

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

FINANCIAL STATEMENTS

JUNE 30, 1999

(With Independent Auditors' Reports Thereon)

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

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June 30, 1999**

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

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

**Official Roster
June 30, 1999**

State Board of Finance

Gary Johnson	President
Walter Bradley	Member
Michael A. Montoya	Member
Thomas P. Tinnin	Secretary
Nancy Madigan	Member
George Rawson	Member
C.B. Trujillo	Member

State Board of Finance Staff

David Harris	Executive Officer
Curtis Porter	Director

Office of the State Treasurer

Michael A. Montoya	State Treasurer
Robert E. Vigil	Deputy State Treasurer
Sam R. Taylor	Deputy State Treasurer

"14 Years of Excellence"



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Certified Public Accountants & Consultants

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Benjamin R. Smiley, C.P.A.
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Nancy K. Wyrick, C.P.A.

INDEPENDENT AUDITORS' REPORT

Honorable Gary Johnson, Governor
State Board of Finance
Honorable Michael A. Montoya, CPA, State Treasurer
Honorable Domingo P. Martínez, C. G. F. M., State Auditor
Santa Fe, New Mexico

We have audited the accompanying general-purpose financial statements and the combining and individual fund and account group financial statements of the State of New Mexico, Office of the State Treasurer (Office), as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of New Mexico, Office of the State Treasurer as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the State of New Mexico, Office of the State Treasurer, as of June 30, 1999 and the results of operations of such funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2000 on our consideration of the State of New Mexico, Office of the State Treasurer internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole and on the combining and individual fund and account group financial statements. The accompanying financial information listed as other information section in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the State of New Mexico, Office of the State Treasurer. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose, combining, and individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and the account groups taken as a whole.

February 25, 2000

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

Exhibit A

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999**

	Governmental Fund Types			Fiduciary	Account Groups		Total- Memorandum Only
	General	Special Revenue	Debt Service	Investment Trust Fund	General Fixed Assets	General Long-term Debt	
<u>Assets and Other Debits</u>							
Cash and Investments:							
Cash and cash equivalents	\$ 136,147	\$ 112,000	\$ -	\$ 28,856,763	\$ -	\$ -	\$ 29,104,910
Certificates of deposit	-	-	-	141,800,000	-	-	141,800,000
U.S. Government securities	-	-	-	1,074,817,145	-	-	1,074,817,145
Corporate Bonds	-	-	-	55,076,340	-	-	55,076,340
Repurchase Agreements	-	-	110,804,364	1,359,542,672	-	-	1,470,347,036
Total Cash and Investments	136,147	112,000	110,804,364	2,660,092,920	-	-	2,771,145,431
Other Assets:							
Loans receivable	-	-	409,588	-	-	-	409,588
Due from State General Fund	30,000	-	-	-	-	-	30,000
Due from Federal Government	31,500	-	-	-	-	-	31,500
Due from other agencies	-	-	17,922,335	-	-	-	17,922,335
Interfund receivable	112,000	-	-	-	-	-	112,000
Accrued interest receivable	-	-	5,034,725	22,687,908	-	-	27,722,633
Investment in New Mexico Business Development Corporation bonds	-	1,253,537	-	-	-	-	1,253,537
Property and equipment	-	-	-	-	322,723	-	322,723
Other Debits:							
Amount to be provided for compensated absences	-	-	-	-	-	103,892	103,892
Amount available in debt service funds	-	-	-	-	-	122,668,021	122,668,021
Amount to be provided for retirement of long-term debt	-	-	-	-	-	488,051,979	488,051,979
Amount available for arbitrage interest	-	-	-	-	-	9,926,477	9,926,477
Total Other Assets and Other Debits	173,500	1,253,537	23,366,648	22,687,908	322,723	620,750,369	668,554,685
Total Assets and Other Debits	\$ 309,647	\$ 1,365,537	\$ 134,171,012	\$ 2,682,780,828	\$ 322,723	\$ 620,750,369	\$ 3,439,700,116

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Exhibit A

Combined Balance Sheet (continued)
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			Fiduciary Fund Type	Account Groups		Total- Memorandum Only
	General	Special Revenue	Debt Service	Investment Trust Fund	General Fixed Assets	General Long-term Debt	
<u>Liabilities and Fund Equity</u>							
Liabilities:							
Vouchers payable and accrued expenses	\$ 167,775	\$ -	\$ 330,049	\$ -	\$ -	\$ -	\$ 497,824
Interfund payable	-	112,000	-	-	-	-	112,000
Due to Severance Tax Permanent Fund	-	-	992,169	-	-	-	992,169
Due to State General Fund	67,393	-	-	-	-	-	67,393
Bonds payable	-	-	-	-	-	610,720,000	610,720,000
Accrued arbitrage interest payable	-	-	-	-	-	9,926,477	9,926,477
Compensated absences payable	-	-	-	-	-	103,892	103,892
Other liabilities	-	-	254,296	-	-	-	254,296
Total Liabilities	235,168	112,000	1,576,514	-	-	620,750,369	622,674,051
<u>Fund Equity</u>							
Investment in general fixed assets	-	-	-	-	322,723	-	322,723
Fund balances, reserved:							
Encumbrances	31,541	-	-	-	-	-	31,541
Fund balances, unreserved:							
Designated for debt service	-	-	122,668,021	-	-	-	122,668,021
Designated for arbitrage	-	-	9,926,477	-	-	-	9,926,477
Designated for investment	-	1,253,537	-	-	-	-	1,253,537
Net assets held in trust	-	-	-	2,682,780,828	-	-	2,682,780,828
Designated for subsequent years expenditures	42,938	-	-	-	-	-	42,938
Total Fund Equity and net assets held in trust	74,479	1,253,537	132,594,498	2,682,780,828	322,723	-	2,817,026,065
Total Liabilities and Fund Equity and Net Assets Held in Trust	\$ 309,647	\$ 1,365,537	\$ 134,171,012	\$ 2,682,780,828	\$ 322,723	\$ 620,750,369	\$ 3,439,700,116

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Exhibit B

**Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - All Governmental Fund Types
Year Ended June 30, 1999**

	Governmental Fund Types			Total- Memorandum Only
	General	Special Revenue	Debt Service	
Revenues:				
State general fund appropriations	\$ 3,179,300	\$ -	\$ -	\$ 3,179,300
Special appropriation	45,000	-	-	45,000
Department of the Treasury (CMIA)	26,538	-	-	26,538
Interest income	-	-	16,313,624	16,313,624
Total Revenues	3,250,838	-	16,313,624	19,564,462
Expenditures:				
Personnel services and employee benefits	2,519,787	-	-	2,519,787
Operating costs	448,003	-	-	448,003
Contractual services	110,674	-	-	110,674
Capital outlay	59,836	-	-	59,836
Other administrative expenditures	70,733	-	-	70,733
Principal and interest on long-term debt	-	-	128,761,753	128,761,753
Issuance costs	-	403,290	-	403,290
Other charges	-	-	354,605	354,605
Total Expenditures	3,209,033	403,290	129,116,358	132,728,681
Excess (Deficit) of Revenues over Expenditures	41,805	(403,290)	(112,802,734)	(113,164,219)
Other Financing Sources (Uses):				
Operating transfers in (out):				
State property tax levy	-	-	35,426,708	35,426,708
Severance taxes	-	-	136,149,412	136,149,412
Bonds proceeds	-	160,721,603	320,215	161,041,818
Capital projects - reversions in	-	-	300,412	300,412
Transfers from special revenue fund	-	(51,526)	51,526	-
Transfer to other state agency	-	(160,266,787)	-	(160,266,787)
Severance Tax Permanent Fund - reversions out	-	-	(52,156,050)	(52,156,050)
Reversion to State General Fund	(45,593)	-	-	(45,593)
Other financing uses	(700)	-	-	(700)
Total Other Financing Sources (Uses)	(46,293)	403,290	120,092,223	120,449,220
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(4,488)	-	7,289,489	7,285,001
Fund Balances, June 30, 1998	78,967	1,253,537	125,305,009	126,637,513
Fund Balances, June 30, 1999	\$ 74,479	\$ 1,253,537	\$ 132,594,498	\$ 133,922,514

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
Office of the State Treasurer - Administration

Combined Statement of Revenues and Expenditures - Budget (Non-GAAP)
Basis and Actual - General Fund

Year Ended June 30, 1999

General Fund

	<u>Revised Budget</u>	<u>Actual - Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
State General Fund appropriation	\$ 3,179,300	\$ 3,179,300	\$ -
Other state funds - Special appropriations	45,000	45,000	-
Department of the Treasury (CMIA)	31,500	6,500	(25,000)
	<u>3,255,800</u>	<u>3,230,800</u>	<u>(25,000)</u>
Total revenues	<u>\$ 3,255,800</u>	<u>\$ 3,230,800</u>	<u>\$ (25,000)</u>

	<u>Revised Budget</u>	<u>Expenditures</u>	<u>Outstanding Encumbrances</u>	<u>Total Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:					
Current:					
Personal services	\$ 1,887,250	\$ 1,863,620	\$ -	\$ 1,863,620	\$ 23,630
Employee benefits	671,150	656,164	967	657,131	14,019
In-state travel	15,400	9,222	743	9,965	5,435
Maintenance and repairs	5,800	5,791	-	5,791	9
Supplies	45,300	43,576	-	43,576	1,724
Contractual services	111,300	83,278	28,022	111,300	-
Operating costs	427,800	412,572	15,205	427,777	23
Out-of-state travel	10,600	10,452	-	10,452	148
Capital outlay	55,500	54,894	-	54,894	606
Other financing uses	700	700	-	700	-
	<u>3,230,800</u>	<u>3,140,269</u>	<u>44,937</u>	<u>3,185,206</u>	<u>45,593</u>
Total expenditures	<u>\$ 3,230,800</u>	<u>\$ 3,140,269</u>	<u>\$ 44,937</u>	<u>\$ 3,185,206</u>	<u>\$ 45,593</u>

The accompanying notes are an integral part of this financial statement.

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

Exhibit D

**Combined Statement of Changes in Net Assets
Investment Trust Fund**

Year Ended June 30, 1999

Investment income	\$ 138,651,661
Administrative Expenses	<u>(346,597)</u>
Operating income	138,305,064
Net transfers to the State Treasurer's Office	<u>1,415,706</u>
Total increase in net assets	139,720,770
Beginning of year - net assets held in trust	<u>2,543,060,058</u>
End of year - net assets held in trust	<u><u>\$2,682,780,828</u></u>

The accompanying notes are an integral part of this financial statement.

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

**Notes to Financial Statements
June 30, 1999**

NOTE 1 – SUMMARY OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

In prior years, the Office of the State Treasurer was audited under two separate reports; 1) the Administrative Fund and 2) the Special Revenue Funds, Debt Service Funds, Investment Trust Fund and the Long-Term Debt Account Group. For June 30, 1999, all funds of the State Treasurer's Office are included under one audit and auditors' report. The financial statements and notes to the financial statements include all funds that the State Treasurer is responsible for.

State Board of Finance

The 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. Bonds issued by the Board and the corresponding debt service funds are accounted for by the Office of the State Treasurer and are included in the accompanying financial statements.

Office of the State Treasurer

The Office of 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 the term 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.

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 1 – SUMMARY OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

- (4) Sections 6-10-11 (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 12-6-4 NMSA 1978 provides that the cost of the annual audit of the State Treasury shall be borne by special appropriations to the State Board of Finance. The cost of the audit and other expenses paid in behalf to the New Mexico State Treasurer's Investment Fund not material to the combined financial statements are not reflected in the accompanying financial statements.
- (6) Section 6-124-2 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.
- (7) Section 61-10-10.1 Short-term investment fund created; distribution of earnings; report of investment.
 - 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 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 (continued)
June 30, 1999**

NOTE 1 – SUMMARY OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The Office of the State Treasurer maintains accounting records for the collection of monies from various sources to be used for the debt service and interest payments on general obligation and severance tax bonds. The proceeds from the sale of these general obligation and severance tax bonds are maintained in funds at the Department of Finance and Administration (DFA) and are not part of this audit. Those funds are included in the DFA's financial statements.

Certain investments owned and administered by the Department of Highways and 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, and 3) consolidated investment pool.

The accompanying financial statements have been prepared by Barraclough & Associates, P.C. in accordance with generally accepted accounting principles (GAAP) as applied to governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The Office is responsible for the fair presentation of the financial statements in conformity with GAAP.

Fund Accounting

The accounts of the State of New Mexico, Office of the State Treasurer presented in this report are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Governmental Fund Types

Governmental funds are those funds through which general governmental functions are financed.

General Fund is the general operating fund of the Office. The General Fund is funded primarily through State General Fund appropriations. Any unexpended or unencumbered amounts of the general appropriations at the end of the 1999 fiscal year revert to the State General Fund. The General Fund also receives monies from the federal government to conduct audits under the Cash Management Improvement Act of 1990 (CMIA).

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The New Mexico Business Development Corporation Fund which represents the remaining investment in bonds issued by the New Mexico Business Development Corporation is reflected, in these financial statements, as a Special Revenue fund. This is a non-reverting fund.

The Bond Issuance Fund is presented to show the issuance of the 1998 and 1999 series of bonds.

The TRACS Special Revenue Fund is used to account for a special appropriation from the State General Fund to the Office for completion of the Treasurer's warrant account reconciliation system project, pursuant to Laws of 1995, Chapter 223 and Laws of 1996, Chapter 12. At the end of the 1997 fiscal year, all monies were expended for the fund. There was no encumbered balance or reversion due to the State General Fund. The fund does, however, owe the General Fund \$112,000 from prior year activity.

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 1 – SUMMARY OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Funds are used to account for the accumulations of resources for, and the payment of, general long-term bonded debt principal, interest and related costs. The debt service funds do not revert to the State General Fund.

No debt shall be contracted by or on behalf of the State unless authorized by law, which shall provide for an annual tax levy sufficient to pay the interest and to provide a sinking fund to pay the principal of such debt within fifty years from the time of the contracting thereof.

Fiduciary Fund Types

Investment Trust Fund – Pursuant to New Mexico law Section 61-10-10.1 of NMSA 1978, as amended, the Office of the State Treasurer manages three investment pools to invest money held in demand deposits and not immediately needed for operation of state government. The Office also provides investment services for local governments located in the State of New Mexico.

Account Groups

General Fixed Asset Account Group

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets. All fixed assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at their estimated fair market value on the date donated. Assets with a cost of less than \$500 are not capitalized.

General Long-term Debt Account Group

Because of the measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect fund balances, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-term Debt Account Group.

The account groups are not “funds”. They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Basis of Accounting

Basis of accounting refers to the methods under which revenues and expenditures are recognized in the funds and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include principal and interest on general long-term debt which is recognized when due.

The Treasurer’s Investment Trust Fund uses the accrual basis of accounting. According to GASB 31, paragraph 17, a statement of cash flows for the Investment Trust Fund is not required and therefore, not presented.

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 1 – SUMMARY OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

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

1. By September 1st, the Office prepares a budget appropriation request by category to be presented to the next legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA make 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 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 Office 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.
8. The budget for the General Fund is adopted on a cash encumbrances basis. Current year encumbrances are included as expenditures and payment of prior year encumbrances is excluded from expenditures. There is no recognition of changes in prepaid expenses, accounts payable and property, plant and equipment. Budgetary comparisons presented for the General and Special Revenue Funds in the report are on the non GAAP budgetary basis, which does not conform to generally accepted accounting principles because encumbrances are treated as expenditures; increases to expenditures to be funded from fund balances do not cause a corresponding increase in revenues; and this procedure conforms to DFA and State requirements.
9. The Office's budget for the fiscal year ending June 30, 1999 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.

The New Mexico Business Development Corporation Special Revenue Fund, Bond Issuance Fund and the TRACS Fund are not budgeted. Debt Service funds are budgeted over the life of their respective bond issues and not on an annual basis.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of 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 (continued)
June 30, 1999**

NOTE 1 – SUMMARY OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Investments

The Treasurer's Investment Trust Fund has implemented GASB 31 "Accounting and Financial Reporting for Certain Investments". This statement requires that certain investments as defined in GASB 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 Treasurer's Investment Trust Fund does not participate in securities lending transactions.

Loan Receivable

The loan receivable from the Department of Labor is recorded at cost. No allowance for loan losses has been established as management believes the loan is fully collectible.

Due From Other Agencies

Due from other agencies represents the amounts due, using the modified accrual basis of accounting for the collection of the severance and property taxes that are received after year-end.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unused and excess encumbrances are adjusted during the year if it is determined the funds will not be spent.

Accrued Compensated Absences

Employees are entitled to accumulate annual leave at the rate based on appointment date and length of continuous services. 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, any excess is lost. 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 (50) percent 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 (continued)
June 30, 1999**

NOTE 1 – SUMMARY OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term Obligations

The Office reports long-term debt at face value in the general long-term debt account group. For governmental fund types (the Bond Issuance and Debt Service Funds), issuance costs are reported as expenditures. Bond premiums and discounts are netted against bond issue proceeds. Bond interest payable received when bonds are sold is recorded as a liability until the first debt service payment is made and then adjusted against interest expense.

Designated Fund Balance and Net Assets Held for Trust

The Office has established a designation of fund balance for debt service that represents the reserves set aside for the payment of general long-term debt principal, interest and arbitrage due in future years. Net assets held for trust represent the amounts held for other entities which the Treasurer's Investment Trust Fund invests in marketable securities.

The Office also has fund balances designated for an investment in the New Mexico Business Development Corporation.

Collateral Held

The State Treasurer requires varying types and amounts of collateral from financial institutions to secure uninsured deposits of public monies. The State Treasurer is also custodian for various collateral held by other state agencies. Such collateral is not recorded in the accompanying financial statements.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Bond Discounts/Issuance Costs

In governmental fund types, bond discounts, premiums and issuance costs are recognized in the current period.

Reserved Fund Balance

Fund balance reserved in the general fund is used to indicate that portion of the fund balance that is available for encumbrances to be paid in the subsequent year.

Total Columns

Total columns on the Combined Statements are captioned "Total – Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 2 – BUDGET AND ACTUAL DATA

A reconciliation of revenue and expenditures presented on a generally accepted accounting principles (GAAP) basis to revenue and expenditures presented on a budgetary (Non-GAAP) basis as reflected on Exhibits B and C is presented below:

<u>GENERAL FUND</u>	Actual GAAP Basis	Audit Adjustments	Total Current Year Encumbrances	Prior Year Encumbrances Paid	Actual Budgetary (Non-GAAP) Basis
Revenues:					
State general fund appropriation	\$3,179,300	\$ -	\$ -	\$ -	\$3,179,300
Special appropriations	45,000	-	-	-	45,000
Department of the Treasury (CMIA)	<u>26,538</u>	<u>(20,038)</u>	<u>-</u>	<u>-</u>	<u>6,500</u>
	<u>\$3,250,838</u>	<u>\$(20,038)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,230,800</u>
Expenditures:					
Personal services	\$1,863,620	\$ -	\$ -	\$ -	\$1,863,620
Employee benefits	656,167	-	967	-	657,134
In-state travel	9,581	-	743	(359)	9,965
Maintenance & repairs	5,936	-	-	(145)	5,791
Supplies	44,764	1,036	-	(2,224)	43,576
Contractual services	110,674	(2,295)	28,022	(25,101)	111,300
Operating costs	448,003	(11,959)	15,205	(23,472)	427,777
Out-of state travel	10,452	-	-	-	10,452
Capital outlay	59,836	-	-	(4,945)	54,891
Reversions	45,593	(45,593)	-	-	-
Other financing uses	<u>700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700</u>
Total budgeted expenditures and other financing uses	<u>\$3,255,326</u>	<u>\$(58,811)</u>	<u>\$ 44,937</u>	<u>\$ (56,246)</u>	<u>\$3,185,206</u>

NOTE 3 – CASH AND REPURCHASE AGREEMENTS

The following funds are included in cash and investments of the Office of the State Treasurer:

<u>Account Description</u>	<u>CFRAS Fund #</u>	<u>Amount</u>
General	182	\$ <u>136,147</u>
Special Revenue Fund – TRACS	492	<u>112,000</u>
Investment Trust Fund	N/A	<u>28,856,763</u>
Total Cash		<u>\$29,104,910</u>

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 3 – CASH AND REPURCHASE AGREEMENTS (continued)

Debt Service Funds:

General Obligation Bonds:

1993 General Obligation Debt Service	483	\$10,522,814
1993 General Obligation Debt Service – Rebate Excess Earnings	484	900,259
1993-B General Obligation Debt Service	391	-
1993-B General Obligation Debt Service – Rebate Excess Earnings	389	-
1995 General Obligation Debt Service	960	10,429,720
1995 General Obligation Debt Service – Rebate Excess Earnings	961	3,086,289
1997 General Obligation Debt Service	183	9,236,250
1997 General Obligation Cost of Issuance	184	-
1997 General Obligation Debt Service – Rebate Excess Earnings	959	1,003,049
1998 General Obligation Debt Service	185	-
1999 General Obligation Debt Service (FY 99)	640	1,838,247
1999 General Obligation Debt Service – Rebate Excess Earnings	409	5,599
		<u>37,022,227</u>

Severance Tax Bonds:

Severance Tax Bonding Fund	410	1,839,925
1993-B Severance Tax Debt Service	571	8,263,613
1993-B Severance Tax Debt Service – Rebate Excess Earnings	570	1,016,235
1994-B Severance Tax Debt Service	418	9,893,604
1994-B Severance Tax Debt Service – Rebate Excess Earnings	413	1,164,325
1995-A Severance Tax Debt Service	963	1,066,035
1995-A Severance Tax Debt Service – Rebate Excess Earnings	964	73,562
1995-B Severance Tax Debt Service	419	7,258,529
1995-B Severance Tax Debt Service – Rebate Excess Earnings	420	71,073
1996-A Severance Tax Debt Service	392	6,121,820
1996-A Severance Tax Debt Service – Rebate Excess Earnings	393	51,174
1997-A Severance Tax – Debt Service – Refunding (FY 98)	640	-
1997-A Severance Tax Debt Service	031	17,554,961
1997-A Severance Tax Debt Service – Rebate Excess Earnings	032	575,537
1998-A Series Debt Service	425	1,010,421
1998-A Series Rebate	486	6,642
1998-B Series Rebate (FY98)	426	890,017
1998-B Series Debt Service (FY98)	411	16,517,731
1998-C Series	N/A	-
1999-B Series Debt Service	186	406,933
		<u>73,782,137</u>
Total Debt Service		<u>110,804,364</u>

Investment Trust Fund	N/A	<u>1,359,542,672</u>
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Total Repurchase Agreements		<u>\$1,470,347,036</u>
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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.

The State Treasurer does not hold cash in the office vault. All amounts deposited with the State Treasurer are subsequently redeposited in the fiscal agent account or invested in certificates of deposit, treasury securities or overnight repurchase agreements.

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 3 – CASH ON DEPOSIT (continued)

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 deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$100,000 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 50% to 100% of the par value of the investment dependent upon the institutions operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50% of the average investment balance. At June 30, 1999 collateral pledged to public money deposits was as follows:

	Fiscal Agent Account	Certificates of Deposit	Total
Cash in bank	\$29,101,910	\$141,800,000	\$170,904,910
Less FDIC insurance coverage	<u>(100,000)</u>	<u>(400,000)</u>	<u>(500,000)</u>
	29,004,910	141,400,000	170,404,910
Collateral pledged:			
U. S. Government securities	<u>(27,607,512)</u>	<u>(82,239,906)</u>	<u>(109,847,418)</u>
Uncollateralized public money			
Deposits	<u>\$1,397,398</u>	<u>\$59,160,094</u>	<u>\$60,557,492</u>

NOTE 4 – INVESTMENTS

The statutes of the State of New Mexico place certain restrictions on the investments of public money by the State Treasurer in order to minimize risk. Permissible investments include U.S. Treasury securities and certificates of deposit at financial institutions insured by an agency of the federal government and corporate bonds that meet the investment policy criteria. In order to meet short-term investment objectives, state laws permit investment in repurchase agreements. These contracts must be fully secured by obligations of the United States or other securities backed by the United States, having a market value of at least 102% of the amount of the contract.

In accordance with GASB Statement 3, investments must be categorized to give an indication of the level of risk assumed by the State at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the State Treasurer or agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent but not in the state's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the state's name. All of the investments at June 30, 1999 are Category 1 investments.

At June 30, 1999, investments in overnight repurchase agreements were \$734,000,000 of which collateral was U.S. Treasury notes and bills held at Bankers Trust Company of California, in the State's name. Fair value for the securities below was obtained from Bankers Trust Company and reflects quoted market prices as of June 30, 1999.

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 4 – INVESTMENTS (continued)

Investments administered by the State Treasurer at June 30, 1999 include the following:

<u>Description</u>	<u>Amortized Cost Carrying Amount</u>	<u>Fair Value</u>
U.S. Government securities	\$1,097,804,187	\$1,074,817,145
Corporate bonds	56,040,951	55,076,340
Repurchase agreements	<u>1,470,347,036</u>	<u>1,470,347,036</u>
	<u>\$2,624,192,174</u>	<u>\$2,600,240,521</u>

Funds whose investments are debt related record no investment earnings, these earnings are recorded in the appropriate debt service funds.

The State Treasurer also administers an investment of \$1,253,537 in New Mexico Business Development Corporation bonds on behalf of the State of New Mexico. The original bond investment of \$2,528,332 was called in October 1992 (See Note 1). This investment is reflected in the New Mexico Business Development Corporation Special Revenue Fund.

Certain investments owned and administered by the Department of Highway and Transportation are purchased through the State Treasurer's Office. At June 30, 1999 the amount not included in the Investment Trust Fund for the Department of Highway and Transportation was \$182,782,499.

The book value and other gratuitous information related to the custodial investments are not included in the financial statements of the Office of the State Treasurer.

The Local Government Investment Pool investments are monitored by the same investment committee and the same procedures and policies are followed in administering these funds that are used in the oversight process of all other state investments. The investments are recorded at fair value in the financial statements, however, the individual participant balances remain at their carrying cost. At June 30, 1999 the Local Government Investment Pool had an unrealized loss of approximately \$3,600,000.

NOTE 5 – CONDENSED FINANCIAL STATEMENTS

Condensed financial statements of the Investment Trust Fund, inclusive of external and internal participants for the fiscal year ended June 30, 1999, are as follows:

State Treasurer's Investment Trust Fund	
Balance Sheet	
June 30, 1999	
Assets	
Cash and Cash Equivalents	\$ 28,856,763
Investments	2,631,236,157
Interest Receivable	<u>22,687,908</u>
Total Assets	<u>\$2,682,780,828</u>
Net Assets:	
External Participant account balances	799,342,838
General Fund	355,983,398
Other Internal Participant account balances	
Primary Government	1,551,406,245
Undistributed Reserves and Unrealized Gains (Losses)	<u>(23,951,653)</u>
Total Net Assets	<u>\$2,682,780,828</u>

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 5 – CONDENSED FINANCIAL STATEMENTS (continued)

Investment Income – At June 30, 1999 the Office’s investment income earnings were as follows:

Local Government Investment Pool	\$ 36,818,089
General Fund	82,986,039
Other State Agencies	43,716,610
Unrealized Loss	<u>(24,869,077)</u>
	<u>\$ 138,651,661</u>

NOTE 6 – APPROPRIATIONS AND OTHER REVENUE

The Office received the following appropriations and other revenue for the year ended June 30, 1999:

<u>General Fund</u>	
General appropriation, Laws of 1997, Chapter 33	\$3,179,300
Compensation appropriation, Laws of 1997, Chapter 33	<u>45,000</u>
	3,224,300
 Department of the Treasury (CMIA)	 <u>26,538</u>
	 <u>\$3,250,838</u>

NOTE 7 – FIXED ASSETS

The following is a summary of changes in the General Fixed Asset Account Group for the year ended June 30, 1999:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
Furniture, fixtures and equipment	<u>\$327,683</u>	<u>\$53,754</u>	<u>\$58,714</u>	<u>\$322,723</u>
Investment in General Fixed Assets from:				
General Fund	\$237,797	\$53,754	\$58,714	\$232,837
Donations	88,812	-	-	88,812
Transfer from Office of the Cash Manager	<u>1,074</u>	<u>-</u>	<u>-</u>	<u>1,074</u>
Totals	<u>\$327,683</u>	<u>\$53,754</u>	<u>\$58,714</u>	<u>\$322,723</u>

NOTE 8 – COLLATERAL IN TRUST

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

NOTE 9 – DUE TO SEVERANCE TAX PERMANENT FUND AND REVERSIONS

The State Treasurer is required by statute (Section 7-27-8 NMSA 1978, 1986 Repl.) to transfer to the Severance Tax Permanent Fund, all monies in the Severance Tax Bonding Fund, except the amount necessary to meet principal and interest payments on bonds payable of the next two ensuing semi-annual payment dates. A balance of \$992,169 remains in the Severance Tax Bonding Fund payable to the Severance Tax Permanent Fund.

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 10 – CHANGES IN LONG-TERM DEBT

The following is a summary of bonds payable transactions for the year ended June 30, 1999:

	<u>June 30, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 1999</u>
General obligation Capital				
Project bonds	\$183,628,000	\$82,500,442	\$27,833,442	\$238,295,000
Severance tax bonds	<u>374,311,000</u>	<u>77,404,687</u>	<u>79,290,687</u>	<u>372,425,000</u>
Totals	<u>\$557,939,000</u>	<u>\$159,905,129</u>	<u>\$107,124,129</u>	<u>\$610,720,000</u>

The following bonds were issued during the fiscal year ended June 30, 1999:

Capital Project Improvement Bond Series 1998 – On January 5, 1999, the State Board of Finance issued \$1,605,442 in General Obligation Bonds to provide the University of New Mexico capital to plan, design, construct, renovate, equip and make capital improvements to certain instructional facilities on the main campus located in Bernalillo County. The bond matured on January 6, 1999 with an interest rate of 4.75%.

General Obligation Bonds Series 1999 – On March 1, 1999, the State Board of Finance issued \$80,895,000 of General Obligation Bonds to finance public education capital improvements and acquisitions, senior citizen facility improvements and purchase of radio communication equipment. Interest rates range from 4.0% to 5.0% with principal payments due through September 2008.

Severance Tax Bonds Series 1999 – On June 29, 1999, the State Board of Finance issued \$26,736,687 of Severance Tax Bonds to finance a variety of projects including the renovation of various armories in the State, the planning, construction, improvement or designing of various wastewater facilities, the renovation and improvements to Tingley Coliseum and various other facilities at the State fairgrounds in Albuquerque, the planning, designing and constructing of projects by the New Mexico Office of Indian Affairs and capital improvements to various projects by the Local Government Division. The bond matured on June 30, 1999 with an interest rate of 5%.

Severance Tax Bonds Series 1999-B – On June 15, 1999 the State Board of Finance issued \$50,668,000 of Severance Tax Bonds to finance various projects including public education improvements, the repair of various public buildings, and the planning, designing, construction, repairing and equipping of various facilities by the Local Government Division. The interest rate is 5% with principal payments due through July 2000.

NOTE 11 – ARBITRAGE ON TAX EXEMPT BONDS

Prior to the Tax Reform Act (TRA) of 1986 state and local governments had up to three years to use the proceeds from tax exempt bonds issued by them before arbitrage on such proceeds has 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, both, 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 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:

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 11 – ARBITRAGE ON TAX EXEMPT BONDS (continued)

	<u>Bond Year End of First Rebate Computation</u>	<u>First Arbitrage Rebate Due Date</u>	<u>First Computation of Arbitrage Completed</u>
Capital Projects General Obligation Bonds Series 1993	September 1998	November 1998	X
General Obligation Refunding Bonds Series 1993-B	September 1998	November 1998	X
General Obligation Capital Projects Improvement Bonds Series 1995	September 2000	November 2000	
General Obligation Capital Projects Improvement Bonds Series 1997	September 2002	November 2002	
General Obligation Capital Projects Bonds Series 1999	July 2004	August 2004	
Severance Tax Bonds Series 1993-B	July 1998	August 1998	X
Severance Tax Bonds Series 1994-B	July 1999	August 1999	X
Severance Tax Bonds Series 1995	July 2000	August 2000	
Severance Tax Bonds Series 1995-B	July 2000	August 2000	
Severance Tax Bonds Series 1996-A	July 2001	August 2001	
Severance Tax Refunding Bonds Series 1997-A	July 2002	August 2002	
Severance Tax Refunding Bonds Series 1998-A	July 2003	August 2003	
Severance Tax Bonds Series 1998-B	July 2003	August 2003	
Severance Tax Bond Series 1999-B	July 2004	August 2004	

Interest earnings on invested bond proceeds through June 30, 1999 did not exceed the interest costs of the bonds. Such amounts would have been included as a reservation of fund balance in the accompanying financial statements. Amounts due the Internal Revenue Service which are known and measurable are recorded as a liability – accrued arbitrage interest payable in the accompanying financial statements.

NOTE 12 – LOANS RECEIVABLE

The Laws of 1974, Chapter 74 authorized a loan of \$2.75 million from the Severance Tax Bonding Fund to the Department of Labor, Employment Security Division for construction of the Employment Security Building in Albuquerque, NM (Tewa Building). The loan is repaid in monthly principal and interest installments of \$16,076.50 over 25 years. The balance outstanding at June 30, 1999 is \$409,588.

The future amount of principal and interest to be received is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$176,446	\$16,472	\$192,918
2001	185,473	7,445	192,918
2002	<u>47,669</u>	<u>397</u>	<u>48,066</u>
Total	<u>\$409,588</u>	<u>\$24,314</u>	<u>\$433,902</u>

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 13 – NEW MEXICO BUSINESS DEVELOPMENT CORPORATION (BDC)

In 1991, the State Treasurer called in the original investment of \$2,528,332 in bonds, issued by the BDC to protect the state's share of BDC's assets. This action forced a liquidation of BDC and the remaining assets of BDC were turned over to a trustee, Norwest Bank, on behalf of the State Treasurer on October 1, 1991, pursuant to the terms of the "Realization of Assets Agreement." Payment of interest on the remaining outstanding debt ceased as of the call date. Accordingly, no interest income is being accrued for in the accompanying financial statements. There are sufficient assets held by the trustee as of June 30, 1999 to repay the debt and accordingly the cost of the bonds approximates the market value of the assets held by the trustee.

The following is the activity of the State's investment in BDC for the 1998-1999 fiscal year:

	Investment in BDC Bond
Balance, June 30, 1998	\$1,253,537
Additions	-
Deletions	-
Balance, June 30, 1999	<u>\$1,253,537</u>

NOTE 14 – INTERFUND RECEIVABLE/PAYABLE

Amounts due other funds	From	To
C-FRAS Fund No. 492	\$112,000	\$ -
C-FRAS Fund No. 182	-	112,000
	<u>\$112,000</u>	<u>\$112,000</u>

NOTE 15 – DUE TO STATE GENERAL FUND

Due to State General Fund consists of the following unexpended or unencumbered appropriations and other transactions:

C-FRAS Fund No. 182	97 th fiscal year	\$17,421
C-FRAS Fund No. 182	98 th fiscal year	4,379
C-FRAS Fund No. 182	99 th fiscal year	45,593
		<u>\$67,393</u>

NOTE 16 – FISCAL AGENT AND CORRESPONDENT BANK

Fiscal Agent Bank The State Board of Finance and First Security Bank in Albuquerque (Bank) entered into an agreement whereby the Bank would provide banking services as Fiscal Agent for the State of New Mexico through June 30, 1999. A new contract was signed after June 30, 1999 and is effective until August 27, 2000.

Correspondent Bank The State Board of Finance and Bankers Trust Company of California (BTC) entered into an agreement whereby BTC would provide banking services as Correspondent Bank for the State of New Mexico through September 30, 1999. A new contract was signed after September 30, 1999 and is effective until August 12, 2003.

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 17 – BONDS PAYABLE

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.

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.

**OFFICE OF THE STATE TREASURER
LONG TERM DEBT FOOTNOTE
June 30, 1999**

Note 17 - Bonds Payable (continued)											
General Obligation Bonds											
Issue	Date	Amount	Interest Rate	Unpaid Balance 6/30/98	New Bonds	Deductions-Bonds Paid or Defeased	Unpaid Balance 6/30/99	Interest to Maturity	Debt Service Requirements		
Capital Projects-Series 1993											
Refunding Series 1993-B	3/1/93	\$ 80,500,000	2.75-8.50%	\$ 58,250,000	-	7,629,000	\$ 50,621,000	\$ 4,796,487	\$ 55,417,487		
Capital Projects-Series 1995	11/1/93	25,335,000	2.60-3.70%	6,295,000	-	6,295,000	-	-	-		
Capital Projects-Series 1997	4/1/95	66,265,000	4.90-6.10%	54,258,000	-	6,504,000	47,754,000	7,828,375	55,582,375		
Capital Projects-Series 1998	3/1/97	64,825,000	4.30-5.50%	64,825,000	-	5,800,000	59,025,000	11,694,389	70,719,389		
Capital Projects-Series 1999	1/5/99	-	4.75%	-	1,605,442	1,605,442	-	-	-		
	3/1/99	-	4.00-5.00%	-	80,895,000	-	80,895,000	17,616,250	98,511,250		
Total General Obligation Bonds		236,925,000		183,628,000	82,500,442	27,833,442	238,295,000	41,935,501	280,230,501		
Severance Tax Bonds											
Series 1993-B	9/1/93	75,023,000	4.00-7.00%	37,225,000	-	6,755,000	30,470,000	2,882,910	33,352,910		
Series 1994-B	8/1/94	92,038,000	4.80-7.60%	36,535,000	-	8,510,000	28,025,000	2,209,070	30,234,070		
Series 1995-A	4/1/95	8,062,000	4.60-6.90%	4,775,000	-	851,000	3,924,000	425,409	4,349,409		
Series 1995-B	11/1/95	58,340,000	4.40-5.375%	48,995,000	-	5,195,000	43,800,000	7,519,712	51,319,712		
Series 1996-A	6/1/96	37,237,000	4.50-5.375%	25,915,000	-	4,990,000	20,925,000	3,048,566	23,973,566		
Series 1997-A-Refunding	6/1/97	62,036,000	4.50-5.50%	62,036,000	-	26,178,000	35,858,000	2,422,098	38,280,098		
Series 1998-A-Refunding	3/1/98	22,730,000	4.25-5.00%	22,730,000	-	75,000	22,655,000	4,609,612	27,264,612		
Series 1998-B	5/1/98	136,100,000	4.50-4.75%	136,100,000	-	-	136,100,000	34,651,688	170,751,688		
Series 1998-C	6/16/98	4,412,150	5.00%	-	-	-	-	-	-		
Series 1999-A	6/25/99	-	5.00%	-	26,736,687	26,736,687	-	-	-		
Series 1999-B	6/15/99	-	5.00%	-	50,668,000	-	50,668,000	15,216,996	65,884,996		
Total Severance Tax Bonds		495,978,150		374,311,000	77,404,687	79,290,687	372,425,000	72,986,061	445,411,061		
Total General Long-Term Debt		\$ 732,903,150		\$ 557,939,000	\$ 159,905,129	\$ 107,124,129	\$ 610,720,000	\$ 114,921,562	\$ 725,641,562		

**OFFICE OF THE STATE TREASURER
FOOTNOTE DISCLOSURE
June 30, 1999**

Note 17 - Bonds Payable (continued)

Issue	Year Ending June 30							Total
	2000	2001	2002	2003	2004	Thereafter		
General Obligation Bonds								
Capital Projects-Series 1993	\$ 14,393,543	\$ 14,211,264	\$ 13,824,364	\$ 12,988,316	\$ -	\$ -	\$ 55,417,487	
Capital Projects-Series 1995	9,143,771	9,190,732	9,236,886	9,286,044	9,336,807	9,388,135	55,582,375	
Capital Projects-Series 1997	8,779,125	8,784,000	8,745,312	8,780,275	8,836,000	26,794,677	70,719,389	
Capital Projects-Series 1999	1,673,300	10,760,300	10,761,500	10,760,100	10,759,725	53,796,325	98,511,250	
Total General Obligation Bonds	33,989,739	42,946,296	42,568,062	41,814,735	28,932,532	89,979,137	280,230,501	
Severance Tax Bonds								
Series 1993-B	8,301,480	8,335,800	8,343,400	8,372,230	-	-	33,352,910	
Series 1994-B	10,112,535	10,076,995	10,044,540	-	-	-	30,234,070	
Series 1995-A	1,085,641	1,081,816	1,088,236	1,093,716	-	-	4,349,409	
Series 1995-B	7,331,278	7,297,460	7,307,370	7,322,073	7,317,275	14,744,256	51,319,712	
Series 1996-A	6,153,715	3,331,228	2,316,065	3,359,230	4,398,272	4,415,056	23,973,566	
Series 1997-A Refunding	17,355,745	11,546,360	9,377,993	-	-	-	38,280,098	
Series 1998-A Refunding	1,117,976	1,117,976	1,117,976	10,965,475	10,933,370	2,011,839	27,264,612	
Series 1998-B	17,076,100	17,077,213	17,074,825	17,077,463	17,072,550	85,373,537	170,751,688	
Series 1999-B	1,379,296	6,524,075	5,458,500	6,862,875	6,305,250	39,355,000	65,884,996	
Total Severance Tax Bonds	69,913,766	66,388,923	62,128,905	55,053,062	46,026,717	145,899,688	445,411,061	
TOTAL DEBT SERVICE REQUIREMENTS	\$ 103,903,505	\$ 109,335,219	\$ 104,696,967	\$ 96,867,797	\$ 74,959,249	\$ 235,878,825	\$ 725,641,562	

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 18 – DEFEASED DEBT

In prior years, the Board of Finance defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Office’s financial statements. On June 30, 1999, \$20,788,000 of bonds outstanding are considered defeased. On July 1, 1999, \$9,126,000 of the defeased debt was paid off by the trust.

NOTE 19 – TRANSFERS

Bond Proceeds – The Bond Issuance Fund transferred the net proceeds of the Severance Tax Bonds to the Department of Finance and Administration (DFA).

The proceeds were distributed as follows and the proceeds are accounted for in DFA’s June 30, 1999 financial statements:

	<u>CFRAS Number</u>	<u>Amount</u>
Severance Tax Bonds – Series 1999	440	\$26,736,687
Severance Tax Bonds – Series 1999-B	062	50,668,000
General Obligation Bonds – Series 1998	293	1,500,000
General Obligation Bonds – Series 1999	708	<u>81,362,100</u>
Total		<u>\$160,266,787</u>

Interfund Transfers

	<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
<u>Debt Service</u>			
Severance Tax Bonding Fund	410	<u>\$64,250,000</u>	\$ _____
Severance Tax Bond – 1993B Debt Service	571	-	8,450,000
Severance Tax Bond – 1994B Debt Service	418	-	9,000,000
Severance Tax Bond – 1995A Debt Service	963	-	950,000
Severance Tax Bond – 1995B Debt Service	419	-	7,000,000
Severance Tax Bond – 1996A Debt Service	392	-	5,000,000
Severance Tax Bond – 1997A Debt Service	031	-	17,000,000
Severance Tax Bond – 1998A Debt Service	425	-	1,350,000
Severance Tax Bond – 1998B Debt Service	411	-	15,500,000
General Obligation Bond – 1993B Debt Service	391	1,671,879	-
General Obligation Bond – 1993B Rebate	389	587,776	-
General Obligation Bond – 1995 Debt Service	960	1,606,442	2,260,443
General Obligation Bond – 1998 Debt Service	185	788	1,606,442
General Obligation Bond – 1999 Debt Service	640	<u>51,526</u>	-
		<u>68,168,411</u>	<u>68,116,885</u>
<u>Special Revenue</u>			
General Obligation Bond Issuance Costs	026	-	51,526
Total Interfund Transfers		<u>\$68,168,411</u>	<u>\$68,168,411</u>

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 20 – EMPLOYEE RETIREMENT PLAN – STATE OF NEW MEXICO

Plan Description

Substantially all of the Office'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, 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Office is required to contribute 16.59% depending upon the division of the gross covered salary. The contribution requirements of plan members and the Office are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the years ending June 30, 1999, 1998 and 1997 were \$411,662, \$407,579 and \$418,399 respectively, equal to the amount of the required contributions for each year.

NOTE 21 – POST-EMPLOYMENT BENEFITS – RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

Eligible retirees are: (1) Retirees who made 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 Retiree Health Care Act on the person's behalf unless that person retires on or before July 1, 1995, in which event the time period for contributions shall become the period of time between July 1, 1990 and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990.

Each participating employer makes contributions to the fund in the amount of one percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to one-half of one percent of the employee's annual salary. Each participating retiree pays a monthly premium of fifty-seven dollars and sixty-five cents (\$57.65) for the basic single plan and an additional participation fee of five dollars (\$5.00) if eligible participant retired prior to July 1, 1990 and made no contributions to the plan.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

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

**Notes to Statements (continued)
June 30, 1999**

**NOTE 21 – POST-EMPLOYMENT BENEFITS – RETIREE HEALTH CARE ACT CONTRIBUTIONS
(continued)**

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 625 Don Gaspar, Santa Fe, New Mexico 87501.

For the fiscal year ended June 30, 1999, the Office remitted \$17,210 in employer contributions and \$8,605 in employee contributions to the Retiree Health Care Authority.

NOTE 22 – OUTSTANDING ENCUMBRANCES

The following is a reconciliation of outstanding encumbrances per the Department of Finance and Administration (DFA) Report to the reserve for encumbrances and accounts payable as shown in the financial statements at June 30, 1999.

<u>DFA Report</u>	<u>General Fund</u>
Unadjusted Encumbrances Balance	\$45,795
Adjustments for amounts included in Accounts Payable	<u>(14,254)</u>
Reserved for Encumbrances	<u>\$ 31,541</u>

NOTE 23 – CONTINGENCIES

The Department is exposed to various risks of loss for which the Department 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, 1998 to June 30, 1999. The limit of coverage is \$5,000,000 with \$1,000 deductible per occurrence. All Office employees are covered by this bond.

NOTE 24 – OPERATING LEASES

The Office building lease with the National Education Association expired in May 1999. The Office is on a month-to-month basis with no lease in place.

The Office is obligated on leases for a copy machine and a vehicle from General Services Department. These leases are considered for accounting purposes to be operating leases. The leases are contingent on the the New Mexico Legislature granting sufficient authority and appropriations to carry out their conditions and agreements. If sufficient authority or appropriations are not granted, these leases shall terminate when required by law or upon the Office giving the Lessors sixty days notice, whichever comes first. Future minimum lease payments for these leases are as follows:

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

**Notes to Financial Statements (continued)
June 30, 1999**

NOTE 24 – OPERATING LEASES (continued)

<u>Year ending June 30, 2000</u>	<u>Amount</u>
Copier	\$ 7,006
Vehicle	<u>3,900</u>
Total minimum payments required	<u>\$10,906</u>

Lease expenditures for the year ended June 30, 1999 amounted to \$173,159 which included rental payments for the office space.

NOTE 25 – ACCOUNTING STANDARD PRONOUNCEMENTS

In June 1999, the Governmental Standards Board (GASB) issued statement No. 34 “State and Local Government Financial Reporting Model” which is effective for the Office’s fiscal year ending June 30, 2002. The effect on the Office will require a major change in how the Office presents its financial statements. In addition, it will require the Office to record depreciation expense on its capital assets, except land, currently recorded in the general fixed asset account group.

In December 1998, the Governmental Accounting Standards Board (GASB) issued statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions” which is effective for the Office’s fiscal year ending June 30, 2001. The effect on the Office is that it will require the Office to use the accrual basis instead of modified accrual in recording tax and certain grant revenue for financial statement purposes.

The Office has not assessed the future impact on its financial statements due to these GASB pronouncements.

NOTE 26 – SUBSEQUENT EVENTS

Subsequent to June 30, 1999, the State Board of Finance issued the following debt which will be accounted for in the General Long Term Debt Account Group and the Office’s debt service funds.

Supplemental Severance Tax Bonds – Series 1999A – On October 15, 1999, the State Board of Finance issued \$12,000,000 in severance tax bonds to finance public school capital outlay projects. Interest rates range from 4.25% -5.5% with principal payments due through July 2006.

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

**Statement of Purpose
Special Revenue Funds
June 30, 1999**

New Mexico Business Development Corporation Fund

The fund was established by the Defined Entity to account for its investment in the New Mexico Business Development Corporation Bank.

Bond Issuance Fund

The fund was established to account for the issuance and related issuance costs of severance tax and general obligation bond issues. The correspondent debt is accounted for in the general long-term account group.

There is no C-FRAS number associated with this fund. However, the Office uses designated number 026 to represent this fund and includes C-FRAS funds 338 and 424 used to account for the current year bond issues.

TRACS Fund

The fund was established to account for a special appropriation from the State General Fund for completion of the State Treasurer's warrant account reconciliation system project pursuant to the Laws of 1995, Chapter 223 and Laws of 1996, Chapter 12.

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

Statement 1

**Special Revenue Funds
Combining Balance Sheet
June 30, 1999**

	<u>New Mexico Business Development Corp. Fund</u>	<u>Bond Issuance Fund</u>	<u>TRACS Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ -	\$ 112,000	\$ 112,000
Investment in New Mexico Business Development Corp. Bonds	<u>1,253,537</u>	<u>-</u>	<u>-</u>	<u>1,253,537</u>
	<u>\$ 1,253,537</u>	<u>\$ -</u>	<u>\$ 112,000</u>	<u>\$ 1,365,537</u>
<u>Liabilities and Fund Equity</u>				
Interfund payable	\$ -	\$ -	\$ 112,000	\$ 112,000
Fund Balance - designated for investment	<u>1,253,537</u>	<u>-</u>	<u>-</u>	<u>1,253,537</u>
	<u>\$ 1,253,537</u>	<u>\$ -</u>	<u>\$ 112,000</u>	<u>\$ 1,365,537</u>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Statement 2

Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 1999

	New Mexico Business Development Corp. Fund	Bond Issuance Fund	TRACS Fund	Total
Interest Income:	\$ -	\$ -	\$ -	\$ -
Expenditures - Issuance Costs	-	403,290	-	403,290
Deficiency of revenues over expenditures	-	403,290	-	403,290
Other Financing Sources (Uses)				
Bond proceeds	-	160,721,603	-	160,721,603
Transfer between funds	-	(51,526)	-	(51,526)
Transfer to other state agency	-	(160,266,787)	-	(160,266,787)
Total other financing sources (uses)	-	403,290	-	403,290
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	-	-	-	-
Fund Balance, June 30, 1998	1,253,537	-	-	1,253,537
Fund Balance, June 30, 1999	\$ 1,253,537	\$ -	\$ -	\$ 1,253,537

The accompanying notes are an integral part of this financial statement.

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

**Statement of Purpose
Debt Service Funds
June 30, 1999**

General Obligation Bond Funds

These funds are to account for payment of principal and interest on general obligation bonds. Financing sources are provided through the collection of property tax levies.

1993 Series – Debt Service	(CFRAS Fund #483)
1993 Series – Rebate	(CFRAS Fund #484)
1993-B Series – Debt Service	(CFRAS Fund #391)
1993-B Series – Rebate	(CFRAS Fund #389)
1995 Series – Debt Service	(CFRAS Fund #960)
1995 Series – Rebate	(CFRAS Fund #961)
1997 Series – Debt Service	(CFRAS Fund #183)
1997 Series – Cost of Issuance	(CFRAS Fund #184)
1997 Series – Rebate	(CFRAS Fund #959)
1998 Series – Debt Service	(CFRAS Fund #185)
1999 Series – Debt Service	(CFRAS Fund #640)
1999 Series – Rebate	(CFRAS Fund #409)

Severance Tax Bond Funds

The funds are to account for tax receipts levied 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.

Severance Tax Bonding Fund	(CFRAS Fund #410)
1993-B Series – Debt Service	(CFRAS Fund #571)
1993-B Series – Rebate	(CFRAS Fund #570)
1994-B Series – Debt Service	(CFRAS Fund #418)
1994-B Series – Rebate	(CFRAS Fund #413)
1995-A Series – Debt Service	(CFRAS Fund #963)
1995-A Series – Rebate	(CFRAS Fund #964)
1995-B Series – Debt Service	(CFRAS Fund #419)
1995-B Series – Rebate	(CFRAS Fund #420)
1996-A Series – Debt Service	(CFRAS Fund #392)
1996-A Series – Rebate	(CFRAS Fund #393)
1997-A Series – Refunding	(CFRAS Fund #640)
1997-A Series – Debt Service	(CFRAS Fund #031)
1997-A Series – Rebate	(CFRAS Fund #032)
1998-A Series – Debt Service	(CFRAS Fund #425)
1998-A Series – Rebate	(CFRAS Fund #486)
1998-B Series – Rebate	(CFRAS Fund #426)
1998-B Series – Debt Service	(CFRAS Fund #411)
1998-C Series – Debt Service	N/A
1999-B Series – Debt Service	(CFRAS Fund #186)

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Statement 3

Debt Service Funds
Combining Balance Sheet
June 30, 1999

	Debt Service		<u>Total</u>
	<u>General Obligation Bond Funds</u>	<u>Severance Tax Bond Funds</u>	
<u>Assets</u>			
Repurchase Agreements	\$ 37,022,227	\$ 73,782,137	\$ 110,804,364
Loans receivable	-	409,588	409,588
Due from other agencies	7,417,839	10,504,496	17,922,335
Accrued interest receivable	1,741,882	3,292,843	5,034,725
	<u>\$ 46,181,948</u>	<u>\$ 87,989,064</u>	<u>\$ 134,171,012</u>
 <u>Liabilities and Fund Equity</u>			
Liabilities:			
Vouchers payable - bond issue costs	\$ -	\$ 330,049	\$ 330,049
Due to Severance Tax Permanent Fund	-	992,169	992,169
Other liabilities	148,738	105,558	254,296
	<u>148,738</u>	<u>1,427,776</u>	<u>1,576,514</u>
 <u>Fund Equity</u>			
Fund Balances, Unreserved:			
Designated for debt service	40,587,973	82,080,048	122,668,021
Designated for arbitrage	5,445,237	4,481,240	9,926,477
	<u>46,033,210</u>	<u>86,561,288</u>	<u>132,594,498</u>
Total Fund Equity	<u>46,033,210</u>	<u>86,561,288</u>	<u>132,594,498</u>
Total Liabilities and Fund Equity	<u>\$ 46,181,948</u>	<u>\$ 87,989,064</u>	<u>\$ 134,171,012</u>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Statement 4

Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 1999

	Debt Service		<u>Total</u>
	<u>General Obligation Bond Funds</u>	<u>Severance Tax Bond Funds</u>	
Revenues:			
Interest income - debt service	\$ 3,265,725	\$ 9,923,556	\$ 13,189,281
Interest income - arbitrage	1,220,909	1,903,434	3,124,343
Total Revenues	4,486,634	11,826,990	16,313,624
Expenditures:			
Principal and interest on long-term debt	36,114,647	92,647,106	128,761,753
Other charges	2,000	352,605	354,605
Total Expenditures	36,116,647	92,999,711	129,116,358
Excess (Deficiency) of Expenditures Over Revenues	(31,630,013)	(81,172,721)	(112,802,734)
Other Financing Sources (Uses):			
Operating transfers in (out):			
State property tax levy	35,426,708	-	35,426,708
Severance taxes	-	136,149,412	136,149,412
Bond proceeds	18,840	301,375	320,215
Capital projects - reversions in	-	300,412	300,412
Transfers from special revenue fund	51,526	-	51,526
Severance Tax Permanent Fund - reversions out	-	(52,156,050)	(52,156,050)
Total Other Financing Sources (Uses)	35,497,074	84,595,149	120,092,223
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	3,867,061	3,422,428	7,289,489
Fund Balances, June 30, 1998	42,166,149	83,138,860	125,305,009
Fund Balances, June 30, 1999	\$ 46,033,210	\$ 86,561,288	\$ 132,594,498

The accompanying notes are an integral part of this financial statement.

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

**Statement of Purpose
Fiduciary Funds**

Investment Trust Fund:

Short-Term Investment Pool – to account for cash, securities and other investments identified and held in custody only for the Local Government Investment Pool (LGIP).

Consolidated Investment Pool – to account for cash, short-term securities and other investments held in custody for both state and local government agencies.

State Funds Investment Pool – to account for cash securities and other investments, identified and held in custody only for state agencies.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Statement 5

Fiduciary Funds
Combining Balance Sheet
June 30, 1999

	Investment Trust Fund			Total
	Short-Term Investment Pool	Consolidated Investment Pool	State Funds Investment Pool	Memorandum Only
Assets				
Cash and Investments:				
Cash and cash equivalents	\$ -	\$ -	\$ 28,856,763	\$ 28,856,763
Certificates of deposit	-	-	141,800,000	141,800,000
U.S. Government securities	196,371,000	-	878,446,145	1,074,817,145
Corporate Bonds	-	-	55,076,340	55,076,340
Repurchase agreements	200,000,000	873,195,636	286,347,036	1,359,542,672
Total Cash and Investments	396,371,000	873,195,636	1,390,526,284	2,660,092,920
Other Assets:				
Accrued interest receivable	6,588,641	2,554,208	13,545,059	22,687,908
Total Assets	\$ 402,959,641	\$ 875,749,844	\$ 1,404,071,343	\$ 2,682,780,828

The accompanying notes are an integral part of this financial statement.

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

Statement 6

**Fiduciary Funds
Combining Statement of Changes in Net Assets
June 30, 1999**

	Investment Trust Fund			Total Memorandum Only
	Short-Term Investment Pool	Consolidated Investment Pool	State Funds Investment Pool	
Investment Income	\$ 9,994,971	\$ 50,410,507	\$ 78,246,183	\$ 138,651,661
Expenses - Management Fees	(218,875)	(127,722)	-	(346,597)
Net Investment Income	9,776,096	50,282,785	78,246,183	138,305,064
Net Proceeds of Units Issued/Redeemed	240,185,796	77,486,879	(316,256,969)	1,415,706
Net Assets, held in trust for pool Participants, June 30, 1998	152,997,749	747,980,180	1,642,082,129	2,543,060,058
Net Assets, held in trust for pool Participants, June 30, 1999	<u>\$ 402,959,641</u>	<u>\$ 875,749,844</u>	<u>\$ 1,404,071,343</u>	<u>\$ 2,682,780,828</u>

The accompanying notes are an integral part of this financial statement.

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

**Statement of Purpose
General Long-term Debt
June 30, 1999**

General Long-term Debt

A self-balancing group of accounts established to account for general long-term debts.

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

Schedule 1

**Schedule of General Long-term Debt
June 30, 1999**

	<u>Compensated Absences</u>	<u>General Obligation Bond Funds</u>	<u>Severance Tax Bond Funds</u>	<u>Total</u>
<u>Assets and Other Debits</u>				
Amount available in debt service funds	\$ -	\$ 40,587,973	\$ 82,080,048	\$ 122,668,021
Amount to be provided for retirement of long-term debt	-	197,707,027	290,344,952	488,051,979
Amount available for arbitrage interest	-	5,445,237	4,481,240	9,926,477
Amount to be provided for compensated absences	<u>103,892</u>	<u>-</u>	<u>-</u>	<u>103,892</u>
Total Assets and Other Debits	<u>\$ 103,892</u>	<u>\$ 243,740,237</u>	<u>\$ 376,906,240</u>	<u>\$ 620,750,369</u>
 <u>Liabilities</u>				
Bonds payable	\$ -	\$ 238,295,000	\$ 372,425,000	\$ 610,720,000
Accrued arbitrage interest payable	-	5,445,237	4,481,240	9,926,477
Compensated absences payable	<u>103,892</u>	<u>-</u>	<u>-</u>	<u>103,892</u>
Total Liabilities	<u>\$ 103,892</u>	<u>\$ 243,740,237</u>	<u>\$ 376,906,240</u>	<u>\$ 620,750,369</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 2

**Combining Balance Sheet - General Obligation Bonds
June 30, 1999**

	CFAS Fund #	Repurchase Agreements	Assets			Liabilities	Fund Equity			Total Liabilities and Fund Equity
			Due From Other Agencies	Accrued Interest Receivable	Total Assets	Other Liabilities	Unreserved- Designated for Debt Service	Unreserved- Designated for Arbitrage	Total Fund Equity	
1993 Series-Debt Service	483	\$ 10,522,814	\$ 3,034,047	\$ -	\$ 13,556,861	\$ -	\$ 13,556,861	\$ -	\$ 13,556,861	\$ 13,556,861
1993-B Series-Debt Service	391	-	-	-	-	-	-	-	-	-
1995 Series-Debt Service	960	10,429,720	1,876,654	20,562	12,326,936	-	12,326,936	-	12,326,936	12,326,936
1997 Series-Debt Service	183	9,236,250	1,851,219	363,565	11,451,034	-	11,451,034	-	11,451,034	11,451,034
1998 Series-Debt Service	185	-	-	-	-	-	-	-	-	-
1999 Series-Debt Service	640	1,838,247	655,919	907,714	3,401,880	148,738	3,253,142	-	3,253,142	3,401,880
Total - Debt Service		32,027,031	7,417,839	1,291,841	40,736,711	148,738	40,587,973	-	40,587,973	40,736,711
1993 Series-Rebate	484	900,259	-	-	900,259	-	-	900,259	900,259	900,259
1993-B Series-Rebate	389	-	-	-	-	-	-	-	-	-
1995 Series-Rebate	961	3,086,289	-	5,836	3,092,125	-	-	3,092,125	3,092,125	3,092,125
1997 Series-Rebate	959	1,003,049	-	104,873	1,107,922	-	-	1,107,922	1,107,922	1,107,922
1999 Series-Rebate	409	5,599	-	339,332	344,931	-	-	344,931	344,931	344,931
Total - Rebate Accounts		4,995,196	-	450,041	5,445,237	-	-	5,445,237	5,445,237	5,445,237
		\$ 37,022,227	\$ 7,417,839	\$ 1,741,882	\$ 46,181,948	\$ 148,738	\$ 40,587,973	\$ 5,445,237	\$ 46,033,210	\$ 46,181,948

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 3

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
General Obligation Bonds
Year Ended June 30, 1999**

CFAS Fund #	Revenues		Expenditures		Excess (Deficiency) of Revenue over Expenditures	Other Financing Sources (Uses)			Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	Fund Balances June 30, 1998	Fund Balances June 30, 1999	
	Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures		State Property Tax Levy	Bond Proceeds	Interfund Transfers				
1993 Series-Debt Service	483	\$ 280,278	\$ 10,147,677	\$ -	\$ 10,147,677	\$ (9,867,399)	\$ 13,486,749	\$ -	\$ -	\$ 3,619,350	\$ 9,937,511	\$ 13,556,861
1993-B Series-Debt Service	391	43,771	6,411,458	2,000	6,413,458	(6,369,687)	779,266	-	(1,671,879)	(7,262,300)	7,262,300	-
1995 Series-Debt Service	960	449,990	9,143,483	-	9,143,483	(8,693,493)	9,516,428	-	654,003	1,476,938	10,849,998	12,326,936
1997 Series-Debt Service	183	1,565,456	8,806,375	-	8,806,375	(7,240,919)	9,387,719	-	-	2,146,800	9,304,234	11,451,034
1998 Series - Debt Service	185	-	1,605,654	-	1,605,654	(1,605,654)	-	-	1,605,654	-	-	-
1999 Series - Debt Service	640	926,230	-	-	-	926,230	2,256,546	18,840	51,526	3,253,142	-	3,253,142
Total - Debt Service		<u>3,265,725</u>	<u>36,114,647</u>	<u>2,000</u>	<u>36,116,647</u>	<u>(32,850,922)</u>	<u>35,426,708</u>	<u>18,840</u>	<u>639,304</u>	<u>3,233,930</u>	<u>37,354,043</u>	<u>40,587,973</u>
1993 Series-Rebate	484	71,989	-	-	-	71,989	-	-	-	71,989	828,270	900,259
1993-B Series-Rebate	389	35,898	-	-	-	35,898	-	-	(587,778)	(551,880)	551,880	-
1995 Series-Rebate	961	314,813	-	-	-	314,813	-	-	-	314,813	2,777,312	3,092,125
1997 Series-Rebate	959	453,278	-	-	-	453,278	-	-	-	453,278	654,644	1,107,922
1999 Series-Rebate	409	344,931	-	-	-	344,931	-	-	-	344,931	-	344,931
Total - Rebate Accounts		<u>1,220,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,220,909</u>	<u>-</u>	<u>-</u>	<u>(587,778)</u>	<u>633,131</u>	<u>4,812,106</u>	<u>5,445,237</u>
Combined Total		<u>\$ 4,486,634</u>	<u>\$ 36,114,647</u>	<u>\$ 2,000</u>	<u>\$ 36,116,647</u>	<u>\$ (31,630,013)</u>	<u>\$ 35,426,708</u>	<u>\$ 18,840</u>	<u>\$ 51,526</u>	<u>\$ 3,867,061</u>	<u>\$ 42,166,149</u>	<u>\$ 46,033,210</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 4

**Debt Service Funds-Combining Balance Sheet-Severance Tax Bonds
June 30, 1999**

CFAS Fund #	Repurchase Agreements	Assets				Liabilities				Fund Equity			Total Liabilities and Fund Equity	
		Loans Receivable	Due From Other Agencies	Accrued Interest Receivable	Total Assets	Vouchers Payable	Due To Severance Tax Permanent Fund	Other Liabilities	Total Liabilities	Unreserved- Designated for Debt Service	Unreserved- Designated for Arbitrage	Total Fund Equity		
Severance Tax Bonding	410	\$ 1,839,925	\$ 409,588	\$ 10,504,496	\$ -	\$ 12,754,009	\$ 330,049	\$ 992,169	\$ -	\$ 1,322,218	\$ 11,431,791	\$ -	\$ 11,431,791	\$ 12,754,009
1993-B Series-Debt Service	571	8,263,613	-	-	-	8,263,613	-	-	-	-	8,263,613	-	8,263,613	8,263,613
1994-B Series-Debt Service	418	9,893,604	-	-	169,196	10,062,800	-	-	-	-	10,062,800	-	10,062,800	10,062,800
1995-A Series-Debt Service	963	1,066,035	-	-	-	1,066,035	-	-	-	-	1,066,035	-	1,066,035	1,066,035
1995-B Series-Debt Service	419	7,258,529	-	-	-	7,258,529	-	-	-	-	7,258,529	-	7,258,529	7,258,529
1996-A Series-Debt Service	392	6,121,820	-	-	-	6,121,820	-	-	-	-	6,121,820	-	6,121,820	6,121,820
1997-A Series-Debt Service	31	17,554,961	-	-	-	17,554,961	-	-	-	-	17,554,961	-	17,554,961	17,554,961
1998-A Series-Debt Service	425	1,010,421	-	-	-	1,010,421	-	-	-	-	1,010,421	-	1,010,421	1,010,421
1998-B Series-Debt Service	411	16,517,731	-	-	2,490,972	19,008,703	-	-	-	-	19,008,703	-	19,008,703	19,008,703
1999-B Series-Debt Service	186	406,933	-	-	-	406,933	-	-	105,558	105,558	301,375	-	301,375	406,933
Total - STB Debt Service		69,933,572	409,588	10,504,496	2,660,168	83,507,824	330,049	992,169	105,558	1,427,776	82,080,048	-	82,080,048	83,507,824
1993-B Series-Rebate	570	1,016,235	-	-	-	1,016,235	-	-	-	-	-	1,016,235	1,016,235	1,016,235
1994-B Series-Rebate	413	1,164,325	-	-	-	1,164,325	-	-	-	-	-	1,164,325	1,164,325	1,164,325
1995-A Series-Rebate	964	73,562	-	-	-	73,562	-	-	-	-	-	73,562	73,562	73,562
1995-B Series-Rebate	420	71,073	-	-	-	71,073	-	-	-	-	-	71,073	71,073	71,073
1996-A Series-Rebate	393	51,174	-	-	-	51,174	-	-	-	-	-	51,174	51,174	51,174
1997-A Series-Rebate	32	575,537	-	-	-	575,537	-	-	-	-	-	575,537	575,537	575,537
1998-A Series-Rebate	486	6,642	-	-	-	6,642	-	-	-	-	-	6,642	6,642	6,642
1998-B Series-Rebate	426	890,017	-	-	632,675	1,522,692	-	-	-	-	-	1,522,692	1,522,692	1,522,692
Total - STB Rebate Accounts		3,848,565	-	-	632,675	4,481,240	-	-	-	-	-	4,481,240	4,481,240	4,481,240
Combined Total-STB's		\$ 73,782,137	\$ 409,588	\$ 10,504,496	\$ 3,292,843	\$ 87,989,064	\$ 330,049	\$ 992,169	\$ 105,558	\$ 1,427,776	\$ 82,080,048	\$ 4,481,240	\$ 86,561,288	\$ 87,989,064

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 5

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Severance Tax Bonds
Year Ended June 30, 1999**

CFAS Fund #	Revenues		Expenditures			Excess (Deficiency) of Revenue over Expenditures	Other Financing Sources (Uses)					Excess (Deficiency) of Revenues and Other Expenditures and Other Financing Uses	Fund Balances June 30, 1998	Fund Balances June 30, 1999
	Interest Income	Principal and Interest on Long-Term Debt	Other Charge Rebates	Total Expenditures	Severance Taxes		Bond Proceeds	Capital Projects Reversions	Interfund Transfers	Severance Tax Perm. Fund Reversions				
Severance Tax Bonding	410	\$ 333,885	\$ 26,740,400	\$ 352,605	\$ 27,093,005	\$ (26,759,120)	\$ 136,149,412	\$ -	\$ 300,412	\$ (64,250,000)	\$ (52,156,050)	\$ (6,715,346)	\$ 18,147,137	\$ 11,431,791
1993-B Series-Debt Service	571	310,232	8,267,178	-	8,267,178	(7,956,946)	-	-	-	8,450,000	-	493,054	7,770,559	8,263,613
1994-B Series-Debt Service	418	890,704	10,144,400	-	10,144,400	(9,253,696)	-	-	-	9,000,000	-	(253,696)	10,316,496	10,062,800
1995-A Series-Debt Service	963	150,663	1,088,540	-	1,088,540	(937,877)	-	-	-	950,000	-	12,123	1,053,912	1,066,035
1995-B Series-Debt Service	419	662,549	7,393,327	-	7,393,327	(6,730,778)	-	-	-	7,000,000	-	269,222	6,989,307	7,258,529
1996-A Series-Debt Service	392	926,927	6,159,184	-	6,159,184	(5,232,257)	-	-	-	5,000,000	-	(232,257)	6,354,077	6,121,820
1997-A Series-Debt Service	31	606,513	28,525,760	-	28,525,760	(27,919,247)	-	-	-	17,000,000	-	(10,919,247)	28,474,208	17,554,961
1998-A Series-Debt Service	425	29,052	873,912	-	873,912	(844,860)	-	-	-	1,350,000	-	505,140	505,281	1,010,421
1998-B Series-Debt Service (FY98)	411	6,013,031	3,454,405	-	3,454,405	2,558,626	-	-	-	15,500,000	-	18,058,626	950,077	19,008,703
1999-B Series-Debt Service (FY99)	186	-	-	-	-	-	-	301,375	-	-	-	301,375	-	301,375
Total - STB Debt Service		9,923,556	92,647,106	352,605	92,999,711	(83,076,155)	136,149,412	301,375	300,412	-	(52,156,050)	1,518,994	80,561,054	82,080,048
1993-B Series-Rebate	570	100,541	-	-	-	100,541	-	-	-	-	-	100,541	915,694	1,016,235
1994-B Series-Rebate	413	74,259	-	-	-	74,259	-	-	-	-	-	74,259	1,090,066	1,164,325
1995-A Series-Rebate	964	5,851	-	-	-	5,851	-	-	-	-	-	5,851	67,711	73,562
1995-B Series-Rebate	420	71,073	-	-	-	71,073	-	-	-	-	-	71,073	-	71,073
1996-A Series-Rebate	393	49,486	-	-	-	49,486	-	-	-	-	-	49,486	1,688	51,174
1997-A Series-Rebate	32	133,030	-	-	-	133,030	-	-	-	-	-	133,030	442,507	575,537
1998-A Series-Rebate	486	6,159	-	-	-	6,159	-	-	-	-	-	6,159	483	6,642
1998-B Series-Rebate	426	1,463,035	-	-	-	1,463,035	-	-	-	-	-	1,463,035	59,657	1,522,692
Total - STB Rebate Accounts		1,903,434	-	-	-	1,903,434	-	-	-	-	-	1,903,434	2,577,806	4,481,240
Combined Total-STB's		\$ 11,826,990	\$ 92,647,106	\$ 352,605	\$ 92,999,711	\$ (81,172,721)	\$ 136,149,412	\$ 301,375	\$ 300,412	\$ -	\$ (52,156,050)	\$ 3,422,428	\$ 83,138,860	\$ 86,561,288

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 6

Local Government Investment Pool
Reconciliation of Individual Account Balances to
Cash and Investments
as of June 30, 1999

Cash and Investments	\$ 792,851,043
Interest earned and recorded to individual accounts at June 30, 1999 received subsequent to year end	6,553,086
Correction to repurchase pool amount - adjusted in September 1999 to reflect individual account balances	<u>(61,291)</u>
Individual account balances at June 30, 1999	<u><u>\$ 799,342,838</u></u>

SUMMARY OF FIXED-INCOME PURCHASES AND SALES
SETTLEMENTS DURING THE PERIOD 7/01/98 THRU 6/30/99

TXN-DATE	CUSIP#	ASSET-TYPE	INVT#	ISSUE-NAME	RATE	MAURITY	YIELD	BKR/DLR/AGENT	FUND	PAR-VALUE	COST/PROCEEDS	GAIN/LOSS	NXT-CALL
PURCHASE TRANSACTIONS													
8/14/98	524908U	CORPORATE BONDS	2586	LEHMAN BROTHERS HOLDING	6.125	7/15/03	5.9706	PRUDENTIAL	1000	10,000,000.00	10,064,400.00		
10/19/98	073902B	CORPORATE BONDS	2659	BEAR STEARNS CO INC	6.200	3/30/03	6.1988	PRUDENTIAL	1000	5,000,000.00	5,000,000.00		
10/30/98	046002J	CORPORATE BONDS	2660	ASSOCIATES CORP NA	5.750	11/01/03	5.5119	PRUDENTIAL	1000	10,000,000.00	10,102,000.00		
7/28/98	3133M48	FED HOME LOAN B	2560	FEDERAL HOME LN BKS	6.165	7/28/03	6.1650	SOUTHWEST	1000	50,000,000.00	50,000,000.00		
7/30/98	3133M48	FED HOME LOAN B	2563	FEDERAL HOME LN BKS	6.210	7/30/03	6.2100	SOUTHWEST	1000	40,000,000.00	40,000,000.00		
8/04/98	3133M42	FED HOME LOAN B	2571	FEDERAL HOME LOAN BKS	6.190	8/04/03	6.1900	SOUTHWEST	1000	40,000,000.00	40,000,000.00		
8/05/98	3133M52	FED HOME LOAN B	2572	FEDERAL HOME LOAN BKS	6.210	8/05/03	6.2100	EVEREN SECURITI	1000	50,000,000.00	50,000,000.00		
8/06/98	3133M53	FED HOME LOAN B	2578	FEDERAL HOME LOAN BKS	6.250	8/06/03	6.2789	BEAR STEARNS	1000	5,000,000.00	4,998,437.50		
8/25/98	3133M54	FED HOME LOAN B	2596	FEDERAL HOME LN BKS	6.160	8/25/03	6.1600	SOUTHWEST	1000	25,000,000.00	25,000,000.00		
9/25/98	3133M54	FED HOME LOAN B	2596	FEDERAL HOME LN BKS	6.160	8/25/03	6.1600	SOUTHWEST	1000	50,000,000.00	50,000,000.00		
8/27/98	3133M57	FED HOME LOAN B	2599	FEDERAL HOME LOAN BKS	6.140	8/27/03	6.1400	SOUTHWEST	1000	25,000,000.00	25,000,000.00		
8/27/98	3133M57	FED HOME LOAN B	2600	FEDERAL HOME LOAN BKS	6.060	8/27/03	6.0600	PRUDENTIAL	1000	40,000,000.00	40,000,000.00		
9/17/98	3133M58	FED HOME LOAN B	2622	FEDERAL HOME LOAN BK	6.035	9/17/03	6.0350	EVEREN SECURITI	1000	50,000,000.00	50,000,000.00		
9/23/98	3133M59	FED HOME LOAN B	2629	FEDERAL HOME LN BKS	5.810	9/23/03	5.8100	PRUDENTIAL	1000	10,000,000.00	10,000,000.00		
10/07/98	3133M59	FED HOME LOAN B	2648	FEDERAL HOME LN BKS	5.850	10/07/03	5.8500	FIRST TENNESSEE	1000	5,000,000.00	5,000,000.00		
10/14/98	3133M59	FED HOME LOAN B	2654	FEDERAL HOME LOAN BKS	5.770	10/14/03	5.7700	SOUTHWEST	1000	20,000,000.00	20,000,000.00		
10/21/98	3133M59	FED HOME LOAN B	2668	FEDERAL HOME LN BKS	5.460	10/21/03	5.4600	RAUSCHER PIERCE	1000	5,000,000.00	5,000,000.00		
10/27/98	3133M59	FED HOME LOAN B	2676	FEDERAL HOME LOAN BKS	5.550	10/27/03	5.5500	SOUTHWEST	1000	20,000,000.00	20,000,000.00		
10/29/98	3133M33	FED HOME LOAN B	2678	FEDERAL HOME LOAN BKS	6.020	10/29/03	6.0200	FIRST TENNESSEE	1000	10,000,000.00	10,000,000.00		
10/29/98	3133M33	FED HOME LOAN B	2678	FEDERAL HOME LOAN BKS	6.020	10/29/03	6.0200	SOUTHWEST	1000	30,000,000.00	30,000,000.00		
11/05/98	3133M40	FED HOME LOAN B	2691	FEDERAL HOME LN BKS	5.530	11/05/03	5.9551	BANK OF AMERICA	1000	5,000,000.00	4,993,750.00		
11/05/98	3133M40	FED HOME LOAN B	2690	FEDERAL HOME LN BKS	5.500	11/05/03	5.5000	EVEREN SECURITI	1000	25,000,000.00	25,000,000.00		
11/10/98	3133M63	FED HOME LOAN B	2699	FEDERAL HOME LOAN BKS	5.535	11/10/03	5.5845	RAUSCHER PIERCE	1000	10,000,000.00	9,996,875.00		
11/12/98	3133M57	FED HOME LOAN B	2700	FEDERAL HOME LN BKS	5.500	11/12/03	5.5000	FIRST TENNESSEE	1000	5,000,000.00	5,000,000.00		
11/12/98	3133M67	FED HOME LOAN B	2700	FEDERAL HOME LN BKS	5.500	11/12/03	5.5000	PAINE WEBBER	1000	5,000,000.00	5,000,000.00		
11/12/98	3133M67	FED HOME LOAN B	2701	FEDERAL HOME LN BKS	5.610	11/12/03	5.6100	PAINE WEBBER	1000	7,500,000.00	7,500,000.00		
11/12/98	3133M67	FED HOME LOAN B	2701	FEDERAL HOME LN BKS	5.610	11/12/03	5.6100	FIRST TENNESSEE	1000	5,000,000.00	5,000,000.00		
11/12/98	3133M67	FED HOME LOAN B	2701	FEDERAL HOME LN BKS	5.610	11/12/03	5.6100	SMITH BARNEY	1000	7,500,000.00	7,500,000.00		
11/17/98	3133M65	FED HOME LOAN B	2702	FEDERAL HOME LN BKS	5.625	11/17/03	5.6250	MORGAN KEBORG	1000	5,000,000.00	5,000,000.00		
11/17/98	3133M65	FED HOME LOAN B	2713	FED HOME LOAN BANKS	5.635	11/17/03	5.6350	PRUDENTIAL	1000	20,000,000.00	20,000,000.00		
11/17/98	3133M65	FED HOME LOAN B	2713	FED HOME LOAN BANKS	5.635	11/17/03	5.6350	PRUDENTIAL	1000	5,000,000.00	5,000,000.00		
11/17/98	3133M65	FED HOME LOAN B	2713	FED HOME LOAN BANKS	5.635	11/17/03	5.6350	PRUDENTIAL	1000	20,000,000.00	20,000,000.00		
11/17/98	3133M65	FED HOME LOAN B	2714	FED HOME LOAN BANKS	5.785	11/17/03	5.7850	SOUTHWEST	1000	20,000,000.00	20,000,000.00		
11/17/98	3133M65	FED HOME LOAN B	2714	FED HOME LOAN BANKS	5.785	11/17/03	5.7850	SOUTHWEST	1000	20,000,000.00	20,000,000.00		
11/16/98	3133M67	FED HOME LOAN B	2717	FEDERAL HOME LN BKS	5.625	11/16/03	5.6250	PAINE WEBBER	1000	5,000,000.00	5,000,000.00		
11/25/98	3133M67	FED HOME LOAN B	2730	FEDERAL HOME LN BKS	5.825	11/25/03	5.8250	PAINE WEBBER	1000	5,000,000.00	5,000,000.00		
12/03/98	3133M67	FED HOME LOAN B	2745	FEDERAL HOME LOAN BANKS	5.930	12/03/03	5.9300	PRUDENTIAL	1000	20,000,000.00	20,000,000.00		
12/01/98	3133M64	FED HOME LOAN B	2746	FEDERAL HOME LOAN BKS	5.910	12/01/03	5.9100	GEORGE K. BAUM	1000	10,000,000.00	10,000,000.00		
12/10/98	3133M64	FED HOME LOAN B	2764	FEDERAL HOME LOAN BKS	5.870	12/10/03	5.8700	DAIN RAUSCHER I	1000	8,900,000.00	8,900,000.00		
12/22/98	3133M64	FED HOME LOAN B	2776	FEDERAL HOME LN BKS	5.660	12/22/03	5.6600	PAINE WEBBER	1000	5,000,000.00	5,000,000.00		
12/22/98	3133M64	FED HOME LOAN B	2776	FEDERAL HOME LN BKS	5.660	12/22/03	5.6600	MORGAN STANLEY	1000	5,000,000.00	5,000,000.00		
1/26/99	3133M74	FED HOME LOAN B	2819	FEDERAL HOME LOAN BANKS	5.845	1/26/04	5.8858	GEORGE K. BAUM	1000	10,000,000.00	9,996,875.00		

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SUMMARY OF FIXED-INCOME PURCHASES AND SALES
SETTLEMENTS DURING THE PERIOD 7/01/98 THRU 6/30/99

TXN-DATE	CUSTP#	ASSET-TYPE	INVEST#	ISSUS-NAME	RATE	MATURITY	YIELD	BKRK/DLR/AGENT	FUND	PAR-VALUE	COST/PROCEEDS	GAIN/LOSS	NXT-CALL
2/03/99	3133W7DJ	FED HOME LOAN B	2827	FEDERAL HOME LOAN BKS	5.810	2/03/04	5.8100	EVEREN SECURITI	1000	20,000,000.00	20,000,000.00		
2/10/99	3133W7EZ	FED HOME LOAN B	2837	FEDERAL HOME LN BKS	5.850	2/10/04	5.8500	SOUTHWEST	1000	20,000,000.00	20,000,000.00		
2/11/99	3133W7FR	FED HOME LOAN B	2843	FEDERAL HOME LN BKS	5.765	2/11/04	5.9332	MORGAN STANLEY	1000	5,000,000.00	4,996,875.00		
2/12/99	3133W7G9	FED HOME LOAN B	2847	FEDERAL HOME LN BKS	5.750	2/12/04	5.9186	DAILY RAUSCHER I	1000	10,000,000.00	9,993,750.00		
2/24/99	3133W7K5	FED HOME LOAN B	2855	FEDERAL HOME LOAN BKS	5.786	2/24/04	5.7860	SOUTHWEST	1000	20,000,000.00	20,000,000.00		
5/12/99	3133W8RN	FED HOME LOAN B	2965	FEDERAL HOME LOAN BKS	5.020	5/12/00	5.0408	SOUTHWEST	1000	20,000,000.00	19,996,000.00		8/13/99
5/13/99	3133W8ML	FED HOME LOAN B	2968	FEDERAL HOME LOAN BANKS	6.040	5/13/04	6.0400	EVEREN SECURITI	1000	20,000,000.00	20,000,000.00		8/17/99
5/17/99	3133W8PJ	FED HOME LOAN B	2974	FEDERAL HOME LOAN BANKS	6.090	5/17/04	6.0900	EVEREN SECURITI	1000	20,000,000.00	20,000,000.00		
5/19/99	3133W8PE	FED HOME LOAN B	2978	FEDERAL HOME LOAN BANKS	6.100	5/19/04	6.1000	SOUTHWEST	1000	20,000,000.00	20,000,000.00		
5/19/99	3133W8UN	FED HOME LOAN B	2977	FEDERAL HOME LOAN BANKS	5.150	5/19/00	5.1500	FIRST TENNESSEE	1000	5,000,000.00	5,000,000.00		
6/28/99	3133W92M	FED HOME LOAN B	3018	FEDERAL HOME LN BKS	6.710	6/28/04	6.7100	DAILY RAUSCHER I	1000	10,000,000.00	10,000,000.00		9/28/99
7/07/98	3133A2JL	FED HOME LOAN M	2535	FEDERAL HOME LN MTG COR	6.110	6/18/03	6.1100	DAILY RAUSCHER I	1000	5,000,000.00	4,996,875.00		
7/09/98	3133A14F	FED HOME LOAN M	2345	FED HOME LN MTG	6.160	2/18/03	6.2131	DAILY RAUSCHER I	1000	5,000,000.00	4,998,437.50		
8/20/98	3133A2PN	FED HOME LOAN M	2593	FEDERAL HOME LN MTG COR	6.050	8/20/03	6.0500	FIRST TENNESSEE	1000	5,000,000.00	5,000,000.00		
11/12/98	3133A2VZ	FED HOME LOAN M	2703	FEDERAL HOME LN MTG COR	6.100	11/12/03	6.1000	MORGAN KEEGAN	1000	5,000,000.00	5,000,000.00		
11/12/98	3133A2VZ	FED HOME LOAN M	2703	FEDERAL HOME LN MTG COR	6.100	11/12/03	6.1000	MORGAN KEEGAN	1000	5,000,000.00	5,000,000.00		
11/12/98	3133A2VZ	FED HOME LOAN M	2703	FEDERAL HOME LN MTG COR	6.100	11/12/03	6.1000	PAINE WEBBER	1000	10,000,000.00	10,000,000.00		
11/12/98	3133A2VZ	FED HOME LOAN M	2703	FEDERAL HOME LN MTG COR	6.100	11/12/03	6.1000	FIRST TENNESSEE	1000	5,000,000.00	5,000,000.00		
11/12/98	3133A2VZ	FED HOME LOAN M	2703	FEDERAL HOME LN MTG COR	6.100	11/12/03	6.1000	RAUSCHER PIERCE	1000	5,000,000.00	5,000,000.00		
11/18/98	3133A2VY	FED HOME LOAN M	2718	FEDERAL HOME LN MTG COR	6.000	11/18/03	6.0000	FIRST TENNESSEE	1000	5,000,000.00	5,000,000.00		
11/18/98	3133A2WR	FED HOME LOAN M	2719	FEDERAL HOME LN MTG COR	6.000	11/18/03	6.0000	FIRST TENNESSEE	1000	5,000,000.00	5,000,000.00		
11/24/98	3133A2WX	FED HOME LOAN M	2727	FEDERAL HOME LN MTG COR	5.850	11/19/03	5.8500	FIRST TENNESSEE	1000	20,000,000.00	20,000,000.00		11/24/99
11/24/98	3133A2XN	FED HOME LOAN M	2726	FEDERAL HOME LN MTG COR	5.780	11/24/03	5.7800	PRUDENTIAL	1000	20,000,000.00	20,000,000.00		12/10/99
12/10/98	3133A2ZQ	FED HOME LOAN M	2725	FEDERAL HOME LN MTG COR	5.580	12/10/03	5.5800	FIRST TENNESSEE	1000	10,000,000.00	10,000,000.00		
1/07/99	3133A2L3	FED HOME LOAN M	2793	FED HOME LOAN MTG CORP	6.065	1/07/04	6.2305	MORGAN KEEGAN	1000	5,000,000.00	4,996,800.00		
1/07/99	3133A2L3	FED HOME LOAN M	2793	FED HOME LOAN MTG CORP	6.065	1/07/04	6.0650	PAINE WEBBER	1000	5,000,000.00	5,000,000.00		
1/07/99	3133A2L3	FED HOME LOAN M	2793	FED HOME LOAN MTG CORP	6.065	1/07/04	6.0994	BEAR STEARNS	1000	5,000,000.00	4,998,437.50		
1/13/99	3133A2Q3	FED HOME LOAN M	2806	FEDERAL HOME LOAN MTG C	6.065	1/07/04	6.1620	DAILY RAUSCHER I	1000	5,000,000.00	4,997,656.25		
1/13/99	3133A2Q3	FED HOME LOAN M	2806	FEDERAL HOME LOAN MTG C	6.000	1/13/04	6.0000	NATIONS BANK	1000	5,000,000.00	5,000,000.00		
1/13/99	3133A2Q3	FED HOME LOAN M	2806	FEDERAL HOME LOAN MTG C	6.000	1/13/04	6.0000	FIRST TENNESSEE	1000	10,000,000.00	10,000,000.00		
1/14/99	3133A2Q5	FED HOME LOAN M	2808	FEDERAL HOME LOAN MTG C	6.000	1/12/04	6.0000	PAINE WEBBER	1000	5,000,000.00	5,000,000.00		
1/20/99	3133A2T5	FED HOME LOAN M	2813	FEDERAL HOME LN MTG COR	6.060	1/20/04	6.0600	SMITH BARNEY	1000	10,000,000.00	10,000,000.00		
1/20/99	3133A2T5	FED HOME LOAN M	2813	FEDERAL HOME LN MTG COR	6.060	1/20/04	6.0600	BANK OF AMERICA	1000	5,000,000.00	5,000,000.00		
1/20/99	3133A2T5	FED HOME LOAN M	2813	FEDERAL HOME LN MTG COR	6.060	1/20/04	6.0600	BEAR STEARNS	1000	5,000,000.00	5,000,000.00		
1/20/99	3133A2T5	FED HOME LOAN M	2813	FEDERAL HOME LN MTG COR	6.060	1/20/04	6.0600	MORGAN STANLEY	1000	5,000,000.00	5,000,000.00		
1/20/99	3133A2T5	FED HOME LOAN M	2813	FEDERAL HOME LN MTG COR	6.060	1/20/04	6.0600	PAINE WEBBER	1000	5,000,000.00	5,000,000.00		
1/20/99	3133A2T5	FED HOME LOAN M	2813	FEDERAL HOME LN MTG COR	6.060	1/20/04	6.0600	SOUTHWEST	1000	5,000,000.00	5,000,000.00		
1/20/99	3133A2T5	FED HOME LOAN M	2813	FEDERAL HOME LN MTG COR	6.060	1/20/04	6.0600	FIRST TENNESSEE	1000	5,000,000.00	5,000,000.00		
1/20/99	3133A2T5	FED HOME LOAN M	2813	FEDERAL HOME LN MTG COR	6.060	1/20/04	6.0600	GEORGE K. BAUM	1000	5,000,000.00	5,000,000.00		
2/05/99	3133A23L	FED HOME LOAN M	2834	FED HOME LOAN MTG CORP	5.830	2/05/04	5.9336	DAILY RAUSCHER I	1000	5,000,000.00	4,997,656.25		
2/05/99	3133A23L	FED HOME LOAN M	2834	FED HOME LOAN MTG CORP	5.830	2/05/04	5.8300	FIRST TENNESSEE	1000	5,000,000.00	5,000,000.00		
2/05/99	3133A23L	FED HOME LOAN M	2834	FED HOME LOAN MTG CORP	5.830	2/05/04	5.8300	FIRST TENNESSEE	1000	10,000,000.00	10,000,000.00		
2/05/99	3133A23Y3	FED HOME LOAN M	2835	FED HOME LOAN MTG CORP	5.810	2/05/04	5.8100	EVEREN SECURITI	1000	20,000,000.00	20,000,000.00		8/05/99

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STATEMENTS DURING THE PERIOD 7/01/98 THRU 6/30/99

TXN-DATE	CUSIP#	ASSET-TYPE	INVEST#	ISSUE-NAME	RATE	MATURITY	YIELD	BRKR/DIR/AGENT	FUND	PAR-VALUE	COST/PROCEEDS	GAIN/LOSS	NXT-CALL
2/11/99	313424V	FED HOME LOAN M	2841	FED HOME LN MTG CORP	5.900	2/11/04	5.9000	EVEREN SECURITI	1000	20,000,000.00	20,000,000.00		
4/16/99	313435G	FED HOME LOAN M	2930	FEDERAL HOME LN MTG COR	6.000	4/16/04	6.0000	SOUTHWEST	1000	20,000,000.00	20,000,000.00		7/16/99
5/10/99	313433P	FED HOME LOAN M	2961	FEDERAL HOME LOAN MTG C	6.140	5/10/04	6.1400	PAINE WEBBER	1000	5,000,000.00	5,000,000.00		8/10/99
5/10/99	313433P	FED HOME LOAN M	2961	FEDERAL HOME LOAN MTG C	6.140	5/10/04	6.1400	FIRST TENNESSEE	1000	10,000,000.00	10,000,000.00		8/10/99
7/07/98	31364FS6	FED NATL MORTGA	2534	FEDERAL NATL MTG ASSN ME	6.080	6/23/03	6.3601	BANK OF AMERICA	1000	5,000,000.00	4,987,500.00		7/07/99
7/07/98	31364FS5	FED NATL MORTGA	2533	FEDERAL NATL MTG ASSN M	6.200	7/07/03	6.2000	BANK OF AMERICA	1000	5,000,000.00	5,000,000.00		7/17/00
7/15/98	31364FY5	FED NATL MORTGA	2547	FEDERAL NATL MTG ASSN M	6.010	7/17/03	6.0517	FIRST TENNESSEE	1000	10,000,000.00	9,992,187.50		9/08/99
9/17/98	31364F6H	FED NATL MORTGA	2621	FEDERAL NATL MTG ASSN M	5.910	9/08/03	5.8875	BANK OF AMERICA	1000	5,000,000.00	5,004,687.50		
10/20/98	31364GDC	FED NATL MORTGA	2663	FEDERAL NATL MTG ASSN M	6.050	10/20/03	6.0500	PAINE WEBBER	1000	10,000,000.00	10,000,000.00		
10/20/98	31364GDC	FED NATL MORTGA	2663	FEDERAL NATL MTG ASSN M	6.050	10/20/03	6.0500	BEAR STEARNS	1000	7,000,000.00	7,000,000.00		
10/22/98	31364GDH	FED NATL MORTGA	2669	FEDERAL NATL MEG ASSN M	6.040	10/22/03	6.0400	RAUSCHER PIERCE	1000	9,000,000.00	9,000,000.00		
11/17/98	31364GGQ	FED NATL MORTGA	2712	FED NATL MTG ASSN MEDTR	5.800	11/17/03	5.8000	MORGAN STANLEY	1000	5,000,000.00	5,000,000.00		11/17/99
11/17/98	31364GJR	FED NATL MORTGA	2743	FEDERAL NATL MTG ASSN M	5.790	12/01/03	5.7900	FIRST TENNESSEE	1000	5,000,000.00	5,000,000.00		11/17/99
12/01/98	31364GJR	FED NATL MORTGA	2743	FEDERAL NATL MTG ASSN M	5.790	12/01/03	5.7900	FIRST TENNESSEE	1000	5,000,000.00	5,000,000.00		12/01/99
12/01/98	31364GJU	FED NATL MORTGA	2744	FEDERAL NATL MTG ASSN M	5.530	12/01/03	5.5300	PRUDENTIAL	1000	10,000,000.00	10,000,000.00		12/01/00
12/08/98	31364GKJ	FED NATL MORTGA	2758	FEDERAL NATL MTG ASSN M	5.630	12/08/03	5.6300	BEAR STEARNS	1000	5,000,000.00	5,000,000.00		12/08/99
1/12/99	31364GNS	FED NATL MORTGA	2803	FEDERAL NATL MTG ASSN M	5.820	1/12/04	5.8526	GEORGE K. BAUM	1000	4,998,437.50	4,998,437.50		1/12/00
1/13/99	31364GNC	FED NATL MORTGA	2803	FEDERAL NATL MTG ASSN M	5.820	1/12/04	5.8526	GEORGE K. BAUM	1000	5,000,000.00	5,000,000.00		1/12/00
1/13/99	31364GNC	FED NATL MORTGA	2803	FEDERAL NATL MTG ASSN M	5.840	1/13/04	5.8400	PAINE WEBBER	1000	5,000,000.00	5,000,000.00		1/13/00
2/05/99	31364GSL	FED NATL MORTGA	2833	FEDERAL NATL MTG ASSN M	5.740	2/09/04	5.9814	MORGAN KERRAN	1000	4,988,281.25	4,988,281.25		2/09/00
2/11/99	31364GTV	FED NATL MORTGA	2840	FEDERAL NATL MTG ASSN M	5.860	2/11/04	5.9233	NATONS BANK	1000	4,996,875.00	4,996,875.00		2/11/00
2/11/99	31364GTV	FED NATL MORTGA	2840	FEDERAL NATL MTG ASSN M	5.860	2/11/04	5.9233	NATONS BANK	1000	9,995,312.50	9,995,312.50		2/11/00
2/11/99	31364GTV	FED NATL MORTGA	2842	FEDERAL NATL MTG ASSN M	5.900	2/11/04	5.9653	NATONS BANK	1000	9,993,750.00	9,993,750.00		2/11/00
2/11/99	31364GTT	FED NATL MORTGA	2842	FEDERAL NATL MTG ASSN M	5.900	2/11/04	5.9000	FIRST TENNESSEE	1000	10,000,000.00	10,000,000.00		2/11/00
5/05/99	31364GNS	FED NATL MORTGA	2842	FEDERAL NATL MTG ASSN M	6.070	5/05/04	6.1001	PAINE WEBBER	1000	4,993,600.00	4,993,600.00		5/05/00
5/05/99	31364GPT	FED NATL MORTGA	2955	FEDERAL NATL MTG ASSN M	6.070	5/05/04	6.1031	NATONS BANK	1000	9,985,937.50	9,985,937.50		5/05/00
5/12/99	31364Q3	FED NATL MORTGA	2966	FEDERAL NATL MTG ASSN M	5.120	5/12/00	5.1080	GEORGE K. BAUM	1000	10,001,155.50	10,001,155.50		5/15/00
5/21/99	31364Q8	FED NATL MORTGA	2964	FEDERAL NATL MTG ASSN M	5.440	5/15/01	5.4397	SOUTHWEST	1000	20,000,000.00	20,000,000.00		5/15/00
6/29/99	31364Q8	FED NATL MORTGA	2981	FEDERAL NATL MTG ASSN M	5.110	5/22/00	5.0508	MORGAN KERRAN	1000	5,000,000.00	5,002,850.00		
6/29/99	31364Q8	FED NATL MORTGA	3029	STB 1999A	5.000	6/30/99	4.8787	SYSTEM - UNIDEN	1000	26,736,687.00	26,736,687.00		
118 PURCHASES DURING PERIOD TOTAL.....										1426636687.00	142666461.25		

SALE TRANSACTIONS

9/28/98	912827R2	U.S. TREASURY N	10	UNITED STATES TREAS NTS	6.875	8/31/99		PRUDENTIAL	1000	20,343,750.00	20,343,750.00	389,693.60	
12/07/98	912827R2	U.S. TREASURY N	1297	US TREASURY NOTES	5.875	2/15/00		FIRST TENNESSEE	1000	5,000,000.00	5,071,875.00	102,943.80	
12/07/98	912827V4	U.S. TREASURY N	1781	UNITED STATES TREAS NTS	6.125	9/30/00		FIRST TENNESSEE	1000	5,000,000.00	5,145,312.50	145,312.50	
4/14/99	912827Y7	U.S. TREASURY N	1758	UNITED STATES TREAS NTS	6.625	7/31/01		FIRST TENNESSEE	1000	5,000,000.00	5,171,875.00	148,708.90	
8/20/98	345397R3	CORPORATE BONDS	2176	FORD MOTOR CRD	6.550	9/10/02		EVEREN SECURITI	1000	10,157,300.00	62,305.79		
8/20/98	617446CQ	CORPORATE BONDS	2203	MORGAN STANLEY DEAN WIT	6.375	5/01/02		EVEREN SECURITI	1000	10,089,700.00	28,209.19		
8/21/98	046003FK	CORPORATE BONDS	2140	ASSOCIATES CORP NORTH A	6.375	10/15/02		EVEREN SECURITI	1000	6,051,300.00	55,192.23		
8/21/98	046003HY	CORPORATE BONDS	2141	ASSOCIATES CORP NORTH A	6.500	7/15/02		EVEREN SECURITI	1000	4,050,000.00	31,254.03		
9/01/98	81240QDE	CORPORATE BONDS	2170	SEARNS ROEBUCK ACCEP COR	5.630	2/07/01		EVEREN SECURITI	1000	5,000,000.00	4,952,600.00	14,200.82	

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SUMMARY OF FIXED-INCOME PURCHASES AND SALES
SETTLEMENTS DURING THE PERIOD 7/01/98 THRU 6/30/99

TEN-DATE	CUSIP#	ASSET-TYPE	INVT#	ISSUE-NAME	RATE	MATURITY	YIELD	BRKR/DELR/AGNT	FUND	PAR-VALUE	COST/PROCEEDS	GAIN/LOSS	NXT-CALL
9/01/98	812400DE	CORPORATE BONDS	2177	SEARS ROEBUCK ACCEP COR	5.630	2/07/01		EVEREN SECURITI	1000	5,000,000.00	4,952,600.00	9,032.79	
9/11/98	008175AB	CORPORATE BONDS	2337	ARTRA SVCS INC	6.375	8/15/03		EVEREN SECURITI	1000	4,700,000.00	4,712,455.00	1,372.66	
9/11/98	244228PS	CORPORATE BONDS	2439	JOHN DEERE CAPITALA COR	5.900	4/08/03		EVEREN SECURITI	1000	10,000,000.00	9,991,500.00	30,828.75	
9/11/98	37042WPS	CORPORATE BONDS	2175	GENERAL MOTORS ACCEP C	6.125	10/08/03		EVEREN SECURITI	1000	5,000,000.00	5,028,750.00	58,134.06	
9/11/98	63958RCW	CORPORATE BONDS	2153	NATIONSBANK CORP SR RTN	6.090	12/14/01		EVEREN SECURITI	1000	8,000,000.00	8,047,600.00	72,609.28	
9/11/98	79548EAX	CORPORATE BONDS	2451	SALOMON SMITH BARNEY HL	6.310	5/05/03		EVEREN SECURITI	1000	5,000,000.00	5,019,500.00	19,500.00	
9/11/98	83190DFJ	CORPORATE BONDS	2179	SMITH BARNEY HOLDINGS	6.625	7/01/02		EVEREN SECURITI	1000	4,500,000.00	4,582,125.00	51,973.35	
9/14/98	634902BJ	CORPORATE BONDS	2440	NATL CITY BK CLEVELAND	6.100	4/01/03		PRUDENTIAL SECU	1000	15,000,000.00	15,090,000.00	34,791.83	
9/18/98	02835KCF	CORPORATE BONDS	2403	AMERICAN GENERAL FINANC	6.200	3/15/03		EVEREN SECURITI	1000	10,000,000.00	10,104,175.00	38,516.07	
9/18/98	073902BK	CORPORATE BONDS	2358	BEAR STEARNS CO	6.125	2/01/03		EVEREN SECURITI	1000	5,000,000.00	5,000,237.50	18,634.00	
9/18/98	08172MHK	CORPORATE BONDS	2367	BENEFICIAL CORP MTNI	6.030	1/14/03		EVEREN SECURITI	1000	10,000,000.00	10,028,075.00	54,478.95	
9/18/98	459745EC	CORPORATE BONDS	2370	INTL LEASE FIN	5.750	3/15/03		EVEREN SECURITI	1000	10,000,000.00	9,984,375.00	98,038.67	
9/18/98	835699AA	CORPORATE BONDS	2402	SONY CORP	6.125	3/04/03		EVEREN SECURITI	1000	10,000,000.00	10,174,375.00	115,210.29	
9/22/98	69347KED	CORPORATE BONDS	2470	PNC BANK NA	6.135	4/03/03		EVEREN SECURITI	1000	5,000,000.00	5,048,437.50	29,994.09	
9/23/98	066050BK	CORPORATE BONDS	2256	BANKAMERICA CORP	7.875	12/01/02		EVEREN SECURITI	1000	5,000,000.00	5,408,687.50	106,462.12	
9/24/98	441812FY	CORPORATE BONDS	2198	HOUSEHOLD FIN CORP	6.700	6/15/02		EVEREN SECURITI	1000	5,000,000.00	5,120,787.50	57,093.12	
9/28/98	17303L8V	CORPORATE BONDS	2244	CITICORP	6.380	11/12/02		EVEREN SECURITI	1000	5,000,000.00	5,119,837.50	70,114.32	
9/30/98	17120QD8	CORPORATE BONDS	2375	CHRYSLER FINANCIAL CORP	6.030	3/12/01		PRUDENTIAL SECU	1000	10,000,000.00	10,100,000.00	100,000.00	
12/07/98	046003VS	CORPORATE BONDS	2680	ASSOCIATES CORP NA	5.750	11/01/03		DAIN RAUSCHER I	1000	10,000,000.00	10,109,700.00	10,130.91	
12/07/98	89350JGT	CORPORATE BONDS	2204	TRANSAMERICA FIN GRP MT	6.480	3/15/01		DAIN RAUSCHER I	1000	10,000,000.00	10,120,800.00	43,225.85	
3/18/99	590188FQ	CORPORATE BONDS	2246	MERRILL LYNCH & CO INC	6.000	1/15/01		FIRST TENNESSEE	1000	5,000,000.00	5,014,843.75	12,313.29	
4/20/99	37042FNS	CORPORATE BONDS	2189	GENERAL MOTORS ACCEP C	6.100	11/15/02		DAIN RAUSCHER I	1000	5,000,000.00	5,815,550.00	33,455.64	
4/21/99	16161QAC	CORPORATE BONDS	2245	CHASE MANHATTAN RETAIL	6.450	3/29/01		FIRST TENNESSEE	1000	7,000,000.00	7,102,812.50	45,472.50	
6/22/99	590188FW	CORPORATE BONDS	2226	MERRILL LYNCH & CO INC	6.500	4/01/01		FIRST TENNESSEE	1000	5,000,000.00	5,021,000.00	13,670.23	
9/10/98	31331R5M	FED FARM CR BKS	2057	FEDERAL FARM CR BKS FDG	6.570	8/08/02		EVEREN SECURITI	1000	10,000,000.00	10,010,937.50	21,751.65	
3/16/99	31331RSV	FED FARM CR BKS	2426	FED FARM CR BKS	6.100	4/14/03		DAIN RAUSCHER I	1000	5,000,000.00	4,982,812.50	15,010.26	
4/20/99	31331RVU	FED FARM CR BKS	2496	FEDERAL FARM CR BKS FDG	6.070	6/03/02		DAIN RAUSCHER I	1000	5,000,000.00	5,000,000.00		
6/21/99	31315HAA	FED FARM CR BKS	1963	FEDERAL AGRIC MFG CORP	6.830	10/04/01		FIRST TENNESSEE	1000	5,746,000.00	5,751,171.40	11,152.08	
8/13/98	3133M1AP	FED HOME LOAN B	2064	FEDERAL HOME LN BKS	6.425	8/19/02		FIRST TENNESSEE	1000	5,000,000.00	5,003,125.00	3,125.00	
9/22/98	3133M2BK	FED HOME LOAN B	2218	FEDERAL HOME LN BKS	6.300	11/26/02		EVEREN SECURITI	1000	10,000,000.00	10,060,937.50	60,937.50	11/29/99
12/03/98	3133M2SQ	FED HOME LOAN B	2281	FEDERAL HOME LN BKS	6.250	12/30/02		DAIN RAUSCHER I	1000	13,000,000.00	12,991,875.00	5,209.30	
12/03/98	3133K3QB	FED HOME LOAN B	2371	FEDERAL HOME LN BKS	6.090	3/05/03		DAIN RAUSCHER I	1000	10,000,000.00	10,003,125.00	3,125.00	
12/04/98	3133K2EU	FED HOME LOAN B	2249	FEDERAL HOME LN BKS	6.000	12/27/01		DAIN RAUSCHER I	1000	10,000,000.00	10,057,812.50	57,812.50	12/27/99
12/04/98	3133M35W	FED HOME LOAN B	2434	FED HOME LN BKS	6.250	4/22/03		DAIN RAUSCHER I	1000	20,000,000.00	20,034,375.00	34,375.00	
12/04/98	3133H3C5	FED HOME LOAN B	2407	FED HOME LN BKS	6.000	10/01/01		DAIN RAUSCHER I	1000	20,000,000.00	20,023,437.50	23,437.50	
12/04/98	3133M4ZG	FED HOME LOAN B	2571	FEDERAL HOME LOAN BKS	6.150	8/04/03		DAIN RAUSCHER I	1000	40,000,000.00	40,006,250.00	6,250.00	
12/04/98	3133M5E7	FED HOME LOAN B	2599	FEDERAL HOME LOAN BKS	6.240	8/27/03		DAIN RAUSCHER I	1000	25,000,000.00	25,005,859.38	5,859.38	
12/07/98	3133M4HM	FED HOME LOAN B	2475	FEDERAL HOME LOAN BKS	6.270	5/20/03		DAIN RAUSCHER I	1000	40,000,000.00	40,021,875.00	25,582.31	
12/07/98	3133M5CR	FED HOME LOAN B	2600	FEDERAL HOME LOAN BKS	6.060	8/27/03		DAIN RAUSCHER I	1000	40,000,000.00	40,003,125.00	3,125.00	
12/23/98	3133M4DC	FED HOME LOAN B	2472	FEDERAL HOME LOAN BKS	6.280	5/19/03		EVEREN SECURITI	1000	20,000,000.00	20,037,500.00	37,500.00	11/19/99
3/16/99	3133M63Y	FED HOME LOAN B	2678	FEDERAL HOME LOAN BKS	6.020	10/29/03		SYSTEM - UNIDEN	1000	40,000,000.00	40,000,000.00		
3/16/99	3133M3XE	FED HOME LOAN B	2399	FEDERAL HOME LN BKS	6.060	3/28/03		DAIN RAUSCHER I	1000	5,000,000.00	5,007,812.50	7,812.50	9/26/00
4/12/99	3133M2KB	FED HOME LOAN B	2309	FEDERAL HOME LN BKS	6.000	1/28/03		FIRST TENNESSEE	1000	30,000,000.00	30,000,000.00		1/28/00
6/21/99	3133M8RN	FED HOME LOAN B	2965	FEDERAL HOME LOAN BKS	5.020	5/12/00		FIRST TENNESSEE	1000	20,000,000.00	19,916,000.00	79,366.44	
6/21/99	3133M8UN	FED HOME LOAN B	2977	FEDERAL HOME LOAN BKS	5.150	5/19/00		FIRST TENNESSEE	1000	5,000,000.00	4,984,500.00	15,500.00	

NEW MEXICO STATE
TREASURER'S OFFICE

SUMMARY OF FIXED-INCOME PURCHASES AND SALES

STATEMENTS DURING THE PERIOD 7/01/98 THRU 6/30/99

TRX-DATE	CUSIP#	ASSET-TYPE	INVSZ#	ISSUE-NAME	RATE	MAURITY	YIELD	ENR/DIR/AGENT	FUND	PAR-VALUE	COSTY/PROCEEDS	GAIN/LOSS	NXT-CALL
8/18/98	31341D2	FED HOME LOAN M	2118	FEDERAL HOME LN MKS	6.430	10/01/02		EVEREN SECURITI 1000	1000	10,000,000.00	10,043,750.00	50,072.51	10/01/99
9/22/98	31342A6	FED HOME LOAN M	2374	FEDERAL HOME LN MKG COR	6.210	3/10/03		EVEREN SECURITI 1000	1000	20,000,000.00	20,128,135.00	128,135.00	3/10/00
12/03/98	3134A1F	FED HOME LOAN M	2345	FED HOME LN MKG	6.160	2/10/03		DAIN RAUSCHER I 1000	1000	15,000,000.00	15,004,687.50	6,658.93	
12/03/98	3134A1D	FED HOME LOAN M	2356	FEDERAL HOME LN MKG COR	6.110	2/03/03		DAIN RAUSCHER I 1000	1000	10,000,000.00	10,004,687.50	10,203.10	
12/04/98	3134A2A	FED HOME LOAN M	2379	FEDERAL HOME LN MKG COR	6.250	3/12/03		DAIN RAUSCHER I 1000	1000	10,000,000.00	10,013,281.25	18,221.17	
12/04/98	3134A2X	FED HOME LOAN M	2727	FEDERAL HOME LN MKG COR	5.850	11/19/03		DAIN RAUSCHER I 1000	1000	5,000,000.00	4,997,656.25	824.10	
12/07/98	3134A2Y	FED HOME LOAN M	2703	FEDERAL HOME LN MKG COR	6.100	12/12/03		DAIN RAUSCHER I 1000	1000	10,000,000.00	10,004,687.50	4,687.50	
6/21/99	3134A0P	FED HOME LOAN M	52	FEDERAL HOME LN MKG COR	7.055	8/02/01		FIRST TENNESSEE 1000	1000	5,000,000.00	5,001,500.00	4,985.25	8/02/99
6/21/99	3134A0T	FED HOME LOAN M	1943	FEDERAL HOME LN MKG COR	6.970	9/05/01		FIRST TENNESSEE 1000	1000	5,535,000.00	5,544,409.50	9,409.50	9/05/99
7/15/98	31359C8	FED NATL MORTGA	36	FEDERAL NATL MKG ASSN	6.550	8/10/00		FIRST TENNESSEE 1000	1000	10,000,000.00	10,006,250.00	5,040.05	
8/18/98	31364C3	FED NATL MORTGA	2093	FED NATL MKG ASSN MKD T	6.240	7/28/02		EVEREN SECURITI 1000	1000	10,000,000.00	10,184,375.00	246,731.03	
8/18/98	31364F0	FED NATL MORTGA	2118	FEDERAL NATL MKG ASSN MK	6.160	10/15/02		EVEREN SECURITI 1000	1000	10,000,000.00	10,046,875.00	46,875.00	10/16/00
8/19/98	31364C0	FED NATL MORTGA	1833	FED NATL MKG ASSN MKD TR	6.700	1/24/02		EVEREN SECURITI 1000	1000	5,000,000.00	5,043,750.00	51,745.49	1/24/00
8/19/98	31364F0	FED NATL MORTGA	2402	FED NATL MKG ASSN MKD TR	6.250	11/20/02		EVEREN SECURITI 1000	1000	10,000,000.00	10,053,125.00	53,225.00	11/20/00
9/10/98	31359MA	FED NATL MORTGA	1980	FEDERAL NATL MKG ASSN	6.450	4/12/01		EVEREN SECURITI 1000	1000	5,000,000.00	5,011,718.75	43,793.13	
9/10/98	31364C0	FED NATL MORTGA	1935	FEDERAL NATL MKG ASSN	6.840	3/12/02		EVEREN SECURITI 1000	1000	5,000,000.00	5,015,625.00	19,254.02	
9/17/98	31364C0	FED NATL MORTGA	1611	FED NATL MKG ASSN MKD TR	6.625	2/22/02		EVEREN SECURITI 1000	1000	5,000,000.00	5,007,821.50	12,605.18	
9/21/98	31364F2	FED NATL MORTGA	2476	FEDERAL NATL MKG ASSN M	6.200	5/22/03		EVEREN SECURITI 1000	1000	20,000,000.00	20,125,000.00	125,000.00	5/22/00
9/22/98	31364C0	FED NATL MORTGA	1790	FED NATL MKG ASSN MKD TR	6.500	2/11/02		EVEREN SECURITI 1000	1000	5,000,000.00	5,058,593.75	60,189.74	2/11/00
9/21/98	31364F0	FED NATL MORTGA	2119	FED NATL MKG ASSN MKD TR	6.160	2/03/03		DAIN RAUSCHER I 1000	1000	15,000,000.00	15,004,687.50	6,505.57	
12/03/98	31364F0	FED NATL MORTGA	2346	FED NATL MKG ASSN MKD TR	6.130	2/19/03		DAIN RAUSCHER I 1000	1000	10,000,000.00	10,002,343.75	2,343.75	
12/07/98	31364F0	FED NATL MORTGA	2459	FEDERAL NATL MKG ASSN M	6.310	5/05/03		DAIN RAUSCHER I 1000	1000	10,000,000.00	10,020,313.50	35,685.44	
12/07/98	31364F6	FED NATL MORTGA	2461	FEDERAL NATL MKG ASSN M	6.280	5/15/03		DAIN RAUSCHER I 1000	1000	10,000,000.00	10,020,313.50	20,312.50	
12/07/98	31364F5	FED NATL MORTGA	2487	FEDERAL NATL MKG ASSN M	6.300	5/27/03		DAIN RAUSCHER I 1000	1000	35,000,000.00	35,092,968.75	92,968.75	
12/07/98	31364G0	FED NATL MORTGA	2463	FEDERAL NATL MKG ASSN M	6.050	10/20/03		DAIN RAUSCHER I 1000	1000	17,000,000.00	17,001,328.33	1,328.33	
12/23/98	31364F3	FED NATL MORTGA	2466	FEDERAL NATL MKG ASSN M	6.160	5/08/03		EVEREN SECURITI 1000	1000	25,000,000.00	25,074,218.75	88,367.93	5/08/00
12/23/98	31364F7	FED NATL MORTGA	2466	FEDERAL NATL MKG ASSN M	6.160	5/12/03		EVEREN SECURITI 1000	1000	10,000,000.00	10,039,687.50	48,192.09	5/12/00
12/23/98	31364F1	FED NATL MORTGA	2547	FEDERAL NATL MKG ASSN M	6.010	7/17/03		EVEREN SECURITI 1000	1000	10,000,000.00	10,012,500.00	19,162.09	7/17/00
12/23/98	31364F2	FED NATL MORTGA	2438	FED NATL MKG ASSN MKD T	6.100	4/24/03		EVEREN SECURITI 1000	1000	10,000,000.00	10,021,875.00	26,743.94	4/24/00
3/03/99	31359M0	FED NATL MORTGA	2312	FED NATL MKG ASSN MKD TR	5.940	1/27/03		FIRST TENNESSEE 1000	1000	5,000,000.00	4,974,218.75	11,432.34	1/27/00
3/03/99	31364B0	FED NATL MORTGA	47	FEDERAL NATL MKG ASSN M	5.440	1/24/01		FIRST TENNESSEE 1000	1000	5,000,000.00	5,000,000.00	1,168.40	
3/16/99	31364B0	FED NATL MORTGA	49	FEDERAL NATL MKG ASSN M	5.500	2/02/02		FIRST TENNESSEE 1000	1000	5,000,000.00	5,023,437.50	13,413.76	
3/16/99	31364F6	FED NATL MORTGA	2334	FEDERAL NATL MKG ASSN ME	6.080	6/23/03		DAIN RAUSCHER I 1000	1000	5,000,000.00	4,987,500.00	8,377.57	
3/16/99	31364F0	FED NATL MORTGA	2425	FED NATL MKG ASSN MKD T	6.170	4/13/03		DAIN RAUSCHER I 1000	1000	5,000,000.00	4,987,500.00	10,171.66	
4/14/99	31364F5	FED NATL MORTGA	2465	FEDERAN NATL MKG ASSN M	6.060	5/07/03		FIRST TENNESSEE 1000	1000	5,000,000.00	5,017,968.75	34,626.58	5/07/01
4/20/99	31364F0	FED NATL MORTGA	2330	FED NATL MKG MKD TRN NT	6.060	1/13/03		DAIN RAUSCHER I 1000	1000	5,000,000.00	4,998,437.50	1,331.68	1/13/00
4/20/99	31364F0	FED NATL MORTGA	2497	FEDERAL NATL MKG ASSN M	6.050	4/17/03		DAIN RAUSCHER I 1000	1000	5,000,000.00	4,998,437.50	19,508.17	4/17/00
6/21/99	31359M0	FED NATL MORTGA	53	FED NATL MKG ASSN MKD TR	6.700	6/10/01		FIRST TENNESSEE 1000	1000	5,000,000.00	5,003,500.00	9,897.00	8/10/99
6/21/99	31359C0	FED NATL MORTGA	2039	FED NATL MKG TRN NOTE	6.500	7/27/02		FIRST TENNESSEE 1000	1000	4,990,500.00	4,990,500.00	10,452.65	
6/21/99	31364C0	FED NATL MORTGA	1703	FED NATL MKG ASSN MKD TR	6.500	12/27/01		FIRST TENNESSEE 1000	1000	5,000,000.00	5,004,000.00	4,000.00	12/27/99
6/21/99	31364C0	FED NATL MORTGA	1302	FED NATL MKG ASSN MKD TR	6.500	12/27/01		FIRST TENNESSEE 1000	1000	5,000,000.00	5,004,000.00	5,414.91	12/27/99
6/21/99	31364G0	FED NATL MORTGA	2966	FEDERAL NATL MKG ASSN M	5.120	5/12/00		FIRST TENNESSEE 1000	1000	10,000,000.00	9,967,000.00	33,486.55	
96 SALES DURING PERIOD TOTAL.....													
										1010481000.00	1014362110.91	3,510,816.31	
										243717687.00	2441048572.16	3,510,816.31	
*** GRAND-TOTAL ***													

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

Schedule 8

**Schedule of Investments
June 30, 1999**

Security Description	Interest Rate	Purchase Date	Maturity Date	Carrying Value	Fair Value	Unrealized Gain (Loss)
Repurchase Agreements	Various	Various	Various	1,470,347,036	1,470,347,036	-
<u>Fixed Income Governmental Obligations</u>						
<u>National Mortgage Associations</u>						
Federal National Mortgage Med Term NTS	6.340%	5/18/1998	5/19/2003	5,000,000	4,944,550	(55,450)
Federal National Mortgage Med Term NTS	6.220%	6/3/1998	6/3/2003	20,000,000	19,725,000	(275,000)
Federal National Mortgage Association	6.200%	7/7/1998	7/7/2003	5,000,000	4,925,800	(74,200)
Federal National Mortgage Association	5.910%	9/8/1998	9/8/2003	5,004,494	4,910,950	(93,544)
Federal National Mortgage Association	6.040%	10/22/1998	10/22/2003	9,000,000	9,006,570	6,570
Federal National Mortgage Association	5.800%	11/17/1998	11/17/2003	10,000,000	9,725,200	(274,800)
Federal National Mortgage Association	5.790%	12/1/1998	12/1/2003	10,000,000	9,767,200	(232,800)
Federal National Mortgage Association	5.000%	12/1/1998	12/1/2003	20,000,000	19,396,800	(603,200)
Federal National Mortgage Association	5.630%	12/21/1998	12/8/2003	5,000,000	4,860,950	(139,050)
Federal National Mortgage Association	5.820%	1/12/1999	1/12/2004	14,987,260	14,646,150	(341,110)
Federal National Mortgage Association	6.070%	5/5/1999	5/5/2004	14,979,537	14,671,800	(307,737)
Federal National Mortgage Association	5.840%	1/13/1999	1/13/2004	5,000,000	4,885,150	(114,850)
Federal National Mortgage Association	5.440%	5/12/1999	5/15/2001	20,000,000	19,840,600	(159,400)
Federal National Mortgage Association	5.110%	5/21/1999	5/22/2000	5,002,850	4,982,050	(20,800)
Federal National Mortgage Association	5.740%	2/5/1999	2/9/2004	4,988,281	4,868,750	(119,531)
Federal National Mortgage Association	5.860%	2/11/1999	2/11/2004	14,992,792	14,655,450	(337,342)
Federal National Mortgage Association	5.900%	2/11/1999	2/11/2004	29,994,233	29,343,600	(650,633)
Total National Mortgage Association				198,949,447	195,156,570	(3,792,877)

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

Schedule 8

**Schedule of Investments
June 30, 1999**

Security Description	Interest Rate	Purchase Date	Maturity Date	Carrying Value	Fair Value	Unrealized Gain (Loss)
Federal Home Loan Banks	6.280%	5/19/1998	5/19/2003	5,000,000	4,939,850	(60,150)
Federal Home Loan Banks	6.220%	6/9/1998	6/9/2003	5,000,000	4,931,250	(68,750)
Federal Home Loan Banks	5.810%	9/23/1998	9/23/2003	10,000,000	9,793,700	(206,300)
Federal Home Loan Banks	5.850%	10/7/1998	10/7/2003	5,000,000	4,896,100	(103,900)
Federal Home Loan Banks	5.770%	10/14/1998	10/14/2003	20,000,000	19,540,600	(459,400)
Federal Home Loan Banks	5.460%	10/21/1998	10/21/2003	5,000,000	4,845,300	(154,700)
Federal Home Loan Banks	5.550%	10/27/1998	10/27/2003	20,000,000	19,431,200	(568,800)
Federal Home Loan Banks	5.531%	11/5/1998	11/5/2003	4,993,750	4,850,000	(143,750)
Federal Home Loan Banks	5.530%	11/5/1998	11/5/2003	25,000,000	24,250,000	(750,000)
Federal Home Loan Banks	5.535%	11/10/1998	11/10/2003	9,996,875	9,700,000	(296,875)
Federal Home Loan Banks	5.610%	11/12/1998	11/12/2003	20,000,000	19,440,600	(559,400)
Federal Home Loan Banks	5.500%	11/12/1998	11/12/2003	10,000,000	9,689,100	(310,900)
Federal Home Loan Banks	5.625%	11/12/1998	11/12/2003	5,000,000	4,862,500	(137,500)
Federal Home Loan Banks	5.635%	11/17/1998	11/17/2003	30,000,000	29,203,200	(796,800)
Federal Home Loan Banks	5.625%	11/18/1998	11/18/2003	5,000,000	4,865,650	(134,350)
Federal Home Loan Banks	5.785%	11/17/1998	11/17/2003	20,000,000	19,537,400	(462,600)
Federal Home Loan Banks	5.785%	11/17/1998	11/17/2003	25,000,000	24,437,500	(562,500)
Federal Home Loan Banks	5.825%	11/25/1998	11/25/2003	5,000,000	4,889,050	(110,950)
Federal Home Loan Banks	5.910%	12/1/1998	12/1/2003	10,000,000	9,800,000	(200,000)
Federal Home Loan Banks	5.930%	12/1/1998	12/1/2003	20,000,000	19,609,400	(390,600)
Federal Home Loan Banks	5.870%	12/10/1998	12/10/2003	8,900,000	8,710,875	(189,125)
Federal Home Loan Banks	5.660%	12/22/1998	12/22/2003	10,000,000	9,728,100	(271,900)
Federal Home Loan Banks	5.810%	2/3/1999	2/3/2004	20,000,000	19,525,000	(475,000)
Federal Home Loan Banks	5.850%	2/10/1999	2/10/2004	20,000,000	19,534,400	(465,600)
Federal Home Loan Banks	5.765%	2/11/1999	2/11/2004	4,996,875	4,873,450	(123,425)
Federal Home Loan Banks	5.750%	2/12/1999	2/14/2004	9,994,230	9,739,100	(255,130)
Federal Home Loan Banks	5.786%	2/24/1999	2/24/2002	20,000,000	19,496,800	(503,200)
Federal Home Loan Banks	5.845%	1/26/1999	1/26/2004	9,997,145	9,768,700	(228,445)
Federal Home Loan Banks	6.040%	5/13/1999	5/13/2004	20,000,000	19,534,400	(465,600)

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

Schedule 8

**Schedule of Investments
June 30, 1999**

Security Description	Interest Rate	Purchase Date	Maturity Date	Carrying Value	Fair Value	Unrealized Gain (Loss)
Federal Home Loan Banks	6.100%	5/19/1999	5/19/2004	20,000,000	19,643,800	(356,200)
Federal Home Loan Banks	6.090%	5/17/1999	5/17/2004	20,000,000	19,643,800	(356,200)
Federal Home Loan Banks	6.710%	6/28/1999	6/28/2004	10,000,000	9,915,600	(84,400)
Federal Home Loan Banks	6.140%	3/3/1998	3/3/2003	5,000,000	4,937,500	(62,500)
Federal Home Loan Banks	6.205%	6/23/1998	6/23/2003	5,000,000	4,928,900	(71,100)
Federal Home Loan Banks	6.110%	6/18/1998	6/18/2003	4,997,128	4,920,300	(76,828)
Federal Home Loan Banks	6.065%	1/7/1999	1/7/2004	19,993,581	19,656,200	(337,381)
Federal Home Loan Banks	6.050%	8/20/1998	8/20/2003	5,000,000	4,906,250	(93,750)
Federal Home Loan Banks	6.000%	1/13/1999	1/13/2004	20,000,000	19,621,800	(378,200)
Federal Home Loan Banks	6.000%	1/12/1999	1/12/2004	10,000,000	9,810,900	(189,100)
Federal Home Loan Banks	6.060%	1/20/1999	1/20/2004	45,000,000	44,212,500	(787,500)
Federal Home Loan Banks	6.000%	11/18/1998	11/18/2003	5,000,000	4,911,000	(89,000)
Federal Home Loan Banks	6.000%	11/18/1998	11/18/2003	20,000,000	19,646,800	(353,200)
Federal Home Loan Banks	5.780%	11/24/1998	11/24/2003	20,000,000	19,550,000	(450,000)
Federal Home Loan Banks	5.810%	2/5/1999	2/5/2004	20,000,000	19,525,000	(475,000)
Federal Home Loan Banks	5.580%	12/10/1998	12/10/2003	10,000,000	9,706,200	(293,800)
Federal Home Loan Banks	5.830%	2/5/1999	2/5/2004	19,997,656	19,537,600	(460,056)
Federal Home Loan Banks	5.900%	2/11/1999	2/11/2004	20,000,000	19,575,000	(425,000)
Federal Home Loan Banks	6.000%	4/16/1999	4/16/2004	20,000,000	19,528,200	(471,800)
Federal Home Loan Banks	6.140%	5/10/1999	5/10/2004	15,000,000	14,688,300	(311,700)
Total Other Federal Agency				698,867,240	683,288,875	(15,578,365)
<u>Corporate Bonds</u>						
Penney J C Inc.	6.500%	1/28/1998	6/15/2002	5,068,016	4,975,800	(92,216)
Penney J C Inc.	7.250%	12/18/1997	4/1/2002	3,078,456	3,041,490	(36,966)
Tyson Foods, Inc.	6.000%	1/21/1998	1/15/2003	4,996,106	4,876,500	(119,606)
Bank One Corp	7.250%	12/22/1997	8/1/2002	2,570,763	2,563,400	(7,363)
Bankers Tr NY Corp	7.500%	1/15/1992	1/15/2002	5,150,538	5,123,200	(27,338)

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

Schedule 8

**Schedule of Investments
June 30, 1999**

Security Description	Interest Rate	Purchase Date	Maturity Date	Carrying Value	Fair Value	Unrealized Gain (Loss)
Bear Stearns Cos Inc	6.500%	7/29/1997	8/1/2002	5,054,494	4,974,500	(79,994)
Bear Stearns Cos Inc Global NT	6.200%	3/30/1998	3/30/2003	5,000,000	4,907,250	(92,750)
Countrywide Home Loans Inc	6.380%	12/4/1997	10/8/2002	5,009,619	4,976,050	(33,569)
Household Financial Corp	6.480%	7/31/1997	7/31/2002	5,029,699	4,969,350	(60,349)
Lehman Brothers Holdings Inc	6.125%	8/14/1998	7/15/2003	10,052,864	9,670,200	(382,664)
Salomon Smith Barney Holdings	6.500%	10/15/1995	10/15/2002	5,030,396	4,998,600	(31,796)
Total Corporate Bonds				56,040,951	55,076,340	(964,611)
<u>LGIP</u>						
<u>Fixed Income Governmental Obligations</u>						
<u>National Mortgage Associations</u>						
Federal National Mortgage Association	6.100%	4/8/1999	4/7/2004	10,000,000	9,793,700	(206,300)
Federal National Mortgage Association	6.170%	3/15/1999	3/15/2004	20,000,000	19,609,600	(390,400)
				30,000,000	29,403,300	(596,700)
<u>Other Federal Agencies</u>						
Federal Home Loan Banks	6.020%	10/29/1998	10/29/2003	40,000,000	39,324,800	(675,200)
Federal Home Loan Banks	6.030%	3/17/1999	3/17/2004	20,000,000	19,631,200	(368,800)
Federal Home Loan Banks	6.075%	4/14/1999	4/19/2004	20,000,000	19,562,400	(437,600)
Federal Home Loan Banks	6.060%	4/15/1999	4/15/2004	20,000,000	19,637,600	(362,400)
Federal Home Loan Banks	6.100%	4/21/1999	4/21/2004	20,000,000	19,656,200	(343,800)
Federal Farm Credit Banks	6.100%	3/22/1999	3/22/2004	20,000,000	19,593,800	(406,200)
Federal Farm Credit Banks	6.050%	4/12/1999	4/12/2004	9,987,500	9,781,200	(206,300)
Federal Home Loan Mortgage Corp	6.300%	3/8/1999	3/8/2004	20,000,000	19,781,200	(218,800)
Total Other Federal Agencies				169,987,500	166,968,400	(3,019,100)
Total-All Securities				2,624,192,174	2,600,240,521	(23,951,653)

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

Honorable Gary Johnson, Governor
State Board of Finance
Honorable Michael A. Montoya, CPA, State Treasurer
Honorable Domingo P. Martinez, C. G. F. M., State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the State of New Mexico, Office of the State Treasurer, as of and for the year ended June 30, 1999, and have issued our report thereon dated February 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of New Mexico, Office of the State Treasurer, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying Memorandum of Accounting Procedures and Internal Controls as items 99-2, 99-4, 99-6, 99-7 and 99-8.

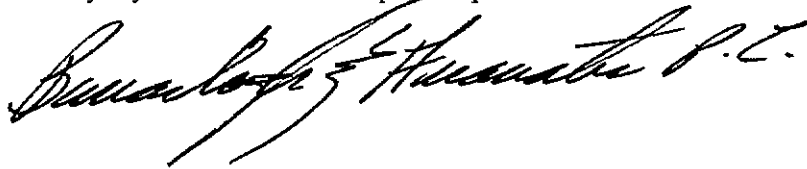
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of New Mexico, Office of the State Treasurer's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of New Mexico, Office of the State Treasurer's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Memorandum on Accounting Procedures and Internal Controls as numbers 99-1, 99-3 and 99-5.

Barraclough & Associates, P.C.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe one reportable condition, 99-1, is a material weakness.

This report is intended for the information of management of the State of New Mexico, Office of the State Treasurer, State of New Mexico, the Office of the State Auditor and other applicable state entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Barraclough & Associates P.C.", written in a cursive style.

February 25, 2000

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

**Memorandum on Accounting Procedures and Internal Controls
June 30, 1999**

REPORTABLE CONDITIONS

99-1 Investment Trust Fund Not Maintained Within an Accounting System – Material Weakness

Statement of Condition:

The investments that the Office of the State Treasurer holds and manages for other state agencies are not maintained in a double-entry accounting system. Results of investing activity are not completely recorded. Also the individual agency balances on the TRACS system do not equal total cash and investments held in the State Treasurer's investment pool. The TRACS system balances are greater than the actual cash and investments by \$10,126,922. The TRACS system is not integrated with the QED system used by the Office to track the investments by use of a double-entry accounting system.

Criteria:

Any government activity is required to be accounted for in an appropriate fund, which reflects all activity and presents the information in a trial balance format. Individual state agency balances on the TRACS system should equal total cash and investments in the State Treasurer investment pool. Any difference should be identified in a timely manner.

Effect:

Transactions affecting this fund may not be identified or may be improperly recorded. The effect or cause of the \$10,126,922 difference between TRACS and cash and investments cannot be determined at this time.

Cause:

Current procedures used by the State Treasurer track agency balances and cash and investments on two separate systems that are not integrated and do not require an accounting entry to record transactions or changes.

Recommendation:

We recommend that The Office of the State Treasurer implement a double-entry accounting system to record all transactions of the Investment Trust Fund and maintain a subsidiary report of agency balances which would be integrated with the accounting system.

Management Response:

The State Treasurer's Office (STO) is in total disagreement with this condition. It has always been the goal of the STO to maintain all its accounting Systems and Procedures on a real-time, on-line basis. Unfortunately the funding for such system has never been provided by the legislature. To say that not having such a system is a material weakness is misleading. Adequate compensating controls have been consistently and adequately in place for years at the STO.

All of the STO Investments are recorded and accounted for in the QED Investment Accounting System. All of these funds are deposited with the State Treasurer's fiscal agent bank and accounted for in the "cash components" accounting records. There is no investment that is not accurately and completely recorded and accounted for in a timely manner. The vast majority of the investments are for other state agencies that independently verify their balances on a daily basis.

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

**Memorandum on Accounting Procedures and Internal Controls
June 30, 1999**

**99-1 Investment Trust Fund Not Maintained Within an Accounting System – Material Weakness
(continued)**

There is no specific reconciliation between agency individual cash balances and total investments because the phase II of the “Treasurer’s Reconciliation, Accounting, and Cashiering System” has never been completed due to lack of funding. In fact even the phase that was implemented and is now in place is no more than a Data Tracking and Reporting system.

The internal controls for funds within the STO are in place separately within the Receipt/Deposit process and Disbursement/Warrant issue process. These procedures will remain in place until a workable, reliable, and complete accounting system is developed and implemented. An automated double entry accounting system will only be feasible after integration of these functions is completed.

Until the legislature provides funding for a complete and workable accounting system with an integrated reconciliation feature, the internal reconciliation controls for funds accounted for at the STO will remain at the receipt and disbursement levels.

An ideal situation would be for the individual and the total of all agency balances to reflect the balance as per bank cash on a real time basis. In addition to purchasing an accounting system, which would do this, there is a question whether this could be accomplished without elimination of the warrant process, which is mandated by State Statute (NMSA 8-6-3, 6-5-5, 6-5-6, etc.).

The \$10,126,922 difference as cited in the condition is a moot issue. This number is a cumulative total listed on a daily worksheet, which commingles warrant, deposit, and non-cash transactions, for which detail amounts affect various records differently. Adequate compensating controls and manual reconciliations insure that all funds received and all funds disbursed are completely and accurately accounted for on a timely basis.

99-2 Collateral - Certificates of Deposit

Statement of Condition:

During our review of pledged collateral for the New Mexico State Treasurer’s Investment Fund’s deposits with Western Bank of Alamogordo, we noted that pledged collateral was not adequate to cover certificates of deposit and not insured by FDIC as of June 30, 1999. Adequate collateral was pledged in July 1999. Based on our discussions with the Collateral Division, we noted that there is a time lag between the purchase of the certificate of deposits that occurs when certificates are purchased during the year and the notification to the Collateral Division.

Criteria:

Section 610-17 NMSA 1978 requires that the Office of the State Treasurer ensure that public monies held in financial institutions are covered by insurance. FDIC insures up to \$100,000; the remaining uninsured deposit amount must be collateralized at 50% of the uninsured balance.

Effect:

Funds are exposed to credit risk and the collateral is not in accordance with State Statute.

Cause:

The current process does not give the Collateral Division the documentation necessary to begin the process of arranging collateralization for certificates of deposit without a time lag.

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

**Memorandum on Accounting Procedures and Internal Controls
June 30, 1999**

99-2 Collateral - Certificates of Deposit (continued)

Recommendation:

Improvements in timely notification of the certificate of deposit investments should be developed between the Investment Division and the Collateral Division. This will ensure the Collateral Division is given acknowledgement of the purchase of certificates of deposit and expedite the posting process and ensure adequate collateral is available when certificates of deposit are purchased.

Management Response:

This issue occurred as a result of many financial Institutions rolling over their Certificates of Deposits (CD). Currently the banks in this situation will mail the original CD Document and it will take several days to arrive at the State Treasurer's Office (STO). While funds remain at the Financial Institutions, the State Treasurer Collateral Division was recording the CD, which matured, but not the new issue until an original CD document was received. The STO will now require all Financial Institutions to fax a copy of the newly issued CD so that it can be recorded timely. This will resolve the issue of the collateral section showing a decrease in the financial Institution's CD balance when in fact they simply renewed a maturing CD. The implementation of this procedure will eliminate the issue of the financial institution being under collateralized.

99-3 Fixed Assets

Statement of Condition:

The State Treasurer's Office did not prepare a fixed asset certification for June 30, 1999 in a timely manner nor was the fixed asset listing accurate for the fiscal year ended.

Criteria:

General Services Department Rule 88-101 Section 4.3 states "The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency". Rule 88-101 Section 4.4 state "Each agency shall conduct a physical inventory of its fixed assets at the end of each fiscal year".

Effect:

The State Treasurer's Office is not in compliance with the General Services Department Rule 88-101.

Cause:

Employee turnover and lack of training of new personnel assigned to do the fixed asset inventory resulted in discrepancies and delay in preparing the asset schedule.

Recommendation:

We recommend the Office of the State Treasurer do an annual physical inventory at fiscal year-end and have it certified to correctness by a governing authority of the agency.

Management Response:

The State Treasurer's Office will identify and allocate resources to address this issue.

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

OTHER FINDINGS

99-4 Investment Activity

Statement of Condition:

- As shown in the accompanying schedule of security transactions for the year ended June 30, 1999, the purchases of securities have been concentrated with five-year maturities. These purchases are within the investment guidelines of the five-year maximum maturity of investments and some of these bonds do have early call provisions, which may shorten their maturity. The present investment policy does recommend a laddered maturity of investments to meet liquidity needs. However, the Office does not prepare long range cash flow projections and the projections that are prepared are for daily and monthly purposes and are based on historical information only. Current cash flow information, from large state agencies, which may affect the liquidity requirements of the State Treasurer's pool, is not available to the State Treasurer's Office on a regular basis. This could affect management's consideration in investment decisions to meet the liquidity needs of the State.
- During the year, the State Treasurer's Office started documenting brokers used and other criteria to purchase or sell specific investments by using an investment checklist. The documentation did not include a comparison of the investment alternatives to the one, three and five year U.S. Treasuries or other benchmark investments or the reason for the specific transaction. We also noted there was no documentation of an internal review of the investment checklists and supporting documentation during the year.

Criteria:

- The State Treasurer's investment policy requires diversification of the investment portfolio to include investment maturities to be laddered to avoid undue concentration of assets in a specific maturity life and to reflect cash flow requirements. Investments should be matched to anticipated cash requirements.
- Security transactions and investment checklists should have documentation explaining why each security was sold before its maturity (such as liquidity needs, better alternative investment available, etc.) or purchased (such as U.S. Agencies yield more than the U.S. Treasuries with comparative maturities).

Effect:

- Cash flow projections prepared by the State Treasurer's Office could be inaccurate without receiving cash flow projection information from large state agencies. Historical information may not provide all vital information needed to prepare a complete cash flow forecast. The interest rate risk associated with bonds may result in a loss if they are sold prior to their scheduled maturities to meet liquidity needs.
- Security transactions may have inadequate documentation to explain why they were bought or sold.

Cause

- Although requests have been made to obtain cash flow information from state agencies, the information is not received on a regular basis. State agencies are not mandated to provide the State Treasurer with cash flow information.

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

OTHER FINDINGS (continued)

99-4 Investment Activity (continued)

- The State Treasurer's Office did not document its investment purchases and sales as required by the investment policy until during this fiscal year. The reason for the transaction and comparable benchmark securities were not documented on the investment checklist.

Recommendation:

- We recommend that the State Treasurer's Office begin formal requests from state agencies for cash flow information using methods that it deems appropriate. Liquidity needs can be more accurately determined by using historical patterns and better communication from specific large agencies as to their monthly cash flow needs.
- Reasons for security purchases and sales should be documented for every transaction, including a comparison to other investment alternatives, and liquidity needs. Security transactions could be audited quarterly which would more timely identify any matters to management and reduce audit time at year end.

Management Response:

The State Treasurer's Office position is that this finding has no relevance and should not be a part of this report. This finding is clearly in non-compliance with the requirements as set forth in 2 NMAC 2.2 State Auditor's "Requirements for Contracting and Conducting Audits of Agencies" item number 10.5.B (3) which reads "Condition (quantify where possible-number of instances, dollar amounts, etc.)". A condition of violation must verifiably exist before it can be quantified. As per section 12-6-5- NMSA 1978 (Reports of Audits), states that each report shall set out in detail, in a separate section any violation of law or good accounting practices found by the audit or examination. This finding points out neither a violation of law or good accounting practice.

The Scope of Work as mutually agreed upon states "the contractor shall conduct a Financial and Compliance audit" of financial records.

The auditor has not followed Generally Accepted Auditing Standards by including this statement as a condition. This is no more than a commentary and at most an arbitrary and capricious opinion in the condition section of this finding.

In reference to the first part of the auditor's stated condition, it is not clear what financial attribute is being tested or what the violation might be.

The investment policy of the STO allows the purchase of securities with a maturity of up to five-years. The State Treasurer's office is in compliance with this requirement.

The investment policy makes reference to a vaguely described "Laddered portfolio". This policy clearly gives the STO portfolio manager discretion as to what the definition of Laddered should be. Proper Laddering would take into account the Liquidity needs. The STO, as a result of its "TRAN"(Tax Revenue Anticipation Notes) activity far exceeds any liquidity needs required by any prudent and reasonable standards.

The term "cash flow" is not a specifically defined concept. STO investment policy states that the STO "will project the State's short-term and long-term cash needs to determine the amount available for short-term and long-term investment". A cash worksheet is prepared daily to determine the amount of funds available for investment in the overnight pool (short-term). The adoption of "TRANS" into the STO investment portfolio enhances the liquidity and allows the STO the ability to invest on a longer term to obtain better yields.

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

OTHER FINDINGS (continued)

99-4 Investment Activity (continued)

The STO investment policy clearly states “all investment decisions made by the State Treasurer will adhere to the following three fundamental principles: safety, liquidity and return”. These are in the order of importance. All of these are observed by the STO.

The STO’s position is that the above information clearly supports that this finding has no substance and should not be included in this audit report.

The second part of the auditor’s condition is certainly a drastic misreading as far as any requirements of the investment policy is concerned. This only serves to allow the reader of this finding to believe some very serious violation has occurred when in fact this compliance issue is a creation of the auditor’s misunderstanding.

99-5 Local Government Investment Pool – Fair Value of Security Investments

Statement of Condition:

The Local Government Investment Pool has investments in U.S. Government securities with a cost of \$206,347,700 at June 30, 1999. The fair value adjustment of these securities is not reflected in the individual participant balances. At June 30, 1999, the securities had a net unrealized loss of \$3,600,000.

Criteria:

Government Accounting Standards Board (GASB) Statement No. 31 requires that security investments be recorded at fair value for financial reporting purposes and that unrealized gains and losses be reflected in the financial statements.

Effect:

The Local Government Investment Pool participant balances reflect the cost basis of investments and related interest earnings only. Unrealized gains/losses of investment securities are not reflected in participant’s balances.

Cause:

The participant balances have not been adjusted to reflect the unrealized loss because it is not the intention of the pool to have market risk passed on to the participants.

Recommendation:

We recommend that the State Treasurer’s Office review their investment policies concerning the Local Government Investment Pool to determine if security investments are appropriate with regard to the agreements it has with the participants.

Management Response:

The QED Investment system is not programmed to report LGIP unrealized gains or losses to its participants. The reason is the Local Government participants expect and would only receive the original dollar amount they invested. These participants, according to STO would neither have a gain or loss.

STO does recognize the reporting issue as stated by the auditors and have being aware of the situation. The State Treasurer’s Investment committee will address this issue when they evaluate the LGIP investment policy to determine what action needs to be taken.

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

OTHER FINDINGS (continued)

99-6 Personnel Files

Statement of Condition:

In 1 of 8 personnel files tested, there was no PERA application on file.

Criteria:

Accounting procedures require a PERA application to be on file for calculating proper retirement coverage and benefits.

Effect:

No PERA application on file.

Cause:

Management oversight.

Recommendation:

We recommend adding the PERA application to the checklist of items maintained in the personnel files.

Management Response:

The personnel file in error has been corrected. The State Treasurer's Office will implement the auditor's recommendation of including the PERA application requirement in the list of items maintained in the employees personnel files

99-7 Expenditures

Statement of Condition:

- In 2 of 20 expenditures tested, the invoices were mathematically incorrect.
- In 3 of 20 expenditures tested, the invoice was dated prior to the purchase order.
- During our test work we noted that the Office does not document when goods and services are received.

Criteria:

State procurement policies require that specific procedures be followed for expenditures to ensure that purchase orders are properly prepared prior to any expenditure and that the accuracy of vendor invoices be verified prior to payment. Invoices should show the date actual goods and/or services were received.

Effect:

The State Treasurer's Office may be paying incorrect amounts for goods and/or services. Unapproved purchases may occur. Incorrect payments may occur since there is no documentation of the date of actual receipt of goods and/or services.

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

OTHER FINDINGS (continued)

99-7 Expenditures (continued)

Cause:

Procedural inconsistencies have resulted because of employee turnover.

Recommendation:

We recommend that internal procedures be developed in order to ensure that all accounts payable procedures are followed on a consistent basis. The Office should document when goods and services are received.

Management Response:

The auditor's tested a particular invoice in which the detail did not foot to the invoice total because this isolated vendor does not show all credits on the invoice detail. The State Treasurer's Office has notified this particular vendor to discontinue this practice. The STO will implement necessary procedures to prevent future occurrence of errors of this nature.

On various occasions timely completion of special projects and other special conditions has required the purchase of supplies on an emergency basis. State Treasurer's Management will impress upon their staff of the importance of adequately planning for services or supplies needed.

The STO will implement a procedure of date stamping all merchandise receipts as received.

99-8 General Fund – Prior Year Reversions

Statement of Condition:

The State Treasurer's Office calculated reversions to the State General Fund for the fiscal years June 30, 1997 and June 30, 1998 in the amounts of \$17,421 and \$4,379, respectively based on their budget reports for those years. However, these amounts have not been paid to the State General Fund as of June 30, 1999.

Criteria:

6-5-10 NMSA 1978 requires all unreserved undesignated fund balances in reverting funds and accounts as reflected in the central financial reporting and accounting system as of June 30, as adjusted, shall revert to the general fund within ten days of release of the audit report for that fiscal year.

Effect:

The prior year reverting funds have not been transferred to the general fund as required by state statute.

Cause:

Management oversight.

Recommendation:

We recommend that the calculated reversion amounts be remitted to the general fund as soon as possible.

Management Response:

The STO will comply with Auditor's recommendation.

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

Status of Prior Year Findings

June 30, 1999

Resolved:

Investment Policy – Competitive Bids
Investment Policy – Other
Reconciliation – Local Government Investment Pool
Collateral – Certificate of Deposit for Charter Bank

Repeated and/or modified:

Funds not maintained in an accounting system
Reconciliation – Total investments to the T-Wars system

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

June 30, 1999

An exit conference was held March 10, 2000 with the following in attendance:

Office of the State Treasurer

Robert E. Vigil
Tomasita Gallegos
Dolores R. Mora
Jacob C. Block
Danny Tinoca
Victor Vigil
Annabel Vigil
Robert Tedrow

Department of Finance and Administration

Jan Goodwin
Scott Stovall
Tom Clifford
Melissa Ortiz

State Auditor's Office

Jo Ann Chavez

Legislative Finance Committee

Manu Patel

Barraclough & Associates, P.C.

John E. Barraclough, Jr.
Candace Hintenach
Georgie Broadie

We acknowledge the courtesy and assistance extended to us during the course of the audit. Should you desire to discuss any of the above matters further, please do not hesitate to contact us.