

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
Santa Fe, New Mexico**

**FINANCIAL STATEMENTS
June 30, 2013**

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**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
OFFICIAL ROSTER
June 30, 2013**

Office of the State Treasurer

James B. Lewis, State Treasurer

Marilyn L. Hill, 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 Susana Martinez, Governor
State Board of Finance
Honorable James B. Lewis, State Treasurer
Honorable Hector H. Balderas, State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund, and each fiduciary fund, of the State of New Mexico Office of the State Treasurer (the Office) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, each fiduciary fund, and the aggregate remaining fund information of the Office as of June 30, 2013, and the respective changes in financial position and, respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 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 which 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office's basic financial statements. Schedules 1 – 11 in the Supplementary Information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 1 – 11 in the Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 – 11 in the Supplementary Information section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 16, 2013

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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 position decreased by \$23,864,883 (including a restatement of \$2,188,887).
- The General Fund's main revenue was appropriations, which amounted to ninety-nine percent (96.7%) 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 position presents information on all of the State Treasurer's assets and liabilities, the difference between the two being reported as net position.

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

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

The State Treasurer maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, General Obligation Bond Fund, Severance Tax Bond Fund, and Taxation Revenue Anticipation Note (TRAN) 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 (comprised of the Bond Proceeds Investment Pools #1 (Tax Exempt) and #2 (Taxable)), 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. Collectively, these funds are shown on the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position as the Investment Trust Fund. The Gaming Suspense Fund was established to collect monies owed to the State from gaming establishments. It is reported as an agency fund.

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 27 of this report.

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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 75 of this report. Fiduciary schedules begin on page 93.

Government-wide Financial Analysis

Net Position: Table A-1 summarizes the State Treasurer's net position for the fiscal year ended June 30, 2013. Total State Treasurer net position for fiscal year 2013 is \$241,782,370. However, most of the net position is restricted as to the purposes for which it can be used.

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

| YEARS ENDED JUNE 30, | <u>2013</u> | <u>2012</u> |
|--|------------------------------|------------------------------|
| Assets: | | |
| Cash, cash equivalents and repurchase agreements | \$ 163,666,781 | \$ 282,930,948 |
| Due from other agencies | 78,620,034 | 87,129,282 |
| Other assets | 2,030 | 461 |
| Capital assets, net | <u>43,838</u> | <u>75,678</u> |
| Total assets | <u>\$ 242,332,683</u> | <u>\$ 370,136,369</u> |
| Current liabilities: | | |
| Accounts payable and others | \$ 439,965 | \$ 104,368,246 |
| Compensated absences, amounts due in one year | <u>110,348</u> | <u>122,916</u> |
| Total liabilities | <u>550,313</u> | <u>104,491,162</u> |
| Net position: | | |
| Invested in capital assets | 43,838 | 75,678 |
| Restricted | 241,839,994 | 265,683,559 |
| Unrestricted | <u>(101,462)</u> | <u>(114,030)</u> |
| Total net position | <u>241,782,370</u> | <u>265,645,207</u> |
| Total liabilities and net position | <u>\$ 242,332,683</u> | <u>\$ 370,136,369</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the State Treasurer, assets exceeded liabilities by \$241,782,370 at the close of the most recent fiscal year.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
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By far the largest portion of the State Treasurer's net position reflects amounts to be provided to satisfy its General Obligation and Severance Tax Bond obligations. It is the responsibility of the State Treasurer to record and administer debt on behalf of the agencies and departments of the State of New Mexico. The proceeds of bond issues authorized by the State Board of Finance are transferred to various State agencies in the form of grants.

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

The restricted portion of the State Treasurer's net position, \$241,839,994, represents resources that are subject to external restrictions on their use.

Changes in Net Position: Governmental activities decreased the State Treasurer's net position in the governmental financial statements by \$26,053,770. Key elements of this increase are shown in Table A-2.

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

| YEARS ENDED JUNE 30, | 2013 | 2012 |
|--|-------------|-------------|
| Governmental Activities: | | |
| Revenues: | | |
| Program revenues: | | |
| General government | \$ - | \$ 22,617 |
| Total program revenues | - | 22,617 |
| General revenues: | | |
| State General Fund appropriations, net | 3,571,430 | 3,575,854 |
| State property tax levy | 49,331,490 | 76,097,456 |
| Severance and other taxes | 420,048,819 | 494,789,094 |
| Interest revenue | 7,369,532 | 11,279,240 |
| Miscellaneous revenue | - | 63 |
| Total general revenues | 480,321,271 | 585,741,707 |
| Total revenues | 480,321,271 | 585,764,324 |

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

| YEARS ENDED JUNE 30, | <u>2013</u> | <u>2012</u> |
|---|---------------------------|---------------------------|
| Expenses and other financing sources (uses): | | |
| General government | (4,725,076) | (7,121,914) |
| Debt service activity | (505,265,063) | (451,561,518) |
| Other sources: | | |
| Bond proceeds | - | 4,276 |
| Transfers in from other state agencies | <u>3,613,052</u> | <u>(103,624,648)</u> |
| Net (expenses) revenue | <u>(506,377,087)</u> | <u>(562,303,804)</u> |
| Increase (Decrease) in net position | (26,053,770) | 23,460,520 |
| Net position, beginning of year | 265,645,207 | 228,790,848 |
| Restatement | <u>2,190,933</u> | <u>13,393,839</u> |
| Net position, beginning of year, restated | <u>267,836,140</u> | <u>242,184,687</u> |
| Net position, end of year | <u>\$ 241,782,370</u> | <u>\$ 265,645,207</u> |

Financial Analysis of the Government's Funds

As noted earlier, the State Treasurer uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the State Treasurer's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State Treasurer's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the State Treasurer's governmental funds reported combined ending fund balances of \$241,848,880, a decrease of \$26,053,770 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 did not change during the current fiscal 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

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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 3.3%.

Capital Assets and Debt Administration

Capital Assets. The State Treasurer's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$43,838, net of accumulated depreciation. This investment in capital assets includes equipment. The State Treasurer's capital asset additions were \$11,375.

Additional information on the State Treasurer's capital assets can be found in Note 7 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, 2013, the State Treasurer was responsible for administering debt service payments on total bonded debt outstanding of \$1,224,638,157, 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 \$72,188,835 from the prior year due to fewer new bonds issued in fiscal year ended June 30, 2013.

| Years Ended June 30, | <u>2013</u> | <u>2012</u> |
|-----------------------------|------------------------|------------------------|
| General obligation bonds | \$ 425,361,543 | \$ 348,116,100 |
| Severance tax bonds | <u>799,276,614</u> | <u>948,710,892</u> |
| Total principal balances | <u>\$1,224,638,157</u> | <u>\$1,296,826,992</u> |

Significant Highlights

During fiscal year 2013, the State Treasurer's Office continued to hold operating costs down to stay within state budget constraints. The office had several significant staff retirements. Existing staff members were required to take on additional duties since some positions were not immediately filled. The executive management team continued to closely review weekly budget status reports in order to identify potential cost savings. By the end of fiscal year 2013, cost savings yielded a \$123,170 reversion to the General Fund. Over the past five years, the State Treasurer's budget has been reduced by approximately \$650,600 through vacancies, and other cost-saving measures.

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Following the agency's stated objective of selecting investments based primarily on safety, then liquidity, and finally yield, the agency ended fiscal year 2013 with unrealized losses of \$735,293 as compared to unrealized gains of \$12,668,951 in fiscal year 2012. Earnings decreased to \$7,232,533 in 2013 from \$25,764,732 in 2012, a decrease of 71.9%. 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 \$4,325,465,679 at June 30, 2013 an increase of 8.4% from June 30, 2012, when balances totaled \$3,989,040,030.

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 prevented DFA from performing a meaningful reconciliation between its general ledger and funds held by STO. 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 were preventing the completion of a timely and accurate statewide cash reconciliation and recommended an approach to remediate the current cash control issues. Deloitte was consultant prepared the diagnostic and performed project management.

Most issues are a result of inadequate 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 not integrated into SHARE.

Recommendations from the remediation project were implemented effective February 1, 2013 to facilitate a point forward reconciliation which included:

- Opening and aligning bank accounts by agency
- Creation of a GL account for each bank account
- Establishment of GL account 101800 (Agency Interest in SGFIP – "Remediated Process") to capture and report funds held by the State Treasurer's Office (STO) in the State General Fund Investment Pool (SGFIP) for the account of the State Agency.
- Modifications to the SHARE Accounts Payable, Accounts Receivable, and Treasury modules have enhanced the State's ability to reconcile cash.
- Business process changes to Third-Party Warrant Processing effective November 1, 2013.

DFA considers the remediation project to be a success and is reconciling on a monthly basis. Additional remediation recommendations require that the SHARE system receive hardware and software upgrades. The hardware is scheduled to be upgraded early in calendar year 2014 and is anticipated to provide the needed capacity for several critical functions. Implementation of the full treasury management module which will include the deal

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management module, which is an integrated investment tracking system, is anticipated to occur after the SHARE software is upgraded late in calendar year 2015. A multi-year IT appropriation for \$1.95 million to fund the full implementation was approved by the legislature in January 2013.

During FY 2013, the Cash Management Division assumed responsibility for the Daily Cash Positioning of the State. Cash positioning is the process of determining the amount of liquidity that must be left on deposit with the fiscal agent bank after all deposits are received and daily disbursements are deducted. Excess amounts are invested by the Investment Division to maximize return. The transition of this function was a natural fit for the Cash Management Division as it performs cash forecasting. The cash forecast projects significant deposits and withdrawals which is vital in the daily cash positioning process. The transition has proven to be a success as no accidental overdrafts have occurred at the fiscal agent bank.

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.

Over fiscal years 2012 and 2013, the Operations Division accomplished several initiatives. 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.

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.

Staff development programs provided ongoing education and training for the State Treasurer's Office employees, providing training on supervisory skills, working in a union environment, defensive driving, civil rights, ethics sexual harassment prevention and EEOC. Other training was resourced on the benefits of the deferred compensation program, the state public employees retirement program and retiree health care coverage. The State Treasurer's Office continues to honor retiring employees and recognize employee years of service once they have been employed for five years or longer.

Fiscal year 2012 marked the beginning of 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. Work began on the Emergency Evacuation Plan, Disaster Recovery Plan and Business Continuity Plan for full implementation in FY14.

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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 legislation in 2013.

In fiscal year 2013, the State Treasurer's Office hosted ratings analysts from Standard & Poor's rating agency to review the status and management of the Local Government Investment Pool (LGIP), which is a pooled investment managed on behalf of local governments, school districts, higher education institutions, special districts, quasi-governmental agencies and Indian tribes and pueblos. The AAAM rating was reaffirmed based on a strong analysis of credit quality, market price exposure and management.

The Investment Division made meaningful strides in hiring key staff and re-aligning job functions within the division ensuring cross-training and back-ups; creating division procedures and internal controls.

The Investment Division of the State Treasurer's Office hosted the 4th 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 2013, 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, 2013.

Two major advancements in the Investment Division were implemented in fiscal year 2013. These include the enhancement of the Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) compliance, reconciliations, reports and procedures. Investment Accounting made marked improvements by ensuring reconciliations are continuous between the fiscal agent bank Wells Fargo, JPMorgan Chase bank as custodial bank and QED, the State Treasurer's Office investment accounting system. Secondly, the Investment Division recommended a new account structure to DFA for input of investment transactions into SHARE which is anticipated to go into effect in FY2014.

When anticipated SHARE updates are made, the PeopleSoft Treasury Management System will be integrated into the current SHARE configuration and it will include the Enhanced Cash Management module and the Deal Management module. Once this integration is complete, it will replace QED, the State Treasurer's Office legacy investment accounting software. Once this integration is completed, the State Treasurer's Office will not have to enter financial information into two different systems, which will simplify reconciliations.

In fiscal year 2013, the State Treasurer's Office and the Investment Division conducted a thorough review of state investment statutes and created legislation through Senate Bill 24

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June 30, 2013**

to clarify statutory language and investment authorizations. The State Treasurer's Investment Policy review and re-write is in process and division procedures will be bifurcated from the investment policy and separately documented. The State Treasurer's new Investment Policy will be completed by the spring of 2014.

The Investment Division outreach on behalf of the Local Government Investment Pool was continued in fiscal year 2013 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).

The Investment Division collaborated with the DFA to sponsor UNM Interns that focused on specific investment accounting projects. The division is also reviewing additional repurchase agreements (REPO) and Triparty counterparties. On the topic of collateral, a state collateral pool program is being researched and discussed with the state's banking community. The Agency worked with the NM Board of Finance to conduct a new Fiscal Agent and Investment Custodian procurement. 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 on which he serves. 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 2013, 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.
- The State Treasurer's Office continues to reduce budget through vacancy savings and through attrition. Staffing levels were reduced and existing staff job duties were enhanced.
- The State Treasurer's Office will continue work on its disaster recovery plan and business continuity plan as IT equipment and systems are set up and maintained at the disaster recovery hot site in Albuquerque. Full implementation of the plans is expected in fiscal year 2014.
- The overall costs of facilities, equipment and transportation were reduced within current budget constraints.

These factors were considered in preparing the State Treasurer's budget for fiscal year 2014.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 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 POSITION
June 30, 2013

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Investment in State General Fund Investment Pool | \$ 218,547 |
| Repurchase agreements (held in State General Fund Investment Pool) | 163,448,234 |
| Due from other agencies | 78,620,034 |
| Other assets | 2,030 |
| Capital assets, net of accumulated depreciation: | |
| Equipment | 43,838 |
| Total assets | 242,332,683 |
| LIABILITIES | |
| Accounts payable | 260,852 |
| Accrued payroll | 43,500 |
| Accrued payroll taxes | 11,690 |
| Due to State General Fund | 123,838 |
| Due to Other State Agencies | 85 |
| Compensated absences | 110,348 |
| Total liabilities | 550,313 |
| NET POSITION | |
| Invested in capital assets | 43,838 |
| Restricted for: | |
| Debt service | 241,839,994 |
| Unrestricted | (101,462) |
| Total net position | 241,782,370 |
| TOTAL LIABILITIES AND NET POSITION | \$ 242,332,683 |

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, 2013

| Functions/Programs | Expenses | Operating Grants and Contributions | Net (Expenses) Revenue and Changes in Net Position Primary Government |
|---|-----------------------------|--|--|
| PRIMARY GOVERNMENT | | | |
| GOVERNMENTAL ACTIVITIES | | | |
| General government | \$ 4,723,030 | \$ - | \$ (4,723,030) |
| Interest on debt service activity | <u>48,562,628</u> | <u>-</u> | <u>(48,562,628)</u> |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 53,285,658</u> | <u>\$ -</u> | <u>(53,285,658)</u> |
| GENERAL REVENUES: | | | |
| | | | 49,331,490 |
| UNRESTRICTED INVESTMENT EARNINGS | | | |
| BOND ACTIVITY: | | | |
| | | | (456,702,435) |
| TRANSFER FROM (TO) STATE AGENCY: | | | |
| | | | 3,694,600 |
| | | | (123,170) |
| | | | 3,613,052 |
| | | | 7,369,532 |
| | | | <u>420,048,819</u> |
| | | Total general revenues and transfers | <u>27,231,888</u> |
| | | CHANGE IN NET POSITION | <u>(26,053,770)</u> |
| | | NET POSITION, BEGINNING | 265,645,207 |
| | | RESTATEMENT | <u>2,188,887</u> |
| | | NET POSITION, BEGINNING, restated | <u>267,834,094</u> |
| | | NET POSITION, ENDING | <u>\$ 241,780,324</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, 2013

| | Major Funds | |
|---|---------------------|---|
| | General Fund | General Obligation Bond Fund |
| ASSETS | | |
| Investment in State General Fund Investment Pool | \$ 218,547 | \$ - |
| Repurchase agreements (held in State General Fund Investment Pool) | - | 18,719,724 |
| Other assets | 2,030 | - |
| Due from other Agencies | - | - |
| Total assets | \$ 220,577 | \$ 18,719,724 |
| LIABILITIES AND FUND BALANCES | | |
| LIABILITIES: | | |
| Accounts payable | \$ 32,663 | \$ 225,674 |
| Due to Severance Tax Permanent Fund | - | - |
| Due to State General Fund | 125,884 | - |
| Accrued payroll | 43,500 | - |
| Accrued payroll taxes | 11,690 | - |
| Total liabilities | 213,737 | 225,674 |
| FUND BALANCES: | | |
| Restricted for: | | |
| Debt service | - | 18,494,050 |
| Unrestricted, unassigned | 6,840 | - |
| Total fund balances | 6,840 | 18,494,050 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 220,577 | \$ 18,719,724 |

| <u>Severance Tax Bond Fund</u> | <u>Total Governmental Funds</u> |
|------------------------------------|---|
| \$ - | \$ 218,547 |
| 144,728,510 | 163,448,234 |
| - | 2,030 |
| <u>78,620,034</u> | <u>78,620,034</u> |
| <u>\$ 223,348,544</u> | <u>\$ 242,288,845</u> |
| | |
| \$ 2,515 | \$ 260,852 |
| 85 | 85 |
| - | 125,884 |
| - | 43,500 |
| <u>-</u> | <u>11,690</u> |
| <u>2,600</u> | <u>442,011</u> |
| | |
| 223,345,944 | 241,839,994 |
| <u>-</u> | <u>6,840</u> |
| <u>223,345,944</u> | <u>241,846,834</u> |
| <u>\$ 223,348,544</u> | <u>\$ 242,288,845</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 POSITION
June 30, 2013**

| | |
|---|-----------------------|
| Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds) | \$ 241,846,834 |
|---|-----------------------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

| | |
|--|------------------|
| Capital assets total acquisition value | 253,779 |
| Total accumulated depreciation | <u>(209,941)</u> |

| | |
|---------------------------|--------|
| Total capital assets, net | 43,838 |
|---------------------------|--------|

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 Position.

| | |
|--|------------------|
| | <u>(110,348)</u> |
|--|------------------|

| | |
|--|------------------------------|
| Net position of governmental activities (Statement of Net Position) | <u>\$ 241,780,324</u> |
|--|------------------------------|

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, 2013

| | Major Funds | |
|--|--------------------|------------------------------------|
| | General Fund | General Obligation Bond Fund |
| REVENUES | | |
| Interest income - debt service | \$ - | \$ 597,161 |
| Total revenues | <u>-</u> | <u>597,161</u> |
| EXPENDITURES | | |
| Current: | | |
| Personnel services and employee benefits | 2,785,552 | - |
| Operating costs: | | |
| Contractual services | 173,509 | - |
| Other administrative expenditures | 600,994 | - |
| Debt service: | | |
| Principal and interest on long-term debt | - | 76,000,200 |
| Principal and interest on short-term debt | - | - |
| Other charges | - | 562,173 |
| Capital outlay | <u>11,375</u> | <u>-</u> |
| Total expenditures | <u>3,571,430</u> | <u>76,562,373</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (3,571,430) | (75,965,212) |
| OTHER FINANCING SOURCES (USES): | | |
| State general fund appropriations | 3,572,300 | - |
| Special appropriation | 122,300 | - |
| Reversions to State General Fund FY13 | (123,170) | - |
| Severance taxes | - | - |
| State property tax levy | - | 49,331,490 |
| Transfer (to) from other state agency | <u>-</u> | <u>836,354</u> |
| Total other financing sources (uses) | <u>3,571,430</u> | <u>50,167,844</u> |
| NET CHANGE IN FUND BALANCES | - | (25,797,368) |
| FUND BALANCES, BEGINNING OF YEAR | <u>8,886</u> | <u>44,291,418</u> |
| RESTATEMENT | <u>(2,046)</u> | <u>-</u> |
| FUND BALANCES, BEGINNING OF YEAR, restated | <u>6,840</u> | <u>44,291,418</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 6,840</u> | <u>\$ 18,494,050</u> |

| <u>Severance Tax Bond Fund</u> | <u>Total Governmental Funds</u> |
|------------------------------------|---|
| \$ 6,772,371 | \$ 7,369,532 |
| <u>6,772,371</u> | <u>7,369,532</u> |
| - | 2,785,552 |
| - | 173,509 |
| - | 600,994 |
| 149,434,278 | 225,434,478 |
| 279,830,585 | 279,830,585 |
| 570,155 | 1,132,328 |
| <u>-</u> | <u>11,375</u> |
| <u>429,835,018</u> | <u>509,968,821</u> |
| (423,062,647) | (502,599,289) |
| - | 3,572,300 |
| - | 122,300 |
| - | (123,170) |
| 420,048,819 | 420,048,819 |
| - | 49,331,490 |
| <u>2,776,698</u> | <u>3,613,052</u> |
| <u>422,825,517</u> | <u>476,564,791</u> |
| (237,130) | (26,034,498) |
| <u>221,392,141</u> | <u>265,692,445</u> |
| <u>2,190,933</u> | <u>2,188,887</u> |
| <u>223,583,074</u> | <u>267,881,332</u> |
| <u>\$ 223,345,944</u> | <u>\$ 241,846,834</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, 2013**

| | |
|---|------------------------|
| Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances) | \$ (26,034,498) |
|---|------------------------|

Amounts reported for governmental activities in the Statement of Activities are different because:

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

| | |
|---|----------|
| This is the amount by which depreciation expense of \$43,215 exceeded capital outlay expense of \$11,375 in the current period: | (31,840) |
|---|----------|

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

| | |
|----------------------------------|---------------|
| Decrease in compensated absences | <u>12,568</u> |
|----------------------------------|---------------|

| | |
|--|-------------------------------|
| Change in net position of governmental activities | <u>\$ (26,053,770)</u> |
|--|-------------------------------|

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, 2013

| | GENERAL FUND | | | |
|--|-------------------------|--------------|-------------------|-----------------------|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts | Final Budget - |
| | | | (Budgetary | Positive |
| | | | Basis) | (Negative) |
| REVENUES | | | | |
| State General Fund appropriation | \$ 3,572,300 | \$ 3,572,300 | \$ 3,572,300 | \$ - |
| Other | 122,300 | 122,300 | 122,300 | - |
| Total revenues | 3,694,600 | 3,694,600 | 3,694,600 | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Personnel services and benefits | 3,012,600 | 2,882,600 | 2,785,552 | 97,048 |
| Contractual services | 175,500 | 185,500 | 173,509 | 11,991 |
| Operating costs | 506,500 | 626,500 | 612,369 | 14,131 |
| Total expenditures | 3,694,600 | 3,694,600 | 3,571,430 | 123,170 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | \$ - | \$ - | \$ 123,170 | \$ 123,170 |
| RECONCILIATION TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE | | | | |
| Unbudgeted reversions to State General Fund | | | (123,170) | |
| NET CHANGE IN FUND BALANCES (GAAP BASIS) | | | \$ - | |

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

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013

| | Investment Trust Fund | Agency Fund - Gaming Suspense Fund |
|---|----------------------------------|---|
| ASSETS | | |
| Cash and investments: | | |
| Fiscal Agent Bank Account | \$ 160,648,092 | \$ - |
| Investment in State General Fund | | |
| Investment Pool | - | 2,368,665 |
| Cash in banks | 259,519,528 | - |
| Certificates of Deposit | 59,950,000 | - |
| U.S. Government securities | 2,463,519,046 | - |
| Corporate Bonds | 16,326,722 | - |
| Municipal Bonds | 73,453,986 | - |
| Repurchase agreements | 1,085,000,000 | - |
| CMO/REMIC | 6,260,990 | - |
| Total cash and investments | 4,124,678,364 | 2,368,665 |
| Securities receivable | 194,163,729 | - |
| Other receivables | 436,506 | - |
| Accrued interest receivable | 10,251,248 | - |
| TOTAL ASSETS | \$ 4,329,529,847 | \$ 2,368,665 |
| LIABILITIES | | |
| Due to Broker | 159,010,931 | - |
| Other liabilities | 28,307 | - |
| Due to State General Fund | - | 2,368,665 |
| TOTAL LIABILITIES | 159,039,238 | 2,368,665 |
| NET POSITION - HELD IN TRUST | 4,170,490,609 | - |
| TOTAL LIABILITIES AND NET POSITION | \$ 4,329,529,847 | \$ 2,368,665 |

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 POSITION
Year Ended June 30, 2013

| | <u>Investment Trust Fund</u> |
|---|----------------------------------|
| INVESTMENT INCOME | \$ 7,232,533 |
| EXPENSES | |
| Management fees | <u>(303,950)</u> |
| Net investment income | <u>6,928,583</u> |
| NET PROCEEDS OF DEPOSITS (WITHDRAWALS) | 174,521,996 |
| NET POSITION, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2012 | <u>3,989,040,030</u> |
| NET POSITION, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2013 | <u>\$ 4,170,490,609</u> |

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

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013

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, 2013

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, 2013

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 GASBs 39 and 61) 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 position 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, 2013

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.

The government reports the following major governmental funds:

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

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

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

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

The Taxation and Revenue Anticipation Notes (TRANS) Fund (SHARE Fund 32300) was established to account for the transactions related to the issuance of Taxation and Revenue Notes. The fund does not receive State General Fund appropriations that are subject to reversion. This fund had no activity in fiscal year 2013.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The LGIP Short-Term Investment Pool (SHARE Fund 68590) 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 10190) 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 10090) 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. It had no activity in fiscal year 2013.

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. This is an agency fund.

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

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

Deposits and Investments

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

State statutes authorize the State Treasurer to invest in, subject to various restrictions, U.S. government obligations; U.S. government agency obligations; commercial paper; corporate bonds; asset backed obligations; repurchase agreements; bank, savings and loan association or credit union deposits; variable rate notes; tax-exempt securities; securities issued by the State or a political subdivision of the State, or an agency, institution or instrumentality of the State; and money market mutual funds.

Receivables and Payables

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

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Fiduciary Net Position

The combining statement of changes in fiduciary net position 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.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Net Position

In June 2011, GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), effective for the State Treasurer's fiscal year beginning July 1, 2012. GASB 63 modifies the presentation of deferred inflows and deferred outflows in the financial statements; it also limits the use of the term "deferred." Implementation of GASB 63 had no effect on the Department's net position or changes in net position for the fiscal year ended June 30, 2013.

The government-wide statements utilize a net position presentation categorized as follows:

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

Investments in capital assets is intended to reflect the portion of net position 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 position is restricted by the bond indenture for debt service. Restricted net position totals \$241,839,994.

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

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Office did not have any items that qualified for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Department did not have any items that were required to be reported in this category as of June 30, 2013.

Accounting Standard Pronouncements

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), will change how the Office reports deferred inflows and outflows of resources previously recognized as assets and liabilities. GASB 65 will improve financial reporting by adding clarification to certain elements that do not represent assets or liabilities and to ensure consistency in financial reporting. The Office does not anticipate implementation of this standard to have a significant impact on reporting. GASB 65 will be effective for the Office for fiscal year 2014.

GASB Statement No. 66, *Technical Corrections – 2012* (GASB 66), resolves conflicting accounting and financial reporting guidance from the issuance of GASB 54 and GASB 62. The Office does not believe it will be impacted by GASB 66, which will be effective for the Office for fiscal year 2014.

Subsequent Events

Management evaluated subsequent events through December 16, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to December 16, 2013, that provided additional evidence about conditions that existed at June 30, 2013 have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, 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, 2013.

NOTE 3 – STATE GENERAL FUND INVESTMENT POOL

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a “business unit by fund” level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled “Current State Diagnostic of Cash Control,” also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State’s SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

DFA Management had recorded a loss provision of \$101.7 million in the General Fund within the FY 2012 Comprehensive Annual Financial Report (CAFR) based on its estimate of the effect of issues related to the reconciliation of the Pool. Because no specific loss amount was determinable, consistent with generally accepted accounting principles, the amount accrued was the minimum amount that management considered to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount. The State’s General Fund includes the Operating Reserve Fund, which issued separate financial statements as of June 30, 2012 as a part of the State’s Component Appropriation Funds. Those financial statements included a loss provision of \$70 million related to the general fund investment pool, based on management’s then-current estimate of the minimum probable loss. Based on additional information that had become available since the issuance of those financial statements, management’s estimate of the minimum probable loss had been increased to \$101.7 million. Accordingly, the general fund investment pool loss accrual and related provision

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

in the FY 2012 CAFR financial statements differs from the separately issued FY 2012 financial statements of the State's Component Appropriation Funds. Currently, Management estimates the probable loss to be within the range of approximately \$70 million - \$102 million, with no amount within the range a better estimate than any other amount. Consistent with GASB 62, Management recorded a loss provision of \$70 million within the FY 2013 financial statements of the State's Component Appropriation Funds.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

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, 2013, the State Treasurer had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool: \$163,666,781

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

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

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control is at the appropriation unit level.

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

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

1. By September 1, the State Treasurer prepares a budget appropriation request by category to be presented to the next legislature.
2. The appropriation request is submitted to the DFA's Budget Division and to the Legislative Finance Committee (LFC).
3. The DFA makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the Legislature.
4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
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, 2013

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, 2013**

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2013, collateral pledged to public money deposits was as follows:

| | <u>Fiscal Agent Account</u> | <u>Certificates of Deposit</u> |
|---|---------------------------------|------------------------------------|
| Cash in bank (bank balance) | \$ 131,347,170* | \$ 59,950,000 |
| Less FDIC insurance coverage | <u>250,000</u> | <u>1,873,023</u> |
| Total unsecured public funds | <u>\$ 131,097,170</u> | <u>\$ 58,076,977</u> |
| Collateral requirement (50%, 75%, or 102% of uninsured public funds) | \$ 65,673,585 | \$ 31,825,989 |
| Collateral pledged: US Government securities | <u>192,481,754</u> | <u>35,384,724</u> |
| Excess (under) collateralized | <u>\$ 126,808,169</u> | <u>\$ 3,558,735</u> |

* Fiscal agent bank is required to collateralize the monthly average balance

See Schedule 10 for reconciliation.

Brokered Transactions

The State Treasurer initiated electronic purchase trades with the following brokers during the year ended June 30, 2013:

| <u>Broker Name</u> | <u>Number of Transactions</u> |
|--|-----------------------------------|
| Bank of America Securities LLC | 3 |
| Bank of New York / South Street Securities | 266 |
| Citigroup Global Markets Inc, NY | 2 |
| Credit Suisse First Boston LLC | 1 |
| Deutsche Bank Alex Brown Inc. | 1 |
| Deutsche Bank Secs Inc DTC00573 | 4 |
| Jefferies & Company, Inc | 1 |
| Jefferies & Company, Inc DTC00019 | 1 |
| JP Morgan Bank / HSBCSI DTC02467 | 1 |
| Mitsubishi UFJ Securities (USA), Inc | 210 |
| Morgan Stanley & Co Inc | 5 |
| Nomura Securities / Fixed Income | 1 |
| Robert W Baird & Co | 1 |
| UBS Financial Services (UBSFS) | 1 |

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Balances

The fair value of investments administered by the State Treasurer at June 30, 2013 follows:

| | <u>Amortized Cost</u> | <u>Carrying Amount Fair Value</u> |
|----------------------------|-------------------------------|---|
| Fiscal Agent Bank Account | \$ 160,648,092 | \$ 160,648,092 |
| Certificates of Deposit | 59,950,000 | 59,950,000 |
| Cash in Bank | 259,519,528 | 259,519,528 |
| U.S. Government Securities | 2,465,561,478 | 2,463,519,046 |
| Investment in LGIP | 4,320,093 | 4,320,093 |
| Corporate Bonds | 16,342,066 | 16,326,722 |
| Municipal Bonds | 73,473,890 | 73,453,986 |
| Repurchase Agreements | 1,085,000,000 | 1,085,000,000 |
| CMO/REMIC | <u>6,260,225</u> | <u>6,260,990</u> |
| | 4,131,075,372 | 4,128,998,457 |
| Less interfund investments | <u>(4,320,093)</u> | <u>(4,320,093)</u> |
| Total | <u>\$4,126,755,279</u> | <u>\$4,124,678,364</u> |

The fair value includes repurchase agreements of \$163,448,234 of debt service funds reported in the Statement of Net Position – Governmental Activities and Governmental Funds Activity for general obligation funds and severance tax bond funds. In addition, it includes \$218,547 of cash in STO's 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 #1

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, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

Taxable Bond Proceeds Investment Pool #2

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, 2013, 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, 2013, 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, 2013.

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, 2013

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.

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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.

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NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

rating declines below investment grade, the State Treasurer's Investment Committee (STIC) will meet to evaluate a course of action.

4. Corporate Bonds – Debt instruments issued by a corporation organized and operating in the United States with a maturity not exceeding five (5) years at time of purchase. Corporate bonds with maturities up to three (3) years shall be rated A1 or better at the time of purchase. Corporate bonds with maturities between three (3) and five (5) years shall be rated AA or better. If the rating declines below investment grade, then the STIC will meet to evaluate a course of action.
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
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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 States Securities and Exchange Commission; (ii) complies with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, of the United States Securities and Exchange Commission applicable to money market mutual funds; (iii) assesses no fees pursuant to Rule 12b-1, or any successor rule, of the United States Securities and Exchange Commission, no sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, however designated, provided that the State shall not, at any time, own more than five percent (5%) of a money market mutual fund's assets; and (iv) is rated AAA or equivalent by a nationally recognized rating agency. In addition, the State Treasurer may act as the investing authority for those agencies which have independent statutory authority to invest. The State Treasurer shall act in a manner consistent with each agency's guidelines and directives.
12. Local Government Investment Pool: General fund dollars may be invested in the Local Government Investment Pool (LGIP), up to five percent (5%) of the LGIP.

Unauthorized Investments/Investment Actions

The State Treasurer will not borrow funds for the sole purpose of investing those funds at a higher yield. The State Treasurer is not authorized by law to invest or as a matter of policy has determined not to invest in securities, assets, investment agreements or instruments except as specifically permitted in this Investment Policy. Accordingly, as examples only, the following securities, assets, investment agreements or instruments are presently impermissible:

1. Common or preferred stock
2. Exchange traded future contracts
3. Inverse floaters
4. Whole-loan mortgage obligations
5. Interest only and principal strips only as they relate to asset-backed obligations
6. Currency swaps
7. Range notes and index amortizing notes
8. Reverse repurchase agreements
9. Short sales

Custodial Credit Risk

Custodial credit risk is the risk that the State Treasurer will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counter party fails. Investment securities are exposed to risk if the securities are uninsured, are

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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, 2013, \$24,561,381 of the State Treasurer's bank balances of \$503,198,348 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, 2013 for the general fund investment pool are as follows:

| Quality Rating | Fair Value | Percentage of Portfolio |
|------------------------|-------------|-------------------------|
| AAA: | | |
| Municipal Bonds | 15,097,883 | 0.67% |
| AAAm: | | |
| Investment in LGIP | 1,300 | 0.00% |
| AA+: | | |
| U.S. Treasuries | 357,735,447 | 15.90% |
| U.S. Government Agency | 938,670,103 | 41.68% |
| Aa2: | | |
| Municipal Bonds | 25,664 | 0.00% |
| AA: | | |
| Municipal Bonds | 3,892,404 | 0.17% |

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

| Quality Rating | Fair Value | Percentage of Portfolio |
|-----------------------------|----------------------|-------------------------|
| Not rated and other: | | |
| Overnight Repurchase Pool | 730,906,649 | 32.46% |
| Fiscal Agent Account | 160,648,092 | 7.13% |
| Certificates of Deposit | 38,750,000 | 1.72% |
| Cash Miscellaneous | 6,102,000 | 0.27% |
| Grand Total | 2,251,829,542 | 100.00% |

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2013 for the local government investment pool are as follows:

| Quality Rating | Fair Value | Percentage of Portfolio |
|-----------------------------|--------------------|-------------------------|
| AAA: | | |
| U.S. Government Agency | 34,257,077 | 6.28% |
| Corporate Bonds | 1,341,349 | 0.25% |
| AA+: | | |
| U.S. Government Agency | 171,977,271 | 31.55% |
| U.S. Treasuries | 109,568,083 | 20.10% |
| Corporate Bonds | 6,260,990 | 1.15% |
| Not Rated and Other: | | |
| Cash | 221,720,028 | 40.67% |
| Grand Total | 545,124,798 | 100.00% |

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2013 for the Bond Proceeds Investment Pool #2 are as follows:

| Quality Rating | Fair Value | Percentage of Portfolio |
|------------------------|-------------|-------------------------|
| AAA: | | |
| U.S. Government Agency | 15,000,915 | 1.73% |
| Municipal Bonds | 2,761,438 | 0.32% |
| Corporate Bonds | 7,024,080 | 0.81% |
| AAAm: | | |
| Investment in LGIP | 1,307,441 | 0.15% |
| AA+: | | |
| U.S. Treasuries | 284,814,650 | 32.90% |
| U.S. Government Agency | 280,148,205 | 32.36% |
| Municipal Bonds | 1,329,894 | 0.15% |

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NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

| Quality Rating | Fair Value | Percentage of Portfolio |
|-----------------------------|--------------------|-------------------------|
| Aa1: | | |
| Municipal Bonds | 9,517,542 | 1.10% |
| MIG1: | | |
| Municipal Bonds | 2,249,490 | 0.26% |
| AA: | | |
| Municipal Bonds | 217,882 | 0.03% |
| A+: | | |
| Municipal Bonds | 414,189 | 0.05% |
| A: | | |
| Municipal Bonds | 2,723,215 | 0.32% |
| Not rated and other: | | |
| Cash Miscellaneous | 31,697,500 | 3.66% |
| Overnight Repurchase Pool | 208,315,981 | 24.06% |
| Certificates of Deposit | 18,200,000 | 2.10% |
| Grand Total | 865,722,422 | 100.00% |

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2013 for the Bond Proceeds Investment Pool # 1 are as follows:

| Quality Rating | Fair Value | Percentage of Portfolio |
|------------------------|-------------|-------------------------|
| AAA: | | |
| U.S. Government Agency | 23,601,399 | 5.06% |
| Municipal Bonds | 924,939 | 0.20% |
| Corporate Bonds | 7,961,293 | 1.71% |
| AAAm: | | |
| Investment in LGIP | 3,011,352 | 0.65% |
| AA+: | | |
| U.S. Government Agency | 166,151,536 | 35.63% |
| U.S. Treasuries | 81,594,360 | 17.50% |
| Municipal Bonds | 1,258,982 | 0.27% |
| Aa1: | | |
| Municipal Bonds | 2,258,820 | 0.48% |
| AA: | | |
| Municipal Bonds | 26,282,332 | 5.64% |

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NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

| Quality Rating | Fair Value | Percentage of Portfolio |
|-----------------------------|--------------------|-------------------------|
| AA-: | | |
| Municipal Bonds | 4,499,312 | 0.96% |
| Not rated and other: | | |
| Overnight Repurchase Pool | 145,777,370 | 31.26% |
| Certificates of Deposits | 3,000,000 | 0.64% |
| Grand Total | 466,321,695 | 100.00% |

Concentration of Credit Risk

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

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

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NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 |
|--|----------------------|-------------------------|
| US Treasury Obligations: | | |
| US Treasuries | 357,735,447 | 15.89% |
| US Government Agency Obligations: | | |
| FFCB | 25,182,500 | 1.12% |
| FHLB | 172,849,701 | 7.68% |
| FHLMC | 258,899,334 | 11.50% |
| FNMA | 481,738,568 | 21.39% |
| Municipal Bonds: | | |
| New Mexico Finance Authority | 7,572,883 | 0.34% |
| State of New Mexico | 201,301 | 0.01% |
| New Mexico State University | 3,186,905 | 0.14% |
| City of Albuquerque | 7,525,000 | 0.33% |
| Southern Sandoval County Arroyo Flood Control Authority | 25,664 | 0.00% |
| University of New Mexico | 504,198 | 0.02% |
| Overnight Repurchase Pool | 730,906,649 | 32.46% |
| Fiscal Agent Account | 160,648,092 | 7.13% |
| Certificates of Deposit | 38,750,000 | 1.72% |
| Cash Miscellaneous | 6,102,000 | 0.27% |
| Local Government Investment Pool* | 1,300 | 0.00% |
| Grand Total | 2,251,829,542 | 100.00% |

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NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

| Issuer | Fair Value | Percentage of Portfolio |
|--|--------------------|-------------------------|
| US Treasury Obligations: | | |
| US Treasuries | 109,568,083 | 20.10% |
| US Government Agency Obligations: | | |
| FFCB | 13,710,816 | 2.52% |
| FHLB | 112,942,526 | 20.72% |
| FNMA | 28,043,616 | 5.14% |
| FHLMC | 17,280,313 | 3.17% |
| IADB | 12,003,622 | 2.20% |
| IBRD | 22,253,455 | 4.08% |
| Corporate Bonds | | |
| Intl Finance Corp | 1,341,349 | 0.25% |
| CMO/REMIC | | |
| Corus Construction Venture | 6,260,990 | 1.15% |
| Cash in Bank | 221,720,028 | 40.67% |
| Grand Total | 545,124,798 | 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 |
|--|-------------|-------------------------|
| US Treasury Obligations: | | |
| US Treasuries | 284,814,650 | 32.90% |
| US Government Agency Obligations: | | |
| FFCB | 23,202,825 | 2.68% |
| FHLMC | 108,324,708 | 12.51% |
| FNMA | 133,781,472 | 15.45% |
| FHLB | 14,839,200 | 1.71% |
| International Finance Corp | 15,000,915 | 1.73% |
| Municipal Bonds: | | |
| Alamogordo Municipal School District | 803,351 | 0.09% |
| City of Albuquerque | 217,882 | 0.03% |
| City of Clovis, NM | 2,723,215 | 0.32% |
| Espanola Public School District | 541,361 | 0.06% |
| Gadsden Independent School District | 6,039,845 | 0.70% |
| Los Alamos Public School District | 786,044 | 0.09% |
| New Mexico Finance Authority | 2,212,833 | 0.26% |

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

| Issuer | Fair Value | Percentage of Portfolio |
|---|--------------------|-------------------------|
| State of New Mexico | 697,983 | 0.08% |
| Rio Rancho Public School District | 514,410 | 0.06% |
| Ruidoso Public School District | 852,469 | 0.10% |
| City of Ruidoso | 414,189 | 0.05% |
| San Juan County Consolidated School District | 1,702,261 | 0.20% |
| Santa Fe County | 1,180,516 | 0.14% |
| Santa Fe Public School District | 100,287 | 0.01% |
| Santa Rosa Consolidated School District | 427,004 | 0.05% |
| Corporate Bonds | | |
| Inter America Development Bank | 7,024,080 | 0.81% |
| Overnight Repurchase Pool | 208,315,981 | 24.06% |
| Certificates of Deposit | 18,200,000 | 2.10% |
| Cash Miscellaneous | 31,697,500 | 3.66% |
| Investment in LGIP | 1,307,441 | 0.15% |
| Grand Total | 865,722,422 | 100.00% |

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 |
|--|------------|-------------------------|
| US Treasury Obligations: | | |
| US Treasuries | 81,594,360 | 17.50% |
| US Government Agency Obligations: | | |
| FFCB | 11,249,736 | 2.41% |
| FHLMC | 86,676,528 | 18.59% |
| FNMA | 61,013,081 | 13.08% |
| FFB | 7,212,191 | 1.55% |
| Finance Corp | 8,600,484 | 1.84% |
| International Finance Corp | 15,000,915 | 3.22% |
| Municipal Bonds: | | |
| City of Albuquerque | 924,939 | 0.20% |
| Albuquerque Municipal School District | 14,602,225 | 3.13% |
| Cloudcroft Municipal School District | 1,454,860 | 0.31% |
| Los Alamos County | 2,000,000 | 0.43% |
| State of New Mexico | 11,680,107 | 2.50% |
| City of Rio Rancho | 2,499,312 | 0.54% |

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

| Issuer | Fair Value | Percentage of Portfolio |
|------------------------------------|--------------------|-------------------------|
| Santa Fe County | 1,258,982 | 0.27% |
| Torrance Municipal School District | 803,960 | 0.17% |
| Corporate Bonds: | | |
| Inter America Development Bank | 7,961,293 | 1.71% |
| Overnight Repurchase Pool | 145,777,370 | 31.26% |
| Investment in LGIP | 3,011,352 | 0.65% |
| Certificates of Deposits | 3,000,000 | 0.64% |
| Grand Total | 466,321,695 | 100.00% |

Interest Rate Risk

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

1. **Relative Yield to Maturity:** Comparison of return available from alternative investments for comparable maturity dates.
2. **Marketability:** Analysis of relative marketability of alternate investments in case of forced sale or possibility of future trades.
3. **Intermarket Yield Analysis:** Analysis of the spread relationship between sectors of the market (e.g., Treasury Bonds or Bills versus Agency Bonds or Discount Notes), to take advantage of aberrations in yield differentials.
4. **Yield Curve Analysis:** Analysis of the slope of the yield curve to determine the most attractive maturities for earning maximum return with minimal risk.
5. **General Economic and Interest Rate Outlook:** Review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

| Quality Rating | Fair Value | Maturities | |
|-----------------------------|----------------------|----------------------|----------------------|
| | | Less Than 1 Year | 1 – 5 Years |
| AAA: | | | |
| Municipal Bonds | 15,097,883 | 15,097,883 | - |
| AAAm: | | | |
| Investment in LGIP | 1,300 | 1,300 | - |
| AA+: | | | |
| U.S. Government Agency | 938,670,103 | 105,314,780 | 833,355,323 |
| U.S. Treasuries | 357,735,447 | 166,737,100 | 190,998,347 |
| Aa2: | | | |
| Municipal Bonds | 25,664 | - | 25,664 |
| AA: | | | |
| Municipal Bonds | 3,892,404 | 2,575,961 | 1,316,443 |
| Not rated and other: | | | |
| Fiscal Agent Account | 160,648,092 | 160,648,092 | - |
| Cash Miscellaneous | 6,102,000 | 6,102,000 | - |
| Overnight Repurchase Pool | 730,906,649 | 730,906,649 | - |
| Certificates of Deposit | 38,750,000 | 38,750,000 | - |
| Grand Total | 2,251,829,542 | 1,226,133,765 | 1,025,695,777 |

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

| Quality Rating | Fair Value | Maturities | |
|------------------------|-------------|------------------|-------------|
| | | Less Than 1 Year | 1 – 5 Years |
| AAA: | | | |
| U.S. Government Agency | 34,257,077 | 34,257,077 | - |
| Corporate Bonds | 1,341,349 | 1,341,349 | - |
| AA+: | | | |
| U.S. Government Agency | 171,977,271 | 165,971,231 | 6,006,040 |
| U.S. Treasuries | 109,568,083 | 109,568,083 | - |
| Corporate Bonds | 6,260,990 | 6,260,990 | - |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

| Quality Rating | Fair Value | Maturities | |
|-----------------------------|--------------------|---------------------|------------------|
| | | Less Than 1 Year | 1 – 5 Years |
| Not rated and other: | | | |
| Cash in Bank | 221,720,028 | 221,720,028 | - |
| Grand Total | 545,124,798 | 539,118,758 | 6,006,040 |

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

| Quality Rating | Fair Value | Maturities | |
|------------------------|-------------|---------------------|-------------|
| | | Less Than 1 Year | 1 – 5 Years |
| AAA: | | | |
| U.S. Government Agency | 15,000,915 | 15,000,915 | - |
| Municipal Bonds | 2,761,438 | - | 2,761,438 |
| Corporate Bonds | 7,024,080 | 7,024,080 | - |
| AAAm: | | | |
| Investment in LGIP | 1,307,441 | 1,307,441 | - |
| AA+: | | | |
| U.S. Government Agency | 280,148,205 | 63,425,672 | 216,722,533 |
| U.S. Treasuries | 284,814,650 | 105,819,450 | 178,995,200 |
| Municipal Bonds | 1,329,894 | - | 1,329,894 |
| Aa1: | | | |
| Municipal Bonds | 9,517,542 | 5,522,810 | 3,994,732 |
| MIG1: | | | |
| Municipal Bonds | 2,249,490 | 2,249,490 | - |
| AA: | | | |
| Municipal Bonds | 217,882 | - | 217,882 |
| A+: | | | |
| Municipal Bonds | 414,189 | - | 414,189 |
| A: | | | |
| Municipal Bonds | 2,723,215 | 1,342,556 | 1,380,659 |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

| Quality Rating | Fair Value | Maturities | |
|-----------------------------|--------------------|---------------------|--------------------|
| | | Less Than 1 Year | 1 – 5 Years |
| Not rated and other: | | | |
| Cash Miscellaneous | 31,697,500 | 31,697,500 | - |
| Overnight Repurchase Pool | 208,315,981 | 208,315,981 | - |
| Certificates of Deposit | 18,200,000 | 18,200,000 | - |
| Grand Total | 865,722,422 | 459,905,895 | 405,816,527 |

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 |
| AAA: | | | |
| U.S. Government Agency | 23,601,399 | 15,000,915 | 8,600,484 |
| Municipal Bonds | 924,939 | - | 924,939 |
| Corporate Bonds | 7,961,293 | 7,961,293 | - |
| AAAm: | | | |
| Investment in LGIP | 3,011,352 | 3,011,352 | - |
| AA+: | | | |
| U.S. Government Agency | 166,151,536 | 12,275,330 | 153,876,206 |
| U.S. Treasury | 81,594,360 | 84,488 | 81,509,872 |
| Municipal Bonds | 1,258,982 | - | 1,258,982 |
| Aa1: | | | |
| Municipal Bonds | 2,258,820 | 1,018,154 | 1,240,666 |
| AA: | | | |
| Municipal Bonds | 26,282,332 | 7,354,116 | 18,928,216 |
| AA-: | | | |
| Municipal Bonds | 4,499,312 | 3,207,600 | 1,291,712 |
| Not rated and other: | | | |
| Overnight Repurchase Pool | 145,777,370 | 145,777,370 | - |
| Certificates of Deposit | 3,000,000 | 3,000,000 | - |
| Grand Total | 466,321,695 | 198,690,618 | 267,631,077 |

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2013 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
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 |
|----------------------------------|----------------------|-------------------------|
| AA+: | | |
| US Government Agency Obligations | 1,115,149,697 | 100.00 |
| Grand Total | 1,115,149,697 | 100.00 |

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 |
| AA+: | | | | | | |
| US Government Mortgage Backed Securities | 1,115,149,697 | - | - | - | 752,764,730 | 362,384,967 |
| Grand Total | 1,115,149,697 | - | - | - | 752,764,730 | 362,384,967 |

Schedule 10 discloses collateral pledged for repurchase agreements.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

| | <u>Balance, June 30, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance, June 30, 2013</u> |
|--------------------------------|-----------------------------------|--------------------|------------------|-----------------------------------|
| Governmental activities: | | | | |
| Depreciable assets: | | | | |
| Equipment | \$ 301,104 | \$ 11,375 | \$ (58,700) | \$ 253,779 |
| Total capital assets | 301,104 | 11,375 | (58,700) | 253,779 |
| Less accumulated depreciation: | | | | |
| Equipment | 225,426 | 43,215 | (58,700) | 209,941 |
| Total | <u>\$ 75,678</u> | <u>\$ (31,840)</u> | <u>\$ -</u> | <u>\$ 43,838</u> |

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

| | |
|--------------------------|------------------|
| Governmental activities: | |
| General government | <u>\$ 43,215</u> |

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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, 2013:

| | <u>Balance, June 30, 2012</u> | <u>Increase</u> | <u>(Decrease)</u> | <u>Balance, June 30, 2013</u> | <u>Amounts Due within One Year</u> |
|-----------------------------|-----------------------------------|-----------------|-------------------|-----------------------------------|--|
| Compensated absences | \$ 122,916 | \$ 122,896 | \$ (135,464) | \$ 110,348 | \$ 110,348 |

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, 2013 are as follows:

Assets:

| | |
|--------------------------------|-------------------|
| Investments | \$ 4,124,678,364 |
| Securities receivable | 194,163,729 |
| Interest and other receivables | <u>10,687,754</u> |

Total assets

\$ 4,329,529,847

Liabilities:

| | |
|---------------------------|----------------|
| Due to broker | \$ 159,010,931 |
| Receipts held in suspense | 28,307 |

Net position:

| | |
|---|----------------------|
| External participant account balances | 531,180,495 |
| Other internal participant account balances | |
| Primary government | <u>3,639,310,114</u> |

Total liabilities and net position

\$ 4,329,529,847

At June 30, 2013, the State Treasurer's investment income earnings were as follows:

| | |
|----------------------------------|---------------------|
| Local Government Investment Pool | \$ 1,203,740 |
| Consolidated Investment Pool | 2,283,181 |
| State Funds Investment Pool | <u>3,745,612</u> |
| Total | <u>\$ 7,232,533</u> |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 - APPROPRIATIONS

The State Treasurer received the following appropriations for the year ended June 30, 2013:

| General Fund | |
|---|----------------------------|
| General appropriation (General Appropriation Act) | \$ 3,572,300 |
| Appropriation from LGIP to the Office's General Fund for management of LGIP assets | <u>122,300</u> |
| Total appropriations | <u><u>\$ 3,694,600</u></u> |

NOTE 11 - COLLATERAL IN TRUST

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

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 | \$ 78,620,034 | Tax & Revenue | 82500 | \$ 78,620,034 |
| | | <u>\$ 78,620,034</u> | | | <u>\$ 78,620,034</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 | \$ 123,838 | Dept. of Finance & Administration | 85300 | \$ 123,838 |
| Gaming Suspense Fund | 02000 | 2,368,665 | Dept. of Finance & Administration | 85300 | 2,368,665 |
| STB Bond Fund | 41000 | <u>85</u> | Sev Tax Perm Fd. | 60200 | <u>85</u> |
| | | <u>\$ 2,492,588</u> | | | <u>\$ 2,492,588</u> |

Purpose: Reversions due to the State General Fund; gaming receipts due to the State General Fund, and funds due to the NM State Investment Council – Severance Tax Permanent Fund.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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:

| | First Computation Date | First Payment Due to IRS | First Computation of Arbitrage Completed | Last / Next Payment Due to IRS |
|--|---------------------------------------|-------------------------------------|---|---|
| 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 | X | 3/1/2021 |
| General Obligation Bonds Series 2013 | 4/23/2018 | 6/22/2018 | | 3/1/2023 |
| Supplemental Severance Tax Bonds Series 2003B | 6/30/2006 | 8/29/2006 | X | 7/1/2013 |
| Supplemental 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 Refunding Series 2005B-1 | 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, 2013**

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 |
|--|---------------------------------------|-------------------------------------|---|--|
| Supplemental Severance Tax Bonds Series 2005B-2 | 6/15/2010 | 8/16/2010 | X | 7/1/2012 |
| Severance Tax Bonds Series 2006A | 6/20/2011 | 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 | X | 7/1/2013 |
| Supplemental Severance Tax Bonds Series 2008A-2 | 6/25/2013 | 8/26/2013 | X | 7/1/2013 |
| Severance Tax Bonds Series 2009A | 7/30/2014 | 9/29/2014 | X | 7/1/2019 |
| Severance Tax Bonds Series 2010A | 3/24/2015 | 5/26/2015 | X | 3/24/2020 |
| Supplemental Severance Tax Bonds Series 2010B | 3/24/2015 | 5/26/2015 | X | 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 | X | 7/1/2017 |
| Severance Tax Bonds Series 2011A-1 | 12/6/2016 | 2/6/2017 | X | 7/1/2021 |
| Severance Tax Bonds Refunding Series 2011A-2 | 12/6/2016 | 2/6/2017 | X | 7/1/2021 |
| Severance Tax Bonds Series 2012A | 6/21/2017 | 8/21/2017 | X | 6/21/2022 |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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:

| <u>SHARE</u> | | | <u>SHARE</u> | | |
|--------------|-------------------------|-----------------------|--------------|----------------------|-----------------------|
| <u>Fund</u> | <u>Transfer from</u> | <u>Amount</u> | <u>Fund</u> | <u>Transfer to</u> | <u>Amount</u> |
| 41000 | Severance Tax Bond Fund | \$ 37,520,465 | 10750 | STB-2006A Debt Svc. | \$ 37,520,465 |
| 41000 | Severance Tax Bond Fund | 16,366,723 | 10950 | STB-2010A Debt Svc. | 16,366,723 |
| 41000 | Severance Tax Bond Fund | 13,342,437 | 10960 | STB-2010B Debt Svc. | 13,342,437 |
| 41000 | Severance Tax Bond Fund | 10,068,474 | 11190 | STB-2010C Debt Svc. | 10,068,474 |
| 41000 | Severance Tax Bond Fund | 32,455,824 | 11280 | STB-2010 Debt Svc. | 32,455,824 |
| 41000 | Severance Tax Bond Fund | 3,969,810 | 11480 | STB-2012A Debt Svc. | 3,969,810 |
| 41000 | Severance Tax Bond Fund | 1,222,576 | 18300 | STB-2004B Debt Svc. | 1,222,576 |
| 41000 | Severance Tax Bond Fund | 3,646,525 | 30820 | STB-2011A-2 | 3,646,525 |
| 41000 | Severance Tax Bond Fund | 4,530,974 | 30830 | STB-2011A-1 | 4,530,974 |
| 41000 | Severance Tax Bond Fund | 1,290,615 | 48400 | STB-2003B Debt Svc. | 1,290,615 |
| 41000 | Severance Tax Bond Fund | <u>15,057,310</u> | 72010 | STB-2008A1 Debt Svc. | <u>15,057,310</u> |
| | | | | Debt Service | |
| | | <u>\$ 139,471,733</u> | | | <u>\$ 139,471,733</u> |

General Obligation Bonds:

| <u>SHARE</u> | | | <u>SHARE</u> | | |
|--------------|----------------------|----------------------|--------------|----------------------|----------------------|
| <u>Fund</u> | <u>Transfer from</u> | <u>Amount</u> | <u>Fund</u> | <u>Transfer to</u> | <u>Amount</u> |
| 10630 | GO 2009 Debt Service | \$ 10,400,000 | 03200 | GO 2005 Debt Service | \$ 3,000,000 |
| 11320 | GO 2011 Series - COI | 21,186 | 11630 | GO 2011 Series | 21,186 |
| 41500 | GO 2001 Rebate | <u>824,837</u> | 42600 | GO 2005 Rebate | 824,837 |
| | | | 73010 | GO 2008A Debt Svc. | <u>7,400,000</u> |
| | | <u>\$ 11,246,023</u> | | | <u>\$ 11,246,023</u> |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 14 – TRANSFERS (CONTINUED)

Interagency Transfers

Debt Service:

Severance Tax Bonds:

Transfers in from Other State Agencies

| <u>Transfers from (purpose)</u> | <u>Fund No.</u> | <u>Amount</u> | <u>Transfers to (purpose)</u> | <u>Fund No.</u> | <u>Amount</u> |
|-------------------------------------|---------------------|---------------------|-----------------------------------|---------------------|---------------------|
| Board of Finance | 34103 | \$ 2,779,828 | Severance Tax Bonding Fund | 41000 | \$ 2,779,828 |
| | | <u>\$ 2,779,828</u> | | | <u>\$ 2,779,828</u> |

General Obligation Bonds:

Transfers in from Other State Agencies

| <u>Transfers from (purpose)</u> | <u>Fund No.</u> | <u>Amount</u> | <u>Transfers to (purpose)</u> | <u>Fund No.</u> | <u>Amount</u> |
|-------------------------------------|---------------------|-------------------|-----------------------------------|---------------------|-------------------|
| Board of Finance | 34103 | \$ 836,354 | GO 2005 Debt Service | 03200 | \$ 24,611 |
| | | | GO 2009 Debt Service | 10630 | 772,489 |
| | | | GO 2011 Debt Service | 11630 | 25,582 |
| | | | GO 2007 Debt Service | 28800 | <u>13,672</u> |
| | | <u>\$ 836,354</u> | | | <u>\$ 836,354</u> |

Transfers out to Other State Agencies

| <u>Transfers from (purpose)</u> | <u>Fund No.</u> | <u>Amount</u> | <u>Transfers to (purpose)</u> | <u>Fund No.</u> | <u>Amount</u> |
|--|---------------------|-----------------|-----------------------------------|---------------------|-----------------|
| Gaming Suspense Fund | 02000 | \$ - | Board of Finance | 85300 | \$ - |
| STB Bond Fund | 41000 | 2,791 | Board of Finance | 34103 | 2,791 |
| STB Bond Fund | 41000 | <u>339</u> | Sev Tax Perm Fd. | 60200 | <u>339</u> |
| Total - General Obligation Bond Funds | | <u>\$ 3,130</u> | | | <u>\$ 3,130</u> |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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.

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, 2013, 2012 and 2011 were \$287,778, \$260,521 and \$294,619, 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.

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.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

Funding Policy

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The State Treasurer's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$38,166, \$35,649 and \$32,334, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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, 2012 to June 30, 2013. 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, 2013, 2012 and 2011, 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, 2013 is \$123,170.

Amounts reverted to the State General Fund during 2013 were as follows:

| | <u>Appropriation</u> | <u>Reversion</u> |
|--|----------------------|--------------------------|
| Reversion to State General Fund fiscal year 2013 | \$ 3,694,600 | \$ 123,170 |
| Subtotal – Reversion to State General Fund | <u>\$ 3,694,600</u> | 123,170 |
| Due to State General Fund prior years | | <u>2,714</u> |
| Total Due to State General Fund | | <u>\$ 125,884</u> |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 | 12/30/2012 | 1/1/2013 | \$ 38,168,000 | \$ 827 | \$ 38,168,827 |
| Sponge Bond - Supplemental Note | 12/30/2012 | 1/1/2013 | 47,497,000 | 1,029 | 47,498,029 |
| Sponge Bond - Senior Note | 6/29/2013 | 6/30/2013 | 73,829,335 | 492 | 73,829,827 |
| Sponge Bond - Supplemental Note | 6/29/2013 | 6/30/2013 | <u>120,333,100</u> | <u>802</u> | <u>120,333,902</u> |
| Total | | | <u>\$279,827,435</u> | <u>\$ 3,150</u> | <u>\$279,830,585</u> |

Short-term debt activity for the year ended June 30, 2013 was as follows:

| | <u>Balance, June 30, 2012</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Issuance Costs</u> | <u>Balance, June 30, 2013</u> |
|--------------|-----------------------------------|----------------------|----------------------|---------------------------|-----------------------------------|
| Sponge Bonds | <u>\$ -</u> | <u>\$279,827,435</u> | <u>\$279,827,435</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTE 20 - BOND ISSUANCE ACTIVITY

During fiscal year 2013, there was one new bond issues as noted below:

- \$137,220,000 GO – Series 2013 Debt Service

Total activity related to the bonds was approximately as follows: costs: \$350,000; premiums: \$2,707,291; and total capital project deposits: \$139,300,500.

Rather than being recorded in the financial statements of a specific component unit, the long-term debt associated with this issuance is only recorded in the State of New Mexico Comprehensive Annual Financial Report.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013 follows:

| | <u>General Fund</u> | <u>General Obligation Bond Fund</u> | <u>Severance Tax Bond Fund</u> |
|----------------------------|-------------------------|---|--|
| Fund balances: | | | |
| Restricted for: | | | |
| Debt service | \$ - | \$ 18,494,050 | \$ 223,345,944 |
| Unrestricted, unassigned | <u>6,840</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u><u>\$ 6,840</u></u> | <u><u>\$ 18,494,050</u></u> | <u><u>\$ 223,345,944</u></u> |

NOTE 22 – RESTATEMENT

The Severance Tax Bonding Fund's (STB) interest in the State General Fund Investment Pool (SGFIP) was understated by \$2,190,933 and expenses were overstated by the same amount in fiscal year 2012 requiring a prior period adjustment in fiscal year 2013. In fiscal year 2011 an audit entry was made to record an arbitrage liability calculated as of June 20, 2011 in the amount of \$2,190,933. In fiscal year 2012 (August 11, 2011), the payment was made by STO. At that time, the STB's interest in the SGFIP was reduced and an expense was recorded rather than reversing the previously recorded liability. During the fiscal year 2012 audit, an entry was then recorded to remove that liability at which point the STB's interest in the SGFIP was reduced a second time leading to an understatement of interest in SGFIP by \$2,190,933. The effect of this restatement was to increase fiscal year 2012's net position by \$2,190,933.

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, 2013

| | <u>Balance June 30, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2013</u> |
|---------------------------------------|----------------------------------|--------------------|--------------------|----------------------------------|
| GOVERNMENTAL FUNDS | | | | |
| CAPITAL ASSETS | | | | |
| Equipment, furniture and fixtures | \$ 301,104 | \$ 11,375 | \$ (58,700) | \$ 253,779 |
| TOTAL GOVERNMENTAL FUNDS | | | | |
| CAPITAL ASSETS | <u>\$ 301,104</u> | <u>\$ 11,375</u> | <u>\$ (58,700)</u> | <u>\$ 253,779</u> |
| INVESTMENTS IN GOVERNMENTAL | | | | |
| FUNDS CAPITAL ASSETS BY SOURCE | | | | |
| General Fund revenues | \$ 301,104 | \$ 11,375 | \$ (58,700) | \$ 253,779 |
| TOTAL GOVERNMENTAL FUNDS | | | | |
| CAPITAL ASSETS | <u>\$ 301,104</u> | <u>\$ 11,375</u> | <u>\$ (58,700)</u> | <u>\$ 253,779</u> |
| Less Accumulated Depreciation | | | | |
| Equipment | \$ 225,426 | \$ 43,215 | \$ (58,700) | \$ 209,941 |
| Total | <u>\$ 75,678</u> | <u>\$ (31,840)</u> | <u>\$ -</u> | <u>\$ 43,838</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, 2013

| | SHARE Fund | Assets | | | Total Assets |
|-----------------------------------|---------------|--------------------------|-------------------------------|-----------------------------------|----------------------|
| | | Repurchase Agreements | Due From Other Agencies | Accrued Interest Receivable | |
| 2003 Series-Debt Service | 03100 | \$ 781,662 | \$ - | \$ - | \$ 781,662 |
| 2005 Series Debt Service | 03200 | 983,488 | - | - | 983,488 |
| 2007 Series-Debt Service | 28800 | 3,047,361 | - | - | 3,047,361 |
| 2001 Series-Debt Service | 41400 | 339,350 | - | - | 339,350 |
| 2003B Series - Refunding | 41800 | 8,216,800 | - | - | 8,216,800 |
| 2009 Series-Debt Service | 10630 | 2,293,228 | - | - | 2,293,228 |
| 2011 Series-Debt Service | 11630 | 843,216 | - | - | 843,216 |
| 2013 Series-Debt Service | 11680 | 134,650 | - | - | 134,650 |
| 2008A Series-Redemption | 73030 | 220,699 | - | - | 220,699 |
| 2008A Series-Debt Service | 73010 | 1,063,255 | - | - | 1,063,255 |
| Total Debt Service | | 17,923,709 | - | - | 17,923,709 |
| 2003 Series - Rebate | 41300 | 4,776 | - | - | 4,776 |
| 2001 Series - Rebate | 41500 | 386 | - | - | 386 |
| 2003 Refunding Series - Rebate | 41900 | 153,125 | - | - | 153,125 |
| 2005 Series - Rebate | 42600 | 829,267 | - | - | 829,267 |
| 911 - Rebate | 48800 | 112,024 | - | - | 112,024 |
| Total Rebate Accounts | | 1,099,578 | - | - | 1,099,578 |
| 2009 Series - Cost of Issuance | 10650 | 32,936 | - | - | 32,936 |
| 2011 Series - Cost of Issuance | 11320 | (650) | - | - | (650) |
| 2013 Series - Cost of Issuance | 11620 | (335,849) | - | - | (335,849) |
| Total cost of issuance | | (303,563) | - | - | (303,563) |
| COMBINED TOTAL | | \$ 18,719,724 | \$ - | \$ - | \$ 18,719,724 |

| <u>Liabilities</u> | | | <u>Fund Equity</u> | | |
|------------------------------------|-------------------------|--------------------------|------------------------------------|--------------------------|--|
| <u>Due to Other State Agencies</u> | <u>Accounts Payable</u> | <u>Total Liabilities</u> | <u>Restricted for Debt Service</u> | <u>Total Fund Equity</u> | <u>Total Liabilities & Fund Equity</u> |
| \$ - | \$ - | \$ - | \$ 781,662 | \$ 781,662 | \$ 781,662 |
| - | 1,300 | 1,300 | 982,188 | 982,188 | 983,488 |
| - | - | - | 3,047,361 | 3,047,361 | 3,047,361 |
| - | - | - | 339,350 | 339,350 | 339,350 |
| - | - | - | 8,216,800 | 8,216,800 | 8,216,800 |
| - | - | - | 2,293,228 | 2,293,228 | 2,293,228 |
| - | - | - | 843,216 | 843,216 | 843,216 |
| - | - | - | 134,650 | 134,650 | 134,650 |
| - | - | - | 220,699 | 220,699 | 220,699 |
| - | 1,300 | 1,300 | 1,061,955 | 1,061,955 | 1,063,255 |
| - | 2,600 | 2,600 | 17,921,109 | 17,921,109 | 17,923,709 |
| - | - | - | 4,776 | 4,776 | 4,776 |
| - | - | - | 386 | 386 | 386 |
| - | - | - | 153,125 | 153,125 | 153,125 |
| - | 223,074 | 223,074 | 606,193 | 606,193 | 829,267 |
| - | - | - | 112,024 | 112,024 | 112,024 |
| - | 223,074 | 223,074 | 876,504 | 1,322,652 | 1,099,578 |
| - | - | - | 32,936 | 32,936 | 32,936 |
| - | - | - | (650) | (650) | (650) |
| - | - | - | (335,849) | (335,849) | (335,849) |
| - | - | - | (303,563) | (303,563) | (303,563) |
| \$ - | \$ 225,674 | \$ 225,674 | \$ 18,494,050 | \$ 18,494,050 | \$ 18,719,724 |

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, 2013

| | SHARE Fund | Revenues | | Expenditures | |
|--------------------------------|---------------|--------------------|--|-------------------|-----------------------|
| | | Interest Income | Principal and Interest on Long-Term Debt | Other Charges | Total Expenditures |
| 2003 Series-Debt Service | 03100 | \$ 7,969 | \$ - | \$ - | \$ - |
| 2005 Series Debt Service | 03200 | 36,052 | 14,525,500 | 1,300 | 14,526,800 |
| 2007 Series Debt Service | 28800 | 57,559 | 17,466,000 | - | 17,466,000 |
| 2001 Series-Debt Service | 41400 | 2,314 | - | - | - |
| 2003-B Series - Refunding | 41800 | 56,028 | - | - | - |
| 2009 Series-Debt Service | 10630 | 167,453 | 25,883,000 | - | 25,883,000 |
| 2011 Series-Debt Service | 11630 | 96,438 | 2,244,450 | - | 2,244,450 |
| 2013 Series-Debt Service | 11680 | 134,650 | - | - | - |
| 2008A Series-Redemption | 73030 | - | - | - | - |
| 2008A Series-Debt Service | 73010 | <u>31,199</u> | <u>15,881,250</u> | <u>1,300</u> | <u>15,882,550</u> |
| Total Debt Service | | 589,662 | 76,000,200 | 2,600 | 76,002,800 |
| 2003 Series-Rebate | 41300 | 33 | - | - | - |
| 2001 Series-Rebate | 41500 | 5,627 | - | - | - |
| 2003 Series-Refunding | 41900 | 1,045 | - | - | - |
| 2005 Rebate | 42600 | 30 | - | 223,074 | 223,074 |
| 911-Rebate | 48800 | <u>764</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Rebate Accounts | | 7,499 | - | 223,074 | 223,074 |
| 2009 Series - Cost of Issuance | 10650 | - | - | - | - |
| 2011 Series - Cost of Issuance | 11320 | - | - | 650 | 650 |
| 2013 Series - Cost of Issuance | 11620 | - | - | <u>335,849</u> | <u>335,849</u> |
| Total cost of issuance | | - | - | <u>336,499</u> | <u>336,499</u> |
| COMBINED TOTAL | | <u>\$ 597,161</u> | <u>\$ 76,000,200</u> | <u>\$ 562,173</u> | <u>\$ 76,562,373</u> |

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 |
|--|--|---|--------------------------|--|--------------------------------|
| \$ 7,969 | \$ - | \$ - | \$ - | \$ - | \$ - |
| (14,490,748) | 6,952,902 | 24,611 | - | - | 3,000,000 |
| (17,408,441) | 12,640,147 | 13,672 | - | - | - |
| 2,314 | - | - | - | - | - |
| 56,028 | - | - | - | - | - |
| (25,715,547) | 24,470,685 | 772,489 | - | - | (10,400,000) |
| (2,148,012) | 1,939,678 | 25,582 | - | - | 21,186 |
| 134,650 | - | - | - | - | - |
| - | - | - | - | - | - |
| (15,851,351) | 3,328,078 | - | - | - | 7,400,000 |
| (75,413,138) | 49,331,490 | 836,354 | - | - | 21,186 |
| 33 | - | - | - | - | - |
| 5,627 | - | - | - | - | (824,837) |
| 1,045 | - | - | - | - | - |
| (223,044) | - | - | - | - | 824,837 |
| 764 | - | - | - | - | - |
| (215,575) | - | - | - | - | - |
| - | - | - | - | - | - |
| (650) | - | - | - | - | (21,186) |
| (335,849) | - | - | - | - | - |
| (336,499) | - | - | - | - | (21,186) |
| <u>\$ (75,965,212)</u> | <u>\$ 49,331,490</u> | <u>\$ 836,354</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, 2013

| | SHARE | Net Change | Beginning | | Beginning | Fund |
|--------------------------------|-------|------------------------|----------------------|-------------|----------------------|----------------------|
| | Fund | in Fund | Fund Balance | Restatement | Fund | Fund |
| | | Balance | as Originally | | Balances | Balances |
| | | | Reported | | as Restated | June 30, 2013 |
| 2003 Series-Debt Service | 03100 | \$ 7,969 | \$ 773,693 | \$ - | \$ 773,693 | \$ 781,662 |
| 2005 Series Debt Service | 03200 | (4,513,235) | 5,495,423 | - | 5,495,423 | 982,188 |
| 2007 Series Debt Service | 28800 | (4,754,622) | 7,801,983 | - | 7,801,983 | 3,047,361 |
| 2001 Series-Debt Service | 41400 | 2,314 | 337,036 | - | 337,036 | 339,350 |
| 2003-B Series - Refunding | 41800 | 56,028 | 8,160,772 | - | 8,160,772 | 8,216,800 |
| 2009 Series-Debt Service | 10630 | (10,872,373) | 13,165,601 | - | 13,165,601 | 2,293,228 |
| 2011 Series-Debt Service | 11630 | (161,566) | 1,004,782 | - | 1,004,782 | 843,216 |
| 2013 Series-Debt Service | 11680 | 134,650 | - | - | - | 134,650 |
| 2008A Series-Redemption | 73030 | - | 220,699 | - | 220,699 | 220,699 |
| 2008A Series-Debt Service | 73010 | (5,123,273) | 6,185,228 | - | 6,185,228 | 1,061,955 |
| Total debt service | | (25,224,108) | 43,145,217 | - | 43,145,217 | 17,921,109 |
| 2003 Series-Rebate | 41300 | 33 | 4,743 | - | 4,743 | 4,776 |
| 2001 Series-Rebate | 41500 | (819,210) | 819,596 | - | 819,596 | 386 |
| 2003 Series-Refunding | 41900 | 1,045 | 152,080 | - | 152,080 | 153,125 |
| 2005 Rebate | 42600 | 601,793 | 4,400 | - | 4,400 | 606,193 |
| 911-Rebate | 48800 | 764 | 111,260 | - | 111,260 | 112,024 |
| Total Rebate Accounts | | (215,575) | 1,092,079 | - | 1,092,079 | 876,504 |
| 2009 Series - Cost of Issuance | 10650 | - | 32,936 | - | 32,936 | 32,936 |
| 2011 Series - Cost of Issuance | 41600 | (21,836) | 21,186 | - | 21,186 | (650) |
| 2013 Series - Cost of Issuance | 41600 | (335,849) | - | - | - | (335,849) |
| Total cost of issuance | | (357,685) | 54,122 | - | 54,122 | (303,563) |
| COMBINED TOTAL | | \$ (25,797,368) | \$ 44,291,418 | \$ - | \$ 44,291,418 | \$ 18,494,050 |

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, 2013

| | SHARE Fund | Assets | | | | Total Assets |
|-------------------------------|---------------|--------------------------|-------------------------------|-----------------------------------|--------------------|-----------------------|
| | | Repurchase Agreements | Due From Other Agencies | Accrued Interest Receivable | Prepaid Expense | |
| 2009-A Series - Debt Service | 10750 | \$ 34,371,485 | \$ - | \$ - | \$ - | \$ 34,371,485 |
| 2010-A Series - Debt Service | 10950 | 14,373,425 | - | - | - | 14,373,425 |
| 2010-B Series - Debt Service | 10960 | 11,398,260 | - | - | - | 11,398,260 |
| 2010-C Series - Debt Service | 11190 | 9,377,106 | - | - | - | 9,377,106 |
| Series 2011A-1 Refunding | 11280 | 29,407,938 | - | - | - | 29,407,938 |
| Series 2011A-2 Refunding | 30830 | 4,075,481 | - | - | - | 4,075,481 |
| Series 2012A - Refunding | 30820 | 1,824,138 | - | - | - | 1,824,138 |
| 2010-D Series - Debt Service | 11480 | 2,948,647 | - | - | - | 2,948,647 |
| 2004-B Series Debt Service | 18300 | 1,166,702 | - | - | - | 1,166,702 |
| 2005-B1 Series Debt Service | 38800 | 1,999 | - | - | - | 1,999 |
| Severance Tax Bonding | 41000 | 19,291,868 | 78,620,034 | - | - | 97,911,902 |
| 2005-A Series Debt Service | 41200 | 103,399 | - | - | - | 103,399 |
| 2003-B Series-Debt Service | 48400 | 1,268,250 | - | - | - | 1,268,250 |
| 2007-A Debt Service | 53700 | 45,220 | - | - | - | 45,220 |
| 2005-B2 Series Debt Service | 57100 | 1,423 | - | - | - | 1,423 |
| 2008A-1 Series - Debt Service | 72010 | 14,953,683 | - | - | - | 14,953,683 |
| 2008A-2 Series - Debt Service | 72070 | 1,485 | - | - | - | 1,485 |
| 2006-A Series Debt Service | 96300 | 2,464 | - | - | - | 2,464 |
| Total Debt Service | | 144,612,973 | 78,620,034 | - | - | 223,233,007 |
| 2004-B Series-Rebate | 41100 | 1,014 | - | - | - | 1,014 |
| 2003-B Supp-Rebate | 42000 | 12,725 | - | - | - | 12,725 |
| 2005-A Series-Rebate | 48300 | 45,197 | - | - | - | 45,197 |
| 2005-B1 Series-Rebate | 57000 | 11,137 | - | - | - | 11,137 |
| 2005-B2 Series-Rebate | 96000 | 6,536 | - | - | - | 6,536 |
| 2006-A Series-Rebate | 96400 | 38,928 | - | - | - | 38,928 |
| Total Rebate Accounts | | 115,537 | - | - | - | 115,537 |
| COMBINED TOTAL | | \$ 144,728,510 | \$ 78,620,034 | \$ - | \$ - | \$ 223,348,544 |

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, 2013

| | Fund Equity | | Total Liabilities & Fund Equity |
|-------------------------------|--------------------------------|-------------------------|---------------------------------------|
| | Restricted for Debt Service | Total Fund Equity | |
| 2009-A Series - Debt Service | \$ 34,371,485 | \$ 34,371,485 | \$ 34,371,485 |
| 2010-A Series - Debt Service | 14,373,425 | 14,373,425 | 14,373,425 |
| 2010-B Series - Debt Service | 11,398,260 | 11,398,260 | 11,398,260 |
| 2010-C Series - Debt Service | 9,377,106 | 9,377,106 | 9,377,106 |
| 2010-D Series - Debt Service | 29,406,638 | 29,406,638 | 29,407,938 |
| Series 2011A-1 Refunding | 4,075,481 | 4,075,481 | 4,075,481 |
| Series 2011A-2 Refunding | 1,824,138 | 1,824,138 | 1,824,138 |
| Series 2012A - Refunding | 2,948,647 | 2,948,647 | 2,948,647 |
| 2004-B Series Debt Service | 1,166,702 | 1,166,702 | 1,166,702 |
| 2005-B1 Series Debt Service | 1,999 | 1,999 | 1,999 |
| Severance Tax Bonding | 97,911,817 | 97,911,817 | 97,911,902 |
| 2005-A Series Debt Service | 103,399 | 103,399 | 103,399 |
| 2003-B Series-Debt Service | 1,268,250 | 1,268,250 | 1,268,250 |
| 2007-A Debt Service | 45,220 | 45,220 | 45,220 |
| 2005-B2 Series Debt Service | 1,423 | 1,423 | 1,423 |
| 2008A-1 Series - Debt Service | 14,953,683 | 14,953,683 | 14,953,683 |
| 2008A-2 Series - Debt Service | 270 | 270 | 1,485 |
| 2006-A Series Debt Service | 2,464 | 2,464 | 2,464 |
| Total Debt Service | 223,230,407 | 223,230,407 | 223,233,007 |
| 2004-B Series-Rebate | 1,014 | 1,014 | 1,014 |
| 2003-B Supp-Rebate | 12,725 | 12,725 | 12,725 |
| 2005-A Series-Rebate | 45,197 | 45,197 | 45,197 |
| 2005-B1 Series-Rebate | 11,137 | 11,137 | 11,137 |
| 2005-B2 Series-Rebate | 6,536 | 6,536 | 6,536 |
| 2006-A Series-Rebate | 38,928 | 38,928 | 38,928 |
| Total Rebate Accounts | 115,537 | 115,537 | 115,537 |
| COMBINED TOTAL | \$ 223,345,944 | \$ 223,345,944 | \$ 223,348,544 |

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, 2013

| | SHARE Fund | Revenues | | Expenditures | |
|------------------------------|---------------|---------------------|--|-------------------|-----------------------|
| | | Interest Income | Principal and Interest on Long-Term Debt | Other Charges | Total Expenditures |
| 2009-A Series - Debt Service | 10750 | \$ 231,357 | \$ 36,904,850 | \$ - | \$ 36,904,850 |
| 2010-A Series - Debt Service | 10950 | 503,120 | 16,754,600 | - | 16,754,600 |
| 2010-B Series - Debt Service | 10960 | 10,038 | 13,494,550 | - | 13,494,550 |
| 2010-C Series - Debt Service | 11190 | 2,968 | 9,760,125 | - | 9,760,125 |
| 2010-D Series - Debt Service | 11280 | 6,252 | 19,244,825 | 1,300 | 19,246,125 |
| 2011A-1 Series | 30830 | 304,734 | 3,370,898 | - | 3,370,898 |
| 2011A-2 Series Refunding | 30820 | 907 | 3,900,959 | - | 3,900,959 |
| 2012A - Series | 11480 | 461,227 | 1,500,472 | - | 1,500,472 |
| 2004-B Series Debt Service | 18300 | 267 | 1,209,750 | - | 1,209,750 |
| 2005-B1 Series Debt Service | 38800 | 145 | 8,099,425 | - | 8,099,425 |
| Severance Tax Bonding | 41000 | 5,061,473 | 279,830,585 | 366,691 | 280,197,276 |
| 2005-A Series -Debt Service | 41200 | 12,097 | - | - | - |
| 2003-B Series-Debt Service | 48400 | 246 | 1,252,099 | - | 1,252,099 |
| 2007-A Series-Debt Service | 53700 | 32,224 | 13,530,300 | - | 13,530,300 |
| 2005-B2 Series Debt Service | 57100 | 9 | - | - | - |
| 2008A-1 Debt Service | 72010 | 144,448 | 14,884,750 | - | 14,884,750 |
| 2008A-2 Debt Service | 72070 | 100 | 5,526,675 | - | 5,526,675 |
| 2006-A Series Debt Service | 96300 | 18 | - | - | - |
| Total Debt Service | | 6,771,630 | 429,264,863 | 367,991 | 429,632,854 |
| 2004-B Series-Rebate | 41100 | 7 | - | - | - |
| 2003-B Supp-Rebate | 42000 | 87 | - | - | - |
| 2005-A Series-Rebate | 48300 | 261 | - | 202,164 | 202,164 |
| 2005-B1 Series-Rebate | 57000 | 76 | - | - | - |
| 2005-B2 Series-Rebate | 96000 | 45 | - | - | - |
| 2006-A Series-Rebate | 96400 | 265 | - | - | - |
| Total Rebate Accounts | | 741 | - | 202,164 | 202,164 |
| COMBINED TOTAL | | \$ 6,772,371 | \$ 429,264,863 | \$ 570,155 | \$ 429,835,018 |

| 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 |
| \$ (36,673,493) | \$ - | \$ - | \$ - | \$ 37,520,465 | \$ - | \$ - |
| (16,251,480) | - | - | - | 16,366,723 | - | - |
| (13,484,512) | - | - | - | 13,342,437 | - | - |
| (9,757,157) | - | - | - | 10,068,474 | - | - |
| (19,239,873) | - | - | - | 32,455,824 | - | - |
| (3,066,164) | - | - | - | 4,530,974 | - | - |
| (3,900,052) | - | - | - | 3,646,525 | - | - |
| (1,039,245) | - | - | - | 3,969,810 | - | - |
| (1,209,483) | - | - | - | 1,222,576 | - | - |
| (8,099,280) | - | - | - | - | - | - |
| (275,135,803) | 420,048,819 | - | 2,776,698 | (139,471,733) | - | - |
| 12,097 | - | - | - | - | - | - |
| (1,251,853) | - | - | - | 1,290,615 | - | - |
| (13,498,076) | - | - | - | - | - | - |
| 9 | - | - | - | - | - | - |
| (14,740,302) | - | - | - | 15,057,310 | - | - |
| (5,526,575) | - | - | - | - | - | - |
| 18 | - | - | - | - | - | - |
| (422,861,224) | 420,048,819 | - | 2,776,698 | - | - | - |
| 7 | - | - | - | - | - | - |
| 87 | - | - | - | - | - | - |
| (201,903) | - | - | - | - | - | - |
| 76 | - | - | - | - | - | - |
| 45 | - | - | - | - | - | - |
| 265 | - | - | - | - | - | - |
| (201,423) | - | - | - | - | - | - |
| \$ (423,062,647) | \$ 420,048,819 | \$ - | \$ 2,776,698 | \$ - | \$ - | \$ - |

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, 2013

| | 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, 2013 |
| | | | | Reported | | | |
| 2009-A Series - Debt Service | 10750 | \$ 37,520,465 | \$ 846,972 | \$ 33,524,513 | \$ - | \$ 33,524,513 | \$ 34,371,485 |
| 2010-A Series - Debt Service | 10950 | 16,366,723 | 115,243 | 14,258,182 | - | 14,258,182 | 14,373,425 |
| 2010-B Series - Debt Service | 10960 | 13,342,437 | (142,075) | 11,540,335 | - | 11,540,335 | 11,398,260 |
| 2010-C Series - Debt Service | 11190 | 10,068,474 | 311,317 | 9,065,789 | - | 9,065,789 | 9,377,106 |
| 2010-D Series - Debt Service | 11280 | 32,455,824 | 13,215,951 | 16,190,687 | - | 16,190,687 | 29,406,638 |
| 2011A-1 Series | 30830 | 4,530,974 | 1,464,810 | 2,610,671 | - | 2,610,671 | 4,075,481 |
| 2011A-2 Series Refunding | 30830 | 3,646,525 | (253,527) | 2,077,665 | - | 2,077,665 | 1,824,138 |
| 2012A - Series | 30830 | 3,969,810 | 2,930,565 | 18,082 | - | 18,082 | 2,948,647 |
| 2004-B Series Debt Service | 18300 | 1,222,576 | 13,093 | 1,153,609 | - | 1,153,609 | 1,166,702 |
| 2005-B1 Series Debt Service | 38800 | - | (8,099,280) | 8,101,279 | - | 8,101,279 | 1,999 |
| Severance Tax Bonding | 41000 | 283,353,784 | 8,217,981 | 87,502,903 | 2,190,933 | 89,693,836 | 97,911,817 |
| 2005-A Series -Debt Service | 41200 | - | 12,097 | 91,302 | - | 91,302 | 103,399 |
| 2003-B Series-Debt Service | 48400 | 1,290,615 | 38,762 | 1,229,488 | - | 1,229,488 | 1,268,250 |
| 2007-A Series-Debt Service | 53700 | - | (13,498,076) | 13,543,296 | - | 13,543,296 | 45,220 |
| 2005-B2 Series Debt Service | 57100 | - | 9 | 1,414 | - | 1,414 | 1,423 |
| 2008A-1 Debt Service | 72010 | 15,057,310 | 317,008 | 14,636,675 | - | 14,636,675 | 14,953,683 |
| 2008A-2 Debt Service | 72070 | - | (5,526,575) | 5,526,845 | - | 5,526,845 | 270 |
| 2006-A Series Debt Service | 96300 | - | 18 | 2,446 | - | 2,446 | 2,464 |
| Total Debt Service | | 422,825,517 | (35,707) | 221,075,181 | 2,190,933 | 223,266,114 | 223,230,407 |
| 2004-B Series-Rebate | 41100 | - | 7 | 1,007 | - | 1,007 | 1,014 |
| 2003-B Supp-Rebate | 42000 | - | 87 | 12,638 | - | 12,638 | 12,725 |
| 2005-A Series-Rebate | 48300 | - | (201,903) | 247,100 | - | 247,100 | 45,197 |
| 2005-B1 Series-Rebate | 57000 | - | 76 | 11,061 | - | 11,061 | 11,137 |
| 2005-B2 Series-Rebate | 96000 | - | 45 | 6,491 | - | 6,491 | 6,536 |
| 2006-A Series-Rebate | 96400 | - | 265 | 38,663 | - | 38,663 | 38,928 |
| Total Rebate Accts | | - | (201,423) | 316,960 | - | 316,960 | 115,537 |
| COMBINED TOTAL | | \$ 422,825,517 | \$ (237,130) | \$ 221,392,141 | \$ 2,190,933 | \$ 223,583,074 | \$ 223,345,944 |

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, 2013

| Issue | SHARE Fund | Date of Issue | Issue Amount | Interest Rate | Unpaid Balance June 30, 2012 |
|---------------------------------------|---------------|------------------|-------------------------|------------------|------------------------------------|
| General Obligation and Revenue Bonds: | | | | | |
| Series 2005 Debt Service | 03200 | 03/01/05 | \$ 111,850,000 | 5.00% | \$ 39,510,000 |
| Series 2007 Debt Service | 28800 | 03/01/07 | 134,870,000 | 5.00% | 75,620,000 |
| Refunding Series 2008A | 73010 | 06/25/08 | 71,270,000 | 5.00% | 15,125,000 |
| Series 2009 Debt Service | 10630 | 05/28/09 | 196,330,000 | 5.00% | 149,760,000 |
| Series 2011 Debt Service | 11630 | 05/26/11 | 18,645,000 | 2.00-4.00% | 16,875,000 |
| Series 2013 Debt Service | 11670 | 04/23/13 | <u>137,220,000</u> | 2.00-4.00% | <u>-</u> |
| Total General Obligation Bonds | | | 670,185,000 | | 296,890,000 |
| Severance Tax Bonds: | | | | | |
| Series 2003B Supplemental | 48400 | 11/01/03 | 10,000,000 | 3.10-3.70% | 2,430,000 |
| Series 2004B Supplemental | 18300 | 11/17/04 | 10,000,000 | 2.00-5.00% | 3,330,000 |
| Series 2005B-1 Refunding | 38800 | 06/28/05 | 37,040,000 | 3.25-5.00% | 7,910,000 |
| Series 2007A - Refunding | 53700 | 06/28/07 | 162,840,000 | 4.00-5.00% | 13,265,000 |
| Series 2008A-1 | 72010 | 06/25/08 | 149,000,000 | 4.00-5.00% | 28,600,000 |
| Series 2008A-2 Supplemental | 72070 | 06/25/08 | 20,550,000 | 3.00% | 5,445,000 |
| Series 2009A Refunding | 10750 | 07/30/09 | 218,450,000 | 2.00-5.00% | 167,640,000 |
| Series 2010A | 10950 | 03/24/10 | 132,265,000 | 3.00-5.00% | 121,330,000 |
| Series 2010B Supplemental | 10960 | 03/24/10 | 100,000,000 | 4.00-5.00% | 90,790,000 |
| Series 2010C Refunding | 11190 | 06/30/10 | 43,780,000 | 4.00-5.00% | 35,985,000 |
| 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% | 47,790,000 |
| Series 2011A-2 Refunding | 30820 | 12/06/11 | 75,715,000 | 4.00-5.00% | 75,715,000 |
| Series 2012A - Refunding | 11480 | 06/21/12 | <u>57,990,000</u> | 3.00-5.00% | <u>57,990,000</u> |
| Total Severance Tax Bonds | | | <u>1,024,445,000</u> | | <u>798,740,000</u> |
| TOTAL GENERAL LONG-TERM DEBT | | | <u>\$ 1,694,630,000</u> | | <u>\$ 1,095,630,000</u> |
| Premium/Discount | | | | | |
| Current year bond premiums: | | | | | |
| GO, Series 2013 | | | <u>\$ 2,707,291</u> | | |
| TOTAL CURRENT YEAR BOND PREMIUMS | | | <u>\$ 2,707,291</u> | | |

| New Bonds | Reductions | | | Unpaid Balance June 30, 2013 | Interest to Maturity | Debt Service Requirements |
|-----------------------|------------------|-----------------------|-----------------------|------------------------------------|-------------------------|---------------------------------|
| | Refunded Debt | Principal Payments | Total Reductions | | | |
| \$ - | \$ - | \$ 12,550,000 | \$ 12,550,000 | \$ 26,960,000 | \$ 2,038,000 | \$ 28,998,000 |
| - | - | 13,685,000 | 13,685,000 | 61,935,000 | 7,930,500 | 69,865,500 |
| - | - | 15,125,000 | 15,125,000 | - | - | - |
| - | - | 18,395,000 | 18,395,000 | 131,365,000 | 23,922,000 | 155,287,000 |
| - | - | 1,655,000 | 1,655,000 | 15,220,000 | 2,745,400 | 17,965,400 |
| <u>137,220,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>137,220,000</u> | <u>16,025,643</u> | <u>153,245,643</u> |
| 137,220,000 | - | 61,410,000 | 61,410,000 | 372,700,000 | 52,661,543 | 425,361,543 |
| - | - | 1,185,000 | 1,185,000 | 1,245,000 | 23,033 | 1,268,033 |
| - | - | 1,070,000 | 1,070,000 | 2,260,000 | 114,000 | 2,374,000 |
| - | - | 7,910,000 | 7,910,000 | - | - | - |
| - | - | 13,265,000 | 13,265,000 | - | - | - |
| - | - | 13,950,000 | 13,950,000 | 14,650,000 | 293,000 | 14,943,000 |
| - | - | 5,445,000 | 5,445,000 | - | - | - |
| - | - | 29,405,000 | 29,405,000 | 138,235,000 | 21,898,625 | 160,133,625 |
| - | - | 11,265,000 | 11,265,000 | 110,065,000 | 23,120,100 | 133,185,100 |
| - | - | 9,300,000 | 9,300,000 | 81,490,000 | 16,005,375 | 97,495,375 |
| - | - | 8,165,000 | 8,165,000 | 27,820,000 | 2,148,250 | 29,968,250 |
| - | - | 12,935,000 | 12,935,000 | 127,585,000 | 14,795,900 | 142,380,900 |
| - | - | 1,570,000 | 1,570,000 | 46,220,000 | 7,167,856 | 53,387,856 |
| - | - | - | - | 75,715,000 | 13,397,975 | 89,112,975 |
| - | - | - | - | <u>57,990,000</u> | <u>17,037,500</u> | <u>75,027,500</u> |
| - | - | <u>115,465,000</u> | <u>115,465,000</u> | <u>683,275,000</u> | <u>116,001,614</u> | <u>799,276,614</u> |
| <u>\$ 137,220,000</u> | <u>\$ -</u> | <u>\$ 176,875,000</u> | <u>\$ 176,875,000</u> | <u>\$1,055,975,000</u> | <u>\$ 168,663,157</u> | <u>\$1,224,638,157</u> |

Bond proceeds are accounted for in the Department of Finance and Administrations financial statements for the fiscal year ended June 30, 2013.

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, 2013

| Issue | SHARE Fund | 2014 | 2015 |
|--|---------------|-----------------------|-----------------------|
| General Obligation Bonds: | | | |
| Series 2005 | 03200 | \$ 14,508,000 | \$ 14,490,000 |
| Series 2007 | 28800 | 17,466,750 | 17,468,250 |
| Series 2009 Debt Service | 10630 | 25,883,250 | 25,882,500 |
| Series 2011 | 11630 | 2,246,350 | 2,247,550 |
| Series 2013 | 11670 | <u>15,325,503</u> | <u>15,322,948</u> |
| Total General Obligation Bonds | | 75,429,853 | 75,411,248 |
| Severance Tax Bonds: | | | |
| Series 2003B Supplemental | 48400 | 1,268,033 | - |
| Series 2004B Supplemental | 18300 | 1,195,250 | 1,178,750 |
| Series 2008A-1 | 72010 | 14,943,000 | - |
| Series 2009A Refunding | 10750 | 37,039,250 | 27,762,500 |
| Series 2010A | 10950 | 16,745,000 | 16,732,100 |
| Series 2010B Supplemental | 10960 | 13,141,675 | 12,807,425 |
| Series 2010C Refunding | 11190 | 9,854,000 | 9,951,375 |
| Series 2010D Refunding | 11280 | 31,933,900 | 31,811,125 |
| Series 2011A-1 Refunding | 30830 | 4,827,738 | 6,222,638 |
| Series 2011A-2 Refunding | 30820 | 3,647,650 | 17,181,450 |
| Series 2012A - Refunding | 11480 | <u>4,320,500</u> | <u>5,395,000</u> |
| Total Severance Tax Bonds | | <u>138,915,996</u> | <u>129,042,363</u> |
| TOTAL DEBT SERVICE REQUIREMENTS | | <u>\$ 214,345,849</u> | <u>\$ 204,453,611</u> |

| 2016 | 2017 | 2018 | Thereafter | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 28,998,000 |
| 17,463,750 | 17,466,750 | - | - | 69,865,500 |
| 25,878,500 | 25,879,000 | 25,881,250 | 25,882,500 | 155,287,000 |
| 2,243,550 | 2,246,950 | 2,246,000 | 6,735,000 | 17,965,400 |
| <u>15,323,148</u> | <u>15,323,248</u> | <u>15,323,148</u> | <u>76,627,648</u> | <u>153,245,643</u> |
| 60,908,948 | 60,915,948 | 43,450,398 | 109,245,148 | 425,361,543 |
| - | - | - | - | 1,268,033 |
| - | - | - | - | 2,374,000 |
| - | - | - | - | 14,943,000 |
| 19,067,500 | 19,066,500 | 19,065,500 | 38,132,375 | 160,133,625 |
| 16,661,750 | 16,642,500 | 16,625,875 | 49,777,875 | 133,185,100 |
| 12,495,425 | 12,223,675 | 11,989,675 | 34,837,500 | 97,495,375 |
| 10,162,875 | - | - | - | 29,968,250 |
| 31,784,875 | 31,757,875 | 15,093,125 | - | 142,380,900 |
| 6,187,913 | 6,183,413 | 6,176,163 | 23,789,993 | 53,387,856 |
| 17,101,125 | 17,080,000 | 17,062,125 | 17,040,625 | 89,112,975 |
| <u>8,166,625</u> | <u>8,163,750</u> | <u>8,166,125</u> | <u>40,815,500</u> | <u>75,027,500</u> |
| <u>121,628,088</u> | <u>111,117,713</u> | <u>94,178,588</u> | <u>204,393,868</u> | <u>799,276,614</u> |
| <u>\$ 182,537,036</u> | <u>\$ 172,033,661</u> | <u>\$ 137,628,986</u> | <u>\$ 313,639,016</u> | <u>\$ 1,224,638,157</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, 2013

| Issue | SHARE Fund | Date | Original Cost |
|--|---------------|----------|----------------------------|
| GENERAL OBLIGATION: | | | |
| 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 | 67,679 |
| Series 2013 | 11670 | 04/23/13 | <u>274,440</u> |
| Total General Obligation Bonds | | | 2,936,851 |
| SEVERANCE: | | | |
| 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> |
| Total Severance Tax Bonds | | | <u>4,632,452</u> |
| TOTAL AMORTIZATION OF BOND ISSUANCE COSTS | | | <u><u>\$ 7,569,303</u></u> |

| | | Amortization | | | |
|--|------------------------------------|--|--------------------------------|--|--|
| Accumulated Amortization 6/30/2012 | Current Amortization Expense | Accumulated Amortization 6/30/2013 | Net Book Value 6/30/2013 | | |
| \$ 601,128 | \$ 80,151 | \$ 681,279 | \$ 120,224 | | |
| 243,499 | 46,381 | 289,880 | 173,926 | | |
| 276,330 | 69,083 | 345,413 | - | | |
| 303,403 | 98,401 | 401,804 | 582,206 | | |
| 8,095 | 6,941 | 15,036 | 52,643 | | |
| - | 4,574 | 4,574 | 269,866 | | |
| <u>1,432,455</u> | <u>305,531</u> | <u>1,737,986</u> | <u>1,198,865</u> | | |
| 28,706 | 3,344 | 32,050 | 1,395 | | |
| 95,853 | 12,780 | 108,633 | 19,172 | | |
| 367,811 | 56,586 | 424,397 | 141,466 | | |
| 399,646 | - | 399,646 | - | | |
| 110,254 | - | 110,254 | - | | |
| 190,301 | 34,600 | 224,901 | 121,101 | | |
| 146,569 | 32,571 | 179,140 | 146,570 | | |
| 212,176 | 53,044 | 265,220 | 265,220 | | |
| 57,301 | - | 57,301 | - | | |
| 120,015 | 41,148 | 161,163 | 250,315 | | |
| 37,795 | 16,798 | 54,593 | 113,384 | | |
| 83,025 | 36,900 | 119,925 | 249,075 | | |
| 39,418 | 19,709 | 59,127 | 39,418 | | |
| 165,601 | 104,590 | 270,191 | 418,357 | | |
| 6,529 | 13,058 | 19,587 | 104,464 | | |
| 15,118 | 30,236 | 45,354 | 151,183 | | |
| - | 7,605 | 7,605 | 72,245 | | |
| <u>2,076,118</u> | <u>462,969</u> | <u>2,539,087</u> | <u>2,093,365</u> | | |
| <u>\$ 3,508,573</u> | <u>\$ 768,500</u> | <u>\$ 4,277,073</u> | <u>\$ 3,292,230</u> | | |

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
 SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS (CONTINUED) –
 ADDITIONAL INFORMATION
 June 30, 2013**

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.

On April 23, 2013, the State Board of Finance issued bonds with a principal amount of \$137,220,000 for capital projects.

The annual requirements to amortize the combined General Obligation Bond issues outstanding as of June 30, 2013, including interest payments, are as follows (see details on Schedule 6):

| | |
|-----------------------|------------------------------|
| Years ending June 30: | |
| 2014 | \$ 75,429,853 |
| 2015 | 75,411,248 |
| 2016 | 60,908,948 |
| 2017 | 60,915,948 |
| 2018 | 43,450,398 |
| 2019 - 2021 | <u>109,245,148</u> |
| Total | <u>\$ 425,361,543</u> |

SEVERANCE TAX BONDS:

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

The annual requirements to amortize the combined Severance Tax Bond issues outstanding as of June 30, 2013, including interest payments, are as follows (see details on Schedule 6, page 3):

| | |
|-----------------------|------------------------------|
| Years ending June 30: | |
| 2014 | \$ 138,915,996 |
| 2015 | 129,042,363 |
| 2016 | 121,628,088 |
| 2017 | 111,117,713 |
| 2018 | 94,178,588 |
| 2019 - 2021 | <u>204,393,868</u> |
| Total | <u>\$ 799,276,614</u> |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS
Year Ended June 30, 2013

| Security Description | Interest Rate | Purchase Date | Maturity Date | Book Value | Market Value | Unrealized Gain (loss) |
|--|---------------|---------------|---------------|--------------------|--------------------|------------------------|
| GENERAL FUND INVESTMENT POOL: | | | | | | |
| Repurchase Agreements | Various | Various | Various | \$ 730,906,649 | \$ 730,906,649 | \$ - |
| Certificates of Deposit | Various | Various | Various | 38,750,000 | 38,750,000 | - |
| Cash Miscellaneous | Various | Various | Various | 6,102,000 | 6,102,000 | - |
| Fiscal Agent Bank Account | 0.000% | N/A | N/A | 160,648,092 | 160,648,092 | - |
| Mutual Funds (LGIP Participant) | Various | Various | Various | 1,300 | 1,300 | - |
| Municipal Bonds: | | | | | | |
| NEW MEXICO FIN AUTH REV AMT-SR LIEN-PUB PROJ | 3.000% | 4/28/2011 | 6/1/2014 | 3,102,497 | 3,122,669 | 20,172 |
| NEW MEXICO FIN AUTH REV SR LIEN PUB PROJ-REVOLVING | 2.000% | 9/1/2011 | 6/1/2014 | 3,666,295 | 3,671,213 | 4,918 |
| NEW MEXICO FIN AUTH REV TAXABLE-SR LIEN PUB PROJ | 2.000% | 9/1/2011 | 6/1/2014 | 777,020 | 779,001 | 1,981 |
| NEW MEXICO ST SEVERANCE TAX SER A | 5.000% | 5/31/2013 | 7/1/2016 | 202,920 | 201,301 | (1,619) |
| NEW MEXICO ST UNIV REVS TAXABLE-RFDG & IMPT-SER C | 0.300% | 4/17/2013 | 4/1/2014 | 2,075,000 | 2,071,763 | (3,237) |
| NEW MEXICO ST UNIV REVS TAXABLE-RFDG & IMPT-SER C | 0.800% | 4/17/2013 | 4/1/2015 | 540,000 | 539,509 | (491) |
| NEW MEXICO ST UNIV REVS TAXABLE-RFDG & IMPT-SER C | 1.000% | 4/17/2013 | 4/1/2016 | 580,000 | 575,633 | (4,367) |
| PRIVATE PLACEMENT PURCHASE SERIES 2012 C | 0.290% | 5/29/2012 | 7/1/2013 | 7,525,000 | 7,525,000 | - |
| SOUTHERN SANDOVAL CNTY N MEX ARROYO FLOOD CTL AUTH | 2.000% | 8/1/2012 | 8/1/2015 | 25,672 | 25,664 | (8) |
| UNIVERSITY N MEX UNIV REVS RFDG-SUB LIEN SYS | 2.000% | 3/6/2012 | 6/1/2014 | 334,585 | 335,132 | 547 |
| UNIVERSITY N MEX UNIV REVS RFDG-SUB LIEN SYS | 3.000% | 3/6/2012 | 6/1/2014 | 168,801 | 169,066 | 265 |
| Total Municipal Bonds | | | | <u>18,997,790</u> | <u>19,015,951</u> | <u>18,161</u> |
| US Government Securities: | | | | | | |
| US Treasury Notes: | | | | | | |
| UNITED STATES TREAS NTS | 0.250% | 7/18/2012 | 7/15/2015 | 10,485,165 | 10,471,335 | (13,830) |
| UNITED STATES TREAS NTS | 0.375% | 4/25/2012 | 4/15/2015 | 19,995,757 | 20,018,000 | 22,243 |
| UNITED STATES TREAS NTS | 0.875% | 2/29/2012 | 2/28/2017 | 40,004,641 | 39,900,000 | (104,641) |
| UNITED STATES TREAS NTS | 0.875% | 3/6/2012 | 1/31/2017 | 20,020,663 | 19,968,800 | (51,863) |
| UNITED STATES TREAS NTS | 0.875% | 2/1/2012 | 12/31/2016 | 20,067,745 | 19,987,600 | (80,145) |
| UNITED STATES TREAS NTS | 0.875% | 3/19/2012 | 12/31/2016 | 5,016,936 | 4,996,900 | (20,036) |
| UNITED STATES TREAS NTS | 1.000% | 8/31/2011 | 8/31/2016 | 20,043,899 | 20,154,600 | 110,701 |
| UNITED STATES TREAS NTS | 0.750% | 6/14/2011 | 6/15/2014 | 19,995,984 | 20,105,400 | 109,416 |
| UNITED STATES TREAS NTS | 1.250% | 2/14/2011 | 2/15/2014 | 19,979,832 | 20,137,600 | 157,768 |
| UNITED STATES TREAS NTS | 0.750% | 7/8/2011 | 9/15/2013 | 10,004,301 | 10,013,700 | 9,399 |
| UNITED STATES TREAS NTS | 2.250% | 2/14/2011 | 5/31/2014 | 20,134,135 | 20,375,000 | 240,865 |
| UNITED STATES TREAS NTS | 1.875% | 2/14/2011 | 4/30/2014 | 20,065,597 | 20,281,200 | 215,603 |
| UNITED STATES TREAS NTS | 1.750% | 7/8/2011 | 3/31/2014 | 15,114,117 | 15,177,600 | 63,483 |
| UNITED STATES TREAS NTS | 1.875% | 7/8/2011 | 2/28/2014 | 40,249,673 | 40,457,600 | 207,927 |
| UNITED STATES TREAS NTS | 1.750% | 7/8/2011 | 1/31/2014 | 20,125,879 | 20,189,000 | 63,121 |
| UNITED STATES TREAS NTS | 4.250% | 7/12/2012 | 8/15/2015 | 6,978,574 | 6,975,095 | (3,479) |
| UNITED STATES TREAS NTS | 4.250% | 7/27/2012 | 8/15/2015 | 5,031,065 | 5,028,557 | (2,508) |
| UNITED STATES TREAS NTS | 4.250% | 10/22/2012 | 8/15/2015 | 9,791,644 | 9,786,760 | (4,884) |
| UNITED STATES TREAS NTS | 2.625% | 2/17/2011 | 7/31/2014 | 15,178,392 | 15,391,950 | 213,558 |
| UNITED STATES TREAS BONDS | 9.875% | 12/21/2012 | 11/15/2015 | 18,359,378 | 18,318,750 | (40,628) |
| Total US Treasury Notes | | | | <u>356,643,377</u> | <u>357,735,447</u> | <u>1,092,070</u> |
| Federal Farm Credit Banks Cons Long: | | | | | | |
| FEDERAL AGRIC MTG CORP MTNS | 0.900% | | 6/9/2016 | 25,000,000 | 25,182,500 | 182,500 |
| Total Federal Farm Credit Banks | | | | <u>25,000,000</u> | <u>25,182,500</u> | <u>182,500</u> |
| Federal Home Loan Banks: | | | | | | |
| FEDERAL HOME LOAN BANKS | FLT | 07/23/12 | 1/23/2014 | 19,998,444 | 19,997,000 | (1,444) |
| FEDERAL HOME LOAN BANKS | 4.750% | 10/26/12 | 12/16/2016 | 11,383,728 | 11,295,700 | (88,028) |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)
Year Ended June 30, 2013

| Security Description | Interest Rate | Purchase Date | Maturity Date | Book Value | Market Value | Unrealized Gain (loss) |
|---|---------------|---------------|---------------|----------------------|----------------------|------------------------|
| GENERAL FUND INVESTMENT POOL - continued: | | | | | | |
| Federal Home Loan Banks (continued): | | | | | | |
| FEDERAL HOME LOAN BANKS | 0.375% | 05/10/13 | 6/24/2016 | 39,932,415 | 39,550,400 | (382,015) |
| FEDERAL HOME LOAN BANKS | 0.250% | 01/25/13 | 2/20/2015 | 28,979,568 | 28,959,110 | (20,458) |
| FEDERAL HOME LOAN BANKS | 0.500% | 10/12/12 | 11/20/2015 | 13,022,873 | 12,985,791 | (37,082) |
| FEDERAL HOME LOAN BANKS | 1.000% | 02/14/12 | 2/13/2017 | 19,978,414 | 19,996,000 | 17,586 |
| FEDERAL HOME LOAN BANKS | 0.375% | 06/15/12 | 1/29/2014 | 20,006,515 | 20,020,200 | 13,685 |
| FEDERAL HOME LOAN BANKS | 0.375% | 07/03/12 | 1/29/2014 | 10,003,258 | 10,010,100 | 6,842 |
| FEDERAL HOME LOAN BANKS | 0.875% | 04/18/11 | 12/27/2013 | 9,989,308 | 10,035,400 | 46,092 |
| Total Federal Home Loan Banks | | | | 173,294,523 | 172,849,701 | (444,822) |
| Federal Home Loan Mortgage Corporation | | | | | | |
| FEDERAL HOME LOAN MORTGAGE CORP | 1.000% | 10/22/12 | 09/29/17 | 15,069,730 | 14,821,500 | (248,230) |
| FEDERAL HOME LOAN MORTGAGE CORP | 1.000% | 08/06/12 | 07/28/17 | 15,054,263 | 14,789,250 | (265,013) |
| FEDERAL HOME LOAN MORTGAGE CORP | 1.000% | 08/09/12 | 07/28/17 | 3,010,853 | 2,957,850 | (53,003) |
| FEDERAL HOME LOAN MORTGAGE CORP | 1.000% | 08/17/12 | 07/28/17 | 7,527,131 | 7,394,625 | (132,506) |
| FEDERAL HOME LOAN MORTGAGE CORP | 1.000% | 07/03/12 | 06/27/17 | 20,061,593 | 19,820,600 | (240,993) |
| FEDERAL HOME LOAN MORTGAGE CORP | 1.000% | 03/08/12 | 03/08/17 | 19,923,490 | 19,902,000 | (21,490) |
| FEDERAL HOME LOAN MORTGAGE CORP | 0.625% | 07/18/12 | 12/29/14 | 20,079,218 | 20,090,600 | 11,382 |
| FEDERAL HOME LOAN MORTGAGE CORP | 0.750% | 10/06/11 | 11/25/14 | 9,998,473 | 10,065,100 | 66,627 |
| FEDERAL HOME LOAN MORTGAGE CORP | 2.000% | 09/06/11 | 08/25/16 | 20,725,218 | 20,719,800 | (5,418) |
| FEDERAL HOME LOAN MORTGAGE CORP | 2.000% | 12/06/12 | 08/25/16 | 20,725,217 | 20,719,800 | (5,417) |
| FEDERAL HOME LOAN MORTGAGE CORP | 2.500% | 09/06/11 | 05/27/16 | 20,810,362 | 21,001,600 | 191,238 |
| FEDERAL HOME LOAN MORTGAGE CORP | 1.750% | 10/12/11 | 09/10/15 | 20,324,054 | 20,547,600 | 223,546 |
| FEDERAL HOME LOAN MORTGAGE CORP | 5.125% | 03/28/13 | 10/18/16 | 22,982,297 | 22,736,400 | (245,897) |
| FEDERAL HOME LOAN MORTGAGE CORP | 1.100% | 12/30/11 | 12/30/15 | 10,000,000 | 10,029,600 | 29,600 |
| FEDERAL HOME LOAN MORTGAGE CORP | 1.150% | 12/30/11 | 12/30/15 | 11,660,000 | 11,702,209 | 42,209 |
| FEDERAL HOME LOAN MORTGAGE CORP | 4.375% | 10/12/11 | 07/17/15 | 21,383,119 | 21,600,800 | 217,681 |
| Total Federal Home Loan Mortgage Corporation | | | | 259,335,018 | 258,899,334 | (435,684) |
| Federal National Mortgage Association | | | | | | |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.375% | 05/17/13 | 7/5/2016 | 29,900,574 | 29,638,800 | (261,774) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.450% | 04/01/13 | 1/29/2013 | 12,000,000 | 11,942,880 | (57,120) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.375% | 11/16/12 | 12/21/2015 | 39,943,425 | 39,776,400 | (167,025) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.500% | 08/23/12 | 9/28/2015 | 14,251,271 | 14,243,588 | (7,683) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.875% | 09/06/12 | 8/28/2017 | 4,265,058 | 4,165,765 | (99,293) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.875% | 09/14/12 | 8/28/2017 | 20823520 | 20338735 | (484,785) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.500% | 07/03/12 | 7/2/2015 | 19,998,363 | 20,026,600 | 28,237 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.500% | 07/18/12 | 7/2/2015 | 19,998,363 | 20,026,600 | 28,237 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.500% | 06/13/12 | 7/2/2015 | 19,998,363 | 20,026,600 | 28,237 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 1.125% | 05/23/12 | 4/27/2017 | 10,028,344 | 9,965,300 | (63,044) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.375% | 05/23/12 | 3/16/2015 | 19,946,049 | 20,002,200 | 56,151 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 1.250% | 01/30/12 | 1/30/2017 | 20137177 | 20122400 | (14,777) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 1.250% | 12/21/12 | 1/30/2017 | 20,137,177 | 20,122,400 | (14,777) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 1.250% | 11/07/11 | 9/28/2016 | 20,031,224 | 20,228,600 | 197,376 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.875% | 05/23/12 | 8/28/2014 | 20,097,812 | 20,140,600 | 42,788 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.500% | 09/06/11 | 8/9/2013 | 19,998,789 | 20,007,600 | 8,811 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 2.375% | 09/06/11 | 4/11/2016 | 20,868,979 | 20,910,800 | 41,821 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 2.375% | 11/16/12 | 4/11/2016 | 16,173,459 | 16,205,870 | 32,411 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 5.375% | 09/08/11 | 7/15/2016 | 22,533,202 | 22,751,600 | 218,398 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 5.000% | 09/08/11 | 3/15/2016 | 22,277,167 | 22,304,200 | 27,033 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 5.000% | 02/05/13 | 3/15/2016 | 22,277,167 | 22,304,200 | 27,033 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 4.875% | 12/06/12 | 12/15/2016 | 22,936,419 | 22,631,400 | (305,019) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 4.875% | 12/11/12 | 12/15/2016 | 11,468,210 | 11,315,700 | (152,510) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 4.875% | 02/28/13 | 12/15/2016 | 4,587,284 | 4,526,280 | (61,004) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 5.120% | 08/18/11 | 01/02/14 | 13,280,446 | 13,301,600 | 21,154 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 1.100% | 03/13/13 | 03/13/18 | 15,000,000 | 14,711,850 | (288,150) |
| Total Federal National Mortgage Corporation | | | | 482,957,842 | 481,738,568 | (1,219,274) |
| Total US Government Securities | | | | 1,297,230,760 | 1,296,405,550 | (825,210) |
| Total General Fund Investment Pool (State Funds Investment Pool) | | | | 2,252,636,591 | 2,251,829,542 | (807,049) |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)
Year Ended June 30, 2013

| Security Description | Interest Rate | Purchase Date | Maturity Date | Book Value | Market Value | Unrealized Gain (loss) |
|--|------------------|------------------|------------------|--------------------|--------------------|---------------------------|
| LOCAL GOVERNMENT INVESTMENT POOL: | | | | | | |
| Bank Accounts: | | | | | | |
| BANK OF THE WEST | Variable | Various | 12/31/2049 | 118,538,596 | 118,538,596 | - |
| US BANK | Variable | Various | 12/31/2049 | 30,101,243 | 30,101,243 | - |
| WELLS FARGO CHECKING | 0.15% | Various | 12/31/2049 | 67,092,547 | 67,092,547 | - |
| WELLS FARGO SAVINGS | Variable | Various | 12/31/2049 | 2,359,980 | 2,359,980 | - |
| CASH MISCELLANEOUS | 0.00% | 07/01/13 | 10/25/2013 | 3,627,662 | 3,627,662 | - |
| Total Bank Accounts | | | | <u>221,720,028</u> | <u>221,720,028</u> | <u>-</u> |
| US Government Securities: | | | | | | |
| US Treasury Notes/Securities: | | | | | | |
| UNITED STATES TREAS NTS | 0.125% | 09/06/12 | 9/30/2013 | 19,996,534 | 20,001,600 | 5,066 |
| UNITED STATES TREAS NTS | 0.125% | 05/07/13 | 12/31/2013 | 7,000,328 | 7,000,000 | (328) |
| UNITED STATES TREAS NTS | 0.125% | 05/10/13 | 12/31/2013 | 10,000,468 | 10,000,000 | (468) |
| UNITED STATES TREAS NTS | 0.125% | 06/03/13 | 12/31/2013 | 7,000,328 | 7,000,000 | (328) |
| UNITED STATES TREAS NTS | 0.125% | 06/28/13 | 12/31/2013 | 10,000,468 | 10,000,000 | (468) |
| UNITED STATES TREAS NTS | 0.250% | 11/06/12 | 11/30/2013 | 10,001,710 | 10,005,900 | 4,190 |
| UNITED STATES TREAS NTS | 0.250% | 11/19/12 | 11/30/2013 | 10,001,710 | 10,005,900 | 4,190 |
| UNITED STATES TREAS NTS | 0.250% | 10/29/12 | 10/31/2013 | 20,002,578 | 20,010,938 | 8,360 |
| UNITED STATES TREAS NTS | 2.750% | 04/29/13 | 10/31/2013 | 5,548,454 | 5,548,345 | (109) |
| US TREAS SEC STRIPPED INT PMT TINT | 0.000% | 05/30/13 | 11/15/2013 | 9,995,947 | 9,995,400 | (547) |
| Total US Treasury Notes/Securities | | | | <u>109,548,525</u> | <u>109,568,083</u> | <u>19,558</u> |
| Federal National Mortgage Association: | | | | | | |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.000% | 01/30/13 | 8/1/2013 | 5,699,392 | 5,699,852 | 460 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.000% | 02/04/13 | 8/1/2013 | 9,998,933 | 9,999,740 | 807 |
| FEDERAL NATIONAL MORTGAGE ASSOC | FLT | 05/22/13 | 6/23/2014 | 2,424,413 | 2,424,719 | 306 |
| FEDERAL NATIONAL MORTGAGE ASSOC | FLT | 05/24/13 | 6/23/2014 | 2,003,647 | 2,003,900 | 253 |
| FEDERAL NATIONAL MORTGAGE ASSOC | FLT | 06/12/13 | 6/23/2014 | 3,907,110 | 3,907,605 | 495 |
| FEDERAL NATIONAL MORTGAGE ASSOC | FLT | 06/25/13 | 6/23/2014 | 4,007,294 | 4,007,800 | 506 |
| Total Federal National Mortgage Association | | | | <u>28,040,789</u> | <u>28,043,616</u> | <u>2,827</u> |
| Federal Farm Credit Bank: | | | | | | |
| FEDERAL FARM CREDIT BANKS | FLT | 05/22/13 | 6/11/2014 | 2,702,200 | 2,702,376 | 176 |
| FEDERAL FARM CREDIT BANKS | FLT | 04/22/13 | 1/20/2015 | 2,003,614 | 2,004,040 | 426 |
| FEDERAL FARM CREDIT BANKS | 0.350% | 05/15/13 | 9/23/2013 | 5,002,822 | 5,002,400 | (422) |
| FEDERAL FARM CREDIT BANKS | FLT | 04/22/13 | 1/26/2015 | 4,001,588 | 4,002,000 | 412 |
| Total Federal Farm Credit Bank | | | | <u>13,710,224</u> | <u>13,710,816</u> | <u>592</u> |
| Federal Home Loan Bank: | | | | | | |
| FEDERAL HOME LOAN BANKS | 4.500% | 05/15/13 | 9/16/2013 | 6,862,515 | 6,861,744 | (771) |
| FEDERAL HOME LOAN BANKS | 4.500% | 06/11/13 | 9/16/2013 | 7,609,318 | 7,608,463 | (855) |
| FEDERAL HOME LOAN BANKS | 3.625% | 06/11/13 | 10/18/2013 | 3,031,398 | 3,030,870 | (528) |
| FEDERAL HOME LOAN BANKS | 3.625% | 06/12/13 | 10/18/2013 | 7,229,883 | 7,228,625 | (1,258) |
| FEDERAL HOME LOAN BANKS | 0.110% | 02/06/13 | 8/1/2013 | 3,999,963 | 3,999,880 | (83) |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)
Year Ended June 30, 2013

| Security Description | Interest Rate | Purchase Date | Maturity Date | Book Value | Market Value | Unrealized Gain (loss) |
|--|------------------|------------------|------------------|--------------------|--------------------|---------------------------|
| Federal Home Loan Bank (continued): | | | | | | |
| FEDERAL HOME LOAN BANKS | 0.120% | 05/16/13 | 10/16/2013 | 7,000,241 | 6,999,580 | (661) |
| FEDERAL HOME LOAN BANKS | 0.120% | 05/20/13 | 10/16/2013 | 7,000,240 | 6,999,580 | (660) |
| FEDERAL HOME LOAN BANKS | 0.125% | 12/10/12 | 12/6/2013 | 9,996,200 | 9,999,200 | 3,000 |
| FEDERAL HOME LOAN BANKS | FLT | 01/03/13 | 10/1/2013 | 12,000,757 | 12,002,520 | 1,763 |
| FEDERAL HOME LOAN BANKS | FLT | 11/08/12 | 12/13/2013 | 8,201,499 | 8,204,264 | 2,765 |
| FEDERAL HOME LOAN BANKS | FLT | 11/16/12 | 12/20/2013 | 20,003,811 | 20,010,800 | 6,989 |
| FEDERAL HOME LOAN BANKS | FLT | 07/23/12 | 1/23/2014 | 19,998,444 | 19,997,000 | (1,444) |
| Total Home Loan Bank | | | | <u>112,934,269</u> | <u>112,942,526</u> | <u>8,257</u> |
| Federal Home Loan Mortgage Corp: | | | | | | |
| FEDERAL HOME LOAN MORTGAGE CORP | 0.375% | 01/29/13 | 10/30/2013 | 10,007,839 | 10,007,400 | (439) |
| FEDERAL HOME LOAN MORTGAGE CORP | 0.375% | 06/12/13 | 10/30/2013 | 4,873,817 | 4,873,604 | (213) |
| FEDERAL HOME LOAN MORTGAGE CORP | 0.000% | 04/26/13 | 11/26/2013 | 2,398,808 | 2,399,309 | 501 |
| Total Federal Home Loan Mortgage Corp | | | | <u>17,280,464</u> | <u>17,280,313</u> | <u>(151)</u> |
| International American Development Bank: | | | | | | |
| INTER AMERICAN DEVELOPMENT BANK | 0.375% | 05/24/13 | 11/8/2013 | 11,008,757 | 11,003,630 | (5,127) |
| INTER AMERN DEV BK DISC NTS | 0.000% | 04/26/13 | 7/15/2013 | 999,954 | 999,992 | 38 |
| Total International American Development Bank | | | | <u>12,008,711</u> | <u>12,003,622</u> | <u>(5,089)</u> |
| International Bank for Receiving and Development: | | | | | | |
| INTERNATIONAL BANK FOR REC & DEV | 0.500% | 04/02/13 | 11/26/2013 | 7,244,639 | 7,241,005 | (3,634) |
| INTERNATIONAL BANK FOR REC & DEV | 0.500% | 05/03/13 | 11/26/2013 | 5,006,662 | 5,004,150 | (2,512) |
| INTERNATIONAL BANK FOR REC & DEV | 0.500% | 05/10/13 | 11/26/2013 | 2,002,665 | 2,001,660 | (1,005) |
| INTERNATIONAL BANK FOR REC & DEV | 0.500% | 05/15/13 | 11/26/2013 | 8,010,658 | 8,006,640 | (4,018) |
| Total International Bank for Receiving and Development | | | | <u>22,264,624</u> | <u>22,253,455</u> | <u>(11,169)</u> |
| Total Governmental Bonds | | | | <u>315,787,606</u> | <u>315,802,431</u> | <u>14,825</u> |
| Corporate Bonds: | | | | | | |
| International American Development Bank: | | | | | | |
| INTERNATIONAL FINANCE CORP | 0.526% | 05/17/13 | 10/28/2013 | 1,341,622 | 1,341,349 | (273) |
| Total International American Development Bank | | | | <u>1,341,622</u> | <u>1,341,349</u> | <u>(273)</u> |
| Total Corporate bonds | | | | <u>1,341,622</u> | <u>1,341,349</u> | <u>(273)</u> |
| CMO/REMIC: | | | | | | |
| CORUS CONSTRUCTION VENTURE LLC | 0.000% | 10/26/12 | 10/25/2013 | 2,997,713 | 2,998,080 | 367 |
| CORUS CONSTRUCTION VENTURE LLC | 0.000% | 04/10/13 | 10/25/2013 | 3,262,512 | 3,262,910 | 398 |
| Total CMO/REMIC | | | | <u>6,260,225</u> | <u>6,260,990</u> | <u>765</u> |
| Total Local Government Investment Pool (Short-term Investment Pool) | | | | <u>545,109,481</u> | <u>545,124,798</u> | <u>15,317</u> |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)
Year Ended June 30, 2013

| Security Description | Interest Rate | Purchase Date | Maturity Date | Book Value | Market Value | Unrealized Gain (loss) |
|--|---------------|---------------|---------------|--------------------|--------------------|------------------------|
| Bond Proceeds Investment Pool #2 (Taxable): | | | | | | |
| Repurchase Agreements | Various | Various | Various | 208,315,981 | 208,315,981 | - |
| Certificates of Deposit | Various | Various | Various | 18,200,000 | 18,200,000 | - |
| Cash/Cash Miscellaneous | Various | Various | Various | 31,697,500 | 31,697,500 | - |
| Mutual Funds (LGIP Pool Participant) | Various | Various | Various | 1,307,441 | 1,307,441 | - |
| Municipal Bonds: | | | | | | |
| ALAMOGORDO N MEX MUN SCH DIST NO 001 | 2.000% | 3/26/2013 | 8/1/2014 | 442,495 | 442,952 | 457 |
| ALAMOGORDO N MEX MUN SCH DIST NO 001 | 2.000% | 3/26/2013 | 8/1/2015 | 360,479 | 360,399 | (80) |
| ALBUQUERQUE N MEX MUN SCH DIST NO 012 | 5.000% | 2/22/2013 | 8/1/2015 | 218,646 | 217,882 | (764) |
| CLOVIS NEW MEX GROSS RCPTS TAX REV IMPT | 2.000% | 10/3/2012 | 6/1/2014 | 1,341,339 | 1,342,556 | 1,217 |
| CLOVIS NEW MEX GROSS RCPTS TAX REV IMPT | 2.000% | 10/3/2012 | 6/1/2015 | 1,382,062 | 1,380,659 | (1,403) |
| ESPANOLA N MEX PUB SCH DIST NO 55 RIO ARRIBA | 2.000% | 2/14/2013 | 9/1/2013 | 541,517 | 541,361 | (156) |
| GADSDEN N MEX INDPT SCH DIST NO 016 RFDG-SER B | 2.000% | 10/24/2012 | 8/15/2013 | 2,249,448 | 2,249,490 | 42 |
| GADSDEN N MEX INDPT SCH DIST NO 016 RFDG-SER B | 2.000% | 10/24/2012 | 8/15/2014 | 2,038,639 | 2,039,025 | 386 |
| GADSDEN N MEX INDPT SCH DIST NO 016 TAXABLE-ED | 1.000% | 12/12/2012 | 8/15/2013 | 1,750,968 | 1,751,330 | 362 |
| LOS ALAMOS N MEX PUB SCH DIST SCH BLDG | 2.000% | 10/24/2012 | 8/1/2013 | 786,070 | 786,044 | (26) |
| NEW MEXICO FIN AUTH REV SR LIEN-PUB PROJ REVOLVING | 4.000% | 6/13/2013 | 6/1/2016 | 1,099,094 | 1,086,760 | (12,334) |
| NEW MEXICO FIN AUTH ST TRANSN REV SR LIEN-SER A | 5.250% | 5/9/2013 | 6/15/2016 | 1,126,435 | 1,126,073 | (362) |
| NEW MEXICO ST CAP PROJS | 5.000% | 2/7/2013 | 3/1/2015 | 699,582 | 697,983 | (1,599) |
| RIO RANCHO N MEX PUB SCH DIST NO 94 SER A | 3.000% | 2/7/2013 | 8/1/2014 | 514,066 | 514,410 | 344 |
| RUIDOSO N MEX MUN SCH DIST NO 3 | 2.000% | 2/12/2013 | 8/1/2013 | 440,621 | 440,585 | (36) |
| RUIDOSO N MEX MUN SCH DIST NO 3 | 2.000% | 2/12/2013 | 8/1/2015 | 411,924 | 411,884 | (40) |
| RUIDOSO N MEX WASTERWATER REV RFDG | 2.000% | 7/12/2013 | 7/1/2015 | 415,279 | 414,189 | (1,090) |
| SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO | 2.000% | 10/24/2012 | 8/1/2013 | 1,702,318 | 1,702,261 | (57) |
| SANTA FE CNTY N MEX | 5.500% | 5/6/2013 | 7/1/2015 | 550,377 | 548,605 | (1,772) |
| SANTA FE CNTY N MEX IMPT | 2.000% | 6/4/2013 | 7/1/2014 | 355,938 | 353,350 | (2,588) |
| SANTA FE CNTY N MEX IMPT | 2.000% | 6/4/2013 | 7/1/2015 | 283,755 | 278,561 | (5,194) |
| SANTA FE N MEX PUB SCH DIST FORMERLY SANTA FE N | 4.125% | 5/6/2013 | 8/1/2013 | 100,311 | 100,287 | (24) |
| SANTA ROSA N MEX CONS SCH DIST NO 008 | 1.000% | 10/24/2012 | 5/12/2014 | 200,868 | 200,942 | 74 |
| SANTA ROSA N MEX CONS SCH DIST NO 008 | 1.000% | 10/24/2012 | 5/15/2015 | 226,461 | 226,062 | (399) |
| Total Municipal Bonds | | | | 19,238,692 | 19,213,650 | (25,042) |
| US Government Securities: | | | | | | |
| US Treasury Notes/Bonds: | | | | | | |
| UNITED STATES TREAS NTS | 1.875% | 1/9/2011 | 2/28/2014 | 20,113,346 | 20,228,800 | 115,454 |
| UNITED STATES TREAS NTS | 1.875% | 2/14/2011 | 2/28/2014 | 20,113,345 | 20,228,800 | 115,455 |
| UNITED STATES TREAS NTS | 2.625% | 2/17/2011 | 7/31/2014 | 10,262,109 | 10,261,300 | (809) |
| UNITED STATES TREAS NTS | 0.250% | 1/17/2012 | 12/15/2014 | 9,988,438 | 10,002,300 | 13,862 |
| UNITED STATES TREAS NTS | 0.250% | 7/1/2013 | 1/15/2015 | 19,996,094 | 19,996,000 | (94) |
| UNITED STATES TREAS NTS | 0.250% | 7/1/2013 | 9/30/2014 | 20,008,594 | 20,007,000 | (1,594) |
| UNITED STATES TREAS NTS | 0.500% | 7/8/2011 | 10/15/2013 | 4,998,923 | 5,005,650 | 6,727 |
| UNITED STATES TREAS NTS | 0.750% | 9/3/2010 | 8/15/2013 | 29,996,592 | 30,024,600 | 28,008 |
| UNITED STATES TREAS NTS | 2.250% | 3/28/2011 | 5/31/2014 | 10,081,904 | 10,187,500 | 105,596 |
| UNITED STATES TREAS NTS | 1.000% | 3/28/2011 | 7/15/2013 | 10,000,332 | 10,003,500 | 3,168 |
| UNITED STATES TREAS NTS | 1.500% | 1/17/2012 | 6/30/2016 | 10,250,160 | 10,241,400 | (8,760) |
| UNITED STATES TREAS NTS | 1.750% | 1/17/2012 | 7/31/2015 | 10,268,559 | 10,282,800 | 14,241 |
| UNITED STATES TREAS NTS | 1.875% | 3/28/2011 | 4/30/2014 | 10,047,594 | 10,140,600 | 93,006 |
| UNITED STATES TREAS NTS | 2.125% | 7/16/2012 | 12/31/2015 | 15,629,526 | 15,601,200 | (28,326) |
| UNITED STATES TREAS NTS | 2.375% | 7/1/2013 | 10/31/2014 | 20,572,656 | 20,570,400 | (2,256) |
| UNITED STATES TREAS NTS | 2.500% | 7/1/2013 | 4/30/2015 | 20,785,938 | 20,788,200 | 2,262 |
| UNITED STATES TREAS NTS | 2.625% | 7/1/2013 | 6/30/2014 | 20,485,156 | 20,482,800 | (2,356) |
| UNITED STATES TREAS BONDS | 2.500% | 7/1/2013 | 3/31/2015 | 20,760,938 | 20,761,800 | 862 |
| Total US Treasury Notes/Bonds | | | | 284,360,204 | 284,814,650 | 454,446 |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)
Year Ended June 30, 2013

| Security Description | Interest Rate | Purchase Date | Maturity Date | Book Value | Market Value | Unrealized Gain (loss) |
|--|---------------|---------------|---------------|--------------------|--------------------|------------------------|
| Federal Farm Credit Banks Cons Long: | | | | | | |
| FEDERAL AGRIC MTG CORP MTNS B FR | 0.430% | 1/8/2013 | 1/8/2016 | 15,486,969 | 15,412,425 | (74,544) |
| FEDERAL AGRIC MTG CORP MTNS B FR | 0.650% | 5/21/2013 | 7/10/2017 | 7,933,128 | 7,790,400 | (142,728) |
| Total Federal Farm Credit Banks | | | | <u>23,420,097</u> | <u>23,202,825</u> | <u>(217,272)</u> |
| Federal Home Loan Mortgage Co: | | | | | | |
| FEDERAL HOME LOAN MORTGAGE CORP | 0.375% | 12/10/2012 | 12/10/2014 | 20,000,000 | 20,005,400 | 5,400 |
| FEDERAL HOME LOAN MORTGAGE CORP | 0.500% | 7/30/2012 | 8/28/2015 | 15,017,923 | 15,009,750 | (8,173) |
| FEDERAL HOME LOAN MORTGAGE CORP | 0.520% | 12/28/2012 | 12/28/2015 | 20,000,000 | 19,905,800 | (94,200) |
| FEDERAL HOME LOAN MORTGAGE CORP | 1.000% | 11/23/2012 | 8/27/2014 | 20,167,414 | 20,182,400 | 14,986 |
| FEDERAL HOME LOAN MORTGAGE CORP | 2.000% | 8/30/2011 | 8/25/2016 | 25,556,606 | 25,899,750 | 343,144 |
| FEDERAL HOME LOAN MORTGAGE CORP | 1.100% | 12/30/2011 | 12/31/2015 | 7,300,000 | 7,321,608 | 21,608 |
| Total Federal Home Loan Mortgage Co. | | | | <u>108,041,943</u> | <u>108,324,708</u> | <u>282,765</u> |
| Federal Natio | | | | | | |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.375% | 11/16/2012 | 12/21/2015 | 19,962,725 | 19,888,200 | (74,525) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.500% | 2/15/2013 | 3/30/2016 | 14,984,922 | 14,916,000 | (68,922) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 1.000% | 7/12/2011 | 9/23/2013 | 20,019,859 | 20,038,200 | 18,341 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 1.250% | 7/12/2011 | 2/27/2014 | 20,069,942 | 20,150,600 | 80,658 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 1.625% | 1/9/2012 | 10/26/2015 | 20,351,584 | 20,495,800 | 144,216 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 5.120% | 8/18/2011 | 1/2/2014 | 23,198,840 | 23,236,872 | 38,032 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 1.400% | 12/30/2011 | 12/30/2016 | 15,000,000 | 15,055,800 | 55,800 |
| Total Federal National Mortgage Association | | | | <u>133,587,872</u> | <u>133,781,472</u> | <u>193,600</u> |
| Federal Home Loan Banks: | | | | | | |
| FEDERAL HOME LOAN BANKS | 1.000% | 3/1/2013 | 6/9/2017 | 10,067,609 | 9,892,800 | (174,809) |
| FEDERAL HOME LOAN BANKS | 1.000% | 6/19/2013 | 6/9/2017 | 5,033,805 | 4,946,400 | (87,405) |
| Total Federal Home Loan Banks | | | | <u>15,101,414</u> | <u>14,839,200</u> | <u>(262,214)</u> |
| International Finance Corp: | | | | | | |
| INTERNATIONAL FINANCE CORP | 0.330% | 7/10/2012 | 8/1/2013 | 15,000,000 | 15,000,915 | 915 |
| Total International Finance Corp | | | | <u>15,000,000</u> | <u>15,000,915</u> | <u>915</u> |
| Total US Government Securities | | | | <u>579,511,530</u> | <u>579,963,770</u> | <u>452,240</u> |
| Corporate Bonds: | | | | | | |
| International American Development Bank | | | | | | |
| INTER AMERICAN DEVELOPMENT BANK | FLT | 4/2/2013 | 5/20/2014 | 7,031,144 | 7,024,080 | (7,064) |
| Total International American Development Bank | | | | <u>7,031,144</u> | <u>7,024,080</u> | <u>(7,064)</u> |
| Total Corporate Bonds: | | | | <u>7,031,144</u> | <u>7,024,080</u> | <u>(7,064)</u> |
| Total Bond Proceeds Investment Pool #2 (Taxable) (Part 1 of the Consolidated Investment Pool) | | | | <u>865,302,288</u> | <u>865,722,422</u> | <u>420,134</u> |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)
Year Ended June 30, 2013

| Security Description | Interest Rate | Purchase Date | Maturity Date | Book Value | Market Value | Unrealized Gain (loss) |
|---|---------------|---------------|---------------|-------------------|-------------------|------------------------|
| Bond Proceeds Investment Pool #1 (Tax Exempt): | | | | | | |
| Certificates of Deposit | Various | Various | Various | 3,000,000 | 3,000,000 | - |
| Repurchase Agreements | Various | Various | Various | 145,777,370 | 145,777,370 | - |
| Mutual Funds (LGIP Pool Participant) | Various | Various | Various | 3,011,352 | 3,011,352 | - |
| Municipal Bonds: | | | | | | |
| ALBUQUERQUE N MEX GROSS RCPTS TAX REV IMPT | 2.000% | 4/9/2013 | 7/1/2015 | 928,080 | 924,939 | (3,141) |
| ALBUQUERQUE N MEX MUN SCH DIST NO 012 ED | 1.000% | 8/28/2012 | 8/1/2013 | 7,354,420 | 7,354,116 | (304) |
| ALBUQUERQUE N MEX MUN SCH DIST NO 012 ED | 2.000% | 8/29/2012 | 8/1/2014 | 508,320 | 509,035 | 715 |
| ALBUQUERQUE N MEX MUN SCH DIST NO 012 ED | 2.000% | 8/29/2012 | 8/1/2015 | 566,038 | 565,532 | (506) |
| ALBUQUERQUE N MEX MUN SCH DIST NO 012 EDUCATION | 4.000% | 5/29/2013 | 8/1/2014 | 436,296 | 436,943 | 647 |
| ALBUQUERQUE N MEX MUN SCH DIST NO 012 RFDG | 3.000% | 8/2/2012 | 8/1/2014 | 5,723,488 | 5,736,599 | 13,111 |
| CLOUDCROFT N MEX MUN SCH DIST NO 11 RFDG | 2.000% | 6/5/2013 | 8/1/2013 | 615,880 | 615,750 | (130) |
| CLOUDCROFT N MEX MUN SCH DIST NO 11 RFDG | 2.000% | 6/5/2013 | 8/1/2014 | 274,665 | 274,496 | (169) |
| CLOUDCROFT N MEX MUN SCH DIST NO 11 RFDG | 2.000% | 6/5/2013 | 8/1/2015 | 567,193 | 564,614 | (2,579) |
| LOS ALAMOS CNTY N MEX INC UTIL SYS REV RFDG-SER A | 5.000% | 8/28/2012 | 7/1/2013 | 2,000,000 | 2,000,000 | - |
| NEW MEXICO ST SEVERANCE TAX RFDG-SER A-2 | 4.000% | 8/28/2012 | 7/1/2014 | 6,717,634 | 6,729,031 | 11,397 |
| NEW MEXICO ST SEVERANCE TAX SER A-1 01/JUL/2014 | 4.000% | 8/28/2012 | 7/1/2014 | 4,951,472 | 4,951,076 | (396) |
| RIO RANCHO N MEX WTR & WASTEWTR SYS REV RFDG | 2.000% | 5/30/2013 | 5/15/2014 | 1,208,106 | 1,207,600 | (506) |
| RIO RANCHO N MEX WTR & WASTEWTR SYS REV RFDG | 3.000% | 5/30/2013 | 5/15/2016 | 1,305,030 | 1,291,712 | (13,318) |
| SANTA FE N MEX GROSS RCPTS TAX REV RFDG-SER A | 2.000% | 6/18/2013 | 6/1/2016 | 1,273,428 | 1,258,982 | (14,446) |
| TORRANCE ETC CNTYS N MEX MUN SCH DIST NO 8 | 1.000% | 5/22/2013 | 5/15/2014 | 402,257 | 402,404 | 147 |
| TORRANCE ETC CNTYS N MEX MUN SCH DIST NO 8 | 1.000% | 5/22/2013 | 5/15/2016 | 405,101 | 401,556 | (3,545) |
| Total Municipal Bonds | | | | <u>35,237,408</u> | <u>35,224,385</u> | <u>(13,023)</u> |
| US Government Securities: | | | | | | |
| US Treasury Notes: | | | | | | |
| UNITED STATES TREAS NTS | 1.875% | 9/3/2010 | 2/28/2014 | 15,087,112 | 15,171,600 | 84,488 |
| UNITED STATES TREAS NTS | 2.625% | 12/31/2012 | 2/29/2016 | 10,590,867 | 10,547,700 | (43,167) |
| UNITED STATES TREAS NTS | 0.250% | 4/26/2013 | 9/15/2015 | 9,993,857 | 9,959,400 | (34,457) |
| UNITED STATES TREAS NTS | 0.250% | 4/30/2013 | 3/31/2015 | 10,007,480 | 9,989,060 | (18,420) |
| UNITED STATES TREAS NTS | 1.000% | 4/25/2013 | 10/31/2016 | 10,188,957 | 10,059,400 | (129,557) |
| UNITED STATES TREAS NTS | 2.125% | 4/29/2013 | 11/30/2014 | 10,271,267 | 10,266,000 | (5,267) |
| UNITED STATES TREAS NTS | 2.125% | 7/16/2012 | 12/31/2015 | 15,629,526 | 15,601,200 | (28,326) |
| Total US Treasury Notes | | | | <u>81,769,066</u> | <u>81,594,360</u> | <u>(174,706)</u> |
| Federal Farm Credit Banks Cons Long: | | | | | | |
| FEDERAL AGRIC MTG CORP MTNS B FR | 0.270% | 4/30/2013 | 04/17/15 | 6,397,953 | 6,380,736 | (17,217) |
| FEDERAL AGRIC MTG CORP MTNS B FR | 0.650% | 5/21/2013 | 07/10/17 | 4,958,205 | 4,869,000 | (89,205) |
| Total Federal Farm Credit Banks | | | | <u>11,356,158</u> | <u>11,249,736</u> | <u>(106,422)</u> |
| Federal Home Loan Mortgage Co: | | | | | | |
| FEDERAL HOME LOAN MORTGAGE CORP | 1.100% | 12/30/2011 | 12/30/15 | 10,000,000 | 10,029,600 | 29,600 |
| FEDERAL HOME LOAN MORTGAGE CORP | 0.375% | 12/10/2012 | 12/10/14 | 10,000,000 | 10,002,700 | 2,700 |
| FEDERAL HOME LOAN MORTGAGE CORP | 0.500% | 7/30/2012 | 8/28/15 | 15,017,923 | 15,009,750 | (8,173) |
| FEDERAL HOME LOAN MORTGAGE CORP | 0.500% | 5/17/2013 | 2/24/15 | 20,977,396 | 20,961,778 | (15,618) |
| FEDERAL HOME LOAN MORTGAGE CORP | 0.520% | 12/28/2012 | 12/28/15 | 10,000,000 | 9,952,900 | (47,100) |
| FEDERAL HOME LOAN MORTGAGE CORP | 2.000% | 9/6/2011 | 8/25/16 | 20,528,706 | 20,719,800 | 191,094 |
| Total Federal Home Loan Mortgage Co. | | | | <u>86,524,025</u> | <u>86,676,528</u> | <u>152,503</u> |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)
Year Ended June 30, 2013

| Security Description | Interest Rate | Purchase Date | Maturity Date | Book Value | Market Value | Unrealized Gain (loss) |
|---|------------------|------------------|------------------|--------------------|--------------------|---------------------------|
| Federal National Mortgage Association: | | | | | | |
| FEDERAL NATIONAL MORTGAGE ASSOC | 1.375% | 6/19/2013 | 11/15/16 | 5,027,207 | 5,068,750 | 41,543 |
| FEDERAL NATIONAL MORTGAGE ASSOC | 1.625% | 5/1/2013 | 10/26/15 | 10,302,640 | 10,247,900 | (54,740) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 5.125% | 5/13/2013 | 01/02/14 | 12,292,519 | 12,275,330 | (17,189) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.375% | 11/16/2012 | 12/21/15 | 9,981,363 | 9,944,100 | (37,263) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 0.750% | 5/1/2013 | 09/13/16 | 10,017,029 | 9,931,800 | (85,229) |
| FEDERAL NATIONAL MORTGAGE ASSOC | 1.400% | 12/30/2011 | 12/30/16 | 13,495,000 | 13,545,201 | 50,201 |
| Total Federal National Mortgage Association | | | | <u>61,115,758</u> | <u>61,013,081</u> | <u>(102,677)</u> |
| Financing Corp.: | | | | | | |
| FINANCING CORP CPN FICO STRIPS SER 12 | 0.000% | 4/25/2013 | 6/6/15 | 5,845,348 | 5,801,976 | (43,372) |
| FINANCING CORP CPN FICO STRIPS SER 19 | 0.000% | 4/25/2013 | 6/6/15 | 2,819,427 | 2,798,508 | (20,919) |
| Total Financing Corp. | | | | <u>8,664,775</u> | <u>8,600,484</u> | <u>(64,291)</u> |
| Financing Federal Bank | | | | | | |
| FINANCING-FED BK ENTY CPN STRP GENINTPMT | 0.000% | 4/25/2013 | 4/6/15 | 7,260,178 | 7,212,191 | (47,987) |
| Total Financing Federal Bank | | | | <u>7,260,178</u> | <u>7,212,191</u> | <u>(47,987)</u> |
| International Finance Corp: | | | | | | |
| INTERNATIONAL FINANCE CORP | 0.330% | 7/10/2012 | 8/1/13 | 15,000,000 | 15,000,915 | 915 |
| Total International Finance Corp | | | | <u>15,000,000</u> | <u>15,000,915</u> | <u>915</u> |
| Total US Government Securities | | | | <u>271,689,960</u> | <u>271,347,295</u> | <u>(342,665)</u> |
| Corporate Bonds: | | | | | | |
| International American Development Bank | | | | | | |
| INTER AMERICAN DEVELOPMENT BANK | FLT | 4/2/2013 | 05/20/14 | 7,969,300 | 7,961,293 | (8,007) |
| Total International American Development Bank | | | | <u>7,969,300</u> | <u>7,961,293</u> | <u>(8,007)</u> |
| Total Corporate Bonds: | | | | <u>7,969,300</u> | <u>7,961,293</u> | <u>(8,007)</u> |
| Total Bond Proceeds Investment Pool #1 (Tax Exempt) (Part 2 of the Consolidated Investment Pool) | | | | <u>466,685,390</u> | <u>466,321,695</u> | <u>(363,695)</u> |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)
Year Ended June 30, 2013

| Security Description | Book Value | Market Value | Unrealized Gain (loss) |
|--|--------------------------------|--------------------------------|----------------------------|
| Local Government Investment Pool (Short-term Investment Pool) | \$ 545,109,481 | \$ 545,124,798 | \$ 15,317 |
| General Fund Investment Pool (State Funds Investment Pool) | 2,252,636,591 | 2,251,829,542 | (807,049) |
| Bond Proceeds Taxable (Consolidated Investment Pool) | 865,302,288 | 865,722,422 | 420,134 |
| Bond Proceeds Tax Exempt (Consolidated Investment Pool) | <u>466,685,390</u> | <u>466,321,695</u> | <u>(363,695)</u> |
| Grand total of all funds | <u>\$ 4,129,733,750</u> | <u>\$ 4,128,998,457</u> | <u>\$ (735,293)</u> |

Reconciliation to financial statements:

| | |
|---|--------------------------------|
| Per Schedule of Investments | \$ 4,128,998,457 |
| Less: Interfund Investments in Local Government Investment Pool, General Fund Investment Pool* | (1,300) |
| Bond Proceeds Taxable* | (1,307,441) |
| Bond Proceeds Tax Exempt* | <u>(3,011,352)</u> |
| Total Interfund Investments | <u>(4,320,093)</u> |
| Total Cash and Investments, Statement of Fiduciary Net Position | <u>\$ 4,124,678,364</u> |

* Amounts are deducted from respective pools

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 8 - COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013

| | Investment Trust Funds | | | | Total (Memorandum Only) |
|---|----------------------------------|------------------------------------|-----------------------------------|--------------------------------|-------------------------------|
| | Short-term Investment Pool | Consolidated Investment Pool | State Funds Investment Pool | Reserve Contingency Fund | |
| ASSETS | | | | | |
| Cash and investments: | | | | | |
| Fiscal Agent Bank Account | \$ - | \$ - | \$ 160,648,092 | \$ - | \$ 160,648,092 |
| Cash in banks | 221,720,028 | 31,697,500 | 6,102,000 | - | 259,519,528 |
| Certificates of Deposit | - | 21,200,000 | 38,750,000 | - | 59,950,000 |
| U.S. Government securities | 315,802,431 | 851,311,065 | 1,296,405,550 | - | 2,463,519,046 |
| Corporate Bonds | 1,341,349 | 14,985,373 | - | - | 16,326,722 |
| Municipal Bonds | - | 54,438,035 | 19,015,951 | - | 73,453,986 |
| Interfund Investments | (4,320,093) | 4,318,793 | 1,300 | - | - |
| Repurchase agreements | - | 354,093,351 | 730,906,649 | - | 1,085,000,000 |
| CMO/REMIC | 6,260,990 | - | - | - | 6,260,990 |
| | <u>540,804,705</u> | <u>1,332,044,117</u> | <u>2,251,829,542</u> | <u>-</u> | <u>4,124,678,364</u> |
| | | | | | |
| Total cash and investments | <u>540,804,705</u> | <u>1,332,044,117</u> | <u>2,251,829,542</u> | <u>-</u> | <u>4,124,678,364</u> |
| | | | | | |
| Securities receivable | - | - | 194,163,729 | - | 194,163,729 |
| Other receivables | - | 436,506 | - | - | 436,506 |
| Accrued interest receivable | 375,790 | 3,813,939 | 6,061,519 | - | 10,251,248 |
| | <u>375,790</u> | <u>3,813,939</u> | <u>6,061,519</u> | <u>-</u> | <u>10,251,248</u> |
| TOTAL ASSETS | <u>\$ 541,180,495</u> | <u>\$ 1,336,294,562</u> | <u>\$ 2,452,054,790</u> | <u>\$ -</u> | <u>\$ 4,329,529,847</u> |
| LIABILITIES | | | | | |
| Due to Broker | \$ 10,000,000 | \$ 149,010,931 | \$ - | \$ - | \$ 159,010,931 |
| Other liabilities | - | - | 28,307 | - | 28,307 |
| | <u>10,000,000</u> | <u>149,010,931</u> | <u>28,307</u> | <u>-</u> | <u>159,039,238</u> |
| TOTAL LIABILITIES | <u>10,000,000</u> | <u>149,010,931</u> | <u>28,307</u> | <u>-</u> | <u>159,039,238</u> |
| | | | | | |
| NET POSITION - HELD IN TRUST | <u>531,180,495</u> | <u>1,187,283,631</u> | <u>2,452,026,483</u> | <u>-</u> | <u>4,170,490,609</u> |
| | | | | | |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 541,180,495</u> | <u>\$ 1,336,294,562</u> | <u>\$ 2,452,054,790</u> | <u>\$ -</u> | <u>\$ 4,329,529,847</u> |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 9 - COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2013

| | <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 | \$ 1,203,740 | \$ 2,283,181 | \$ 3,745,612 | \$ 7,232,533 |
| Expenses - management fees | <u>(303,950)</u> | <u>-</u> | <u>-</u> | <u>(303,950)</u> |
| Net investment income | 899,790 | 2,283,181 | 3,745,612 | 6,928,583 |
| Net proceeds of deposits (withdrawals) | (345,498,550) | 238,691,276 | 281,329,270 | 174,521,996 |
| Net position, 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> |
| Net position, held in trust for pool participants, June 30, 2013 | <u>\$ 531,180,495</u> | <u>\$1,187,283,631</u> | <u>\$2,452,026,483</u> | <u>\$4,170,490,609</u> |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

June 30, 2013

| Location of Depository | Name of Institution | Deposits | FDIC | Collateral Required | Collateral Pledged | | Excess (under) |
|------------------------|---------------------------|--------------------|------------------|---------------------|------------------------------|--------------------|--------------------|
| | | | | | Surety Bond Letter of Credit | Securities | |
| BANKS: | | | | | | | |
| Alamagordo | | | | | | | |
| (FHLB) | First National Bank | \$ 503,384 | \$ 250,000 | \$ 126,692 | \$ - | \$ 278,289 | \$ 151,597 |
| (FHLB) | Western Bank | 3,608,508 | 250,000 | 2,518,881 | - | 3,327,741 | 808,860 |
| Albuquerque | | | | | | | |
| (WFB) | Bank of America | 1,114,203 | 250,000 | 432,102 | - | 4,373,373 | 3,941,271 |
| (WFB) | Bank of the West | 120,168,697 | 250,000 | 59,959,349 | - | 123,047,365 | 63,088,016 |
| (WFB) | Compass Bank | 1,977,187 | 250,000 | 1,761,731 | - | 4,881,884 | 3,120,153 |
| (FHLB) | U.S. Bank N.A. | 31,202,523 | 250,000 | 15,476,262 | 35,000,000 | - | 19,523,738 |
| (WFB) | New Mexico Bank & Trust | 170,635 | 170,635 | - | - | 273,163 | 273,163 |
| (USB) | Wells Fargo Bank NM, N.A. | 148,138,566 | 250,000 | 73,944,283 | - | 167,628,160 | 93,683,877 |
| Artesia | | | | | | | |
| (FHLB) | First American Bank | 57,973 | 57,973 | - | - | - | - |
| (FHLB) | Western Bank | - | - | - | - | - | - |
| Belen | | | | | | | |
| (USB) | My Bank | 210,955 | 210,955 | - | - | - | - |
| Carlsbad | | | | | | | |
| (FHLB) | Carlsbad National Bank | 800 | 800 | - | - | - | - |
| (FHLB) | Western Commerce Bank | 4,075,472 | 250,000 | 1,912,736 | - | 2,305,657 | 392,921 |
| Clayton | | | | | | | |
| (FHLB) | Farmers & Stockmens Bank | 6,051,505 | 250,000 | 2,900,753 | - | 3,279,436 | 378,683 |
| (FHLB) | First National Bank of NM | 3,621,452 | 250,000 | 1,685,726 | - | 2,173,798 | 488,072 |
| Clovis | | | | | | | |
| (TIB) | Bank of Clovis | 541,517 | 250,000 | 145,759 | - | 842,972 | 697,213 |
| | Citizens Bank | 129,685 | 129,685 | - | - | - | - |
| (FHLB) | Western Bank | 3,100,000 | 250,000 | 1,425,000 | - | 1,427,583 | 2,583 |
| Espanola | | | | | | | |
| (USB) | Valley National Bank | 500 | 500 | - | - | - | - |
| Gallup | | | | | | | |
| (FHLB) | Pinnacle Bank | - | - | - | - | - | - |
| Grants | | | | | | | |
| (TIB) | Grants State Bank | 89,515 | 89,515 | - | - | - | - |
| Hobbs | | | | | | | |
| (TIB) | Lea County State Bank | 149,117 | 149,117 | - | 100,000 | - | 100,000 |
| Las Cruces | | | | | | | |
| (WFB) | Bank of the Rio Grande | - | - | - | - | - | - |
| (TIB) | Citizens Bank | 3,593 | 3,593 | - | - | - | - |
| Las Vegas | | | | | | | |
| (FHLB) | Southwest Capital Bank | 710,923 | 250,000 | 230,462 | - | 733,635 | 503,173 |
| (FHLB) | Community First Bank LV | 493,922 | 250,000 | 248,800 | - | 701,970 | 453,170 |
| SUBTOTAL | | <u>326,120,632</u> | <u>4,312,773</u> | <u>162,768,536</u> | <u>35,100,000</u> | <u>315,275,026</u> | <u>187,606,490</u> |

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
 SCHEDULE 10 -SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY (CONTINUED)
 June 30, 2013

| Location of Depository | Name of Institution | Deposits | FDIC | Collateral Required | Collateral Pledged | | Excess (under) |
|------------------------------|---------------------------------|-------------------|------------------|------------------------|---------------------------------|-------------------|-------------------|
| | | | | | Surety Bond Letter of Credit | Securities | |
| BANKS - continued: | | | | | | | |
| Lordsburg (FHLB) | Western Bank | 145,267 | 145,267 | - | - | - | - |
| Los Alamos (FHLB) | Los Alamos National Bank | 29,799 | 29,799 | - | - | - | - |
| Portales (TIB) | James Polk Stone Community Bank | 272,005 | 250,000 | 11,003 | - | 145,000 | 133,997 |
| Raton (TIB) | International State Bank | 201,502 | 201,502 | - | - | - | - |
| Roswell (FHLB) | Bank of the Southwest | 365,896 | 250,000 | 57,948 | - | 249,087 | 191,139 |
| Roswell (TIB) | Valley Bank of Commerce | 66,363 | 66,363 | - | - | - | - |
| Ruidoso (FHLB) | First National Bank | - | - | - | - | - | - |
| Santa Fe (FHLB) | Century Bank | 24,000,000 | 250,000 | 11,875,000 | - | 12,868,000 | 993,000 |
| Santa Fe (FHLB) | Community Bank | 176,501 | 176,501 | - | - | - | - |
| Santa Fe (WFB) | First National Bank | 15,000,000 | 250,000 | 7,375,000 | - | 7,763,341 | 388,341 |
| Silver City (FHLB) | AM Bank | 24,150 | 24,150 | - | - | - | - |
| Socorro (BA) | First State Bank | 75,919 | 75,919 | - | - | - | - |
| Taos (TIB) | Centinel Bank | 84,506 | 84,506 | - | - | - | - |
| Taos (FHLB) | Peoples Bank | 15,056 | 15,056 | - | - | - | - |
| SAVINGS AND LOANS: | | | | | | | |
| Alamogordo (FHLB) | BANK'34 | 2,389,969 | 250,000 | 2,182,768 | - | 2,236,566 | 53,798 |
| Albuquerque (FHLB) | Union Savings Bank | 2,000,000 | 250,000 | 1,785,000 | - | 2,348,169 | 563,169 |
| Roswell (FHLB) | First Federal Bank | - | - | - | - | - | - |
| Santa Fe (FHLB) | Charter Bank for Savings | - | - | - | - | - | - |
| CREDIT UNION: | | | | | | | |
| Santa Fe | Guadalupe Credit Union | <u>250,000</u> | <u>250,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| SUBTOTAL | | <u>45,096,933</u> | <u>2,569,063</u> | <u>23,286,719</u> | <u>-</u> | <u>25,610,163</u> | <u>2,323,444</u> |

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, 2013

| Location of Depository | Name of Institution | Deposits | FDIC | Collateral Required | Collateral Pledged | | Excess (under) |
|---|--------------------------|----------------------|---------------------|-----------------------|------------------------------|-----------------------|-----------------------|
| | | | | | Surety Bond Letter of Credit | Securities | |
| ANCILLARY RECEIVERSHIP ACCOUNTS: | | | | | | | |
| Albuquerque | | | | | | | |
| (BA) | Bank of America, N.A. | - | - | - | - | - | - |
| (FHLB) | First Community Bank | - | - | - | - | - | - |
| (WFB) | Wells Fargo Bank, N.A. | - | - | - | - | - | - |
| Espanola | | | | | | | |
| (TIB) | Valley National Bank | - | - | - | - | - | - |
| Los Alamos | | | | | | | |
| (FHLB) | Los Alamos National Bank | - | - | - | - | - | - |
| Santa Fe | | | | | | | |
| (WFB) | Century Bank | 633,613 | 250,000 | 191,807 | - | 523,180 | 331,373 |
| (WFB) | First National Bank | - | - | - | - | - | - |
| FISCAL AGENT BANK: | | | | | | | |
| (USB) | Wells Fargo Bank N.A. | 131,347,170 | 250,000 | 65,673,585 | - | 192,481,754 | 126,808,169 |
| (BA) | Bank of America | - | - | - | - | - | - |
| SUBTOTAL | | <u>131,980,783</u> | <u>500,000</u> | <u>65,865,392</u> | <u>-</u> | <u>193,004,934</u> | <u>127,139,542</u> |
| TOTAL | | <u>\$503,198,348</u> | <u>\$ 7,381,836</u> | <u>\$ 251,920,647</u> | <u>\$ 35,100,000</u> | <u>\$ 533,890,123</u> | <u>\$ 317,069,476</u> |
| Reconciliation to Note 6: | | | | | | | |
| Fiscal Agent Account* | | \$ 131,347,170 | \$ 250,000 | \$ 65,673,585 | \$ - | \$ 192,481,754 | \$ 126,808,169 |
| Certificates of Deposit | | 59,950,000 | 1,873,023 | 31,825,989 | - | 35,384,724 | 3,558,735 |
| | | <u>191,297,170</u> | <u>2,123,023</u> | <u>97,499,574</u> | <u>-</u> | <u>227,866,478</u> | <u>130,366,904</u> |
| Add: | | | | | | | |
| Agency Deposits | | 311,267,565 | 5,008,813 | 154,229,266 | 35,100,000 | 305,500,465 | 186,371,199 |
| Ancillary Receivership Accounts | | 633,613 | 250,000 | 191,807 | - | 523,180 | 331,373 |
| | | <u>311,901,178</u> | <u>5,258,813</u> | <u>154,421,073</u> | <u>35,100,000</u> | <u>306,023,645</u> | <u>186,702,572</u> |
| | | <u>\$503,198,348</u> | <u>\$ 7,381,836</u> | <u>\$ 251,920,647</u> | <u>\$ 35,100,000</u> | <u>\$ 533,890,123</u> | <u>\$ 317,069,476</u> |

* Represents an average balance for the month of June 2013

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, 2013

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 | \$ 47,143,154 | \$ 48,086,017 | \$ 48,631,055 | FNMA | 3138WMHV6 | \$ 545,038 |
| JP Morgan Chase | New York, NY | 46,798,243 | 47,734,208 | 48,131,665 | FNMA | 31300L4R3 | 397,457 |
| JP Morgan Chase | New York, NY | 46,649,978 | 47,582,978 | 47,923,758 | FNMA | 3138A7FG8 | 340,780 |
| JP Morgan Chase | New York, NY | 5,185,995 | 5,289,715 | 5,334,621 | FNMA | 31326FUS5 | 44,906 |
| JP Morgan Chase | New York, NY | 189,543,494 | 193,334,364 | 195,044,404 | FNMA | 3138WOA36 | 1,710,040 |
| JP Morgan Chase | New York, NY | 16,845,760 | 17,182,675 | 17,319,464 | FNMA | 31300MBL6 | 136,789 |
| JP Morgan Chase | New York, NY | 282,833,376 | 288,490,043 | 291,230,176 | FNMA | 3138W0LZ0 | 2,740,133 |
| JP Morgan Chase | New York, NY | 231,625,000 | 236,257,500 | 237,623,855 | FNMA | 3138EKHE8 | 1,366,355 |
| JP Morgan Chase | New York, NY | 218,375,000 | 222,742,500 | 223,910,699 | FNMA | 31418AM39 | 1,168,199 |
| Total | | <u>\$ 1,085,000,000</u> | <u>\$ 1,106,700,000</u> | <u>\$ 1,115,149,697</u> | | | <u>\$ 8,449,697</u> |

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

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE 11 - SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
GAMING SUSPENSE FUND
Year Ended June 30, 2013

| | <u>Balance</u> <u>July 1, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance,</u> <u>June 30, 2013</u> |
|---|---------------------------------------|----------------------|----------------------|---|
| ASSETS | | | | |
| Investment in State General Fund Investment Pool | \$ - | \$ 70,347,795 | \$ 67,979,130 | \$ 2,368,665 |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 70,347,795</u> | <u>\$ 67,979,130</u> | <u>\$ 2,368,665</u> |
| LIABILITIES | | | | |
| Due to State General Fund | \$ - | \$ 70,347,795 | \$ 67,979,130 | \$ 2,368,665 |
| TOTAL LIABILITIES | <u>\$ -</u> | <u>\$ 70,347,795</u> | <u>\$ 67,979,130</u> | <u>\$ 2,368,665</u> |

SCHEDULE OF FINDINGS AND RESPONSES



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**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With Government Auditing Standards**

Honorable Susana 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund, fiduciary fund and the combining and individual funds presented as supplementary information of the State of New Mexico, Office of the State Treasurer (the Office), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated December 16, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Office's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Audit Findings and Responses as Finding 2007-04 to be a material weakness.

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 Audit Findings and Responses as Finding 2013-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Audit Findings and Responses as items 2013-01 and 2009-06.

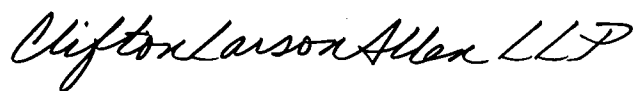
The Office's Response to Findings

The Office's responses to the findings identified in our audit are described in the accompanying Schedule of Audit Findings and Responses. The Office's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP



Albuquerque, New Mexico
December 16, 2013

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
June 30, 2013

Section I – Financial Statement Findings

Finding 2013-02 Prior Year Understatement of Interest in State General Fund Investment Pool (Significant Deficiency)

Condition: The Severance Tax Bonding Fund's (STB) interest in the State General Fund Investment Pool (SGFIP) was understated by \$2,190,933 in fiscal year 2012, requiring a prior period adjustment in fiscal year 2013.

Criteria: Interest in SGFIP should be accurately recorded for all funds.

Cause: In fiscal year 2011, an audit entry was made to record an arbitrage liability calculated as of June 20, 2011 in the amount of \$2,190,933. In fiscal year 2012 (August 11, 2011), the payment was made by the State Treasurer's Office. At that time, the STB's interest in the SGFIP was reduced and an expense was recorded rather than reversing the previously recorded liability. During the fiscal year 2012 audit, an entry was then recorded to remove that liability, at which point the STB's interest in the SGFIP was reduced a second time, leading to an understatement of interest in SGFIP by \$2,190,933.

Effect: Understatement of STB's interest in the SGFIP.

Recommendation: We recommend that Management carefully review all proposed journal entries. We also recommend better coordination between the entities that propose and approve entries to the Office's general ledger.

State Treasurer's Office Response: The State Treasurer's Office agrees on this finding but does not take full responsibility for the error of cash being reduced twice. A lack of communication between the agency and the IPA must be improved.

The State Treasurer's Office agrees that an audit adjustment was made in fiscal year 2011 to establish the arbitrage liability. In August of 2011 (FY 2012), a payment voucher was made by the State Treasurer's Office to pay the arbitrage payment to the IRS. The entry that the State Treasurer's Office made was in error because the expense was debited and not the liability that had been established in FY 2011. In FY 2012, another audit adjustment was prepared to clear the liability; the credit on the entry was to "Cash" instead of the expense. What resulted in FY 2012 was that "Cash" was credited twice, the first with the payment voucher and the second with the audit adjustment in FY 2012.

The State Treasurer's Office agrees that management should review all "audit adjusting entries" before submission to DFA. The Budget and Finance Division will continue to forward a copy of the audit adjusting entries to management but will now require an approval signature on the audit adjusting entries.

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

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

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
June 30, 2013

Section I – Financial Statement Findings (continued)

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

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

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

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

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

State Treasurer's Office Response: Although the State Treasurer's Office concurs with the significance of this condition, the State Treasurer's Office does not accept sole responsibility for the occurrence of this condition. The accounting information presented in the Statement of Fiduciary Net Position 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.

**Finding 2007-04 Reporting of Agency Interest in the State General Fund Investment Pool
(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.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
June 30, 2013

Section I – Financial Statement Findings (continued)

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

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.

Criteria: The State Treasurer's Office should be able to report each agency's' interest in the State General Fund Investment Pool.

Cause: When SHARE was first implemented in fiscal year 2007, the implementation was not thoroughly and 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 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 made changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure.

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.

To the extent that the current hardware and software would allow, recommended changes to the SHARE system and associated business processes were implemented effective February 1, 2013.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
June 30, 2013

Section I – Financial Statement Findings (continued)

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

State Treasurer's Office Response: The State Treasurer's Office disagrees with this finding. The State Treasurer's Office is able to report each agency's interest in the State General Fund Investment Pool. These balances, however, reside in the SHARE system and have differences due to reconciling items in the book to bank reconciliation. While the cash remediation project was successful in facilitating a point forward reconciliation, historical reconciling items remain which cause these differences between the funds held by the State Treasurer's Office and the fund balances in the SHARE system. We do not agree with the statement that agency balances cannot be reported.

Implementation of the full Oracle/PeopleSoft Treasury system is still planned but the lack of the full implementation does not adversely impact the reporting of agency fund balances.

Regardless, State Treasurer's Office is committed to continued communication, collaboration and cooperation with DFA, DoIT and other State Agencies to facilitate continued improvement to cash reconciliation. Ultimately, accuracy of the agency fund balances is inextricably linked to the completion of an accurate and timely book to bank reconciliation which is not the responsibility of this agency.

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 State Treasurer Office's role in resolving this issue critical to the State of New Mexico.

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
June 30, 2013

Section II – Federal Award Findings

There were no findings for the year ended June 30, 2013.

Section III – Other Matters

Finding 2013-01 Cash Receipts Not Deposited Within Statutory Time Frame (Compliance)

Condition: During our compliance test work over cash receipts, we noted one out of twenty-two cash receipts tested were not deposited within twenty-four hours. The dollar amount of this one item was \$431,667, and the total dollar amount of the entire sample of 22 items was \$19,166,312.

Criteria: Per section 6-10-3 NMSA 1978, cash or checks should be deposited before the close of the next succeeding business day after the initial receipt.

Cause: The Office did not deposit the receipts within the required timeframe.

Effect: Noncompliance with 6-10-3 NMSA 1978.

Recommendation: We recommend that the Office make efforts to ensure that receipts are deposited within the timeframe noted above to ensure compliance with Section 6-10-3 NMSA 1978.

State Treasurer's Office Response: The State Treasurer's Office concurs with the compliance condition and implemented processes and back-ups in March 2013 to ensure this does not occur again. The Treasurer's Office is in the process of working with the Gaming Control Board to set-up all deposits as ACH or wire transfers in an effort to streamline processes and to enhance efficiencies.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013**

Section I – Financial Statement Findings

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

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.

Finding 2007-08 – Cash Overdraft (Control Deficiency) – RESOLVED

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 |
|-------------------|---------------|

Finding 2011-01 – Reconciliation of Investment Income from QED to JP MORGAN (Control Deficiency) – RESOLVED

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.

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

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.

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

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
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013**

Section I – Financial Statement Findings (continued)

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

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.

Finding 2007-04 – Reporting of Agency Interest in the State General Fund Investment Pool (Material Weakness) – REPEATED AND MODIFIED

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
EXIT CONFERENCE
June 30, 2013**

An exit conference was held with the State Treasurer's Office on December 10, 2013. The conference was held at the State Treasurer's offices in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

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

James B. Lewis, State Treasurer
Marilyn Hill, 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 and Budget and Finance Division Director
Samuel K. Collins, Jr., State Cash Manager
Patricia J. Ortiz, Finance & Budget Financial Analyst
Cindy Cordova, Legal Counsel & Public Information Officer

CLIFTONLARSONALLEN LLP

Janet Pacheco-Morton, CPA, CGFM, Principal
Joel Blackman, CPA, Manager
Ana Maria Gonzalez, Senior Associate

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.