507,773	507,910	137
NEW MEXICO FIN AUTH REV SR LIEN PUB PRO.	2.000%	09/01/11	06/01/13	3,659,492	3,660,481	989
NEW MEXICO FIN AUTH REV SR LIEN PUB PRO.	2.000%	09/01/11	06/01/14	3,721,930	3,723,558	1,628
NEW MEXICO FIN AUTH REV TAXABLE-SR LIEN	2.000%	09/01/11	06/01/13	769,378	769,036	(342)
NEW MEXICO FIN AUTH REV TAXABLE-SR LIEN	2.000%	09/01/11	06/01/14	784,595	787,441	2,846
NEW MEXICO ST SEVERANCE TAX RFDG-SER /	4.000%	12/06/11	07/01/14	10,451,475	10,494,738	43,263
NEW MEXICO ST SEVERANCE TAX SER A-I 01/J	2.000%	12/06/11	07/01/12	1,570,000	1,570,000	-
NEW MEXICO ST SEVERANCE TAX SER A-I 01/J	4.000%	12/06/11	07/01/13	3,339,653	3,342,745	3,092
NEW MEXICO ST SEVERANCE TAX SER A-I 01/J	4.000%	12/06/11	07/01/14	5,092,564	5,108,768	16,204
RIO RANCHO N MEX PUB SCH DIST NO 94 SCH	2.000%	08/23/11	08/01/12	2,678,749	2,678,130	(619)
RIO RANCHO N MEX PUB SCH DIST NO 94 SCH	2.000%	08/23/11	08/01/13	507,826	508,400	574
SANTA FE N MEX PUB SCH DIST FORMERLY SA	3.000%	02/02/11	08/01/12	5,812,177	5,811,890	(287)
SANTA ROSA N HEX CONS SCH DIST NO 0 08 1	1.000%	05/21/12	05/15/13	201,129	200,772	(357)
SANTA ROSA N MEX CONS SCH DIST NO 008 1	1.000%	05/21/12	05/15/14	201,860	201,238	(622)
SANTA ROSA N MEX CONS SCH DIST NO 008 1	1.000%	05/21/12	05/15/15	227,236	226,530	(706)
UNIVERSITY N MEX UNIV REVS RFDG-SUB LIEN	2.000%	03/06/12	06/01/13	1,304,977	1,301,846	(3,131)
UNIVERSITY N MEX UNIV REVS RFDG-SUB LIEN	2.000%	03/06/12	06/01/14	339,557	338,319	(1,238)
UNIVERSITY N MEX UNIV REVS RFDG-SUB LIEN	3.000%	03/06/12	06/01/14	172,922	172,278	(644)
<b>Total Municipal Bonds</b>				<u>74,899,604</u>	<u>75,036,703</u>	<u>137,099</u>

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
Year Ended June 30, 2012

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>GENERAL FUND INVESTMENT POOL - continued:</b>						
<b>US Government Securities:</b>						
<b>US Treasury Notes:</b>						
US Treasury Notes	1.375%	03/19/10	09/15/12	25,008,710	25,063,500	54,790
US Treasury Notes	1.750%	07/08/11	01/31/14	20,340,611	20,452,400	111,789
US Treasury Notes	1.875%	02/14/11	04/30/14	20,143,430	20,562,600	419,170
US Treasury Notes	1.125%	03/09/10	12/15/12	24,973,538	25,106,500	132,962
US Treasury Notes	0.250%	04/25/12	03/31/14	19,995,756	19,976,600	(19,156)
US Treasury Notes	0.625%	05/16/11	01/31/13	10,010,154	10,025,400	15,246
US Treasury Notes	0.750%	06/14/11	06/15/14	19,991,816	20,165,600	173,784
US Treasury Notes	0.375%	04/25/12	04/15/15	19,993,399	19,986,000	(7,399)
US Treasury Notes	2.250%	02/14/11	05/31/14	20,278,587	20,728,200	449,613
US Treasury Notes	1.875%	07/08/11	02/28/14	40,622,152	41,026,400	404,248
US Treasury Notes	2.625%	02/17/11	07/31/14	15,340,491	15,706,650	366,159
US Treasury Notes	0.625%	05/16/11	02/28/13	10,009,771	10,028,900	19,129
US Treasury Notes	1.250%	02/14/11	02/15/14	19,947,917	20,299,200	351,283
US Treasury Notes	0.750%	07/08/11	09/15/13	10,025,059	10,056,600	31,541
US Treasury Notes	0.875%	02/29/12	02/28/17	20,002,941	20,173,400	170,459
US Treasury Notes	0.875%	03/06/12	02/28/17	20,002,941	20,173,400	170,459
US Treasury Notes	0.875%	02/01/12	12/31/16	20,086,897	20,179,600	92,703
US Treasury Notes	0.875%	03/19/12	12/31/16	5,021,724	5,044,900	23,176
US Treasury Notes	0.875%	03/06/12	01/31/17	20,026,317	20,173,400	147,083
US Treasury Notes	1.000%	08/31/11	08/31/16	20,057,500	20,314,000	256,500
US Treasury Notes	1.750%	07/08/11	03/31/14	15,265,584	15,370,350	104,766
<b>Total US Treasury Notes</b>				<u>397,145,295</u>	<u>400,613,600</u>	<u>3,468,305</u>
<b>Federal Farm Credit Banks Cons Long:</b>						
Federal Farm Credit	1.120%	12/07/11	11/16/15	19,965,643	20,049,400	83,757
Federal Farm Credit	1.330%	12/07/11	12/07/15	20,000,000	20,064,800	64,800
Federal Agric MTG Corp MTNS	0.900%	02/09/12	06/09/16	25,000,000	25,226,000	226,000
Federal Farm Credit	4.500%	01/17/08	10/17/12	5,029,486	5,063,100	33,614
<b>Total Federal Farm Credit Banks</b>				<u>69,995,129</u>	<u>70,403,300</u>	<u>408,171</u>
<b>Federal Home Loan Banks:</b>						
Federal Home Loan	1.125%	12/05/11	09/17/14	20,083,996	20,033,000	(50,996)
Federal Home Loan	0.300%	06/05/13	07/05/13	10,000,000	9,995,600	(4,400)
Federal Home Loan	4.875%	01/17/08	12/14/12	15,163,360	15,311,700	148,340
Federal Home Loan	0.375%	06/15/12	01/29/14	20,017,649	20,007,800	(9,849)
Federal Home Loan	1.000%	02/14/12	02/13/17	19,972,593	20,095,400	122,807
Federal Home Loan	0.875%	04/18/11	12/27/13	9,967,622	10,079,300	111,678
Federal Home Loan	1.875%	04/18/11	06/21/13	10,100,093	10,156,500	56,407
Federal Home Loan	5.000%	01/17/08	09/14/12	13,457,463	13,506,976	49,513
Federal Home Loan	5.000%	04/25/08	09/14/12	7,040,527	7,066,430	25,903
<b>Total Federal Home Loan Banks</b>				<u>125,803,303</u>	<u>126,252,706</u>	<u>449,403</u>
<b>Federal Home Loan Mortgage Corporation</b>						
Freddie Mac	4.375%	10/12/11	07/17/15	22,049,857	22,305,200	255,343
Freddie Mac	2.000%	09/06/11	08/25/16	20,686,078	21,015,200	329,122
Freddie Mac	1.100%	12/30/11	12/30/15	10,000,000	10,058,400	58,400
Freddie Mac	1.150%	12/30/11	12/30/15	11,660,000	11,749,665	89,665
Freddie Mac	0.750%	10/06/11	11/25/14	9,997,391	10,075,000	77,609
Freddie Mac	1.625%	01/09/12	12/05/16	20,072,506	20,086,600	14,094
Freddie Mac	1.750%	10/12/11	09/10/15	20,469,486	20,747,400	277,914



STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
Year Ended June 30, 2012

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>GENERAL FUND INVESTMENT POOL - continued:</b>						
Freddie Mac	1.000%	03/08/12	03/08/17	19,903,272	20,108,200	204,928
Freddie Mac	1.000%	12/05/11	12/05/14	20,000,000	20,034,200	34,200
Freddie Mac	2.500%	09/06/11	05/27/16	21,083,515	21,337,000	253,485
Freddie Mac	3.500%	04/24/08	03/08/13	4,980,822	5,110,500	129,678
<b>Total Federal Home Loan Mortgage Corporation</b>				<u>180,902,927</u>	<u>182,627,365</u>	<u>1,724,438</u>
<b>Federal National Mortgage Association</b>						
Fannie Mae	5.250%	02/15/12	08/01/12	23,598,795	23,594,282	(4,513)
Fannie Mae	Floating	12/09/11	12/20/12	20,024,207	20,018,200	(6,007)
Fannie Mae	0.375%	05/23/12	03/16/15	19,914,711	19,941,600	26,889
Fannie Mae	0.500%	09/06/11	08/09/13	19,987,586	20,047,600	60,014
Fannie Mae	0.500%	06/13/12	07/02/15	19,974,516	19,975,200	684
Fannie Mae	0.875%	05/23/12	08/28/14	20,181,634	20,201,000	19,366
Fannie Mae	5.125%	08/18/11	01/02/14	13,834,843	13,876,460	41,617
Fannie Mae	1.125%	05/23/12	04/27/17	10,035,574	10,093,900	58,326
Fannie Mae	1.250%	11/07/11	09/28/16	20,040,613	20,349,200	308,587
Fannie Mae	1.250%	01/30/12	01/30/17	20,174,563	20,315,200	140,637
Fannie Mae	1.250%	03/06/12	01/30/17	40,349,127	40,630,400	281,273
Fannie Mae	2.375%	09/06/11	04/11/16	20,984,726	21,244,000	259,274
Fannie Mae	5.375%	09/08/11	07/15/16	23,347,999	23,636,600	288,601
Fannie Mae	5.000%	09/08/11	03/15/16	22,894,793	23,125,000	230,207
Fannie Mae	Floating	01/30/12	01/30/17	14,991,739	15,058,950	67,211
Fannie Mae	0.950%	09/15/11	09/08/15	20,000,000	20,042,600	42,600
Fannie Mae	1.625%	11/21/11	11/21/16	19,998,236	20,078,200	79,964
Fannie Mae	5.000%	01/17/08	08/02/12	1,002,601	1,003,970	1,369
<b>Total Federal National Mortgage Corporation</b>				<u>351,336,263</u>	<u>353,232,362</u>	<u>1,896,099</u>
<b>Total US Government Securities</b>				<u>1,125,182,917</u>	<u>1,133,129,333</u>	<u>7,946,416</u>
<b>Corporate Bonds:</b>						
<b>Corporate Bonds:</b>						
Abbot Laboratories	5.150%	11/09/07	11/30/12	9,999,300	10,186,200	186,900
Private Placement Purchase Series 02/Jul	0.290%	06/29/12	7/2/2012	4,000,000	4,000,000	-
Private Placement Purchase Series 2012 C	0.290%	05/29/12	07/01/13	7,525,000	7,525,000	-
<b>Total Corporate Bonds:</b>				<u>21,524,300</u>	<u>21,711,200</u>	<u>186,900</u>
<b>TLGP Securities:</b>						
Citigroup Funding, Inc.	1.875%	08/17/10	10/22/12	25,084,639	25,122,750	38,111
<b>Total TLGP Securities:</b>				<u>25,084,639</u>	<u>25,122,750</u>	<u>38,111</u>
<b>Total Corporate Bonds</b>				<u>46,608,939</u>	<u>46,833,950</u>	<u>225,011</u>
<b>Total General Fund Investment Pool (State Funds Investment Pool)</b>				<u>\$ 2,192,471,221</u>	<u>\$ 2,200,779,747</u>	<u>\$ 8,308,526</u>

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
Year Ended June 30, 2012

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>LOCAL GOVERNMENT INVESTMENT POOL:</b>						
Bank Accounts	Various	Various	Various	\$ 144,628,321	\$ 144,628,321	\$ -
Repurchase Agreements	Various	Various	Various	300,000,000	300,000,000	-
<b>US Government Securities:</b>						
<b>US Treasury Notes</b>						
U.S. TREASURY NOTES	0.500%	02/15/12	11/30/12	10,012,948	10,013,300	352
U.S. TREASURY NOTES	0.625%	07/01/11	07/31/12	10,003,185	10,003,900	715
<b>Total US Treasury Notes</b>				<u>20,016,133</u>	<u>20,017,200</u>	<u>1,067</u>
<b>Federal National Mortgage Association:</b>						
Fannie Mae	5.250%	09/27/11	8/1/2012	20,083,597	20,080,240	(3,357)
Fannie Mae	5.250%	02/15/12	8/1/2012	20,083,596	20,080,240	(3,356)
Fannie Mae	Floating	12/09/11	12/20/12	21,025,417	21,019,110	(6,307)
<b>Total Federal National Mortgage Association</b>				<u>61,192,610</u>	<u>61,179,590</u>	<u>(13,020)</u>
<b>Federal Farm Credit Bank</b>						
Federal Farm Credit Bank	Floating	11/02/11	06/12/13	25,006,645	24,986,250	(20,395)
Federal Farm Credit Bank	Floating	11/22/11	06/12/13	25,006,645	24,986,250	(20,395)
<b>Total Federal Farm Credit Bank</b>				<u>50,013,290</u>	<u>49,972,500</u>	<u>(40,790)</u>
<b>Federal Home Loan Bank</b>						
FHLB	0.160%	06/04/12	02/01/13	9,197,060	9,194,664	(2,396)
FHLB	0.300%	06/18/12	07/05/13	10,000,000	9,995,600	(4,400)
FHLB	0.300%	05/23/12	06/14/13	15,000,000	14,997,450	(2,550)
FHLB	0.875%	08/26/11	08/22/12	25,023,959	25,025,250	1,291
<b>Total Federal Home Loan Bank</b>				<u>59,221,019</u>	<u>59,212,964</u>	<u>(8,055)</u>
<b>Total Governmental Bonds</b>				<u>190,443,052</u>	<u>190,382,254</u>	<u>(60,798)</u>
<b>Corporate Bonds</b>						
Intl Finance Corp	1.500%	05/02/12	05/20/13	20,000,000	19,999,020	(980)
Ally Financial Inc GTD	Floating	11/16/11	12/19/12	2,702,144	2,703,996	1,852
Ally Financial Inc	2.200%	02/17/12	12/19/12	17,461,915	17,458,814	(3,101)
Ally Financial Inc	2.200%	05/16/12	12/19/12	15,140,388	15,137,700	(2,688)
Citigroup Funding Inc	1.875%	03/28/12	11/15/12	11,068,059	11,069,740	1,681
Citigroup Funding Inc	1.875%	03/30/12	11/15/12	4,779,389	4,780,115	726
Citigroup Funding Inc	1.875%	04/19/12	11/15/12	5,191,926	5,192,714	788

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
 Year Ended June 30, 2012

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>LOCAL GOVERNMENT INVESTMENT POOL:</b>						
General Electric Capital Corp	Floating	08/29/11	12/21/12	14,956,354	14,961,811	5,457
General Electric Capital Corp	Floating	09/14/11	12/21/12	7,002,975	7,005,530	2,555
General Electric Capital Corp	Floating	11/16/11	12/21/12	2,300,977	2,301,817	840
JP Morgan Chase & Co	Floating	09/28/11	12/26/12	29,802,083	29,832,705	30,622
Multibank CRE Vent	0.000%	04/11/12	01/07/13	9,982,675	9,983,000	325
US Central Federal Cred	1.900%	04/19/12	10/19/12	4,370,272	4,369,914	(358)
Western Corp Federal Credit	1.750%	02/17/12	11/02/12	8,695,130	8,694,461	(669)
Western Corp Federal Credit	1.750%	03/30/12	11/02/12	10,755,826	10,754,998	(828)
Western Corp Federal Credit	1.750%	04/19/12	11/02/12	5,138,671	5,138,276	(395)
Western Corp Federal Credit	1.750%	05/31/12	11/02/12	<u>14,200,705</u>	<u>14,199,612</u>	<u>(1,093)</u>
<b><u>Total Corporate bonds</u></b>				<u>183,549,489</u>	<u>183,584,223</u>	<u>34,734</u>
<b>CMO/REMIC</b>						
Corus Construction Venture LLC	0.000%	04/09/12	10/25/12	4,296,029	4,297,033	1,004
Corus Construction Venture LLC	0.000%	05/04/12	10/25/12	999,077	999,310	233
Corus Construction Venture LLC	0.000%	05/25/12	10/25/12	<u>11,139,704</u>	<u>11,142,307</u>	<u>2,603</u>
<b><u>Total CMO/REMIC</u></b>				<u>16,434,810</u>	<u>16,438,650</u>	<u>3,840</u>
<b>Commercial Paper</b>						
Straight A FDG SLSTN Corp Commercial	0.000%	06/11/12	09/07/12	14,494,998	14,494,652	(346)
Straight A FDG SLSTN Corp Commercial	0.000%	06/27/12	09/25/12	<u>24,989,125</u>	<u>24,988,410</u>	<u>(715)</u>
<b><u>Total Commercial Paper</u></b>				<u>39,484,123</u>	<u>39,483,062</u>	<u>(1,061)</u>
<b>Total Local Government Investment Pool</b>						
<b>(Short-term Investment Pool)</b>				<b><u>\$ 874,539,795</u></b>	<b><u>\$ 874,516,510</u></b>	<b><u>\$ (23,285)</u></b>

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
Year Ended June 30, 2012

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>Bond Proceeds Investment Pool #2 (Taxable):</b>						
Repurchase Agreements	Various	Various	Various	\$ 1,989,027	\$ 1,989,027	\$ -
Certificates of Deposit	Various	Various	Various	9,700,000	9,700,000	-
Mutual Funds	Various	Various	Various	109,292,564	109,292,564	-
<b>US Government Securities:</b>						
<b>US Treasury Notes:</b>						
US Treasury Notes	1.875%	1/19/11	2/28/14	20,283,598	20,513,200	229,602
US Treasury Notes	1.875%	2/14/11	2/28/14	20,283,597	20,513,200	229,603
US Treasury Notes	0.625%	2/24/11	2/28/13	4,996,734	5,014,450	17,716
US Treasury Notes	0.750%	9/3/10	8/15/13	29,969,547	30,160,500	190,953
US Treasury Notes	2.250%	3/28/11	5/31/14	10,170,245	10,364,100	193,855
US Treasury Notes	1.000%	3/28/11	7/15/13	10,008,876	10,076,200	67,324
US Treasury Notes	1.875%	3/28/11	4/30/14	10,104,156	10,281,300	177,144
US Treasury Notes	1.750%	1/17/12	7/31/15	10,396,541	10,396,100	(441)
US Treasury Notes	1.500%	1/17/12	6/30/16	10,332,536	10,359,400	26,864
US Treasury Notes	0.500%	7/8/11	10/15/13	4,995,216	5,013,650	18,434
US Treasury Notes	0.500%	7/8/11	5/31/13	20,008,315	20,046,000	37,685
US Treasury Notes	0.375%	7/8/11	6/30/13	19,980,262	20,024,200	43,938
US Treasury Notes	0.250%	1/17/12	12/15/14	9,980,531	9,974,200	(6,331)
<b>Total US Treasury Notes</b>				<u>181,510,154</u>	<u>182,736,500</u>	<u>1,226,346</u>
<b>Federal Farm Credit Banks Cons Long:</b>						
Federal Farm Credit	1.170%	12/16/11	12/14/15	4,364,054	4,374,341	10,287
<b>Total Federal Farm Credit Banks</b>				<u>4,364,054</u>	<u>4,374,341</u>	<u>10,287</u>
<b>Federal Home Loan Mortgage Co.:</b>						
Freddie Mac	2.000%	8/30/11	8/26/16	25,728,439	26,269,000	540,561
Freddie Mac	1.100%	12/30/11	12/30/15	7,300,000	7,342,632	42,632
Freddie Mac	1.625%	11/23/11	11/23/16	19,991,169	20,075,400	84,231
Freddie Mac	1.625%	1/9/12	12/5/16	20,072,506	20,086,600	14,094
<b>Total Federal Home Loan Mortgage Co.</b>				<u>73,092,114</u>	<u>73,773,632</u>	<u>681,518</u>
<b>Federal National Mortgage Association:</b>						
Fannie Mae	4.000%	8/22/08	4/15/13	2,397,603	2,470,440	72,837
Fannie Mae	1.625%	1/9/12	10/26/15	20,501,009	20,716,200	215,191
Fannie Mae	5.125%	8/18/11	1/2/14	24,165,134	24,241,108	75,974
Fannie Mae	1.250%	7/12/11	2/27/14	20,175,606	20,334,200	158,594
Fannie Mae	1.350%	9/20/11	9/20/16	25,000,000	25,051,250	51,250
Fannie Mae	1.000%	7/12/11	9/23/13	20,106,558	20,166,600	60,042
Fannie Mae	Floating	1/30/12	1/30/17	19,988,986	20,078,600	89,614
Fannie Mae	1.400%	12/30/11	12/30/16	15,000,000	15,149,400	149,400
Fannie Mae	5.250%	9/27/11	8/1/12	5,020,778	5,020,060	(718)

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
 Year Ended June 30, 2012

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>Bond Proceeds Investment Pool #2 (Taxable):</b>						
<b>Total Federal National Mortgage Association</b>				152,355,674	153,227,858	872,184
<b>Total US Government Securities</b>				411,321,996	414,112,331	2,790,335
<b>Corporate Bonds:</b>						
<b>Corporate Bonds:</b>						
Goldman Sachs Group Inc	5.700%	10/9/07	9/1/12	10,014,354	10,062,700	48,346
Morgan Stanley-2nd	5.750%	10/9/07	8/31/12	5,008,313	5,032,150	23,837
<b>Total Corporate Bonds:</b>				15,022,667	15,094,850	72,183
<b>Temporary Corporate Credit Union Stabilization Bonds:</b>						
US Central FCU	1.900%	10/19/09	10/19/12	19,998,181	20,100,800	102,619
Western Corp FCU	1.750%	11/2/09	11/2/12	9,998,034	10,051,400	53,366
<b>Total Temporary Corporate Credit Union Stabilization Bonds</b>				29,996,215	30,152,200	155,985
<b>TLGP Securities:</b>						
Citigroup Funding	2.250%	8/23/10	12/10/12	20,133,217	20,179,400	46,183
Citibank NA	1.750%	8/23/10	12/28/12	20,098,519	20,148,800	50,281
General Electric Capital Corp	2.125%	8/23/10	12/21/12	25,318,878	25,371,836	52,958
<b>Total TLGP Securities</b>				65,550,614	65,700,036	149,422
<b>Total Corporate Bonds:</b>				110,569,496	110,947,086	377,590
<b>Total Bond Proceeds Investment Pool #2 (Taxable)</b> (Part 1 of the Consolidated Investment Pool)				<u>\$ 642,873,083</u>	<u>\$ 646,041,008</u>	<u>\$ 3,167,925</u>

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
Year Ended June 30, 2012

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
<b>Bond Proceeds Investment Pool #1 (Tax Exempt):</b>						
Cash	Various	Various	Various	\$ 50,335,000	\$ 50,335,000	\$ -
Repurchase Agreements	Various	Various	Various	117,674,005	117,674,005	-
Mutual Funds	Various	Various	Various	100,637,750	100,637,750	-
<b>US Government Securities:</b>						
<b>US Treasury Notes:</b>						
US T Notes	1.875%	09/03/10	02/28/14	15,217,959	15,384,900	166,941
US T Notes	1.750%	09/03/10	04/15/13	15,121,437	15,179,850	58,413
US T Notes	0.625%	07/08/11	01/31/13	10,014,432	10,025,400	10,968
<b>Total US Treasury Notes</b>				<b>40,353,828</b>	<b>40,590,150</b>	<b>236,322</b>
<b>Federal Farm Credit Banks Consolidated Long:</b>						
Federal Farm Credit Bank	1.170%	12/14/11	12/14/15	10,000,000	10,021,400	21,400
<b>Total Federal Farm Credit Banks</b>				<b>10,000,000</b>	<b>10,021,400</b>	<b>21,400</b>
<b>Federal Home Loan Mortgage Co.:</b>						
Freddie Mac	2.000%	09/06/11	08/25/16	20,692,378	21,015,200	322,822
Freddie Mac	1.100%	12/30/11	12/30/15	10,000,000	10,058,400	58,400
<b>Total Federal Home Loan Mortgage Co.</b>				<b>30,692,378</b>	<b>31,073,600</b>	<b>381,222</b>
<b>Federal National Mortgage Association</b>						
Fannie Mae	4.625%	08/17/11	05/01/13	25,849,411	25,889,000	39,589
Fannie Mae	1.375%	12/14/11	11/15/16	10,070,128	10,235,000	164,872
Fannie Mae	1.400%	12/30/11	12/30/16	13,495,000	13,629,410	134,410
Fannie Mae	1.125%	12/16/11	10/26/15	6,114,216	6,124,175	9,959
<b>Total Federal National Mortgage Association</b>				<b>55,528,755</b>	<b>55,877,585</b>	<b>348,830</b>
<b>Total US Government Securities</b>				<b>136,574,961</b>	<b>137,562,735</b>	<b>987,774</b>
<b>Bond Proceeds Investment Pool #1 (Tax Exempt):</b>						
<b>Corporate Bonds:</b>						
<b>TLGP:</b>						
Citigroup Funding	2.250%	08/23/10	12/10/12	50,331,064	50,448,500	117,436
General Electric Corp	2.625%	08/23/10	12/28/12	50,459,486	50,569,000	109,514
<b>Total TLGP:</b>				<b>100,790,550</b>	<b>101,017,500</b>	<b>226,950</b>
<b>Total Corporate Bonds:</b>				<b>100,790,550</b>	<b>101,017,500</b>	<b>226,950</b>
<b>Total Bond Proceeds Investment Pool #1 (Tax Exempt)</b> (Part 2 of the Consolidated Investment Pool)				<b>\$ 506,012,266</b>	<b>\$ 507,226,990</b>	<b>\$ 1,214,724</b>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)**  
**Year Ended June 30, 2012**

Security Description	Book Value	Market Value	Unrealized Gain (loss)
Local Government Investment Pool (Short-term Investment Pool)	\$ 874,539,795	\$ 874,516,510	\$ (23,285)
General Fund Investment Pool (State Funds Investment Pool)	2,192,471,221	2,200,779,747	8,308,526
Bond Proceeds Taxable (Consolidated Investment Pool)	642,873,083	646,041,008	3,167,925
Bond Proceeds Tax Exempt (Consolidated Investment Pool)	<u>506,012,266</u>	<u>507,226,990</u>	<u>1,214,724</u>
<b>Grand total of all funds</b>	<u>\$ 4,215,896,365</u>	<u>\$ 4,228,564,255</u>	<u>\$ 12,667,890</u>

Reconciliation to financial statements:

Per Schedule of Investments	\$ 4,228,564,255
Less: Investment in Local Government Investment Pool, General Fund Investment Pool*	<u>(249,958,107)</u>
Total Cash and Investments, Statement of Fiduciary Net Assets	<u>\$ 3,978,606,148</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, 2012

	Investment Trust Funds				Total (Memorandum Only)
	Short-term Investment Pool	Consolidated Investment Pool	State Funds Investment Pool	Reserve Contingency Fund	
<b>ASSETS</b>					
Cash and investments:					
Cash in banks	\$ 144,628,321	\$ 50,335,000	\$ -	\$ -	\$ 194,963,321
Certificates of Deposit	-	9,700,000	32,750,000	-	42,450,000
U.S. Government securities	190,382,254	551,675,066	1,133,129,333	-	1,875,186,653
Corporate Bonds	183,584,223	211,964,586	46,833,950	-	442,382,759
Municipal Bonds	-	-	75,036,703	-	75,036,703
Mutual Funds					
(Investment in LGIP)	-	209,930,314	40,027,793	-	249,958,107
Repurchase agreements	300,000,000	119,663,032	873,001,968	-	1,292,665,000
Commercial Paper	39,483,062	-	-	-	39,483,062
CMO/REMIC	16,438,650	-	-	-	16,438,650
	874,516,510	1,153,267,998	2,200,779,747	-	4,228,564,255
Less interfund investments	-	(209,930,314)	(40,027,793)	-	(249,958,107)
Total cash and investments	874,516,510	943,337,684	2,160,751,954	-	3,978,606,148
Accrued Interest Receivable	1,262,745	2,971,490	6,199,647	-	10,433,882
<b>TOTAL ASSETS</b>	<u>\$ 875,779,255</u>	<u>\$ 946,309,174</u>	<u>\$ 2,166,951,601</u>	<u>\$ -</u>	<u>\$ 3,989,040,030</u>
<b>NET ASSETS HELD IN TRUST</b>	<u>\$ 875,779,255</u>	<u>\$ 946,309,174</u>	<u>\$ 2,166,951,601</u>	<u>\$ -</u>	<u>\$ 3,989,040,030</u>
<b>TOTAL LIABILITIES AND NET ASSETS HELD IN TRUST</b>	<u>\$ 875,779,255</u>	<u>\$ 946,309,174</u>	<u>\$ 2,166,951,601</u>	<u>\$ -</u>	<u>\$ 3,989,040,030</u>



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 9 - COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**June 30, 2012**

	<u>Investment Trust Fund</u>			<u>Total (Memorandum Only)</u>
	<u>Short-term Investment Pool</u>	<u>Consolidated Investment Pool</u>	<u>State Funds Investment Pool</u>	
Investment income	\$ 2,121,836	\$ 8,979,643	\$ 15,085,927	\$ 26,187,406
Expenses - management fees	<u>(422,674)</u>	<u>-</u>	<u>-</u>	<u>(422,674)</u>
Net investment income	1,699,162	8,979,643	15,085,927	25,764,732
Net proceeds of desposits (withdrawals)	181,742,775	(447,896,844)	683,546,272	417,392,203
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>3,545,883,095</u>
Net assets, held in trust for pool participants, June 30, 2012	<u>\$ 875,779,255</u>	<u>\$ 946,309,174</u>	<u>\$2,166,951,601</u>	<u>\$3,989,040,030</u>

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY  
 June 30, 2012

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	\$ 576,413	\$ 250,000	\$ 163,207	\$ -	\$ 479,441	\$ 316,235
(FHLB)	Western Bank	3,108,304	250,000	2,143,728	-	3,421,708	1,277,980
<b>Albuquerque</b>							
(WFB)	Bank of America	2,935,982	1,282,068	826,957	-	6,898,339	6,071,382
(WFB)	Bank of the West	95,605,768	250,387	47,677,691	-	54,397,275	6,719,585
(WFB)	Compass Bank	2,323,604	2,110,041	217,834	-	5,896,521	5,678,686
(FHLB)	U.S. Bank N.A.	6,581,725	318,366	3,131,680	5,000,000	-	1,868,321
(WFB)	New Mexico Bank & Trust	251,598	250,000	799	-	288,575	287,776
(USB)	Wells Fargo Bank NM, N.A.	80,047,641	7,615,400	36,216,121	-	219,461,753	183,245,633
<b>Artesia</b>							
(FHLB)	First American Bank	46,415	46,415	-	-	-	-
(FHLB)	Western Bank	-	-	-	-	-	-
<b>Belen</b>							
(USB)	My Bank	2,441,795	255,895	2,229,618	-	2,166,147	(63,471)
<b>Carlsbad</b>							
(FHLB)	Carlsbad National Bank	1,757	1,757	-	-	-	-
(FHLB)	Western Commerce Bank	4,084,221	286,046	1,899,088	-	3,197,763	1,298,676
<b>Clayton</b>							
(FHLB)	Farmers & Stockmens Bank	1,229,744	472,577	567,875	-	2,022,653	1,454,778
(FHLB)	First National Bank of NM	1,345,856	250,000	547,928	-	2,394,459	1,846,531
<b>Clovis</b>							
(TIB)	Bank of Clovis	415,005	250,000	82,503	-	1,147,020	1,064,518
	Citizens Bank	31,352	31,352	-	-	-	-
(FHLB)	Western Bank	2,600,000	250,000	1,175,000	-	1,669,128	494,128
<b>Espanola</b>							
(USB)	Valley National Bank	500	500	-	-	-	-
<b>Gallup</b>							
(FHLB)	Pinnacle Bank	1,640	1,640	-	-	-	-
<b>Grants</b>							
(TIB)	Grants State Bank	89,500	89,500	-	-	-	-
<b>Hobbs</b>							
(TIB)	Lea County State Bank	119,808	119,808	-	100,000	-	100,000
<b>Las Cruces</b>							
(WFB)	Bank of the Rio Grande	-	-	-	-	-	-
(TIB)	Citizens Bank	3,588	3,588	-	-	-	-
<b>Las Vegas</b>							
(FHLB)	Bank of Las Vegas	5,721,889	299,236	2,711,327	-	3,271,500	560,174
(FHLB)	Community First Bank LV	743,779	743,779	-	1,000,000	-	1,000,000
<b>SUBTOTAL</b>		<b>210,307,884</b>	<b>15,428,355</b>	<b>99,591,353</b>	<b>6,100,000</b>	<b>306,712,282</b>	<b>213,220,929</b>

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 SCHEDULE 10 -SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY (CONTINUED)  
 June 30, 2012

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	103,403	103,403	-	-	-	-
<b>Los Alamos</b>							
(FHLB)	Los Alamos National Bank	18,570	18,570	-	-	-	-
<b>Portales</b>							
(TIB)	James Polk Stone Community	448,164	448,164	-	-	-	-
<b>Raton</b>							
(TIB)	International State Bank	118,169	118,169	-	-	459,980	459,980
<b>Roswell</b>							
(FHLB)	Bank of the Southwest	401,656	273,961	63,848	-	279,230	215,383
(TIB)	Valley Bank of Commerce	82,504	82,504	-	-	-	-
<b>Ruidoso</b>							
(FHLB)	First National Bank	-	-	-	-	-	-
<b>Santa Fe</b>							
(FHLB)	Century Bank	24,000,000	250,000	17,812,500	-	22,495,982	4,683,482
(FHLB)	Community Bank	147,603	147,603	-	-	-	-
(WFB)	First National Bank	-	-	-	-	-	-
<b>Silver City</b>							
(FHLB)	AM Bank	29,084	29,084	-	-	-	-
<b>Socorro</b>							
(BA)	First State Bank	56,803	56,803	-	-	-	-
<b>Taos</b>							
(TIB)	Centinel Bank	88,988	88,988	-	-	-	-
(FHLB)	Peoples Bank	21,838	21,838	-	-	-	-
<b>SAVINGS AND LOANS:</b>							
<b>Alamogordo</b>							
(FHLB)	Alamogordo Federal S&L	158,030	158,030	-	-	-	-
<b>Albuquerque</b>							
(FHLB)	Union Savings Bank	-	-	-	-	-	-
<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	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>SUBTOTAL</b>		25,924,812	2,047,117	17,876,348	-	23,235,192	5,358,844

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, 2012

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	22,352	22,352	-	-	-	-
<b>Los Alamos</b>							
(FHLB)	Los Alamos National Bank	-	-	-	-	-	-
<b>Santa Fe</b>							
(WFB)	Century Bank	638,272	250,000	291,204	-	547,325	256,121
(WFB)	First National Bank	-	-	-	-	-	-
<b>FISCAL AGENT BANK:</b>							
(USB)	Wells Fargo Bank N.A.	127,355,555	127,355,555	-	-	15,913,386	15,913,386
(BA)	Bank of America	-	-	-	-	-	-
<b>SUBTOTAL</b>		<u>128,016,179</u>	<u>127,627,907</u>	<u>291,204</u>	<u>-</u>	<u>16,460,711</u>	<u>16,169,507</u>
<b>TOTAL</b>		<u>\$364,248,875</u>	<u>\$ 145,103,379</u>	<u>\$ 117,758,905</u>	<u>\$ 6,100,000</u>	<u>\$ 346,408,185</u>	<u>\$ 234,749,281</u>

**Reconciliation to Note 3:**

Fiscal Agent Account	\$ 127,355,555	\$ 127,355,555	\$ -	\$ -	\$ 15,913,386	\$ 15,913,386
Certificates of Deposit	<u>42,450,000</u>	<u>1,426,731</u>	<u>28,590,000</u>	<u>1,000,000</u>	<u>35,425,335</u>	<u>7,835,335</u>
	169,805,555	128,782,286	28,590,000	1,000,000	51,338,721	23,748,721
<b>Add:</b>						
Agency Deposits	193,782,696	16,048,741	88,877,701	5,100,000	294,522,139	210,744,438
Ancillary Receivership Accounts	<u>660,624</u>	<u>272,352</u>	<u>291,204</u>	<u>-</u>	<u>547,325</u>	<u>256,121</u>
	<u>194,443,320</u>	<u>16,321,093</u>	<u>89,168,905</u>	<u>5,100,000</u>	<u>295,069,464</u>	<u>211,000,559</u>
	<u>\$364,248,875</u>	<u>\$ 145,103,379</u>	<u>\$ 117,758,905</u>	<u>\$ 6,100,000</u>	<u>\$ 346,408,185</u>	<u>\$ 234,749,281</u>

**Custodial Banks:**

(USB) US Bank  
 (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, 2012

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	\$ 29,596,787	\$ 30,188,723	\$ 30,188,723	FFCB	31331GEA3	\$ -
JP Morgan Chase	New York, NY	51,032,957	52,053,616	52,053,616	FGTW	3128P7RY1	-
JP Morgan Chase	New York, NY	93,363,421	95,230,689	95,230,689	FHLB	3133XGAY0	-
JP Morgan Chase	New York, NY	19,733,009	20,127,669	20,127,669	FHLB	3133786W6	-
JP Morgan Chase	New York, NY	89,779,535	91,575,126	91,575,126	FNMA	3138ECGC1	-
JP Morgan Chase	New York, NY	41,038,696	41,859,470	41,859,470	FNMA	3138E1KY2	-
JP Morgan Chase	New York, NY	26,175,434	26,698,943	26,698,943	FNMA	3136FTAV1	-
JP Morgan Chase	New York, NY	3,078,338	3,139,905	3,139,905	FNMA	3138A6KP4	-
JP Morgan Chase	New York, NY	50,669,803	51,683,199	51,683,199	FNMA	31417BCX3	-
JP Morgan Chase	New York, NY	50,532,020	51,542,660	51,542,660	FNMA	31417A6K0	-
JP Morgan Chase	New York, NY	352,351,000	359,398,020	359,398,020	FNMA	3138AW4D2	-
JP Morgan Chase	New York, NY	49,896,000	50,893,920	50,893,920	FNMA	31419AYU5	-
JP Morgan Chase	New York, NY	47,129,000	48,071,580	48,071,580	FNMA	3138EGKY9	-
JP Morgan Chase	New York, NY	78,290,000	79,855,800	79,855,800	GNMA	36179MAX8	-
JP Morgan Chase	New York, NY	60,334,000	61,540,680	61,540,680	FNMA	3138EGR22	-
JP Morgan Chase	New York, NY	100,000,000	102,000,000	102,000,000	USTN	912828NQ9	-
JP Morgan Chase	New York, NY	75,551,470	77,062,499	77,062,499	USTN	912828HQ6	-
JP Morgan Chase	New York, NY	48,219,362	49,183,749	49,183,749	USTN	912828QE3	-
JP Morgan Chase	New York, NY	50,612,745	51,625,000	51,625,000	USTN	912828JB7	-
JP Morgan Chase	New York, NY	24,785,539	25,281,250	25,281,250	USTN	912828NC0	-
JP Morgan Chase	New York, NY	830,884	847,502	847,502	USTN	912828PR5	-
<b>Total</b>		<b>\$ 1,343,000,000</b>	<b>\$ 1,369,860,000</b>	<b>\$ 1,369,860,000</b>			<b>\$ -</b>

Reconciliation to Financial Statements:

Repurchase agreements reported in Statement of Fiduciary Net Assets, Page 24	1,292,665,000
Amount actually held as cash at JP Morgan not required to be collateralized	<u>50,335,000</u>
	1,343,000,000

\* 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**



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**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, 2012, and have issued our report thereon dated December 17, 2012. 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**

Management of the State Treasurer is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered State Treasurer's internal control over financial reporting as a basis for designing our auditing 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 agency'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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

*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 to be a material weakness. 2007-04.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. 2012-01.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State Treasurer's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2007-08, 2009-06, and 2011-01.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 2012-02 and 2012-03.

The State Treasurer's responses to the findings identified in our audit are described in the accompanying schedule of audit 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.

*CliftonLarsonAllen LLP*

Albuquerque, New Mexico  
December 17, 2012



STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
June 30, 2012

**Section I – Financial Statement Findings**

**Finding 2012-01 - Capital Expenditure Reimbursement from SGFIP to BPIP (Significant Deficiency)**

**Condition:** There is a variance between DFA's recording of capital project expenditures funded through bond proceeds within SHARE and the recording of those expenditures by STO within QED (the State Treasurer's investment accounting sub ledger system). When DFA approves an agency's capital expenditures of bond proceeds, it records them in the SHARE system. Those expenditures are taken out of the State General Fund Investment Pool (SGFIP). DFA then sends to The State Treasurer a detail of capital expenditures of bond proceeds made out of the (SGFIP), and then The State Treasurer uses this information to reimburse the SGFIP from the Bond Proceeds Investment Pools (BPIP) through an inter-fund transfer.

**Criteria:** For purposes of the potential arbitrage rebate liability calculation, the expenditures of bond proceeds are deemed to have occurred at the time those expenditures are made, not when the funds are transferred from the BPIP back to the SGFIP.

**Cause:** All capital project bonds prior to 2007 were originally tracked in State Treasurer's TRACs sub ledger system and all reconciliations were done in Excel spreadsheets. With the implementation of the SHARE system and then later, the integration of these accounts into the QED sub ledger system, we are unsure of the integrity of the cutover information into the QED system and the integrity of the information in QED as a whole; so reconciliation is virtually impossible. The standard practice to extract the data from QED for arbitrage calculations has been reviewed by DFA and bond counsel; despite the State Treasurer's recommendation that the data be extracted from SHARE as the state's general ledger system, the directive remains status quo. The State Treasurer received access to SHARE business unit 34103 and could run these reports out of SHARE as of January 2012.

**Effect:** When financial information is submitted for calculation of potential arbitrage rebate liability, they are being sent QED balances, which are overstated or understated because of the timing of reimbursement to the SGFIP from the BPIP for capital expenditures of bond proceeds made out of SGFIP. The cumulative amount that the BPIP balances exceeded the SGFIP balances in QED as of June 30, 2012 was approximately \$27 million; but the tax exempt amount that could be impacted is roughly \$6.1 million. As a result, the bond arbitrage calculation could potentially be overstated. This violation could jeopardize the tax-exempt status of the tax-exempt bond issues. Also, the SGFIP is being underreported because it isn't timely reimbursing the BPIP. Since the allocation of interest income is performed using QED balances, the BPIP is receiving a disproportionate amount of interest and the SGFIP is being shorted by the same amount.

**Recommendation:** We recommend that the State Treasurer and DFA collaborate to adjust QED balances to reconcile with SHARE as soon as possible. We further recommend that expenditures as recorded in SHARE be used for purposes of the arbitrage rebate liability calculation rather than QED figures.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE OF AUDIT FINDINGS AND RESPONSES**  
**June 30, 2012**

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

**Finding 2012-01 - Capital Expenditure Reimbursement from SGFIP to BPIP (Significant Deficiency) (continued)**

**State Treasurer's Office Response:** The State Treasurer's Office is currently reviewing the process of adjusting QED to the balances in SHARE. Collaboration and communication between the Board of Finance, the State Treasurer's Office and the arbitrage vendor is being conducted and a solution should be reached within the fiscal year 2013. It has been documented through the Post-Issuance Compliance Procedures for Tax-Exempt Bond that has been submitted to the Board of Finance that there is agreement that the arbitrage calculations should come from SHARE. This will eliminate the arbitrage rebate liability and correct the recording of the expenditures of bond proceeds by posting the expenditure when it is made, not when the funds are transferred from the BPIP to SCFIP.

**Finding 2007-08 – Cash Overdraft (Repeated and Modified) (Control Deficiency)**

**Condition:** The State's bank account was overdrawn on one occasion in 2012 with the State's fiscal agent Wells Fargo on the following date:

September 8, 2011	\$ 22,518,888
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**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:** Although these overdrafts are becoming less frequent, we recommend that the 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 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 the State Treasurer's Office. This data is used to project future cash needs. Agencies, however, occasionally still deviate from the reported date and cause cash flow difficulties. This situation caused the overdrafts noted in this finding. The State Treasurer's office will monitor consistent problems and will require the CFO of repeat offender agencies to meet with State Treasurer's Office and explain what actions have been take to avoid future occurrences.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
June 30, 2012

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

**Finding 2011-01 – Reconciliation of Investment Income from QED to JP MORGAN  
(Repeated and Modified) (Control Deficiency)**

**Condition:** Investment income earned on investments held in fiduciary funds as calculated by the State Treasurer's Office investment accounting sub ledger system, 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.

**Effect:** Accrual based investment earnings on Investment Trust Fund investments could be potentially misstated.

**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 will begin the process of reviewing the recommendation since it will involve an additional procedure for the investment accounting bureau to assume. The solution is to obtain a detail of earned income on an accrual basis from JP Morgan for each portfolio on a monthly basis and reconcile it to investment earnings as recorded in QED. By doing this consistently on a monthly basis, there would be no disparity between JP Morgan and QED. It is anticipated that the State Treasurer's investment activity will be integrated into the state's general ledger, SHARE, with installation of the deal management module. When this occurs, it is understood that at that time arbitrage calculations will begin to be based on the recording of expenditures in the state's general ledger.

**Finding 2012-02 – Cash Balances at Custody Bank (Control Deficiency)**

**Condition:** In accordance with Section 2.60.4.8 NMAC, cash balances should not remain at JPMorgan as Custody Bank. There are various reasons that this happens. For example if a REPO trade fails, cash balances could remain, or a rounding variance could remain. Another example could be due to human error where cash is delivered to an incorrect custody account versus the account the REPO collateral is delivered. If too much money is sent to the Custody Bank, the excess amount is recorded at JP Morgan as a cash balance. When too little money is transferred from the Fiscal Agent Bank to the Custody Bank to cover securities transactions, the Custody Bank will lend STO the money to cover the securities trades, which STO typically repays within the contractual cure period in the Custody Agreement.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE OF AUDIT FINDINGS AND RESPONSES**  
**June 30, 2012**

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

**Finding 2012-02 – Cash Balances at Custody Bank (Control Deficiency) (continued)**

**Criteria:** In order for a financial institution to hold cash balances of the State, they must first be designated a depository in accordance with Section 2.60.4.8 NMAC, which JP Morgan is not. Cash balances are also required to be collateralized based on the depository bank's risk assessment ratios pursuant to Section 2.60.4.9 NMAC. The minimum requirement is for cash balances to be 50% collateralized. Cash balances held at JP Morgan due to excess cash transfers are not collateralized.

**Cause:** Due to the fluctuation of daily activity there could be cash items pending in the custody accounts on a daily basis.

**Effect:** REPO Cash balances are being held in an unapproved depository institution and those balances are collateralized with the assets from the custody trust accounts. Furthermore, those balances are not earning interest, however since they are recorded as repos in QED, STO is recording interest earned on those balances.

**Recommendation:** We recommend STO work with DFA and DOIT to enable and utilize the Cash Management and Deal Management modules in the SHARE system, so they are able to more effectively gauge cash needs and don't end up with balances at the custody bank. The State Treasurer's Office should also review the procedures regarding cash estimates by pooling its internal resources from within the agency. The Cash Management Division, Budget & Finance Division, the Investment Accounting Bureau, and the Compliance Officer should be involved in a joint effort to review and recommend changes to the procedures to more accurately project cash estimates.

**State Treasurer's Office Response:** STO's recommendation is to work with the Board of Finance as administrators of the Custodial Agreement to establish a Treasury over-night sweep account that will sweep any overnight balances, which will be available the next day for investment. STO is also working with JPMorgan to provide the legal language that these REPO balances are indeed collateralized within the STO custody accounts. STO will also work with DFA and DOIT to enable and utilize the Cash Management and Deal Management modules in the SHARE system, so they are able to more effectively gauge cash needs. An internal multi-division work group will be established to review and recommend procedures to more accurately project cash estimates.

Additionally, once the new modules are added to the SHARE system, this issue should be resolved.

**2012-03 – Incorrectly Recorded Reversion (Control Deficiency)**

**Condition:** The fiscal year 2012 reversion from the State Treasurer's general fund was not recorded properly. The reversion entry was recorded as a credit to cash and a debit to due to other state agencies; however, the due to was never set up in the first place and the reversion account was never affected.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE OF AUDIT FINDINGS AND RESPONSES**  
**June 30, 2012**

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

**2012-03 – Incorrectly Recorded Reversion (Control Deficiency) (continued)**

**Criteria:** When the State Treasurer recorded this reversion, they should have debited the reversion account, 566100.

**Cause:** This misstatement was caused by a lack of an effective review process for the submission of journal entries.

**Effect:** The effect was an understatement of reversions of \$97,246.

**Recommendation:** We recommend that the State Treasurer implement effective review procedures for all journal entries submitted.

**State Treasurer's Office Response:** The State Treasurer agrees with this finding. The accrual of the amount due to the state general fund from the reversion was an oversight. The Finance & Budget Division is currently addressing this problem by instituting a procedure where all journal entries and operating transfers are listed with the due dates.

**Finding 2009-06 – Reporting of Additions and Deductions to Fiduciary Funds (Repeated) (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 OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES**

**June 30, 2012**

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

**Finding 2009-06 – Reporting of Additions and Deductions to Fiduciary Funds (Repeated)  
(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. 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 Short-Term Investment Pool (LGIP) and the State Funds Investment Pool (BPIPs).

Unfortunately, due to limitations of the SHARE system as well as consolidation of funds deposited into the master depository account, the State Treasurer’s Office is unable to give gross numbers for the Consolidated Investment Pool or State General Fund 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 DFA to develop a method of separating agency deposits and payments to facilitate reporting of the desired data elements. The ongoing Cash Remediation project to assist DFA with the reconciliation of the SHARE general ledger to the funds held by the State Treasurer’s office will also help address this finding.

**Finding 2007-04 – Reporting of Agency Interest in the State General Fund Investment Pool (Repeated and Modified) (Material Weakness)**

**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 allowed to maintain the TRACS subsidiary system that provided for reporting of each State Agency’s interest in the State General Fund Investment Pool (SGFIP) when the transition to the SHARE system occurred due to lack of funding for redundant systems.

In June 2012, the State Controller of the Financial Control Division at the DFA commissioned a diagnostic report with the purpose of assessing the current state of cash reconciliation and determining recommendations for remediating the system configuration and business process issues pertaining to the book to bank processes. Some key observations revealed by the diagnostic report relating to the Treasury application are summarized below:

1. Complete functionality available in the SHARE Treasury application was not implemented. The premise of the reconciliation functionality in PeopleSoft is that all system transactions have an accounting entry on the general ledger and that each bank transaction reconciles to a corresponding system transaction. This is not the case for the current implementation of SHARE, as it requires significant manual intervention by the Treasurer’s staff to facilitate the reconciliation of bank activity.
2. The current system configuration does not lend itself to providing reporting of each agency’s interest in the SGFIP.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
June 30, 2012

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

**Finding 2007-04 – Reporting of Agency Interest in the State General Fund Investment Pool (Repeated and Modified) (Material Weakness) (continued)**

**Criteria:** As outlined in the report, Current State Diagnostic of Cash Control, the main premise of the reconciliation functionality in PeopleSoft is that all system transactions have an accounting entry on the general ledger and that each bank transaction reconcile to a system transaction. This is not the current operation. Additionally, based upon sound internal controls as outlined in the COSO report (small public company guidance beginning with paragraph 201.72), information systems should ensure quality in that information is timely, current, accurate and accessible.

**Cause:** When SHARE was first implemented in fiscal year 2007, the implementation was not thoroughly properly planned and implemented to incorporate the full functionality of the system.

**Effect:** Due to the change in business processes and system configuration, the State Treasurer's Office was unable to continue to provide reporting of each State Agency's interest in the SGFIP.

**Recommendation:** The State Treasurer has already begun to address this issue as further described below:

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled, "Cash Management Plan and Business Processes". This document is available on the Cash Control page of the DFA/FCD's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

We recommend that the Treasurer's Office continue to work collaboratively with DFA and DoIT on this Remediation Project.

**State Treasurer's Office Response:** The State Treasurer's Office disagrees with this finding. According to Audit Rule page 37, subparagraph (4)(f), State Treasurer's Office no longer has an obligation to provide agency fund balances. This practice became obsolete for the State Treasurer's Office at the implementation of the unified SHARE accounting system in 2006.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE OF AUDIT FINDINGS AND RESPONSES**  
**June 30, 2012**

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

**Finding 2007-04 – Reporting of Agency Interest in the State General Fund Investment Pool (Repeated and Modified) (Material Weakness) (continued)**

The Audit Rule states:

(f) With the implementation of the SHARE system, both the “book” and “bank” information reside on this unified system. There are no longer stand-alone systems providing single-source information. Bank balance information is now available and retrievable at each state agency being audited. This information is identical to what DFA or the State Treasurer can obtain from the system. The Office of the State Treasurer no longer can act in the capacity of an independent third-party to provide account balance confirmations to other agencies or auditors, IPAs can now access account balance information by having the agency run a query or a trial balance report from SHARE. Therefore, IPAs and state agencies should not request bank confirmations from the Office of the State Treasurer (state agencies only).

Regardless, State Treasurer’s Office is committed to continued communication, collaboration and cooperation with DFA, DoIT and other State Agencies to facilitate cash remediation. At the conclusion of this Remediation Project, The State Treasurer’s Office anticipates that it will be able to provide reporting of the SGFIP at the agency level; however, we do not have control of the system. This reporting would be extracted from the SHARE system and therefore we are reliant upon the accuracy of the general ledger accounting that is performed on each transaction. Ultimately, our success or failure in this endeavor is inextricably linked to the success or failure of the joint remediation project and completion of an accurate and timely book to bank reconciliation.

Although the State Treasurer’s Office concurs with the significance of this condition, the State Treasurer’s Office does not accept responsibility for the occurrence nor does the State Treasurer have the ability to provide assurance of its correction.

**Auditor Response:** We appreciate Management’s perspective on the condition noted. However, we consider the Office’s role in resolving this issue, critical to the State of New Mexico.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**June 30, 2012**

**Section I – Financial Statement Findings**

- Finding 2007-04 Verification and Reconciliation of Bank Balances (Control Deficiency) – Repeated and Modified
- Finding 2007-08 Cash Overdrafts, Repeated and Modified (Control Deficiency) – Repeated and Modified
- Finding 2009-06 Reporting of Additions and Deductions to Fiduciary Funds (Control Deficiency) – Repeated
- Finding 2011-01 Reconciliation of Investment Income from QED to JP Morgan (Control Deficiency) – Repeated and Modified
- Finding 2011-02 Reporting of Impairment of Investments Held by Fiduciary Funds (Control Deficiency) – Resolved
- Finding 2011-03 Inadequate Collateralization of Repurchase Agreement Accounts (Control Deficiency) – Resolved

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
EXIT CONFERENCE  
June 30, 2012**

An exit conference was held with the State Treasurer's Office on December 12, 2012. 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  
Linda T. Roseborough, Chief Investment Officer, Investment Division Director  
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  
Alfredo Santistevan, Special Assistant to the Treasurer  
Kathy Abeyta, Investment Accounting Bureau Chief  
Patricia J. Ortiz, Finance & Budget Financial Analyst  
Victor Vigil, Cash Management Division Bureau Chief  
Cindy Cordova, Legal Counsel & Public Information Officer

**CLIFTONLARSONALLEN LLP**

Janet Pacheco-Morton, 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.