

STATE OF NEW MEXICO
OFFICE OF THE
STATE TREASURER
Financial Statements
for the Year Ended
June 30, 2008,
and Independent
Auditors' Report

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

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

Official Roster

Year Ended June 30, 2008

Office of the State Treasurer

James B. Lewis, State Treasurer

Mark F. Valdes, Deputy State Treasurer

State Treasurer's Investment Committee

James B. Lewis, Chairman

Joelle Mevi, Vice-chairman, Chief Investment Officer

Steve Bohlin, Member

Paul Cassidy, Member

Olivia Padilla-Jackson, State Board of Finance Member

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the general fund budget comparisons of the State of New Mexico Office of the State Treasurer (State Treasurer) as of and for the year ended June 30, 2008, which collectively comprise the State Treasurer's basic financial statements as listed in the table of contents. We have also audited the Schedules 2 through 5 and Schedules 8 through 9 and Schedule 6 – Summary of Long Term Debt Obligations, as listed in the table of contents and included in the financial statements as supplementary information as of and for the year ended June 30, 2008. These financial statements are the responsibility of the State Treasurer's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the State Treasurer are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the State Treasurer. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2008, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Honorable Bill Richardson, Governor

MEYNEERS + COMPANY, LLC

Certified Public Accountants/Consultants to Business



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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the State Treasurer as of and for the year ended June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, Schedules 2 through 5 and Schedules 8 through 9 and Schedule 6 – Summary of Long Term Debt Obligations referred to above, present fairly, in all material respects, the respective financial and fiduciary funds of the State Treasurer and the long-term debt obligations of the State of New Mexico as of and for the year ended June 30, 2008, and the respective changes in financial position, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008 on our consideration of the State Treasurer's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis presented on pages 4 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the State Treasurer's basis financial statements. Schedules 1, 7 and 10, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Schedules 1, 7 and 10, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mayneiro + Company, LLC

December 15, 2008

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

**Management's Discussion and Analysis
Year Ended June 30, 2008**

The State of New Mexico Office of the State Treasurer's (State Treasurer) Management's Discussion and Analysis (MD&A) is designed to assist the reader in focusing on significant financial issues, provide an overview of the State Treasurer's financial activity, identify changes in the State Treasurer's financial position (ability to address future year challenges), identify any material deviations from the financial plan, and identify any fund issues of concern.

The MD&A is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the State Treasurer's financial statements and notes which follow this section.

Significant Highlights

New Mexico State Treasurer James B. Lewis accepted the recommendations of his Blue Ribbon Commission to provide staff with continuing education and training to further achieve the goals of the State Treasurer's Office. Treasurer Lewis offered to all staff members approximately 12 training and education seminars, including four levels of training in Microsoft Excel and Word applications, supervisory training, orientation on banking operations, trading updates, information technology systems certification, and professional and governmental classes. This continuing education and training has enhanced the skills and performance of State Treasurer's Office staff and management.

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

Treasurer Lewis, his staff, the agency's legal counsel, the State Personnel Office and the labor union have reviewed all existing internal policies and procedures to ensure compliance with state and federal law, the collective bargaining agreement, and State Personnel Board rules. The policy and procedures manuals were reviewed during fiscal year 2008 and are being finalized.

The State Treasurer's Office developed a disaster recovery plan, with a "hot site" location in Albuquerque and received partial funding to implement the plan. Once completed, it will be the first true business continuity plan implemented in the case that an unforeseen disaster at the current office location prevents treasury operations as usual from occurring. The "hot site" location will provide equipment and office space to allow critical staff to perform their banking, investment and administrative functions off site to ensure business continuity.

During fiscal year 2008, the State Treasurer's Office worked with state law enforcement authorities to apprehend suspects engaging in check fraud schemes with the state's bank accounts. A large meeting was

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

Significant Highlights - continued

sponsored by the State Treasurer's Office, which included Attorney General, State Auditor, the DFA, federal, state and local law enforcement and the state's fiscal agent bank to discuss and seek solutions to the bank/check/warrant fraud problem. Subsequently, a large forum sponsored by the Albuquerque Chamber of Commerce was scheduled to raise awareness in the business community about the problem and discuss ways of preventing fraudulent bank transactions using state accounts.

The Cash Management Division solicited additional human resources from various internal and external sources in fiscal year 2008 to assist with the backlog of unreconciled items in the bank reconciliation from prior fiscal years. These resources originated from internal assistance of other divisions, temporary external employee assignments from the DFA and through temporary hires. Steady progress was made on this backlog during fiscal year 2008. The goal was to complete the backlog by early in fiscal year 2009.

The State Treasurer's Office issued two series of Tax and Revenue Anticipation notes in fiscal year 2008, totaling \$700 million. These short term notes are issued to address temporary cash flow needs and to minimize reliance on inter-fund borrowing to cover temporary cash flow deficits in the general fund. Issuing these short-term notes at a tax-exempt rate and reinvesting at higher taxable investment rates generates additional revenue for the state.

In fiscal year 2008, the State Treasurer's Office reviewed, made necessary revisions and received State Board of Finance approval to the State Treasurer's Investment Policy and the Approved Broker/Dealer list. This is done annually as mandated by the State Treasurer's Investment Policy.

The State Treasurer's Office implemented the new state Linked Deposit program that was authorized the 2007 Legislature and signed into law by the Governor. State Treasurer's staff met with the New Mexico Bankers Association and Independent Community Bankers Association to discuss this new program and also the administration of the existing Certificate of Deposit program, where the State Treasurer deposits state funds in banks across the state. These investments in banks provide economic development to communities, statewide.

Financial Highlights

- The State Treasurer's net assets changed by \$149,938,174, and the net assets of the State Treasurer's governmental activities changed by \$149,869,971 due to short-term debt payments of \$775,187,500 due on July 1, 2008.
- The General Fund's main revenue was appropriations, which amounted to ninety-nine percent (99%) of all revenue.

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

Fund Financial Statements - continued

Governmental Funds - continued

The State Treasurer maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, General Obligation Bond Fund, Severance Tax Bond Fund, and the Tax and Revenue Anticipation Notes Fund, all of which are considered to be major funds. The General Obligation and Severance Tax Bond funds combine into a single, aggregated presentation of the activity of each individual bond issue. Individual bond transaction data of these governmental funds is provided in the form of combining statements elsewhere in this report.

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

Fiduciary Funds

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

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a user's full understanding of the data provided in the government-wide and fund financial statements, and begin on page 25 of this report.

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

Other Information

The combining statements referred to earlier in connection with the General Obligation and Severance Tax Bond funds are presented immediately following the notes to the financial statements. Combining statements, schedules of capital assets, and schedules of long-term debt can be found beginning on page 61 of this report. Fiduciary schedules begin on page 80.

Required Supplementary Information (Other than MD&A)

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

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

Government-wide Financial Analysis

Net Assets: Table A-1 summarizes the State Treasurer's net assets for the fiscal year ended June 30, 2008. Total State Treasurer net assets for fiscal year 2008 are \$371,463,933. However, most of those net assets are restricted as to the purposes for which they can be used.

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

	Total	
	2008	2007
Assets:		
Cash, cash equivalents and repurchase agreements	\$ 106,800,299	308,355,701
Due from other agencies	1,014,225,384	41,419,554
Accrued interest and other receivables	3,821,128	51,005
Prepaid expense	96,716,613	-
Capital assets, net	148,206	64,332
Total assets	\$ 1,221,711,630	349,890,592
Current liabilities:		
Accounts payable and other	\$ 850,103,059	128,249,200
Compensated absences, amounts due in one year	144,638	128,967
Compensated absences, amounts due beyond one year	-	-
Total liabilities	850,247,697	128,378,167
Net assets:		
Invested in capital assets	148,206	64,332
Restricted	371,460,365	221,500,961
Unrestricted	(144,638)	(52,868)
Total net assets	371,463,933	221,512,425
Total liabilities and net assets	\$ 1,221,711,630	349,890,592

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the State Treasurer, assets exceeded liabilities by \$371,463,933 at the close of the most recent fiscal year.

By far the largest portion of the State Treasurer's net assets reflects amounts to be provided to satisfy its General Obligation and Severance Tax Bond obligations. It is the responsibility of the State Treasurer to record and administer debt on behalf of the agencies and departments of the State of New Mexico. The proceeds of bond issues authorized by the State Board of Finance are transferred to various State agencies in the form of grants. The State Treasurer anticipates the future tax revenues generated will be adequate to service the debt obligations.

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

Government-wide Financial Analysis - continued

An additional portion of the State Treasurer's net assets, \$371,460,365, represents resources that are subject to external restrictions on their use.

Changes in Net Assets: Governmental activities decreased the State Treasurer's net assets in the governmental financial statements by \$149,938,174. Key elements of this increase are shown in Table A-2.

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

	Total	
	2008	2007
Revenues:		
Federal funds	\$ (4,824)	(4,768)
State appropriation	(4,385,800)	(4,236,000)
Interest income	(58,303,246)	(65,753,769)
Total revenues	(62,693,870)	(69,994,537)
Expenses:		
Current:		
Personnel services and employee benefits	3,183,521	2,809,380
Operating costs	690,294	1,061,628
Contractual services	364,250	356,833
Debt Service:		
Interest on debt service activity	468,316,600	431,918,294
Principal on debt service activity	875,960,000	86,943,022
Other charges	761,411	1,415,504
Non-operating (revenue) and expense	(1,136,644,032)	(481,042,109)
Total expenses	212,632,044	43,462,552
Change in net assets	149,938,174	26,531,985
Net assets, beginning, restated	221,525,759	194,980,440
Net assets, ending	\$ 371,463,933	221,512,425

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the State Treasurer's governmental funds reported combined ending fund balances of \$371,460,365, an increase of \$149,869,971 in comparison with the prior year. This increase includes an adjustment to prior period of \$13,334. The primary reason for the significant increase in the overall change in net assets is the increase in severance tax receipts.

The fund balance of the State Treasurer's general fund increased by \$15,304 during the current fiscal year. This was not a significant change from the prior year.

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

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget.

There were no significant variances between final budget amounts and actual budget results for the General Fund. The General Fund actual expenditures were less than the final budgeted amounts by one percent (1%). There were no significant variances between final budget amounts and actual budget results for the General Fund.

Capital Assets and Debt Administration

Capital Assets. The State Treasurer's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$148,206, net of accumulated depreciation. This investment in capital assets includes equipment. The State Treasurer's capital assets increased by \$87,637, mainly due to purchases of capital assets.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Management's Discussion and Analysis - continued
Year Ended June 30, 2008

Capital Assets and Debt Administration - continued

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

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

Long-Term Debt. For the year ended June 30, 2008, the State Treasurer was responsible for administering debt service payments on total bonded debt outstanding of \$1,322,657,208, all of which is secured by pledged tax revenues. More detailed information about the State Treasurer's long-term debt is presented in Note 5 to the financial statements and Schedule 6. Long-term debt increased by \$99,583,663 from the prior year due to three new bonds issued in fiscal year ended June 30, 2008.

	<u>Total</u>	
	<u>2008</u>	<u>2007</u>
General Obligation Bonds	\$ 456,709,904	438,756,876
Severance Tax Bonds	<u>865,947,304</u>	<u>784,316,669</u>
Total principal balances	\$ <u>1,322,657,208</u>	<u>1,223,073,545</u>

Economic Factors and Next Year's Budgets and Rates

- Additional resources were added to improve the investment function. A portfolio manager was added to manage the new bond proceeds portfolio. Additionally, a new financial analyst will be added to provide analytical and accounting support. A new electronic trading platform (Trade Web) was initiated to allow transparent, competitive investment trades. The Local Government Investment Pool received its maiden rating (AAAm) from Standard & Poor's. These additional resources greatly benefited the investment function of the State Treasurer.
- The State Treasurer contracted for a higher level of legal services to assist with investment and other internal policy updates, provide legal counsel for various personnel lawsuits and grievance hearings, and draft proposed legislation and other miscellaneous legal advice.
- The State Treasurer added resources to implement numerous recommendations included in the forensic audit prepared by Deloitte.
- The State Treasurer initiated personnel, system, facility and security recommendations made by the Office of the Chief Information Officer.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Management's Discussion and Analysis - continued
Year Ended June 30, 2008

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

- The State Treasurer reduced IT budget based on decommissioning of TRACS and recognized staffing efficiencies in banking operations due to SHARE implementation.

These factors were considered in preparing the State Treasurer's budget for fiscal year 2009.

Contacting the State Treasurer's Financial Management

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

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

FINANCIAL STATEMENTS

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

Statement of Net Assets

AS OF JUNE 30, 2008

**Governmental
Activities**

ASSETS:

Investment in State General Fund Investment Pool	\$	651,498
Repurchase agreements		106,148,801
Due from other agencies		1,014,225,384
Accrued interest receivable		3,820,667
Other receivables		461
Prepaid expense		96,716,613
Capital assets, net of accumulated depreciation (Note 4):		
Equipment		148,206

TOTAL ASSETS \$ 1,221,711,630

LIABILITIES AND NET ASSETS:

Accounts payable	\$	775,630,446
Accrued payroll		116,528
Accrued payroll taxes		64,741
Due to Interest in State Funds Investment Pool		11,893,123
Due to State General Fund		242,340
Due to Severance Tax Permanent Fund		-
Due to other agencies		1,215
Compensated absences		144,638
Deferred revenue		62,154,666

TOTAL LIABILITIES 850,247,697

NET ASSETS:

Invested in capital assets		148,206
Restricted for:		
Debt service		369,987,569
Debt service-arbitrage		1,472,796
Unrestricted		(144,638)

TOTAL NET ASSETS 371,463,933

TOTAL LIABILITIES AND NET ASSETS \$ 1,221,711,630

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Statement of Activities

YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenue	Net (Expenses) Revenue and Changes in Net Assets Primary Government
PRIMARY GOVERNMENT:			
GOVERNMENTAL ACTIVITIES:			
General government	\$ 5,003,239	4,824	(4,998,415)
Interest on debt service activity	468,316,600	-	(468,316,600)
Depreciation	<u>24,853</u>	-	<u>(24,853)</u>
TOTAL GOVERNMENTAL ACTIVITIES	473,344,692	4,824	(473,339,868)
GENERAL REVENUES:			
			56,195,565
State property tax levy			598,578,767
Severance taxes			6,168,350
Other taxes			-
Capital projects, reversions in Severance tax permanent fund, reversions out			-
Reversions to State General Fund FY08			(40,436)
Interest			58,303,246
UNRESTRICTED INVESTMENT EARNINGS			
BOND ACTIVITY:			
			459,250
Bond proceeds			-
Bond premiums			(875,960,000)
Bond principal payments			-
Bond appropriations expense			775,187,500
Other proceeds			
TRANSFER FROM STATE AGENCY:			
State general fund appropriations			<u>4,385,800</u>
TOTAL GENERAL REVENUES AND TRANSFERS			<u>623,278,042</u>
CHANGE IN NET ASSETS			149,938,174
NET ASSETS, BEGINNING			221,512,425
PRIOR PERIOD ADJUSTMENTS			<u>13,334</u>
NET ASSETS, BEGINNING, restated			<u>221,525,759</u>
NET ASSETS, ENDING			\$ <u>371,463,933</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2008

	Major Funds					Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	Tax & Revenue Anticipation Notes	Gaming Suspense Fund	
ASSETS:						
Investment in State General Fund						
Investment Pool	\$ 566,180	-	-	-	85,318	651,498
Repurchase agreements	-	53,160,957	52,987,844	-	-	106,148,801
Other receivables	461	-	-	-	-	461
Due from other agencies	-	-	239,037,884	775,187,500	-	1,014,225,384
Interest receivable	-	603,542	3,217,125	-	-	3,820,667
Prepaid expense	-	-	96,716,613	-	-	96,716,613
TOTAL ASSETS	\$ 566,641	53,764,499	391,959,466	775,187,500	85,318	1,221,563,424
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable	\$ 228,350	-	214,596	775,187,500	-	775,630,446
Due to Severance Tax Permanent Fund	-	-	-	-	-	-
Due to other agencies	-	-	1,215	-	-	1,215
Due to Interest on State Funds						
Investment Pool	-	-	11,893,123	-	-	11,893,123
Due to State General Fund	157,022	-	-	-	85,318	242,340
Deferred Revenue	-	-	62,154,666	-	-	62,154,666
Accrued payroll	116,528	-	-	-	-	116,528
Accrued payroll taxes	64,741	-	-	-	-	64,741
TOTAL LIABILITIES	566,641	-	74,263,600	775,187,500	85,318	850,103,059
FUND BALANCES:						
Reserved for:						
New Mexico Business Development Corp.	-	-	-	-	-	-
Debt service	-	52,291,703	317,695,866	-	-	369,987,569
Arbitrage	-	1,472,796	-	-	-	1,472,796
Unreserved, reported in general fund	-	-	-	-	-	-
Unreserved, reported in:						
Gaming Suspense Fund	-	-	-	-	-	-
Taxation & Revenue Anticipation Notes	-	-	-	-	-	-
TOTAL FUND BALANCES	-	53,764,499	317,695,866	-	-	371,460,365
TOTAL LIABILITIES AND FUND BALANCES	\$ 566,641	53,764,499	391,959,466	775,187,500	85,318	1,221,563,424

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

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

YEAR ENDED JUNE 30, 2008

Total Fund Balance - Governmental Funds
(Governmental Fund Balance Sheet)

\$ 371,460,365

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

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

148,206

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

_____(144,638)

Net assets of governmental activities (Statement of Net Assets)

\$ 371,463,933

YEAR ENDED JUNE 30, 2008

	Major Funds	
	General Fund	General Obligation Bond Fund
REVENUES:		
Federal funds	\$ 4,824	-
Other income	-	-
Interest income	-	-
Interest income - debt service	-	10,537,730
Interest income - arbitrage	-	-
TOTAL REVENUES	4,824	10,537,730
EXPENDITURES:		
Current:		
Personnel services and employee benefits	3,167,850	-
Operating costs:		
Contractual services	364,250	-
Other administrative expenditures	690,294	-
Debt service:		
Principal and interest on long-term debt	-	66,317,413
Principal and interest on short-term debt	-	-
Arbitrage	-	-
Other charges	-	3,314
Capital outlay	112,490	-
TOTAL EXPENDITURES	4,334,884	66,320,727
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,330,060)	(55,782,997)
OTHER FINANCING SOURCES (USES):		
State general fund appropriations	4,262,400	-
Special appropriation	123,400	-
Reversions to State General Fund FY08	(40,436)	-
Severance taxes	-	-
State property tax levy	-	56,195,565
Bond proceeds	-	-
Other proceeds	-	-
Bond premiums (discounts)	-	-
Other	-	2,181,344
Capital projects, reversions in	-	-
Payment to escrow agent	-	-
Miscellaneous other sources	-	-
Severance tax permanent fund, reversions out	-	-
Transfers in (out)	-	-
Transfer to other state agency	-	-
TOTAL OTHER FINANCING SOURCES (USES)	4,345,364	58,376,909
NET CHANGE IN FUND BALANCES	15,304	2,593,912
FUND BALANCES, June 30, 2007	76,099	51,170,587
PRIOR PERIOD ADJUSTMENTS	(91,403)	-
FUND BALANCES, JUNE 30, 2007, restated	(15,304)	51,170,587
FUND BALANCES, June 30, 2008	\$ -	53,764,499

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

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

Severance Tax Bond Fund	Tax & Revenue Anticipation Notes	Total Governmental Funds
-	-	4,824
-	-	-
-	-	-
47,765,516	-	58,303,246
<u>-</u>	<u>-</u>	<u>-</u>
47,765,516	-	58,308,070
-	-	3,167,850
-	-	364,250
-	-	690,294
129,095,766	-	195,413,179
373,675,921	775,187,500	1,148,863,421
-	-	-
758,097	-	761,411
<u>-</u>	<u>-</u>	<u>112,490</u>
<u>503,529,784</u>	<u>775,187,500</u>	<u>1,349,372,895</u>
(455,764,268)	(775,187,500)	(1,291,064,825)
-	-	4,262,400
-	-	123,400
-	-	(40,436)
598,578,767	-	598,578,767
-	-	56,195,565
459,250	-	459,250
-	775,187,500	775,187,500
-	-	-
-	-	2,181,344
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
3,987,006	-	3,987,006
<u>603,025,023</u>	<u>775,187,500</u>	<u>1,440,934,796</u>
147,260,755	-	149,869,971
170,330,374	-	221,577,060
104,737	-	13,334
<u>170,435,111</u>	<u>-</u>	<u>221,590,394</u>
<u>317,695,866</u>	<u>-</u>	<u>371,460,365</u>

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

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities - Governmental Funds**

YEAR ENDED JUNE 30, 2008

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ 149,869,971

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

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

This is the amount by which capital outlay expense of \$112,490 exceeded depreciation expense of \$24,853 in the current period: 87,637

This is the amount by which capital asset deletions of \$18,919 exceeded adjustments to accumulated depreciation of \$15,156 in the current period: (3,763)

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

Increase in compensated absences (15,671)

Change in net assets of governmental activities \$ 149,938,174

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

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

YEAR ENDED JUNE 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(GAAP Basis)	Positive (Negative)
REVENUES:				
State General Fund appropriation	\$ 4,262,400	4,262,400	4,262,400	-
Special appropriation	123,400	123,400	123,400	-
Supplemental appropriation	-	-	-	-
Federal grants	4,284	4,284	4,824	540
Other	-	-	-	-
TOTAL REVENUES	\$ 4,390,084	4,390,084	4,390,624	540
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 3,077,100	3,177,100	3,167,850	9,250
Contractual services	354,000	381,000	364,250	16,750
Operating costs	958,984	831,984	802,787	29,197
TOTAL EXPENDITURES	4,390,084	4,390,084	4,334,887	55,197
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)	\$ -	-	55,737	55,737
RECONCILIATION TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE				
REVENUES AND OTHER FINANCING SOURCES:				
State General Fund Appropriations, page 19			\$ 4,262,400	
Special Appropriation, page 19			123,400	
Federal Grant Revenue, page 19			4,824	
TOTAL REVENUES PER ABOVE			\$ 4,390,624	
EXPENDITURES, page 19			\$ 4,334,884	
ROUNDING DIFFERENCE				3
TOTAL EXPENDITURES PER ABOVE			\$ 4,334,887	

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

Statement of Fiduciary Net Assets

AS OF JUNE 30, 2008

	<u>Investment Trust Fund</u>
ASSETS:	
Cash and investments:	
Cash	\$ 581,871
Certificates of Deposit	201,800,000
Institutional Money Market	1,232,593,000
Commercial Paper	222,084,054
U.S. Government Securities	2,655,098,324
Corporate Bonds	236,711,386
Municipal Bonds	37,000,000
Flex Repurchase Agreements	-
Repurchase agreements	<u>918,851,199</u>
Total cash and investments	5,504,719,834
Other assets	<u>56,205,445</u>
TOTAL ASSETS	\$ <u>5,560,925,279</u>
LIABILITIES:	
Other liabilities	\$ <u>-</u>
TOTAL LIABILITIES	-
NET ASSETS HELD IN TRUST	<u>5,560,925,279</u>
TOTAL LIABILITIES AND NET ASSETS HELD IN TRUST	\$ <u>5,560,925,279</u>

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

Statement of Changes in Fiduciary Net Assets

AS OF JUNE 30, 2008

	<u>Investment Trust Fund</u>
INVESTMENT INCOME	\$ 212,343,573
EXPENSES:	
Management fees	<u>(384,000)</u>
NET INVESTMENT INCOME	211,959,573
NET PROCEEDS OF DEPOSITS (WITHDRAWALS)	443,433,690
NET ASSETS, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2007	<u>4,905,532,016</u>
NET ASSETS, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2008	\$ <u>5,560,925,279</u>

NATURE OF ORGANIZATION

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

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

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

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

NATURE OF ORGANIZATION – continued

- (7) Section 6-10-10.1 NMSA 1978. 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 are made available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the State Treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.
 - d. The local public body finance official shall specify the length of time each deposit shall be in the short-term investment fund, but in any event the deposit shall not be made for more than thirty days. The State Treasurer, through the use of the State fiscal agent, shall separately track each such deposit and shall make such information available to the public upon written request.
 - e. The State Treasurer shall invest the fund as provided for State funds under Section 6-10-10 NMSA 1978 and may elect to have the short-term investment fund consolidated for investment purposes with the State funds under the control of the State Treasurer, provided that accurate and detailed accounting records are maintained for the account of each participating entity and Indian tribe or pueblo and that a proportionate amount of interest earned is credited to each of the separate government accounts. The fund shall be invested to achieve its objective, which is to realize the maximum return consistent with safe and prudent management.

NATURE OF ORGANIZATION – continued

- f. At the end of each month, all interest earned from investment of the short-term investment fund shall be distributed by the State Treasurer to the contributing entities and Indian tribes or pueblos in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. No fees or transfer expenses shall be charged to the participating entities and Indian tribes or pueblos for investment in the short-term investment fund.

The State Treasurer is responsible for making the State of New Mexico's debt service and interest payments on general obligation and severance tax bonds and maintaining the related accounting records. The proceeds from the issuance of these general obligation and severance tax bonds and the related debt are maintained in agency funds at the DFA and are not part of this audit. Those funds are included in the DFA's financial statements. The debt service activity, including the ending balances for the general obligation and severance tax bonds and the amortization of bond premiums, discounts and issuance costs, are included in the Supplementary Information section of this report and the statewide Comprehensive Annual Financial Report (CAFR).

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

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

Oversight by the State Board of Finance

The State Board of Finance (Board) by statute is comprised of the State of New Mexico governor, lieutenant governor, State treasurer and four members from the general public, and each is a voting member of the Board.

The Board has the responsibility for the issuance of the general obligation and severance tax bonds and for the investment and distribution of the proceeds from such bonds. In that regard, the Board approves the issuance of all such bonds, and provides information for bond prospectuses in order to ensure compliance with financial disclosure requirements and to present information concerning bond issues in a meaningful and informative format. Debt Service Funds are maintained by the State Treasurer for Bonds issued by the Board. The State Treasurer does not report the corresponding debt. The debt is reported on the statement of the Board. The details of the debt are reported in the supplementary and additional information sections in this report.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

• **Financial Reporting Entity**

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is funded through the 2007 General Appropriation Act (Laws of 2007, Chapter 3, Section F) and is subject to reversion.

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

The General Obligation Bond Fund accounts for payment of principal and interest on general obligation bonds. Financing sources are provided through the collection of property tax levies by other State agencies. The fund does not receive State General Fund appropriations that are subject to reversion.

The Severance Tax Bond Fund accounts for tax receipts levied by other State agencies upon natural resource products, severed and saved from the lands of the State of New Mexico, and to account for payment of principal and interest on severance tax bonds. The fund does not receive State General Fund appropriations that are subject to reversion.

The Taxation and Revenue Anticipation Notes (TRANS) Fund (SHARE Fund 32300) was established to account for the transactions related to the issuance of Taxation and Revenue Notes. The fund does not receive State General Fund appropriations that are subject to reversion.

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

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

Debt Service Funds - continued:

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

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

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

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

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

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

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

• **Deposits and Investments**

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

State statutes authorize the State Treasurer to invest in, subject to various restrictions, U.S. government obligations, commercial paper, corporate bonds, asset backed obligations, repurchase agreements, certificates of deposit, securities lending transactions, variable rate notes, tax-exempt securities and money market mutual funds.

• **Receivables and Payables**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Receivables and Payables - continued**

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

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

• **Capital Assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

• **Compensated Absences**

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

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

• **Compensated Absences - continued**

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

• **Long-term Obligations**

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

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

Since the State Treasurer reports the debt service activity in its fund financial statements, but does not report the related liabilities in the governmental activities, the State Treasurer reports the debt service activity of the State of New Mexico in its government-wide financial statements under general revenues and program expenses as follows:

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- Long-term Obligations - continued

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

- Fiduciary Net Assets

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

- Fund Equity

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

- Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

- Net Assets

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

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

Restricted assets are liquid assets (generated from revenues and not bond proceeds) which have third-party (statutory or granting agency) limitation on their use. When there is an option, the State Treasurer spends restricted resources first. Net assets are restricted by the bond indenture for debt service. Restricted net assets total \$274,743,752.

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

• **Budgets and Budgetary Accounting**

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

1. By September 1, the State Treasurer prepares a budget appropriation request by category to be presented to the next legislature.
2. The appropriation request is submitted to the DFA's Budget Division and to the Legislative Finance Committee (LFC).
3. The DFA makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the Legislature.
4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budgetary control is exercised at the category level of the State Treasurer as a whole and changes are approved by the DFA.
7. Formal budgetary integration is employed as a management control device during the year for the General Fund only. The debt service funds (General Obligation Bond Funds and Severance Tax Bonding Funds) are non-budgeted funds.
8. The General Appropriations Act of 2004 established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico beginning July 1, 2004. Accordingly, future budgets will be prepared using the modified accrual basis of accounting.
9. The State Treasurer's budget for the fiscal year ending June 30, 2008, was amended in a legally permissible manner by reallocating line item category totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.

3. DEPOSITS AND INVESTMENTS

- **Fiscal Agent Bank**

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

- **Custody Bank**

The State Board of Finance and Northern Trust entered into an agreement whereby Northern Trust would provide banking services as Custody Bank for the State of New Mexico through January 31, 2008, with the option to renew for two additional years at the option of the State Board of Finance.

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

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

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

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$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 fifty percent (50%) to one hundred two percent (102%) of the par value of the investment dependent upon the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50 percent (50%) of the average investment balance.

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

Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• **Investment Trust Fund – continued**

At June 30, 2008, collateral pledged to public money deposits was as follows:

	Fiscal Agent Account	Certificates of Deposit
Cash in bank	\$ 75,406,713	201,800,000
Less FDIC insurance coverage	100,000	1,248,991
Total unsecured public funds	\$ 75,306,713	200,551,009
Collateral requirement (50% of uninsured public funds)	\$ 37,653,356	109,275,505
Collateral pledged:		
US Government securities	43,399,383	113,679,179
Surety Bond	-	42,000,000
(Over) under collateralized	\$ (5,746,027)	(46,403,674)

• **Brokered Transactions**

The State Treasurer initiated electronic purchase trades with the following brokers during the year ended June 30, 2008:

Broker Name	Number of Transactions
Merrill Lynch	24
CS First Boston	18
Citigroup	10
Lehman Bros.	15
Morgan Stanley	22
Bank of America	14
Goldman Sachs	5
JP Morgan Chase	34
Cantor Fitzgerald	16
FTN	14
Bear Stearns	24
UBS	12

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

Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• **Brokered Transactions - continued**

<u>Broker Name</u>	<u>Number of Transactions</u>
Greenwich Capital	1
BB&T Capital	1
Morgan Keegan	4
Williams Financial	1
Piper Jaffrey	4
Jackson Securities	5
Stiffel Nicolaus	3
Jeffries	3
MFR	4
HSBC	12
Deutsche	12

• **Investment Balances**

The fair value of investments administered by the State Treasurer at June 30, 2008 follows:

	<u>Amortized Cost</u>	<u>Carrying Amount Fair Value</u>
Cash in Banks	\$ 581,871	581,871
Certificates of Deposit	201,800,000	201,800,000
Institutional Money Market	1,232,593,000	1,232,593,000
Commercial Paper	222,515,000	222,084,054
U.S. Government Securities	2,625,302,074	2,655,098,324
Corporate Bonds	236,711,386	236,711,386
Municipal Bonds	37,000,000	37,000,000
Overnight Repurchase Agreements	<u>1,025,000,000</u>	<u>1,025,000,000</u>
	<u>\$ 5,581,503,331</u>	<u>5,610,868,635</u>

The fair value includes repurchase agreements of \$126,836,261 of debt service funds reported in the Statement of Net Assets – Governmental Activities and Governmental Funds Activity for general obligation funds, severance tax bond funds, and taxation and revenue anticipation notes fund. The remaining \$898,163,739 represents the investment portion of the investment trust fund reported in the Statement of Fiduciary Net Assets.

3. DEPOSITS AND INVESTMENTS – continued

• **Local Government Investment Pool**

Cities, counties, and other non-state agencies invest monies in the State Treasurer external investment pool (Local Government Investment Pool). The investments are recorded at fair value based on quoted market prices as of the valuation date in the financial statements; however, the individual participant balances remain at their carrying cost. At June 30, 2008, the Local Government Investment Pool carrying cost approximated the fair value.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10.1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States or are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other State investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary.

• **Investment Guidelines and Limitations**

The investment policy is a comprehensive guide governing the investment functions of the New Mexico State Treasurer with respect to all financial assets of the State of New Mexico invested by the State Treasurer in the exercise of his authority and for which the State Treasurer acts as the investing authority. These assets include, as examples only, the State General Fund, the Local Government Investment Pool, bond proceeds, bond debt service funds, and those pension and permanent funds and other special funds with respect to which the State Treasurer is the investing authority.

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

1. Preservation of Principal – to ensure the performance of basic governmental functions, clearly the highest priority must be accorded to the preservation and protection of capital or the principal of the funds and other assets to be invested;
2. Maintenance of Liquidity – similarly, the next level of priority must be accorded to maintaining sufficient liquidity to ensure the immediate availability of public funds to satisfy the reasonably anticipated, continuing operational requirements of State Government; and

3. DEPOSITS AND INVESTMENTS – continued

• **Investment Guidelines and Limitations - continued**

3. Maximum Return – to serve the legislative policy of revenue enhancement, third priority will be accorded to maximizing investment yield, through budgetary and economic cycles, consistent with the higher priority accorded to the security and liquidity of principal.

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

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

• **Investments Permitted by Policy**

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

In this regard, the State Treasurer has determined that only the following statutorily authorized investments may presently be made, and these investments shall be subject to such further limitations or restrictions as follows:

1. U.S. Government Obligations – Securities, including discount notes, that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies sponsored by the United States government. Investments shall be limited to a maximum maturity of five (5) years at time of purchase, except securities for any advanced refunding escrow with a duration of more than five (5) years.

3. DEPOSITS AND INVESTMENTS – continued

• **Investments Permitted by Policy - continued**

2. Commercial Paper – Unsecured obligations with a maturity up to 270 days at time of purchase issued by corporations organized and operating within the United States. The commercial paper shall have short-term credit ratings of A-1, P-1 or equivalent or better by two national rating services. If the rating declines below A-1, P-1, then the State Treasurer’s Investment Committee (STIC) will meet to evaluate a course of action.
3. Corporate Bonds – Debt instruments issued by a corporation organized and operating in the United States with a maturity not exceeding five (5) years at time of purchase and at the time of purchase rated A or its equivalent or better by Standard & Poor’s and/or Moody’s. If the rating declines below A- or A3, then the STIC will meet to evaluate a course of action.
4. Asset-Backed Obligations – Debt instruments which are backed by defined cash flows or receivables with a final maturity not exceeding five (5) years at time of purchase and rated AAA, or its equivalent by Standard & Poor’s and/or Moody’s. If the rating declines below AAA, then the STIC will meet to evaluate a course of action.
5. Repurchase Agreements – Contracts for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the State. No such contract shall be invested in unless the contract is fully secured by deliverable obligations of the United States or other securities backed by the United States having a market value of at least one hundred two percent (102%) of the amount of the contract. Repurchase agreements and flexible repurchase agreements shall be limited to a maximum maturity of one (1) year, but flexible repurchase agreements, in which bond proceeds are invested, may have a maximum maturity of three (3) years. Repurchase agreements for the Local Government Investment Pool shall be limited to a maximum maturity of thirty (30) days, although any underlying U.S. government obligations may have maturities extending beyond the term of such repurchase agreements. Subject to these conditions and the prior approval of the State Board of Finance with respect to the custodial undertaking agreement, tri-party repurchase agreements are proper investments under this policy.
6. Bank, Savings and Loan Association or Credit Union Deposits – Deposits are allowed in certified and designated New Mexico financial institutions whose deposits are insured by an agency of the United States. All deposits will comply with the Interest Rate and Collateral Policies adopted by the State Board of Finance. Deposits shall be limited to a maximum maturity of three (3) years. A deposit in any credit union shall be limited to the amount insured by an agency of the United States.

3. DEPOSITS AND INVESTMENTS – continued

• **Investments Permitted by Policy – continued**

7. Variable Rate Notes – Variable rate notes (VRN) may be United States government obligations, commercial paper, corporate bonds or repurchase agreements. The use of VRNs is considered to be prudent in the management of the portfolio within certain maturity, indexing and concentration restrictions.
8. Tax Exempt Securities – Pursuant to 6-14-10.1, the State Treasurer or designee may also invest in tax exempt securities that at time of purchase are rated in any of the three highest major rating categories by one or more national rating agencies and have a final maturity of up to three (3) years. If the rating declines below A, then the STIC will meet to evaluate a course of action.
9. Money Market Mutual Funds – Shares of an open-end money market mutual fund, registered under the Federal Investment Company Act of 1940 and managing total assets of at least one billion dollars (\$1,000,000,000), that invests in United States fixed income securities or debt instruments specified in Subsections I, J and N of Section 6-10-10 NMSA 1978, provided that the investments made by the State Treasurer in any particular money market mutual fund are less than five percent (5%) of the assets of the investment company. In addition, the State Treasurer may act as the investing authority for those agencies which have independent statutory authority to invest. The State Treasurer shall act in a manner consistent with each agency's guidelines and directives.

• **Unauthorized Investments/Investment Actions**

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

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

3. DEPOSITS AND INVESTMENTS – continued

• **Custodial Credit Risk**

Custodial credit risk is the risk that the State Treasurer will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of State Treasurer and are held by either the counterparty of the counterparty's trust department of agent but not in State Treasurer's name.

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

All investment and collateral securities were held by the State Treasurer or its Custodian in the name of the State Treasurer. As of June 30, 2008, the State Treasurer's bank balances were not exposed to custodial credit risk.

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

Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS – continued

• **Credit Risk**

The State Treasurer’s fixed income portfolio investment policy sets credit quality rating guidelines and benchmark indices for each of its sub-asset classes and/or as outlined in each portfolio manager contract. The quality rating of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor’s) at June 30, 2008, are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA:		
U.S. Government Agency Obligations	\$ 2,655,098,324	47.32%
Institutional Money Market Funds	1,232,593,000	21.97%
A-1+:		
Commercial Paper	222,084,054	3.96%
AA:		
Corporate Bonds	236,711,386	4.22%
Not rated and other:		
Overnight Repurchase Pool	1,025,000,000	18.27%
Short-term Government Notes and CDs	238,800,000	4.26%
Cash in Bank	581,871	-
Grand Total	\$ 5,610,868,635	100.00%

• **Concentration of Credit Risk**

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

1. Investment maturities will be staggered to avoid undue concentration of assets in a specific maturity sector and to reflect cash flow requirements.
2. Investment in callable instruments is permitted for the State General Fund, but the amount invested in callable instruments should not exceed the range of twenty to twenty-five percent (20% to 25%) of the total amount invested from the State General Fund. Investment in callable investments is prohibited for Tax and Revenue Anticipation Note proceeds (and any other liquidity vehicle), and such pension and permanent fund monies with respect to which the State Treasurer is the investing authority.

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

Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• **Concentration of Credit Risk – continued**

3. The maximum level of CD deposits for the entire portfolio shall be \$350 million with not more than \$30 million in any single financial institution. The State Board of Finance urges banks to loan this money out in their respective local communities to spur economic development.
4. Investments in commercial paper, corporate bonds and asset-backed obligations shall not exceed forty percent (40%) of assets of a fund. Commercial paper and corporate bonds shall be limited, per issuer, to five percent (5%) of each portfolio.
5. Investments purchased with Tax Revenue Anticipation Note proceeds will be excluded from State General Fund investments for the purpose of determining investment allocation limits.
6. Investment in US Agency securities issued by any single agency shall be limited to thirty-five percent (35%) of the combined portfolios and investment in repurchase agreements from any single provider shall be limited to twenty-five percent (25%) of the combined portfolios.
7. Investment in rule 2a-7 compliant money market mutual funds shall be limited to five percent (5%) of that money market mutual fund.

The following lists investments with a single issuer at a percentage of total:

Quality Rating	Fair Value	Percentage of Portfolio
US Government Agency Obligations:		
FHLB	\$ 719,336,377	12.82%
FHLMC	848,871,826	15.13%
FNMA	732,061,331	13.05%
FFCB	140,787,320	2.51%
Tennessee Valley Authority	5,967,464	0.11%
SLGS	20,687,463	0.36%
US Treasuries	187,386,543	3.34%
Overnight Repurchase Pool	1,025,000,000	18.27%
Corporate Bonds	236,711,386	4.22%

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

Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• **Concentration of Credit Risk – continued**

Quality Rating	Fair Value	Percentage of Portfolio
Commercial Paper	\$ 222,084,054	3.96%
Institutional Money Market	1,232,593,000	21.97%
Short-term Government Notes & CDs	238,800,000	4.26%
Cash in Bank	581,871	-
Grand Total	\$ 5,610,868,635	100.00%

• **Interest Rate Risk**

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

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

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• Interest Rate Risk – continued

Maturities on investment are as follows:

Quality Rating	Fair Value	Maturities	
		Less Than 1 Year	1 – 5 Years
AAA:			
U.S. Government Agency Obligations	\$ 2,655,098,324	1,331,066,808	1,324,031,516
Institutional Money Market	1,232,593,000	1,232,593,000	-
A-1+:			
Commercial Paper	222,084,054	222,084,054	-
AAA:			
Corporate Bonds	41,902,700	31,644,200	10,258,500
AA:			
Corporate Bonds	129,504,168	9,985,500	119,518,668
A:			
Corporate Bonds	65,304,518	-	65,304,518
Not rated and other:			
Overnight Repurchase Pool	1,025,000,000	1,025,000,000	-
Short-term Government Notes & CDs	238,800,000	238,800,000	-
Cash in Bank	581,871	581,871	-
Grand Total	\$ 5,610,868,635	4,091,755,433	1,519,113,202

• Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Treasurer's investment policy does not have a specific policy on foreign currency risk. However, the listing of permissible investments includes descriptions on the limitations related to each investment type.

All holdings at June 30, 2008, were denominated in United States Dollars.

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

Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• **Securities Collateral**

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

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

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

Quality Rating	Fair Value	Percentage of Portfolio
AAA:		
US Government Agency Obligations	\$ 1,025,000,000	100.00%
US Treasury Notes	-	-
Grand Total	\$ 1,025,000,000	100.00%

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

Notes to Financial Statements - continued

3. DEPOSITS AND INVESTMENTS - continued

• **Securities Collateral - continued**

Maturities on collateral are as follows:

Quality Rating	Fair Value	Maturities		
		1-5 Years	1-10 Years	11-20 Years
AAA:				
US Government Mortgage Backed Securities	\$ 1,025,000,000	-	-	1,025,000,000
US Treasury Notes	-	-	-	-
Grand Total	\$ 1,025,000,000	-	-	1,025,000,000

Schedule 10 discloses collateral pledged for repurchase agreements.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance June 30, 2008</u>
Governmental activities:				
Non-depreciable assets:				
Construction in Progress (CIP)	\$ -	112,490	-	112,490
Depreciable assets:				
Equipment	\$ <u>277,210</u>	<u>-</u>	<u>18,919</u>	<u>258,291</u>
Total capital assets:	\$ <u>277,210</u>	<u>112,490</u>	<u>18,919</u>	<u>370,781</u>
Less accumulated depreciation:				
Equipment	\$ <u>212,878</u>	<u>24,853</u>	<u>15,156</u>	<u>222,575</u>
Total	\$ <u>64,332</u>	<u>87,637</u>	<u>3,763</u>	<u>148,206</u>

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

Governmental activities:

General government \$ 24,853

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Notes to Financial Statements - continued

5. LONG-TERM OBLIGATIONS

• **Compensated Absences**

As in prior years, the general fund is used to liquidate compensated absences. Following are the changes in compensated absences for the year ended June 30, 2008:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Compensated absences: \$	<u>128,967</u>	<u>149,869</u>	<u>134,198</u>	<u>144,638</u>	<u>144,638</u>

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

Notes to Financial Statements - continued

6. CONDENSED FINANCIAL STATEMENTS

Condensed financial statements of the Investment Trust Fund, inclusive of external and internal participants for the fiscal year ended June 30, 2008, are as follows:

ASSETS:

Investments	\$ 5,504,719,834
Interest receivable	<u>56,205,445</u>

TOTAL ASSETS	\$ <u>5,560,925,279</u>
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LIABILITY:

Other liabilities	\$ -
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NET ASSETS:

External Participant account balances	1,674,193,957
Other Internal Participant account balances:	
Primary government	3,857,366,018
Undistributed reserves and unrealized gains (losses)	<u>29,365,304</u>

TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,560,925,279</u>
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INVESTMENT INCOME

At June 30, 2008, the State Treasurer's investment income earnings were as follows:

Local Governmental Investment Pool	\$ 50,892,896
Consolidated Investment Pool	54,493,062
State Funds Investment Pool	106,957,615
Unrealized loss	<u>-</u>
	\$ <u>212,343,573</u>

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

Notes to Financial Statements - continued

7. APPROPRIATIONS

The State Treasurer received the following appropriations for the year ended June 30, 2008:

<u>General Fund</u>	
General appropriation, (General Appropriation Act)	\$ 4,262,400
Special appropriation	<u>123,400</u>
Total appropriations	\$ <u>4,385,800</u>

The State Treasurer's Office received a special appropriation, Law 2007, Chapter 3, Section F, to fund compensation for fiscal year 2008.

8. COLLATERAL IN TRUST

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

9. DUE TO SEVERANCE TAX PERMANENT FUND AND REVERSIONS

The State Treasurer is required by statute (Section 7-27-8 NMSA 1978, 1986 Repl.) to transfer to the Severance Tax Permanent Fund, all monies in the Severance Tax Bonding Fund, except the amount necessary to meet principal and interest payments on bonds payable of the next two ensuing semi-annual payment dates. No balance remained in the Severance Tax Bonding Fund that was due and payable to the Severance Tax Permanent Fund for the fiscal year ended June 30, 2008.

10. ARBITRAGE ON TAX EXEMPT BONDS

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

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

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

Notes to Financial Statements - continued

10. ARBITRAGE ON TAX EXEMPT BONDS - continued

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

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

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

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

Notes to Financial Statements - continued

10. ARBITRAGE ON TAX EXEMPT BONDS - continued

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

Interest earnings on invested bond proceeds through June 30, 2008 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.

11. TRANSFERS

Interfund Transfers

Interfund transfers are completed to move revenue from Fund 410, Severance Tax Bonding Fund, to the specific Debt Service funds per bond resolutions.

Debt Service:

Severance Tax Bonds:

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

Notes to Financial Statements - continued

11. TRANSFERS - continued

SHARE Fund	Transfer From	Amount	SHARE Fund	Transfer To	Amount
41000	Severance Tax Bonding Fund	\$ <u>93,710,000</u>	96300	STB – 2006A Debt Service	\$ 9,900,000
			57100	STB – 2005B2 Debt Service	535,000
			49200	STB – 2004A Debt Service	8,000,000
			18300	STB – 2004B Debt Service	1,130,000
			38800	STB – 2005B1 Debt Service	7,580,000
			41200	STB – 2005A Debt Service	7,970,000
			09500	STB – 2002 Supplemental Debt Service	6,740,000
			39000	STB – 2002B Supplemental Debt Service	5,400,000
			88400	STB – 2003A Debt Service	8,365,000
			48400	STB – 2003B Debt Service	1,090,000
			53700	STB – 2007A Debt Service	<u>37,000,000</u>
	Total	\$ <u>93,710,000</u>	Total		\$ <u>93,710,000</u>

General Obligation Bonds:

SHARE Fund	Transfer From	Amount	SHARE Fund	Transfer To	Amount
41800	GO 2003B Refunding	\$ <u>4,500,000</u>	03100	GO 2003 Debt Service	\$ 4,466,320
			03200	GO 2005 Debt Service	<u>33,680</u>
	Total	\$ <u>4,500,000</u>	Total		\$ <u>4,500,000</u>

12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

• **Plan Description**

Substantially all of the State Treasurer's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required

12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION - continued

• **Plan Description - continued**

supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

• **Funding Policy**

Plan members are required to contribute 7.42% (ranges from 4.78% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The State Treasurer's Office is required to contribute 16.59% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the (name of employer) are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The State Treasurer's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$370,067, \$324,931, and \$292,265, respectively, which equal the amount of the required contributions for each fiscal year.

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

• **Plan Description**

The State Treasurer's Office contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

• **Funding Policy**

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The State Treasurer's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$29,002, \$24,981 and \$22,297, respectively, which equal the required contributions for each year.

14. RISK MANAGEMENT

The State Treasurer is exposed to various risks of loss for which the State Treasurer carries insurance (auto; employee fidelity bond; general liability; civil rights and foreign jurisdiction; money and securities; property; and workers' compensation) with the State of New Mexico Risk Management Division. Public employee fidelity bonding coverage is self-insured by the State of New Mexico. The current policy year is July 1, 2007 to June 30, 2008. The limit of coverage is \$5,000,000, with \$1,000 deductible per occurrence. All State Treasurer employees are covered by this bond.

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

Notes to Financial Statements - continued

15. REVERSION TO THE STATE GENERAL FUND

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

The amount expected to revert to the State General Fund as of June 30, 2008, is \$157,022.

Amounts reverted to the State General Fund during 2008 were as follows:

		<u>Appropriation</u>	<u>Reversion</u>
Reversion to State General Fund fiscal year 2008	\$	4,385,800	40,436
Reversion to State General Fund fiscal year 2007		4,202,300	25,183
Reversion to State General Fund fiscal year 2006		<u>3,847,900</u>	<u>91,403</u>
Subtotal - Reversion to State General Fund	\$	<u>12,436,000</u>	<u>157,022</u>
Gaming Suspense Fund			<u>85,318</u>
Total due to State General Fund	\$		<u>242,340</u>

16. SHORT-TERM DEBT

• **Taxation and Revenue Anticipation Notes**

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

Short-term debt activity for the year ended June 30, 2008, was as follows:

		<u>Balance July 1, 2007</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Issuance Cost</u>	<u>Balance June 30, 2008</u>
Tax and Revenue Anticipation Notes	\$	<u> -</u>	<u>775,187,500</u>	<u> -</u>	<u> -</u>	<u>775,187,500</u>

STATE OF NEW MEXICO
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Notes to Financial Statements - continued

16. SHORT-TERM DEBT - continued

• **Sponge Bonds**

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

	<u>Purchased</u>	<u>Matured</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
Sponge Bond - Senior Note	12/27/08	12/28/08	\$ 61,031,298	7,459	61,038,757
Sponge Bond - Supplemental Note	12/27/08	12/28/08	95,750,000	11,703	95,761,703
Sponge Bond - Senior Note	06/26/08	06/27/08	74,828,736	5,638	74,834,374
Sponge Bond - Sweep Note	06/27/08	06/30/08	15,000,000	3,390	15,003,390
Sponge Bond - Supplemental Note	06/27/08	06/30/08	<u>127,008,989</u>	<u>28,708</u>	<u>127,037,697</u>
Total			\$ <u>373,619,023</u>	<u>56,898</u>	<u>373,675,921</u>

Short-term debt activity for the year ended June 30, 2008 was as follows:

	<u>Balance July 1, 2007</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Issuance Costs</u>	<u>Balance June 30, 2008</u>
Sponge Bonds	\$ <u>-</u>	<u>373,675,921</u>	<u>373,675,921</u>	<u>-</u>	<u>-</u>

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

Notes to Financial Statements - continued

17. PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were recorded as of June 30, 2008:

SHARE Fund	Amount	Purpose
18200 General	\$ (91,403)	The amount recorded as due to the State General Fund was understated due to an error in calculating the amount to be reverted for fiscal year ended June 30, 2006. This entry decreased the fund balance by \$91,403.
41000 Severance Tax Bond Fund 1999A Series – Supplemental	757,928	To correct severance tax and interest income accrued in error for fiscal year ended June 30, 2008. These entries increased fund balance by \$757,928.
49200 Taxation & Revenue Anticipation Notes	(653,191)	A duplicate cash receipt was erroneously recorded to this fund for the fiscal year ended June 30, 2007. This entry decreased the fund balance by \$653,191.
Total	\$ <u>13,334</u>	

18. BOND ISSUANCE ACTIVITY

During fiscal year 2008, there were three new bond issues as noted below;

- \$ 71,270,000 Capital Projects General Obligation Bond Series Refunding 2008A-1
- \$ 149,000,000 Severance Tax Bond Series 2008A-1
- \$ 20,550,000 Severance Tax Bond Series Refunding 2008A-2

Total activity related to the bonds were approximately as follows; costs \$933,154, premiums \$9,119,291, and total transfers to other State agencies of \$149,000,000.

19. SUBSEQUENT EVENT DISCLOSURE

The economy subsequent to year-end is experiencing the negative effects of the subprime credit crisis, as an estimated \$4 to \$6 trillion of the nation's housing equity evaporated over the last year. Rising food costs, stagnant wages, higher unemployment, and declining oil and gas prices have negatively impacted the financial markets. The State Treasurer's Office foresees interest rates in the near term remaining level or decreasing due this overall weakness in the economy. From June 30 to November 30, 2008, the State Treasurer's Office investment portfolios have declined by fifteen percent (15%). This is due primarily to declining fund balances resulting from the \$400 million revenue shortfall projected for New Mexico's 2009 fiscal year and an 18% decline in LGIP participation. All State Treasurer's Office portfolios reflected unrealized gains at November 30, 2008.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

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

Schedule 1

YEAR ENDED JUNE 30, 2008

	Balance <u>June 30, 2007</u>	Additions	Actual Amounts Deletions	Balance <u>June 30, 2008</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS:				
Equipment, furniture and fixtures	\$ 277,210	112,490	(18,919)	370,781
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 277,210	112,490	(18,919)	370,781
INVESTMENTS IN GOVERNMENTAL FUNDS				
CAPITAL ASSETS BY SOURCE:				
General Fund revenues	\$ 277,210	112,490	(18,919)	370,781
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 277,210	112,490	(18,919)	370,781

Schedule 2

YEAR ENDED JUNE 30, 2008

	SHARE Fund	Assets			Total Assets
		Repurchase Agreements	Due From Other Agencies	Accrued Interest Receivable	
2003 Series-Debt Service	03100	\$ 6,362,121	-	6,687	6,368,808
2005 Series Debt Service	03200	9,004,934	-	97,896	9,102,830
2007 Series-Debt Service	28800	11,861,522	-	424,810	12,286,332
2001 Series-Debt Service	41400	3,641,955	-	6,298	3,648,253
2003B Series - Refunding	41800	20,808,781	-	63,361	20,872,142
2001-B Series-Refunding	48200	-	-	-	-
1999 Series-Debt Service	64000	-	-	-	-
E911	18000	-	-	-	-
Total Debt Service		51,679,313	-	599,052	52,278,365
2003 Series - Rebate	41300	112,736	-	345	113,081
2001 Series - Rebate	41500	751,892	-	2,299	754,191
2003 Refunding Series - Rebate	41900	139,517	-	427	139,944
2005 Series - Rebate	42600	137,200	-	419	137,619
2001B Series - Rebate	46300	-	-	-	-
911 - Rebate	48800	102,069	-	312	102,381
2001A Series - Rebate	71200	224,892	-	688	225,580
Total Rebate Accounts		1,468,306	-	4,490	1,472,796
2007 Series-Cost of Issuance	28900	13,338	-	-	13,338
2003 Series - Cost of Issuance	41600	-	-	-	-
Total cost of issuance		13,338	-	-	13,338
Combined total		\$ 53,160,957	-	603,542	53,764,499

STATE OF NEW MEXICO
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Combining Balance Sheet - General Obligation Bonds -
General Obligation Bond Debt Service Funds

<u>Liabilities</u>	<u>Fund Equity</u>		<u>Total</u>	
<u>Accrued Arbitrage Interest Payable</u>	<u>Unreserved- Designated for Debt Service</u>	<u>Unreserved- Designated for Arbitrage</u>	<u>Fund Equity</u>	<u>Liabilities & Fund Equity</u>
-	6,368,808	-	6,368,808	6,368,808
-	9,102,830	-	9,102,830	9,102,830
-	12,286,332	-	12,286,332	12,286,332
-	3,648,253	-	3,648,253	3,648,253
-	20,872,142	-	20,872,142	20,872,142
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	52,278,365	-	52,278,365	52,278,365
-	-	113,081	113,081	113,081
-	-	754,191	754,191	754,191
-	-	139,944	139,944	139,944
-	-	137,619	137,619	137,619
-	-	-	-	-
-	-	102,381	102,381	102,381
-	-	225,580	225,580	225,580
-	-	1,472,796	1,472,796	1,472,796
-	13,338	-	13,338	13,338
-	-	-	-	-
-	13,338	-	13,338	13,338
-	52,291,703	1,472,796	53,764,499	53,764,499

Schedule 3

YEAR ENDED JUNE 30, 2008

	SHARE Fund	Revenues		Expenditures	
		Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures
2003 Series-Debt Service	03100	\$ 385,268	16,111,000	-	16,111,000
2005 Series Debt Service	03200	2,344,950	14,603,000	-	14,603,000
2007 Series Debt Service	28800	6,838,200	17,468,500	-	17,468,500
2001 Series-Debt Service	41400	246,814	7,882,038	-	7,882,038
2003-B Series - Refunding	41800	657,254	10,252,875	-	10,252,875
2001-B Series-Refunding	48200	-	-	3,258	3,258
1999 Series-Debt Service	64000	-	-	26	26
E911	18000	-	-	-	-
Total debt service		10,472,486	66,317,413	3,284	66,320,697
2003 Series-Rebate	41300	4,982	-	-	-
2001 Series-Rebate	41500	33,375	-	-	-
2003 Series-Refunding	41900	6,193	-	-	-
2005 Rebate	42600	6,103	-	-	-
2001-B Series-Rebate	46300	-	-	30	30
911-Rebate	48800	4,530	-	-	-
2001-A Series-Rebate	71200	10,061	-	-	-
Total Rebate Accounts		65,244	-	30	30
2007 Series - Cost of Issuance	28900	-	-	-	-
2003 Series - Cost of Issuance	41600	-	-	-	-
Total cost of issuance		-	-	-	-
Combined total		\$ 10,537,730	66,317,413	3,314	66,320,727

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

Excess (Deficiency) of Revenues over Expenditures	Other Financing Sources (Uses)				
	State Property Tax Levy	Other	Bond Proceeds	Capital Projects Reversions	Interfund Transfers
(15,725,732)	9,993,177	19,008	-	-	4,466,320
(12,258,050)	10,188,746	-	-	-	33,680
(10,630,300)	13,387,444	-	-	-	-
(7,635,224)	4,534,530	2,162,336	-	-	-
(9,595,621)	18,091,668	-	-	-	(4,500,000)
(3,258)	-	-	-	-	-
(26)	-	-	-	-	-
-	-	-	-	-	-
(55,848,211)	56,195,565	2,181,344	-	-	-
4,982	-	-	-	-	-
33,375	-	-	-	-	-
6,193	-	-	-	-	-
6,103	-	-	-	-	-
(30)	-	-	-	-	-
4,530	-	-	-	-	-
10,061	-	-	-	-	-
65,214	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(55,782,997)	56,195,565	2,181,344	-	-	-

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

Schedule 3 - continued

YEAR ENDED JUNE 30, 2008

	SHARE	Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	Beginning Fund Balance as Originally Reported	Restatement	Beginning Fund Balances as Restated	Fund Balances June 30, 2008
	Fund					
2003 Series-Debt Service	03100	\$ (1,247,227)	7,616,035	-	7,616,035	6,368,808
2005 Series Debt Service	03200	(2,035,624)	11,138,454	-	11,138,454	9,102,830
2007 Series Debt Service	28800	2,757,144	9,529,188	-	9,529,188	12,286,332
2001 Series-Debt Service	41400	(938,358)	4,586,611	-	4,586,611	3,648,253
2003-B Series - Refunding	41800	3,996,047	16,876,095	-	16,876,095	20,872,142
2001-B Series-Refunding	48200	(3,258)	3,258	-	3,258	-
1999 Series-Debt Service	64000	(26)	26	-	26	-
E911	18000	-	-	-	-	-
Total debt service		2,528,698	49,749,667	-	49,749,667	52,278,365
2003 Series-Rebate	41300	4,982	108,099	-	108,099	113,081
2001 Series-Rebate	41500	33,375	720,816	-	720,816	754,191
2003 Series-Refunding	41900	6,193	133,751	-	133,751	139,944
2005 Rebate	42600	6,103	131,516	-	131,516	137,619
2001-B Series-Rebate	46300	(30)	30	-	30	-
911-Rebate	48800	4,530	97,851	-	97,851	102,381
2001-A Series-Rebate	71200	10,061	215,519	-	215,519	225,580
Total Rebate Accounts		65,214	1,407,582	-	1,407,582	1,472,796
2007 Series - Cost of Issuance	28900	-	13,338	-	13,338	13,338
2003 Series - Cost of Issuance	41600	-	-	-	-	-
Total cost of issuance		-	13,338	-	13,338	13,338
Combined total	\$	2,593,912	51,170,587	-	51,170,587	53,764,499

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

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

Schedule 4

YEAR ENDED JUNE 30, 2008

	SHARE Fund	Assets				Total Assets
		Repurchase Agreements	Due From Other Agencies	Accrued Interest Receivable	Prepaid Expense	
2002-A Supp. Series - DS	09500	\$ 26,530	-	21,064	6,959,750	7,007,344
2004-B Series Debt Service	18300	7,080	-	5,013	1,100,975	1,113,068
1999-A Series-Debt Service	18400	-	-	-	-	-
2005-B1 Series Debt Service	38800	22,664	-	20,642	6,791,894	6,835,200
2000 Series-Debt Service	38900	11,235	-	34	-	11,269
2002-B Supp. Series - DS	39000	18,953	-	15,255	5,069,600	5,103,808
2000-C Series-Debt Service	40500	236,058	-	3,412	-	239,470
2001-A Series-Refunding	40800	606,277	-	1,853	-	608,130
Severance Tax Bonding	41000	47,516,633	239,037,884	2,130,415	-	288,684,932
2005-A Series Debt Service	41200	651,166	-	113,211	9,024,650	9,789,027
2003-B Series-Debt Service	48400	5,716	-	3,135	-	8,851
2004-A Series-Debt Service	49200	372,915	-	73,611	7,911,250	8,357,776
2007-A Debt Service	53700	1,898,897	-	509,400	37,836,000	40,244,297
2007-A Refunding	53800	-	-	-	-	-
2005-B2 Series Debt Service	57100	5,200	-	1,595	-	6,795
2002-A Series-Debt Service	69900	897	-	3	-	900
2008A-1 Series - Debt Service	72010	-	-	93,876	-	93,876
2008A-2 Series - Refunding	72050	-	-	-	-	-
2008A-2 Series - Debt Service	72070	1,215	-	1	-	1,216
2003-A Series-Debt Service	88400	26,551	-	23,379	7,902,338	7,952,268
2006-A Series Debt Service	96300	608,920	-	198,449	14,120,156	14,927,525
Total debt service		52,016,907	239,037,884	3,214,348	96,716,613	390,985,752
2006A Series-Rebate	01900	-	-	-	-	-
1999-A Series-Rebate	18500	-	-	-	-	-
2002-B Supp-Rebate	39200	70,425	-	215	-	70,640
2000-C Series-Rebate	40600	349,222	-	1,067	-	350,289
2004-B Series-Rebate	41100	28,665	-	88	-	28,753
2003-B Supp-Rebate	42000	11,594	-	35	-	11,629
2004-A Series-Rebate	42700	58,589	-	179	-	58,768
1999-B Series-Rebate	46100	62,095	-	-	-	62,095
2005-A Series-Rebate	48300	226,687	-	693	-	227,380
2005-B1 Series-Rebate	57000	10,148	-	31	-	10,179
2003-A Series-Rebate	87300	112,088	-	343	-	112,431
2005-B2 Series-Rebate	96000	5,955	-	18	-	5,973
2006-A Series-Rebate	96400	35,469	-	108	-	35,577
Total rebate accounts		970,937	-	2,777	-	973,714
Combined total		\$ 52,987,844	239,037,884	3,217,125	96,716,613	391,959,466

Schedule 4 - continued

YEAR ENDED JUNE 30, 2008

	SHARE Fund	Liabilities			
		Due to Other Funds	Due to Other State Agencies	Accounts Payable	Deferred Revenue
2002-A Supp. Series - DS	09500	\$ -	-	-	-
2004-B Series Debt Service	18300	-	-	-	-
1999-A Series-Debt Service	18400	-	-	-	-
2005-B1 Series Debt Service	38800	-	-	-	-
2000 Series-Debt Service	38900	-	-	-	-
2002-B Supp. Series - DS	39000	-	-	-	-
2000-C Series-Debt Service	40500	-	-	-	-
2001-A Series-Refunding	40800	-	-	-	-
Severance Tax Bonding	41000	11,893,122	-	214,596	62,154,666
2005-A Series Debt Service	41200	-	-	-	-
2003-B Series-Debt Service	48400	-	-	-	-
2004-A Series-Debt Service	49200	-	-	-	-
2007-A Debt Service	53700	-	-	-	-
2007-A Refunding	53800	-	-	-	-
2005-B2 Series Debt Service	57100	-	-	-	-
2002-A Series-Debt Service	69900	-	-	-	-
2008A-1 Series - Debt Service	72010	-	-	-	-
2008A-2 Series - Refunding	72050	-	-	-	-
2008A-2 Series - Debt Service	72070	-	1,215	-	-
2003-A Series-Debt Service	88400	-	-	-	-
2006-A Series Debt Service	96300	-	-	-	-
Total debt service		11,893,122	1,215	214,596	62,154,666
2006A Series-Rebate	01900	-	-	-	-
1999-A Series-Rebate	18500	-	-	-	-
2002-B Supp-Rebate	39200	-	-	-	-
2000-C Series-Rebate	40600	-	-	-	-
2004-B Series-Rebate	41100	-	-	-	-
2003-B Supp-Rebate	42000	-	-	-	-
2004-A Series-Rebate	42700	-	-	-	-
1999-B Series-Rebate	46100	-	-	-	-
2005-A Series-Rebate	48300	-	-	-	-
2005-B1 Series-Rebate	57000	-	-	-	-
2003-A Series-Rebate	87300	-	-	-	-
2005-B2 Series-Rebate	96000	-	-	-	-
2006-A Series-Rebate	96400	-	-	-	-
Total rebate accounts		-	-	-	-
Combined total		\$ 11,893,122	1,215	214,596	62,154,666

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

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

Total Liabilities	Fund Equity		Total Fund Equity	Total Liabilities & Fund Equity
	Unreserved- Designated for Debt Service	Unreserved- Designated for Arbitrage		
-	7,007,344	-	7,007,344	7,007,344
-	1,113,068	-	1,113,068	1,113,068
-	-	-	-	-
-	6,835,200	-	6,835,200	6,835,200
-	11,269	-	11,269	11,269
-	5,103,808	-	5,103,808	5,103,808
-	239,470	-	239,470	239,470
-	608,130	-	608,130	608,130
74,262,384	214,422,548	-	214,422,548	288,684,932
-	9,789,027	-	9,789,027	9,789,027
-	8,851	-	8,851	8,851
-	8,357,776	-	8,357,776	8,357,776
-	40,244,297	-	40,244,297	40,244,297
-	-	-	-	-
-	6,795	-	6,795	6,795
-	900	-	900	900
-	93,876	-	93,876	93,876
-	-	-	-	-
1,215	1	-	1	1,216
-	7,952,268	-	7,952,268	7,952,268
-	14,927,525	-	14,927,525	14,927,525
74,263,599	316,722,153	-	316,722,153	390,985,752
-	-	-	-	-
-	-	-	-	-
-	70,640	-	70,640	70,640
-	350,289	-	350,289	350,289
-	28,753	-	28,753	28,753
-	11,629	-	11,629	11,629
-	58,768	-	58,768	58,768
-	62,095	-	62,095	62,095
-	227,380	-	227,380	227,380
-	10,179	-	10,179	10,179
-	112,431	-	112,431	112,431
-	5,973	-	5,973	5,973
-	35,577	-	35,577	35,577
-	-	-	-	-
-	973,714	-	973,714	973,714
74,263,599	317,695,867	-	317,695,867	391,959,466

Schedule 5

YEAR ENDED JUNE 30, 2008

	SHARE Fund	Revenues		Expenditures	
		Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures
2002-A Supp. Series - DS	09500	\$ 144,086	6,878,125	-	6,878,125
2004-B Series Debt Service	18300	67,441	1,243,575	-	1,243,575
1999-A Series-Debt Service	18400	-	-	946	946
2005-B1 Series Debt Service	38800	134,072	1,763,787	-	1,763,787
2000 Series-Debt Service	38900	502	-	-	-
2002-B Supp. Series - DS	39000	115,206	5,467,950	-	5,467,950
2000-C Series-Debt Service	40500	172,999	2,065,375	-	2,065,375
2001-A Series-Refunding	40800	21,612	22,093,875	-	22,093,875
Severance Tax Bonding	41000	32,522,626	373,675,921	414,674	374,090,595
2005-A Series -Debt Service	41200	1,875,893	12,289,175	-	12,289,175
2003-B Series-Debt Service	48400	22,248	2,233,861	-	2,233,861
2004-A Series-Debt Service	49200	1,108,366	9,208,625	-	9,208,625
2007-A Series-Debt Service	53700	6,880,183	3,691,517	-	3,691,517
2007-A Refunding	53800	-	28,895,100	-	28,895,100
2005-B2 Series Debt Service	57100	23,190	1,561,313	-	1,561,313
2002-A Series-Debt Service	69900	-	6,806,875	1,640	6,808,515
2008A-1 Debt Service	72010	93,876	-	-	-
2008A-1 Refunding	72050	-	-	-	-
2008A-2 Debt Service	72070	1	-	-	-
2003-A Series-Debt Service	88400	317,433	8,494,675	-	8,494,675
2006-A Series Debt Service	96300	4,225,454	16,401,938	-	16,401,938
Total debt service		47,725,188	502,771,687	417,260	503,188,947
2006A Series-Rebate	01900	-	-	-	-
1999-A Series-Rebate	18500	-	-	96	96
2002-B Supp-Rebate	39200	3,125	-	-	-
2000-C Series Rebate	40600	15,501	-	-	-
2004-B Series-Rebate	41100	1,273	-	-	-
2003-B Supp-Rebate	42000	514	-	-	-
2004-A Series-Rebate	42700	2,610	-	-	-
1999-B Series-Rebate	46100	-	-	340,741	340,741
2005-A Series-Rebate	48300	10,024	-	-	-
2005-B1 Series-Rebate	57000	454	-	-	-
2003-A Series-Rebate	87300	4,976	-	-	-
2005-B2 Series-Rebate	96000	266	-	-	-
2006-A Series-Rebate	96400	1,586	-	-	-
Total Rebate Accounts		40,329	-	340,837	340,837
Combined total		\$ 47,765,517	502,771,687	758,097	503,529,784

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

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

Excess (Deficiency) of Revenues Over Expenditures	Other Financing Sources (Uses)					Severance Tax Permanent Fund Reversions
	Severance Taxes	Bond Proceeds	Transfers to Other State Agencies	Interfund Transfers	Payment to Escrow Agent	
(6,734,039)	-	-	-	6,740,000	-	-
(1,176,134)	-	-	-	1,130,000	-	-
(946)	-	-	-	-	-	-
(1,629,715)	-	-	-	7,580,000	-	-
502	-	-	-	-	-	-
(5,352,744)	-	-	-	5,400,000	-	-
(1,892,376)	-	-	-	-	-	-
(22,072,263)	-	-	-	-	-	-
(341,567,969)	598,578,767	-	3,987,006	(93,710,000)	-	-
(10,413,282)	-	-	-	7,970,000	-	-
(2,211,613)	-	-	-	1,090,000	-	-
(8,100,259)	-	-	-	8,000,000	-	-
3,188,666	-	-	-	37,000,000	-	-
(28,895,100)	-	-	-	-	-	-
(1,538,123)	-	-	-	535,000	-	-
(6,808,515)	-	-	-	-	-	-
93,876	-	-	-	-	-	-
-	-	-	-	-	-	-
1	-	-	-	-	-	-
(8,177,242)	-	-	-	8,365,000	-	-
(12,176,484)	-	-	-	9,900,000	-	-
(455,463,759)	598,578,767	-	3,987,006	-	-	-
-	-	-	-	-	-	-
(96)	-	-	-	-	-	-
3,125	-	-	-	-	-	-
15,501	-	-	-	-	-	-
1,273	-	-	-	-	-	-
514	-	-	-	-	-	-
2,610	-	-	-	-	-	-
(340,741)	-	459,250	-	-	-	-
10,024	-	-	-	-	-	-
454	-	-	-	-	-	-
4,976	-	-	-	-	-	-
266	-	-	-	-	-	-
1,586	-	-	-	-	-	-
(300,508)	-	459,250	-	-	-	-
(455,764,267)	598,578,767	459,250	3,987,006	-	-	-

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

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

Schedule 5 - continued

YEAR ENDED JUNE 30, 2008

	SHARE	Total Other	Excess (Deficiency)	Beginning		Beginning	Fund
	Fund	Financing	of Revenues and	Fund Balance	Restatement	Fund Balance	Balances
		Sources (Uses)	Other Financing	as Originally		as Restated	June 30, 2008
			Expenditures	Reported			
			and Other				
			Financing Uses				
2002-A Supp. Series - DS	09500	\$ 6,740,000	5,961	7,001,383	-	7,001,383	7,007,344
2004-B Series Debt Service	18300	1,130,000	(46,134)	1,159,202	-	1,159,202	1,113,068
1999-A Series-Debt Service	18400	-	(946)	946	-	946	-
2005-B1 Series Debt Service	38800	7,580,000	5,950,285	884,915	-	884,915	6,835,200
2000 Series-Debt Service	38900	-	502	10,767	-	10,767	11,269
2002-B Supp. Series - DS	39000	5,400,000	47,256	5,056,552	-	5,056,552	5,103,808
2000-C Series-Debt Service	40500	-	(1,892,376)	2,131,846	-	2,131,846	239,470
2001-A Series-Refunding	40800	-	(22,072,263)	22,680,393	-	22,680,393	608,130
Severance Tax Bonding	41000	508,855,773	167,287,804	46,376,816	757,928	47,134,744	214,422,548
2005-A Series -Debt Service	41200	7,970,000	(2,443,282)	12,232,309	-	12,232,309	9,789,027
2003-B Series-Debt Service	48400	1,090,000	(1,121,613)	1,130,464	-	1,130,464	8,851
2004-A Series-Debt Service	49200	8,000,000	(100,259)	9,111,226	(653,191)	8,458,035	8,357,776
2007-A Series-Debt Service	53700	37,000,000	40,188,666	55,631	-	55,631	40,244,297
2007-A Refunding	53800	-	(28,895,100)	28,895,100	-	28,895,100	-
2005-B2 Series Debt Service	57100	535,000	(1,003,123)	1,009,918	-	1,009,918	6,795
2002-A Series-Debt Service	69900	-	(6,808,515)	6,809,415	-	6,809,415	900
2008A-1 Debt Service	72010	-	93,876	-	-	-	93,876
2008A-1 Refunding	72050	-	-	-	-	-	-
2008A-2 Debt Service	72070	-	1	-	-	-	1
2003-A Series-Debt Service	88400	8,365,000	187,758	7,764,510	-	7,764,510	7,952,268
2006-A Series Debt Service	96300	9,900,000	(2,276,484)	17,204,009	-	17,204,009	14,927,525
Total debt service		602,565,773	147,102,014	169,515,402	104,737	169,620,139	316,722,153
2006A Series-Rebate	01900	-	-	-	-	-	-
1999-A Series-Rebate	18500	-	(96)	96	-	96	-
2002-B Supp-Rebate	39200	-	3,125	67,515	-	67,515	70,640
2000-C Series Rebate	40600	-	15,501	334,788	-	334,788	350,289
2004-B Series-Rebate	41100	-	1,273	27,480	-	27,480	28,753
2003-B Supp-Rebate	42000	-	514	11,115	-	11,115	11,629
2004-A Series-Rebate	42700	-	2,610	56,158	-	56,158	58,768
1999-B Series-Rebate	46100	459,250	118,509	(56,414)	-	(56,414)	62,095
2005-A Series-Rebate	48300	-	10,024	217,356	-	217,356	227,380
2005-B1 Series-Rebate	57000	-	454	9,725	-	9,725	10,179
2003-A Series-Rebate	87300	-	4,976	107,455	-	107,455	112,431
2005-B2 Series-Rebate	96000	-	266	5,707	-	5,707	5,973
2006-A Series-Rebate	96400	-	1,586	33,991	-	33,991	35,577
Total Rebate Accounts		459,250	158,742	814,972	-	814,972	973,714
Combined total		\$ 603,025,023	147,260,756	170,330,374	104,737	170,435,111	317,695,867

Schedule 6

YEAR ENDED JUNE 30, 2008

Issue	SHARE Fund	Date of Issue	Issue Amount	Interest Rate	Unpaid Balance June 30, 2007
General Obligation and Revenue Bonds:					
Capital Projects - Series 2001	41400	03/01/01	\$ 62,550,000	4.00-5.00%	28,765,000
Enhanced 911 Revenue Bonds - Series 2000	48800	08/01/00	4,545,000	4.35-6.75%	745,000
Capital Projects - Series 2003	03100	03/01/03	130,900,000	3.00-5.00%	85,525,000
Refunding Series 2003-B	41800	04/01/03	44,955,000	2.00-5.00%	19,515,000
Series 2005 Debt Service	03200	03/01/05	111,850,000	4.00-5.00%	94,060,000
Series 2007 Debt Service	28800	03/01/07	134,870,000	5.00%	134,870,000
Refunding Series 2008-A	73010	06/25/08	<u>71,270,000</u>	5.00%	<u>-</u>
Total General Obligation Bonds			560,940,000		363,480,000
Severance Tax Bonds:					
Series 2000-C Supplemental	40500	07/01/00	12,000,000	4.50-5.00%	2,015,000
Series 2001-A Refunding	40800	11/01/01	115,380,000	1.85-3.60%	42,835,000
Series 2002-A	69900	05/01/02	67,000,000	4.00-5.00%	13,275,000
Series 2002-A Supplemental	09500	12/01/01	65,000,000	4.00-5.00%	13,335,000
Series 2002-B Supplemental	39000	11/01/02	45,000,000	2.50-5.00%	29,580,000
Series 2003-A	88400	06/01/03	89,660,000	2.50-5.00%	55,380,000
Series 2003-B Supplemental	48400	11/01/03	10,000,000	2.00-3.70%	7,545,000
Series 2004-A	49200	06/15/04	76,430,000	5.00%	58,495,000
Series 2004-B Supplemental	18300	11/17/04	10,000,000	2.00-5.00%	8,240,000
Series 2005-A	41200	06/15/05	97,000,000	4.00-5.50%	80,950,000
Series 2005B-1 Refunding	38800	06/28/05	37,040,000	3.00-5.00%	37,040,000
Series 2005B-2 Supplemental	57100	06/28/05	21,095,000	3.25-5.00%	21,095,000
Series 2006-A	96300	06/20/06	135,000,000	4.00-5.00%	135,000,000
Series 2007-A	53700	06/28/07	162,840,000	4.00-5.00%	162,840,000
Series 2008A-1	72010	06/25/08	149,000,000	4.00-5.00%	-
Series 2008A-2 Refunding	72050	06/25/08	<u>20,550,000</u>	3.00%	<u>-</u>
Total Severance Tax Bonds			<u>1,112,995,000</u>		<u>667,625,000</u>
Total General Long-Term Debt			\$ <u>1,673,935,000</u>		<u>1,031,105,000</u>
Current year bond premiums:			<u>Premium/Discount</u>		
GOB, Refunding Series 2008-A			\$ 3,827,729		
STB Series 2008A-1			5,095,585		
STB Series 2008A-2 Refunding			<u>195,977</u>		
Total current year bond premiums			\$ <u>9,119,291</u>		

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

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

New Bonds	Reductions			Unpaid Balance June 30, 2008	Interest to Maturity	Debt Service Requirements
	Refunded Debt	Principal Payments	Total Reductions			
-	-	6,685,000	6,685,000	22,080,000	1,898,000	23,978,000
-	-	745,000	745,000	-	-	-
-	-	12,690,000	12,690,000	72,835,000	9,003,200	81,838,200
-	-	9,515,000	9,515,000	10,000,000	250,000	10,250,000
-	-	9,900,000	9,900,000	84,160,000	17,629,250	101,789,250
-	-	10,725,000	10,725,000	124,145,000	33,049,000	157,194,000
<u>71,270,000</u>	-	-	-	<u>71,270,000</u>	<u>10,390,454</u>	<u>81,660,454</u>
71,270,000	-	50,260,000	50,260,000	384,490,000	72,219,904	456,709,904
-	-	2,015,000	2,015,000	-	-	-
-	21,280,000	21,555,000	42,835,000	-	-	-
-	6,800,000	6,475,000	13,275,000	-	-	-
-	-	6,545,000	6,545,000	6,790,000	169,750	6,959,750
-	-	4,350,000	4,350,000	25,230,000	2,621,400	27,851,400
-	-	6,800,000	6,800,000	48,580,000	4,927,663	53,507,663
-	-	925,000	925,000	6,620,000	720,943	7,340,943
-	-	6,445,000	6,445,000	52,050,000	9,548,000	61,598,000
-	-	930,000	930,000	7,310,000	1,233,475	8,543,475
-	-	8,995,000	8,995,000	71,955,000	12,454,000	84,409,000
-	-	-	-	37,040,000	4,557,244	41,597,244
-	-	-	-	21,095,000	2,110,250	23,205,250
-	-	10,665,000	10,665,000	124,335,000	25,472,081	149,807,081
-	-	-	-	162,840,000	30,810,200	193,650,200
149,000,000	-	-	-	149,000,000	36,345,323	185,345,323
<u>20,550,000</u>	-	-	-	<u>20,550,000</u>	<u>1,581,975</u>	<u>22,131,975</u>
<u>169,550,000</u>	<u>28,080,000</u>	<u>75,700,000</u>	<u>103,780,000</u>	<u>733,395,000</u>	<u>132,552,304</u>	<u>865,947,304</u>
<u>240,820,000</u>	<u>28,080,000</u>	<u>125,960,000</u>	<u>154,040,000</u>	<u>1,117,885,000</u>	<u>204,772,208</u>	<u>1,322,657,208</u>

Bond proceeds are accounted for in the Department of Finance and Administrations financial statements for the fiscal year ended June 30, 2008.

Schedule 6 - continued

YEAR ENDED JUNE 30, 2008

Issue	SHARE Fund	Year Ending June 30,		
		2009	2010	2011
General Obligation Bonds:				
Capital Projects - Series 2001	41400	\$ 7,939,637	7,995,475	8,042,888
Capital Projects - Series 2003	03100	16,193,400	16,277,200	16,366,400
Refunding Series 2003-B	41800	10,250,000	-	-
Series 2005	03200	14,588,000	14,574,000	14,559,750
Series 2007	28800	17,467,250	17,464,250	17,463,250
Refunding Series 2008-A	73010	<u>2,627,204</u>	<u>23,611,750</u>	<u>23,748,000</u>
Total General Obligation Bonds		<u>69,065,491</u>	<u>79,922,675</u>	<u>80,180,288</u>
Severance Tax Bonds:				
Series 2002-B Supplemental	39000	27,851,400	-	-
Series 2002-A Supplemental	09500	6,959,750	-	-
Series 2003-A	88400	8,557,575	8,697,975	8,842,350
Series 2003-B Supplemental	48400	1,175,633	1,195,720	1,217,483
Series 2004-A	49200	9,047,250	8,911,750	8,805,250
Series 2004-B Supplemental	18300	1,240,075	1,243,500	1,243,650
Series 2005-A	41200	10,353,325	10,335,475	10,378,000
Series 2005-B1 Refunding	38800	7,531,088	9,742,700	8,119,056
Series 2005-B2 Supplemental	57100	520,436	7,634,063	7,559,688
Series 2006-A	96300	16,570,686	16,557,188	16,544,438
Series 2007-A	53700	40,611,875	21,117,625	16,487,625
Series 2008-A	72010	3,347,173	18,129,650	18,219,525
Series 2008-A2 Refunding	72050	<u>318,525</u>	<u>5,378,975</u>	<u>5,430,925</u>
Total Severance Tax Bonds		<u>134,084,791</u>	<u>108,944,621</u>	<u>102,847,990</u>
Total Debt Service Requirements		\$ <u>203,150,282</u>	<u>188,867,296</u>	<u>183,028,278</u>

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

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

<u>2012</u>	<u>2013</u>	<u>2014-2019</u>	<u>Total</u>
-	-	-	23,978,000
16,454,800	16,546,400	-	81,838,200
-	-	-	10,250,000
14,544,000	14,525,500	28,998,000	101,789,250
17,467,750	17,466,000	69,865,500	157,194,000
<u>15,792,250</u>	<u>15,881,250</u>	<u>-</u>	<u>81,660,454</u>
<u>64,258,800</u>	<u>64,419,150</u>	<u>98,863,500</u>	<u>456,709,904</u>
-	-	-	27,851,400
-	-	-	6,959,750
8,995,175	9,140,075	9,274,512	53,507,662
1,231,976	1,252,099	1,268,033	7,340,944
8,735,500	8,700,000	17,398,250	61,598,000
1,232,500	1,209,750	2,374,000	8,543,475
10,458,400	10,551,400	32,332,400	84,409,000
8,104,975	8,099,425	-	41,597,244
7,491,063	-	-	23,205,250
16,591,963	16,711,562	66,831,244	149,807,081
16,470,875	16,519,700	82,442,500	193,650,200
18,201,025	18,185,150	109,262,800	185,345,323
<u>5,476,875</u>	<u>5,526,675</u>	<u>-</u>	<u>22,131,975</u>
<u>102,990,327</u>	<u>95,895,836</u>	<u>321,183,739</u>	<u>865,947,304</u>
<u>167,249,127</u>	<u>160,314,986</u>	<u>420,047,239</u>	<u>1,322,657,208</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

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

Schedule 6 - continued

YEAR ENDED JUNE 30, 2008

	SHARE Fund	Date	Original Cost	Amortization		Accumulated Amortization June 30, 2008	Net Book Value June 30, 2008
				Accumulated Amortization June 30, 2007	Current Amortization Expense		
GENERAL OBLIGATION:							
Capital Projects - Series 2001 Enhanced 911 Revenue	41400	03/01/01	\$ 142,706	89,191	14,271	103,462	39,244
Bonds - Series 2000	48800	08/01/00	10,369	8,964	1,405	10,369	-
Capital Projects - Series 2003	03100	03/01/03	898,030	471,466	89,803	561,269	336,761
Refunding Series 2003-B	41800	04/01/03	187,165	77,985	18,716	96,702	90,463
Series 2005	03200	01/11/05	801,503	200,376	80,150	280,526	520,977
Series 2007	28800	03/01/07	463,806	11,595	46,381	57,976	405,830
Refunding Series 2008-A	73010	06/25/08	345,413	-	-	-	345,413
			<u>2,848,992</u>	<u>859,577</u>	<u>250,726</u>	<u>1,110,304</u>	<u>1,738,688</u>
SEVERANCE:							
Series 2001-A Refunding	40800	11/01/01	491,432	309,422	182,010	491,432	-
Series 2002-A	69900	05/01/02	201,625	94,705	106,920	201,625	-
Series 2002-A Supplemental	09500	12/01/01	323,200	180,453	142,747	323,200	-
Series 2003-A Refunding	88400	06/01/03	229,530	93,725	22,953	116,678	112,852
Series 2002-B Supplemental	39000	11/01/02	206,444	87,584	118,860	206,444	-
Series 2003-B Supplemental	48400	11/01/03	33,445	11,984	3,345	15,329	18,116
Series 2004-A	49200	06/15/04	158,974	39,743	15,897	55,640	103,334
Series 2004-B	18300	11/17/04	127,805	31,951	12,781	44,732	83,073
Series 2005-A	41200	05/12/05	565,863	84,879	56,586	141,465	424,398
Series 2005-B1 Refunding	38800	06/28/05	399,646	119,894	79,929	199,823	199,823
Series 2005-B2 Supplemental	57100	06/28/05	110,254	33,076	22,051	55,127	55,127
Series 2006A	96300	06/20/06	346,002	17,300	34,600	51,900	294,102
Series 2007A	53700	06/28/07	325,710	-	16,285	16,285	309,425
Series 2008A-1	72010	06/25/08	530,440	-	-	-	530,440
Series 2008-A2 Refunding	72050	06/25/08	57,301	-	-	-	57,301
			<u>4,107,671</u>	<u>1,104,716</u>	<u>814,964</u>	<u>1,919,680</u>	<u>2,187,991</u>
BALANCES, JUNE 30, 2008			<u>\$ 6,956,663</u>	<u>1,964,293</u>	<u>1,065,690</u>	<u>3,029,984</u>	<u>3,926,679</u>

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

**Summary of Long-term Debt Obligations - continued
Additional Information**

Schedule 6 – continued

ADDITIONAL INFORMATION RELATED TO LONG-TERM DEBT OBLIGATIONS:

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

GENERAL OBLIGATION BONDS:

General Obligation Bonds are issued to provide funds for capital expenditures for construction, acquisition, or improvement of the projects specified in the Acts authorized by the Legislature of the State of New Mexico. Funds are provided through the collection of property tax levies levied by other State agencies.

The following General Obligation Bonds were issued during the fiscal year ended June 30, 2008:

On June 25, 2008, the State Board of Finance issued bonds with a principal amount of \$71,270,000 to finance capital projects. The interest rate is five percent (5%), with principal payments due through 2013.

The annual requirements to amortize the combined General Obligation Bond issues outstanding as of June 30, 2008, including interest payments, are as follows (see details on Schedule 6):

Years ending June 30:

2009	\$ 69,065,491
2010	79,922,675
2011	80,180,288
2012	64,228,800
2013	64,419,150
2014 - 2019	<u>98,863,500</u>
	\$ <u>456,709,904</u>

SEVERANCE TAX BONDS:

Severance tax bonds are for State agencies, local governments and public and higher education, including a broad range of State and local capital needs. Funds are provided through tax receipts levied upon natural resource products, severed and saved from the lands of the State of New Mexico. The following Severance Tax Bonds were issued during the fiscal year ended June 30, 2008:

Severance Tax Bonds Series

On June 25, 2008, the State Board of Finance issued bonds with a principal amount of \$149,000,000 to finance public capital projects. Interest rates range from four percent to five percent (4% to 5%), with principal payments due through 2019.

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

**Summary of Long-term Debt Obligations - continued
Additional Information**

Schedule 6 – continued

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

SEVERANCE TAX BONDS – continued:

Severance Tax Bonds Series - continued

On June 25, 2008, the State Board of Finance issued bonds with a principal amount of \$20,550,000 to finance capital projects, as well as to provide a partial refunding. The interest rate is three percent (3%), with principal payments due through 2013.

Supplemental Severance Tax Bonds Series

On June 25, 2008, the State Board of Finance issued bonds with a principal amount of \$20,550,000 to finance public capital projects. The interest rate is three percent (3%), with principal payments due through 2013.

The annual requirements to amortize the combined Severance Tax Bond issues outstanding as of June 30, 2008, including interest payments, are as follows (see details on Schedule 6, page 3):

Years ending June 30:

2009	\$	111,302,991
2010		108,944,621
2011		102,847,990
2012		102,990,327
2013		95,895,836
2014 - 2019		<u>321,183,739</u>
	\$	<u>843,165,504</u>

ADVANCE AND CURRENT REFUNDINGS:

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

Severance Tax Bonds, Series 2007A:

Severance Tax Bonds, Series 2001A Refunding	\$	21,280,000
Severance Tax Bonds, Series 2002A	\$	6,800,000

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

**Summary of Long-term Debt Obligations - continued
Additional Information**

Schedule 6 – continued

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

ADVANCE AND CURRENT REFUNDINGS - continued:

The following refunding activity occurred during the year ended June 30, 2008:

On June 25, 2008, the State Board of Finance issued Severance Tax Bonds Series 2008A-2 Refunding, with a principal amount of \$20,550,000 to finance capital projects, as well as to provide partial refunding of Severance Tax Series 2002-B Supplemental. The difference in cash flow required between the prior debt service requirements and new funding debt service requirements resulted in cash flow savings of \$611,944. The economic gain, or present value savings, was \$533,126.

On June 25, 2008, the State Board of Finance issued General Obligation Bond Series 2008A Refunding with a principal amount of \$71,270,000 to finance capital projects, as well as to provide partial refunding of General Obligation Bond Series 2001 and General Obligation Bond Series 2003. The difference in cash flows required between the prior debt service requirements and new refunding debt service requirements resulted in cash flow savings of \$3,045,383. The economic gain, or present value, savings was \$1,574,593.

The refundings were paid in the first quarter of fiscal year 2009.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7

Schedule of Investments - Fiduciary Funds

YEAR ENDED JUNE 30, 2008

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
GENERAL FUND INVESTMENT POOL:						
Repurchase Agreements	Various	Various	Various	\$ <u>472,715,569</u>	<u>472,715,569</u>	<u>-</u>
Certificates of Deposit	Various	Various	Various	\$ <u>201,800,000</u>	<u>201,800,000</u>	<u>-</u>
Institutional Money Markets	Various	Various	Various	\$ <u>319,200,000</u>	<u>319,200,000</u>	<u>-</u>
Municipal Bonds:						
City of Albuquerque G02007A Sponge	2.751%	6/30/2008	7/1/2008	\$ <u>37,000,000</u>	<u>37,000,000</u>	<u>-</u>
US Government Securities:						
US Treasury Notes:						
US Treasury Notes 2nd	4.750%	12/17/2007	3/31/2011	\$ 10,000,000	10,493,000	493,000
US Treasury Notes 2nd	4.875%	12/17/2007	4/30/2011	10,000,000	10,541,400	541,400
US Treasury Notes 2nd	4.875%	12/17/2007	7/31/2011	10,000,000	10,564,800	564,800
US Treasury Notes 2nd	4.625%	12/17/2007	10/31/2011	10,000,000	10,496,100	496,100
US Treasury Notes 2nd	4.500%	12/17/2007	11/30/2011	10,000,000	10,461,700	461,700
US Treasury Notes 2nd	4.625%	12/17/2007	12/31/2011	10,000,000	10,506,300	506,300
US Treasury Notes 2nd	4.750%	12/17/2007	1/31/2012	10,000,000	10,552,300	552,300
US Treasury Notes 2nd	4.500%	12/17/2007	3/31/2012	10,000,000	10,475,800	475,800
US Treasury Notes 2nd	4.750%	12/17/2007	5/31/2012	10,000,000	10,574,200	574,200
US Treasury Notes 2nd	4.625%	12/17/2007	7/31/2012	10,000,000	10,541,400	541,400
US Treasury Notes 2nd	4.125%	12/17/2007	8/31/2012	10,000,000	10,350,800	350,800
US Treasury Notes 2nd	3.875%	12/17/2007	10/31/2012	10,000,000	10,254,700	254,700
US Treasury Notes 2nd	4.000%	12/17/2007	11/15/2012	<u>10,000,000</u>	<u>10,335,900</u>	<u>335,900</u>
Total US Treasury Notes				130,000,000	136,148,400	6,148,400
Federal Farm Credit Banks:						
FFCB 2nd	4.100%	03/28/08	11/04/10	10,000,000	10,162,500	162,500
FFCB 2nd	4.500%	01/17/08	10/17/12	5,000,000	5,095,300	95,300
FFCB 2nd	5.000%	12/20/06	10/23/09	20,000,000	20,537,600	537,600
FFCB 2nd	4.900%	03/14/08	03/06/13	20,000,000	20,668,800	668,800
FFCB 2nd	3.875%	01/17/08	01/10/13	15,000,000	14,882,850	(117,150)
FFCB 2nd	3.500%	01/18/08	01/18/11	2,000,000	2,003,120	3,120
FFCB 2nd	3.500%	01/18/08	01/18/11	<u>7,000,000</u>	<u>7,010,920</u>	<u>10,920</u>
Total Federal Farm Credit Banks				79,000,000	80,361,090	1,361,090
Federal Home Loan Banks:						
FHLB 2nd	3.625%	04/30/07	11/14/08	10,000,000	10,037,500	37,500
FHLB 2nd	3.000%	12/20/06	04/15/09	20,000,000	20,025,000	25,000
FHLB 2nd	3.750%	12/20/06	08/18/09	20,000,000	20,187,600	187,600
FHLB 2nd	3.875%	02/27/08	01/15/10	10,000,000	10,131,300	131,300
FHLB 2nd	4.750%	03/28/07	12/12/08	20,000,000	20,187,600	187,600

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2008

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
GENERAL FUND INVESTMENT POOL - continued:						
US Government Securities - continued:						
Federal Home Loan Banks:						
FHLB 2nd	4.875%	01/17/08	12/14/12	\$ 15,000,000	15,506,250	506,250
FHLB 2nd	4.875%	03/28/07	03/12/10	20,000,000	20,587,600	587,600
FHLB 2nd	5.000%	04/25/08	09/09/11	10,000,000	10,406,300	406,300
FHLB 2nd	5.375%	12/20/06	07/17/09	20,000,000	20,506,200	506,200
FHLB 2nd	5.375%	05/24/07	07/17/09	10,000,000	10,253,100	253,100
FHLB 2nd	5.125%	04/30/07	08/08/08	10,000,000	10,025,000	25,000
FHLB 2nd	5.000%	01/17/08	10/13/11	7,000,000	7,266,910	266,910
FHLB 2nd	5.250%	03/28/07	08/14/08	10,000,000	10,031,300	31,300
FHLB 2nd	4.875%	01/17/08	06/08/12	10,000,000	10,340,600	340,600
FHLB 2nd	5.000%	01/17/08	09/14/12	13,380,000	13,898,475	518,475
FHLB 2nd	5.000%	04/25/08	09/14/12	7,000,000	7,271,250	271,250
FHLB 2nd	4.375%	02/27/08	10/22/10	10,000,000	10,225,000	225,000
FHLB 2nd	3.625%	02/27/08	12/17/10	10,000,000	10,050,000	50,000
FHLB 2nd	3.250%	06/13/08	03/09/12	10,000,000	9,778,100	(221,900)
FHLB 2nd	2.875%	03/14/08	03/11/11	5,000,000	4,921,900	(78,100)
FHLB 2nd	3.500%	04/25/08	03/08/13	5,000,000	4,875,000	(125,000)
FHLB 2nd	3.250%	04/25/08	03/11/11	5,000,000	4,968,750	(31,250)
FHLB 2nd	3.625%	06/20/08	06/08/12	11,335,000	11,207,481	(127,519)
Total Federal Home Loan Banks				268,715,000	272,688,216	3,973,216
Federal Home Mortgage Corporations						
Freddie Mac-2nd	4.500%	05/01/08	12/16/10	10,000,000	10,259,400	259,400
FHLMC 2nd	4.500%	03/28/07	08/04/08	10,000,000	10,017,200	17,200
Freddie Mac-2nd	5.000%	04/25/08	10/18/10	10,000,000	10,353,800	353,800
FHLMC 2nd	4.900%	03/28/07	11/03/08	20,000,000	20,158,600	158,600
FHLMC 2nd	5.000%	02/26/07	07/23/08	20,000,000	20,029,000	29,000
Freddie Mac-2nd	3.710%	06/20/08	04/01/13	20,000,000	19,320,600	(679,400)
Freddie Mac-2nd	4.500%	06/20/08	06/12/13	25,000,000	25,148,500	148,500
FHLMC 2nd	5.125%	04/30/07	10/15/08	10,000,000	10,075,000	75,000
FHLMC 2nd	7.000%	05/31/07	03/15/10	10,000,000	10,650,000	650,000
FHLMC 2nd	6.875%	05/31/07	09/15/10	15,000,000	16,120,350	1,120,350
FHLMC 2nd	5.750%	12/20/06	03/15/09	20,000,000	20,406,200	406,200
FHLMC 2nd	6.625%	12/20/06	09/15/09	20,000,000	20,868,800	868,800
FHLMC 2nd	3.625%	1/2/2007	09/15/08	20,000,000	20,043,800	43,800
FHLMC 2nd	4.000%	12/20/06	12/15/09	20,000,000	20,293,800	293,800
FHLMC 2nd	4.000%	05/31/07	12/15/09	10,000,000	10,146,900	146,900
FHLMC 2nd	4.125%	05/31/07	07/12/10	15,000,000	15,262,500	262,500
FHLMC 2nd	4.625%	04/30/07	12/19/08	10,000,000	10,090,600	90,600
FHLMC 2nd	4.875%	04/30/07	02/17/09	10,000,000	10,128,100	128,100
FHLMC 2nd	5.250%	12/20/06	05/21/09	20,000,000	20,412,600	412,600

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2008

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
GENERAL FUND INVESTMENT POOL - continued:						
US Government Securities - continued:						
Federal Home Mortgage Corporations - continued:						
FHLMC 2nd	4.625%	05/24/07	05/21/09	\$ 10,000,000	10,206,300	206,300
FHLMC 2nd	4.750%	12/20/06	11/03/09	20,000,000	20,468,800	468,800
FHLMC 2nd	5.000%	05/24/07	01/16/09	<u>10,000,000</u>	<u>10,121,900</u>	<u>121,900</u>
Total Federal Home Mortgage Corporations				335,000,000	340,582,750	5,582,750
Federal National Mortgage Associations DE:						
Fannie Mae-2nd	5.000%	04/25/08	02/16/12	10,000,000	10,371,900	371,900
Federal National Mortgage Associator	6.000%	04/25/08	05/15/11	15,000,000	15,975,000	975,000
Federal National Mortgage Associator	6.125%	12/20/06	03/15/12	10,000,000	10,750,000	750,000
FNMA-2nd	5.000%	04/30/07	09/15/08	10,000,000	10,056,300	56,300
Fannie Mae-2nd	4.625%	06/13/08	06/15/12	10,000,000	10,250,000	250,000
Fannie Mae-2nd	4.000%	06/16/08	06/16/11	20,000,000	20,025,000	25,000
Fannie Mae-2nd	4.750%	06/13/08	01/02/13	20,000,000	20,175,000	175,000
Fannie Mae-2nd	3.250%	02/27/08	02/10/10	10,000,000	10,034,400	34,400
Fannie Mae-2nd	3.625%	02/27/08	02/12/13	<u>10,000,000</u>	<u>9,800,000</u>	<u>(200,000)</u>
Total Federal National Mortgage Associations DE				115,000,000	117,437,600	2,437,600
Federal National Mortgage Associations ME:						
FNMA-2nd	4.125%	05/16/07	05/15/10	15,000,000	15,262,500	262,500
FNMA-2nd	3.875%	04/30/07	07/15/08	10,000,000	10,006,300	6,300
Federal National Mortgage Associator	6.375%	12/20/06	06/15/09	20,000,000	20,681,200	681,200
Federal National Mortgage Associator	6.375%	05/24/07	06/15/09	10,000,000	10,340,600	340,600
FNMA-2nd	6.625%	05/24/07	09/15/09	10,000,000	10,434,400	434,400
Federal National Mortgage Associator	7.125%	05/31/07	06/15/10	15,000,000	16,106,250	1,106,250
FNMA-2nd	5.375%	05/24/07	08/15/09	10,000,000	10,275,000	275,000
FNMA-2nd	4.250%	05/31/07	08/15/10	15,000,000	15,300,000	300,000
FNMA-2nd	4.500%	01/02/07	10/15/08	20,000,000	20,118,800	118,800
Fannie Mae-2nd	5.000%	01/17/08	08/02/12	<u>1,000,000</u>	<u>1,038,750</u>	<u>38,750</u>
Total Federal National Mortgage Associations ME				126,000,000	129,563,800	3,563,800
Tennessee Valley Authority Global GSE:						
Tennessee Valley Authority	5.625%	04/25/08	01/18/11	3,000,000	3,152,940	152,940
Tennessee Valley Authority	5.625%	06/19/08	01/18/11	<u>2,678,000</u>	<u>2,814,524</u>	<u>136,524</u>
Total Tennessee Valley Authority Global GSE				<u>5,678,000</u>	<u>5,967,464</u>	<u>289,464</u>
Total US Government Securities				<u>1,059,393,000</u>	<u>1,082,749,320</u>	<u>23,356,320</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2008

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
GENERAL FUND INVESTMENT POOL - continued:						
Corporate Bonds:						
Abbott Laboratories	5.150%	11/09/07	11/30/12	10,000,000	10,293,100	293,100
AIG 2nd	4.625%	09/24/07	09/01/10	5,000,000	4,844,550	(155,450)
Banc One Corp-JPM	10.000%	09/24/07	08/15/10	7,062,000	7,606,127	544,127
Citigroup Inc.	5.625%	09/25/07	08/27/12	5,000,000	4,919,050	(80,950)
Credit Suisse USA	5.500%	09/27/07	08/16/11	9,935,000	10,049,650	114,650
First Mass Bank NA 2	7.625%	09/25/07	06/15/11	4,770,000	5,296,179	526,179
Genworth Global	5.375%	09/27/07	09/15/11	10,000,000	9,872,200	(127,800)
Goldman Sachs Group	6.875%	09/25/07	01/15/11	10,000,000	10,380,900	380,900
HSBC Finance Corporation	6.750%	09/28/07	05/15/11	6,000,000	6,235,380	235,380
HSBC Finance Corporation	5.700%	09/25/07	06/01/11	5,230,000	5,271,945	41,945
International Lease Finance	5.125%	09/27/07	10/01/10	5,000,000	4,783,550	(216,450)
International Lease Finance	5.300%	09/28/07	05/01/12	5,000,000	4,417,100	(582,900)
Morgan Stanley 2nd	6.600%	09/25/07	04/01/12	10,000,000	10,167,200	167,200
New York Life 2nd	3.875%	09/25/07	01/15/09	11,523,000	11,548,120	25,120
Northern Illinois Gas Company	6.625%	11/02/07	02/01/11	6,925,000	7,269,242	344,242
Walmart Stores Corporation	4.125%	11/02/07	02/15/11	5,000,000	5,034,200	34,200
Wells Fargo	2.829%	06/19/07	06/18/10	10,000,000	9,981,300	(18,700)
Total Corporate Bonds				<u>126,445,000</u>	<u>127,969,793</u>	<u>1,524,793</u>
Total General Fund Investment Pool				<u>\$ 2,216,553,569</u>	<u>2,241,434,682</u>	<u>24,881,113</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2008

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
LOCAL GOVERNMENT INVESTMENT POOL:						
Bank Account	Various	Various	Various	\$ <u>581,871</u>	<u>581,871</u>	<u>-</u>
Institutional Money Markets	Various	Various	Various	\$ <u>660,810,000</u>	<u>660,810,000</u>	<u>-</u>
US Government Securities:						
Federal Home Loan Banks:						
FHLB	2.548%	04/07/08	04/07/09	\$ 19,600,000	19,514,348	(85,652)
FHLB	2.250%	04/17/08	04/17/09	25,000,000	24,882,750	(117,250)
FHLB	2.130%	05/21/08	08/20/08	10,000,000	9,969,000	(31,000)
FHLB Disco Corp	2.130%	05/21/08	08/21/08	10,000,000	9,968,000	(32,000)
FHLB AGD 2nd	2.250%	06/12/08	08/29/08	20,000,000	19,926,000	(74,000)
FHLB DN 2nd	2.200%	06/11/08	09/05/08	6,862,000	6,832,493	(29,507)
FHLM AGD 2nd	2.090%	04/29/08	10/01/08	10,000,000	9,938,000	(62,000)
FHLB 2nd	2.770%	01/29/08	07/14/08	5,095,000	5,090,924	(4,076)
FHLB DN 2nd	2.200%	06/12/08	07/18/08	20,400,000	20,379,600	(20,400)
FHLB DN 2nd	2.200%	06/12/08	07/24/08	20,000,000	19,972,000	(28,000)
FHLB 2nd	2.740%	01/29/08	07/25/08	17,450,000	17,425,570	(24,430)
FHLB 2nd	2.200%	05/05/08	11/05/08	<u>20,000,000</u>	<u>19,975,000</u>	<u>(25,000)</u>
Total Federal Home Loan Banks				184,407,000	183,873,685	(533,315)
Federal Farm Credit Banks Consolidated Long:						
Farm Credit 2nd	2.600%	01/29/08	11/17/08	22,000,000	21,788,800	(211,200)
Farm Credit 2nd	2.590%	01/29/08	12/15/08	<u>10,150,000</u>	<u>10,032,260</u>	<u>(117,740)</u>
Total Federal Farm Credit Banks Consolidated Long				32,150,000	31,821,060	(328,940)
Federal Home Mortgage Corporations						
FHLMC	2.450%	04/09/08	04/09/09	25,000,000	24,923,750	(76,250)
FHLMC	2.460%	04/08/08	04/08/09	30,000,000	29,911,200	(88,800)
FHLMC 2nd	2.100%	03/11/08	08/18/08	20,000,000	19,940,000	(60,000)
FHLMC 2nd	2.660%	01/29/08	08/29/08	18,076,000	18,009,118	(66,882)
FHLMC DN 2nd	2.250%	06/11/08	09/02/08	30,000,000	29,877,000	(123,000)
Freddie Disc 2nd	2.120%	05/21/08	09/05/08	10,000,000	9,957,000	(43,000)
FHLMC 2nd	2.120%	03/11/08	09/08/08	20,000,000	19,910,000	(90,000)
FHLMC 2nd	2.300%	06/11/08	09/08/08	20,000,000	19,910,000	(90,000)
Freddie Disc 2nd	2.140%	05/21/08	09/12/08	5,220,000	5,195,466	(24,534)
FHLMC	2.140%	05/21/08	09/22/08	10,000,000	9,946,000	(54,000)
FHLMC 2nd	2.100%	03/11/08	09/25/08	20,000,000	19,888,000	(112,000)
Freddie Disc 2nd	2.170%	05/21/08	11/10/08	10,000,000	9,909,000	(91,000)
Freddie Disc 2nd	2.175%	05/21/08	11/17/08	10,000,000	9,904,000	(96,000)
FHLMC	2.150%	03/12/08	07/01/08	<u>20,000,000</u>	<u>20,000,000</u>	<u>-</u>
Total Federal Home Mortgage Corporations				248,296,000	247,280,534	(1,015,466)

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2008

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
LOCAL GOVERNMENT INVESTMENT POOL - continued						
US Government Securities - continued:						
Federal National Mortgage Associations:						
FNMA DN	2.090%	05/22/08	07/23/08	\$ 30,000,000	29,959,941	(40,059)
FNMA DN 2nd	2.200%	06/12/08	08/13/08	30,000,000	29,919,000	(81,000)
FNMA DN	2.200%	06/12/08	08/15/08	20,000,000	19,944,000	(56,000)
FNMA DN	2.250%	06/11/08	08/19/08	30,000,000	29,910,000	(90,000)
FNMA DN	2.250%	06/11/08	08/20/08	20,000,000	19,938,000	(62,000)
FNMA DN	2.250%	06/11/08	08/21/08	20,000,000	19,936,000	(64,000)
FNMA DN AGD 2nd	2.300%	06/12/08	09/10/08	30,000,000	29,862,000	(138,000)
FNMA 2nd	2.088%	04/29/08	10/15/08	8,010,000	7,953,129	(56,871)
FNMA 2nd	2.130%	05/21/08	10/29/08	10,000,000	9,919,000	(81,000)
FNMA DN 2nd	2.160%	05/22/08	11/03/08	10,000,000	9,914,000	(86,000)
FNMA DN 2nd	2.165%	05/22/08	11/05/08	10,000,000	9,913,000	(87,000)
FNMA Disc 2nd	2.170%	05/21/08	11/12/08	10,000,000	9,908,000	(92,000)
FNMA DN 2nd	2.090%	05/22/08	07/21/08	20,000,000	19,976,000	(24,000)
FNMA DN AGD	2.090%	05/22/08	07/24/08	10,000,000	9,986,000	(14,000)
FNMA DN 2nd	2.090%	05/22/08	07/22/08	20,000,000	19,974,455	(25,545)
FNMA DN	2.080%	05/22/08	07/16/08	20,000,000	19,981,514	(18,486)
FNMA 2nd	3.750%	05/05/08	07/25/08	<u>15,000,000</u>	<u>15,009,450</u>	<u>9,450</u>
Total Federal National Mortgage Association				<u>313,010,000</u>	<u>312,003,489</u>	<u>(1,006,511)</u>
Total US Government Securities				777,863,000	774,978,768	(2,884,232)
Corporate Bonds:						
Abbey CP	2.380%	05/20/08	07/21/08	10,000,000	9,986,116	(13,884)
Abbey Cp	2.490%	05/20/08	08/22/08	10,000,000	9,963,341	(36,659)
Abbey Natl CP	2.590%	04/02/08	08/01/08	10,000,000	9,976,977	(23,023)
BNP Parfin CP	2.350%	05/20/08	07/08/08	8,700,000	8,695,456	(4,544)
BNP Partibas CP	2.655%	04/14/08	07/18/08	20,000,000	19,973,450	(26,550)
Calyon CP 2nd	2.460%	06/11/08	07/08/08	8,815,000	8,810,181	(4,819)
Calyon CP	2.620%	04/14/08	08/12/08	10,000,000	9,968,705	(31,295)
Calyon CP	2.480%	05/20/08	08/20/08	10,000,000	9,964,866	(35,134)
DEXIA CP	2.000%	06/11/08	07/07/08	10,000,000	9,996,111	(3,889)
Dexia DEL CP 2nd	2.700%	04/14/08	07/11/08	20,000,000	19,983,500	(16,500)
Dexia DEL CP 2nd	2.580%	06/13/08	08/11/08	10,000,000	9,969,900	(30,100)
Forti CP	2.440%	05/20/08	07/22/08	10,000,000	9,985,088	(14,912)
Forti CP	2.550%	05/20/08	09/17/08	10,000,000	9,944,041	(55,959)
Intessa CP	2.380%	06/11/08	07/10/08	10,000,000	9,993,388	(6,612)
Nordea North CP 2nd	2.680%	04/16/08	07/14/08	10,000,000	9,989,577	(10,423)
Nordea North CP	2.540%	4/2/2008	9/4/2008	20,000,000	19,906,866	(93,134)
San Paolo/Intessa CP	2.690%	04/02/08	07/03/08	10,000,000	9,997,758	(2,242)
Societe Gene	2.870%	04/04/08	07/08/08	15,000,000	14,990,445	(9,555)
Societe Generale CP	2.480%	06/13/08	07/17/08	<u>10,000,000</u>	<u>9,988,288</u>	<u>(11,712)</u>
Total Corporate Bonds				222,515,000	222,084,054	(430,946)

See Independent Auditors' Report.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2008

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
Total Local Government Investment Pool				\$ <u>1,661,769,871</u>	<u>1,658,454,693</u>	<u>(3,315,178)</u>
Total				\$ <u>1,661,769,871</u>	<u>1,658,454,693</u>	<u>(3,315,178)</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2008

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
Bond Proceeds Investment Pool #2 (Taxable):						
Repurchase Agreements	Various	Various	Various	\$ <u>212,783,105</u>	<u>212,783,105</u>	
Institutional Money Markets	Various	Various	Various	\$ <u>180,400,000</u>	<u>180,400,000</u>	
US Government Securities:						
US Treasury Notes:						
US T Notes 2nd	4.375%	2/27/07	11/15/08	\$ 5,000,000	5,041,400	41,400
US T Notes 2nd	4.750%	2/27/07	12/31/08	5,000,000	5,063,650	63,650
US T Notes 2nd	4.875%	2/27/07	1/31/09	<u>5,000,000</u>	<u>5,079,300</u>	<u>79,300</u>
Total US Treasury Notes				15,000,000	15,184,350	184,350
Federal Farm Credit Banks Consolidated Long:						
FFCB 2nd	5.000%	3/14/08	10/23/09	<u>5,000,000</u>	<u>5,134,400</u>	<u>134,400</u>
Total Federal Farm Credit Banks				5,000,000	5,134,400	134,400
Federal Home Loan Banks:						
FHLB 2nd	5.823%	12/29/06	5/6/09	10,000,000	10,246,900	246,900
FHLB 2nd	4.500%	12/29/06	8/14/09	10,000,000	10,171,900	171,900
FHLB 2nd	4.000%	12/29/06	11/13/09	9,660,000	9,792,825	132,825
Fed Home Loan BKS	3.625%	12/18/06	11/14/08	10,000,000	10,037,500	37,500
Fed Home Loan Bank 2nd	3.875%	2/28/08	1/15/10	3,970,000	4,022,126	52,126
Fed Home Loan Bank 2nd	4.710%	3/14/08	8/16/10	4,550,000	4,680,813	130,813
FHLB 2nd	4.375%	12/29/06	9/11/09	10,000,000	10,168,800	168,800
FHLB 2nd	5.250%	1/23/07	6/12/09	5,000,000	5,107,800	107,800
FHLB 2nd	5.250%	1/23/07	6/12/09	1,000,000	1,021,560	21,560
FHLB	5.125%	11/15/06	8/8/08	10,000,000	10,025,000	25,000
FHLB 2nd	5.000%	12/29/06	12/11/09	10,000,000	10,284,400	284,400
FHLB 2nd	5.000%	3/14/08	12/11/09	1,010,000	1,038,724	28,724
FHLB 2nd	4.500%	2/28/08	10/9/09	3,970,000	4,046,939	76,939
Fed Home Loan Bank 2nd	5.250%	12/14/07	10/23/12	5,000,000	5,076,550	76,550
FHLB 2nd	4.250%	2/28/08	11/20/09	3,970,000	4,038,244	68,244
Fed Home Loan Bank 2nd	3.250%	6/13/08	3/9/12	10,000,000	9,778,100	(221,900)
Fed Home Loan Bank 2nd	2.875%	3/14/08	3/11/11	<u>5,000,000</u>	<u>4,921,900</u>	<u>(78,100)</u>
Total Federal Home Loan Banks				113,130,000	114,460,081	1,330,081
Federal Home Loan Banks Float:						
Fed Home Loan Bank	2.800%	9/17/07	9/17/10	<u>5,000,000</u>	<u>4,998,750</u>	<u>(1,250)</u>
Total Federal Home Loan Banks Float				5,000,000	4,998,750	(1,250)

See Independent Auditors' Report.

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2008

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
Bond Proceeds Investment Pool #2 (Taxable) - continued:						
US Government Securities - continued:						
Federal Home Loan Mortgage Co.:						
FHLMC	4.875%	12/18/06	2/17/09	\$ 10,000,000	10,003,355	3,355
Freddie Mac 2nd	4.000%	12/17/07	3/30/09	5,000,000	5,042,800	42,800
Freddie Mac 2nd	5.850%	12/14/07	7/30/12	8,040,000	8,060,422	20,422
Freddie Mac 2nd	4.000%	6/9/08	6/9/11	25,000,000	25,033,000	33,000
Fed Home Loan Mtg Corp	5.125%	12/18/06	10/15/08	10,000,000	10,075,000	75,000
Fed Home Loan Mtg Corp	5.750%	12/18/06	3/15/09	10,000,000	10,203,100	203,100
FHLMC	3.625%	11/15/06	9/15/08	10,000,000	10,021,900	21,900
FHLMC 2nd	4.250%	2/28/08	7/15/09	3,970,000	4,024,588	54,588
FHLMC 2nd	5.250%	2/28/08	5/21/09	3,970,000	4,051,901	81,901
FHLMC 2nd	4.875%	2/28/08	2/9/10	<u>3,970,000</u>	<u>4,084,138</u>	<u>114,138</u>
Total Federal Home Loan Mortgage Co.				89,950,000	90,600,203	650,203
Federal National Mortgage Association Debentures:						
FNMA 2nd	4.625%	2/28/08	12/15/09	3,970,000	4,063,057	93,057
Fannie Mae 2nd	4.625%	6/13/08	6/15/12	8,000,000	8,200,000	200,000
Fannie Mae 2nd	4.000%	6/16/08	6/16/11	20,000,000	20,025,000	25,000
Fannie Mae 2nd	4.750%	6/13/08	1/2/13	<u>20,000,000</u>	<u>20,175,000</u>	<u>175,000</u>
Total Federal National Mortgage Association Debentures				51,970,000	52,463,057	493,057
Federal National Mortgage Association Medterm NT:						
FNMA	3.875%	11/15/06	7/15/08	10,000,000	10,006,300	6,300
Federal Natl Mtg Assn	5.250%	12/18/06	1/15/09	10,000,000	10,131,300	131,300
Federal Natl Mtg Assn 2nd	6.375%	1/12/07	6/15/09	10,000,000	10,340,600	340,600
FNMA 2nd	6.625%	1/23/07	9/15/09	14,000,000	14,608,160	608,160
Fed Nat Mtg Assn Mdtrm NT	4.875%	12/18/06	4/15/09	10,000,000	10,156,300	156,300
Fed Nat Mtg Assn Medtrm NT	3.375%	12/18/06	12/15/08	10,000,000	10,037,500	37,500
FMNA 2nd	4.500%	1/23/07	10/15/08	5,000,000	5,029,700	29,700
FMNA 2nd	4.500%	12/29/06	7/27/09	10,000,000	10,165,600	165,600
Fannie Mae 2nd	5.500%	12/14/07	8/22/12	<u>8,040,000</u>	<u>8,065,177</u>	<u>25,177</u>
Total Federal National Mortgage Association Medterm NT				<u>87,040,000</u>	<u>88,540,637</u>	<u>1,500,637</u>
Total US Government Securities				367,090,000	371,381,477	4,291,477

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2008

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
Bond Proceeds Investment Pool #2 (Taxable) - continued:						
Corporate Bonds:						
General Electric CAP Corp 2nd	5.000%	11/1/07	12/1/10	\$ 10,000,000	10,258,500	258,500
Goldman Sachs Group Inc 2nd	5.700%	10/12/07	9/1/12	10,000,000	10,031,400	31,400
HSBC Finance Corp 2nd	4.125%	11/1/07	11/16/09	10,000,000	9,933,700	(66,300)
Merrill Lynch & Co 2nd Corp BD	6.050%	10/12/07	8/15/12	5,000,000	4,893,600	(106,400)
Morgan Stanley 2nd	5.750%	10/12/07	8/31/12	5,000,000	4,960,400	(39,600)
WalMart Stores Corp 2nd	4.750%	11/1/07	8/15/10	10,000,000	10,259,700	259,700
Goldman Sach 2nd	2.901%	8/3/07	6/28/10	5,000,000	4,876,750	(123,250)
Merrill Lynch 2nd	2.901%	8/3/07	3/23/10	5,000,000	4,689,550	(310,450)
Merrill Lynch 2nd	2.756%	8/3/07	12/4/09	5,000,000	4,792,800	(207,200)
Morgan Stanley 2nd	5.410%	8/3/07	1/15/10	4,075,000	3,934,413	(140,587)
Harot 2006-3 A4 2nd	5.110%	10/31/07	4/15/12	<u>10,000,000</u>	<u>10,153,480</u>	<u>153,480</u>
Total Corporate Bonds				<u>79,075,000</u>	<u>78,784,293</u>	<u>(290,707)</u>
Total Bond Proceeds Investment Pool #2 (Taxable)				<u>\$ 839,348,105</u>	<u>843,348,875</u>	<u>4,000,770</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2008

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
Bond Proceeds Investment Pool #1 (Tax Exempt):						
Repurchase Agreements	Various	Various	Various	\$ <u>339,501,326</u>	<u>339,501,326</u>	<u>-</u>
Institutional Money Markets	Various	Various	Various	\$ <u>72,183,000</u>	<u>72,183,000</u>	<u>-</u>
US Government Securities:						
US Treasury Notes:						
US T Notes 2nd	4.750%	04/18/07	11/15/08	\$ 3,970,000	4,008,152	38,152
US T Notes 2nd	3.125%	04/18/07	09/15/08	3,970,000	3,980,560	10,560
US T Notes 2nd	3.125%	04/18/07	10/15/08	3,970,000	3,985,523	15,523
US T Notes 2nd	4.500%	04/18/07	02/15/09	3,970,000	4,023,952	53,952
US T Notes 2nd	5.000%	04/11/07	07/31/08	3,970,000	3,979,925	9,925
US T Notes 2nd	4.875%	04/11/07	08/31/08	3,970,000	3,989,215	19,215
US T Notes 2nd	4.750%	04/18/07	12/31/08	3,970,000	4,020,538	50,538
US T Notes 2nd	4.875%	04/18/07	01/31/09	3,970,000	4,032,964	62,964
US T Notes 2nd	4.500%	04/18/07	03/31/09	<u>3,970,000</u>	<u>4,032,964</u>	<u>62,964</u>
Total US Treasury Notes				35,730,000	36,053,793	323,793
Federal Farm Credit Banks Consolidated Long:						
FFCB 2nd	4.850%	04/26/07	12/16/09	3,970,000	4,075,443	105,443
FFCB 2nd	5.375%	04/25/07	07/20/09	3,970,000	4,071,751	101,751
FFCB 2nd	4.875%	04/25/07	4/13/09	3,970,000	4,032,051	62,051
Federal Farm Credit Bank 2nd	3.150%	06/02/08	05/19/11	<u>11,420,000</u>	<u>11,291,525</u>	<u>(128,475)</u>
Total Federal Farm Credit Banks				23,330,000	23,470,770	140,770
Federal Home Loan Banks:						
FHLB 2nd	5.823%	04/25/07	05/06/09	3,970,000	4,068,019	98,019
FHLB 2nd	4.500%	04/26/07	02/12/10	3,970,000	4,056,864	86,864
Federal Home Loan Bank 2nd	4.250%	06/02/08	06/11/10	15,000,000	15,290,700	290,700
Federal Home Loan Bank 2nd	4.700%	06/02/08	08/10/10	14,510,000	14,922,664	412,664
Federal Home Loan Bank 2nd	5.250%	05/30/08	06/10/11	3,500,000	3,661,875	161,875
FHLB 2nd	5.250%	04/25/07	08/05/09	3,970,000	4,069,250	99,250
FHLB 2nd	5.125%	05/17/07	08/21/08	6,050,000	6,070,812	20,812
FHLB 2nd	5.125%	10/30/07	12/29/08	5,000,000	5,059,400	59,400
FHLB 2nd	5.500%	08/23/07	07/23/10	6,000,000	6,009,360	9,360
Federal Home Loan Bank 2nd	5.250%	12/14/07	10/23/12	5,000,000	5,076,550	76,550
FHLB 2nd	4.625%	10/30/07	10/24/08	5,000,000	5,031,250	31,250
Federal Home Loan Bank 2nd	4.250%	04/30/08	12/17/10	10,000,000	10,050,000	50,000
Federal Home Loan Bank 2nd	4.375%	04/30/08	01/07/11	10,000,000	10,062,500	62,500
Federal Home Loan Bank 2nd	3.000%	05/30/08	06/11/10	15,000,000	14,939,100	(60,900)
Federal Home Loan Bank 2nd	3.375%	06/02/08	06/10/11	15,000,000	14,915,700	(84,300)
Federal Home Loan Bank 2nd	3.500%	06/02/08	12/10/10	10,000,000	10,021,900	21,900
Federal Home Loan Bank 2nd	3.500%	06/02/08	12/10/10	<u>5,000,000</u>	<u>5,010,950</u>	<u>10,950</u>
Total Federal Home Loan Banks				136,970,000	138,316,894	1,346,894

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2008

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (loss)
Bond Proceeds Investment Pool #1 (Tax Exempt) - continued:						
Federal Home Loan Banks Float:						
Federal Home Loan Bank	5.694%	09/17/07	09/17/10	\$ 5,000,000	4,998,750	(1,250)
Total Federal Home Loan Banks Float				5,000,000	4,998,750	(1,250)
Federal Home Loan Mortgage Corp:						
Freddie Mac 2nd Agency	3.500%	10/31/07	4/6/09	5,000,000	5,024,100	24,100
Freddie Mac 2nd	5.300%	12/14/07	01/09/12	9,530,000	9,623,013	93,013
Freddie Mac 2nd	3.350%	05/27/08	03/04/10	20,650,000	20,632,861	(17,139)
Freddie Mac 2nd	3.350%	05/28/08	05/12/10	14,255,000	14,211,095	(43,905)
Freddie Mac 2nd	4.500%	05/30/08	05/13/13	25,000,000	25,048,750	48,750
Freddie Mac 2nd	3.750%	05/12/08	05/12/11	10,425,000	10,435,425	10,425
Freddie Mac 2nd	3.875%	05/28/08	05/27/11	19,250,000	19,261,935	11,935
Freddie Mac 2nd	4.000%	06/09/08	06/09/11	15,000,000	15,019,800	19,800
Federal Home Loan Bank 2nd	5.050%	12/14/07	11/01/12	6,990,000	7,103,588	113,588
Freddie Mac 2nd Agency	5.750%	10/30/07	03/15/09	5,000,000	5,101,550	101,550
Fed Home Loan Mtg Corp 2nd	6.625%	04/25/07	09/15/09	3,970,000	4,142,457	172,457
Fed Home Loan Mtg Corp 2nd	5.625%	06/02/08	03/15/11	15,000,000	15,806,250	806,250
FHLMC 2nd	4.750%	04/26/07	11/03/09	3,970,000	4,063,057	93,057
Freddie Mac 2nd	2.875%	06/02/08	04/30/10	15,000,000	14,934,450	(65,550)
Total Federal Home Loan Mortgage Corp				169,040,000	170,408,330	1,368,330
Federal National Mortgage Association Medtrm NT:						
FNMA 2nd	3.875%	05/17/07	07/15/08	6,050,000	6,053,812	3,812
Fed Nat Mtg Assn	6.375%	04/25/07	06/15/09	3,970,000	4,105,218	135,218
FNMA 2nd	7.250%	04/26/07	01/15/10	3,970,000	4,221,857	251,857
Fannie Mae 2nd	5.300%	12/17/07	05/07/12	8,700,000	8,776,125	76,125
Fannie Mae 2nd Gov Sec	5.125%	12/17/07	07/13/09	8,700,000	8,895,750	195,750
Total National Mortgage Association Medtrm NT				31,390,000	32,052,762	662,762
Government Agency (Other):						
SLGS STB 08A-2	1.920%	06/25/08	07/25/08	20,687,460	20,687,460	-
Total Government Agency (Other)				20,687,460	20,687,460	-
Total US Government Securities				422,147,460	425,988,759	3,841,299
Corporate Bonds:						
Citigroup Inc 2nd Corp	3.625%	10/30/07	02/09/09	10,000,000	9,985,500	(14,500)
General Electric Cap Corp MTN BE-2nd	3.250%	10/30/07	06/15/09	10,000,000	9,942,600	(57,400)
Wells Fargo Company 2nd Corp	4.200%	10/30/07	01/15/10	10,000,000	10,029,200	29,200
Total Corporate Bonds				30,000,000	29,957,300	(42,700)
Total Bond Proceeds Investment Pool #1 (Tax Exempt)				\$ 863,831,786	867,630,385	3,798,599

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 7 - continued

Schedule of Investments - Fiduciary Funds - continued

YEAR ENDED JUNE 30, 2008

Security Description	Book Value	Market Value	Unrealized Gain (loss)
Local Government Investment Pool	\$ 1,661,769,871	1,658,454,693	(3,315,178)
General Fund Investments	2,216,553,569	2,241,434,682	24,881,113
Bond Proceeds Taxable	839,348,105	843,348,875	4,000,770
Bond Proceeds Tax Exempt	<u>863,831,786</u>	<u>867,630,385</u>	<u>3,798,599</u>
Grand Total of all Funds	\$ <u>5,581,503,331</u>	<u>5,610,868,635</u>	<u>29,365,304</u>

Reconciliation to financial statements:

Per Schedule of Investments	\$ 5,610,868,635
Less: Repurchase Agreements reported in Debt Service Funds	<u>(106,148,801)</u>
Total Cash and Investments, Statement of Fiduciary Net Assets	\$ <u>5,504,719,834</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 8

Combining Statement of Fiduciary Net Assets

AS OF JUNE 30, 2008

	Investment Trust Funds			Total (Memorandum Only)
	Short-term Investment Pool	Consolidated Investment Pool	State Funds Investment Pool	
ASSETS:				
Cash and investments:				
Cash in banks	\$ 581,871	-	-	581,871
Certificates of Deposit	-	-	201,800,000	201,800,000
Institutional Money Market	660,810,000	252,583,000	319,200,000	1,232,593,000
Commercial Paper	222,084,054	-	-	222,084,054
U.S. Government securities	774,978,768	797,370,236	1,082,749,320	2,655,098,324
Corporate Bonds	-	108,741,593	127,969,793	236,711,386
Municipal Bonds	-	-	37,000,000	37,000,000
Flexible Repurchase Agreements	-	-	-	-
Repurchase agreements	-	<u>552,284,431</u>	<u>366,566,768</u>	<u>918,851,199</u>
Total cash and investments	1,658,454,693	1,710,979,260	2,135,285,881	5,504,719,834
Other assets	<u>15,739,264</u>	<u>25,475,545</u>	<u>14,990,636</u>	<u>56,205,445</u>
TOTAL ASSETS	\$ <u>1,674,193,957</u>	<u>1,736,454,805</u>	<u>2,150,276,517</u>	<u>5,560,925,279</u>
LIABILITIES:				
Other liabilities	\$ -	-	-	-
NET ASSETS HELD IN TRUST	<u>1,674,193,957</u>	<u>1,736,454,805</u>	<u>2,150,276,517</u>	<u>5,560,925,279</u>
TOTAL LIABILITIES AND NET ASSETS HELD IN TRUST	\$ <u>1,674,193,957</u>	<u>1,736,454,805</u>	<u>2,150,276,517</u>	<u>5,560,925,279</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 9

Combining Statement of Changes in Fiduciary Net Assets

AS OF JUNE 30, 2008

	Investment Trust Fund			Total (Memorandum Only)
	Short-term Investment Pool	Consolidated Investment Pool	State Funds Investment Pool	
Investment income	\$ 50,892,896	54,493,062	106,957,615	212,343,573
Expenses - management fees	(384,000)	-	-	(384,000)
Net investment income	50,508,896	54,493,062	106,957,615	211,959,573
Net proceeds of desposits (withdrawals)	653,199,288	67,143,330	(276,908,928)	443,433,690
Net assets, held in trust for pool participants, June 30, 2007	<u>970,485,773</u>	<u>1,614,818,413</u>	<u>2,320,227,830</u>	<u>4,905,532,016</u>
Net assets, held in trust for pool participants, June 30, 2008	\$ <u>1,674,193,957</u>	<u>1,736,454,805</u>	<u>2,150,276,517</u>	<u>5,560,925,279</u>

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

Schedule 10

Schedule of Collateral Pledged by Depository

YEAR ENDED JUNE 30, 2008

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (under)
					Surety Bond Letter of Credit	Securities	
BANKS:							
Alamogordo							
(FHLB)	First National Bank	\$ 564,675	100,000	232,338	-	2,246,412	2,014,075
(FHLB)	Western Bank	3,800,000	100,000	1,850,000	-	1,940,440	90,440
Albuquerque							
(WFB)	Bank of America	12,153,038	100,000	6,026,519	-	36,115,215	30,088,696
(WFB)	Bank of the West	6,829,261	100,000	5,046,946	-	19,243,467	14,196,521
(WFB)	Compass Bank	17,304,462	100,000	17,204,462	15,000,000	4,103,054	1,898,592
(FHLB)	First Community Bank	14,114,470	100,000	7,007,235	11,000,000	3,061,353	7,054,118
(WFB)	New Mexico Bank & Trust	246,502	100,000	73,251	-	200,000	126,749
(BA)	Wells Fargo Bank NM, N.A.	21,058,022	100,000	10,479,011	-	25,250,947	14,771,936
Artesia							
(FHLB)	First National Bank	35,899	35,899	-	-	-	-
(FHLB)	Western Bank	500,000	100,000	200,000	-	300,000	100,000
Belen							
(TIB)	My Bank	362,452	100,000	131,226	-	201,750	70,524
Carlsbad							
(FHLB)	Carlsbad National Bank	3,003,622	100,000	1,451,811	-	2,574,399	1,122,588
(FHLB)	Western Commerce Bank	5,064,718	100,000	2,482,359	-	4,834,723	2,352,364
Clayton							
(FHLB)	Farmers & Stockmens Bank	1,082,169	100,000	491,085	-	580,537	89,453
(FHLB)	First National Bank of NM	6,451,215	100,000	3,175,608	-	3,837,156	661,549
Clovis							
(TIB)	Bank of Clovis	388,710	100,000	144,355	-	1,525,000	1,380,645
(TIB)	Citizens Bank	40,265	40,265	-	-	157,081	157,081
(FHLB)	Western Bank	2,600,000	100,000	1,250,000	-	1,912,804	662,804
Espanola							
(TIB)	Valley National Bank	16,000,500	100,000	7,950,250	-	10,768,909	2,818,659
Gallup							
(FHLB)	Pinnacle Bank	1,914	1,914	-	-	-	-
Grants							
(TIB)	Grants State Bank	126,377	100,000	13,189	-	945,030	931,842
Hobbs							
(TIB)	Lea County State Bank	513,446	100,000	206,723	-	455,000	248,277
Las Cruces							
(WFB)	Bank of the Rio Grande	7,000,000	100,000	3,450,000	-	3,664,845	214,845
(TIB)	Citizens Bank	21,281	21,281	-	-	-	-
Las Vegas							
(FHLB)	Bank of Las Vegas	998,449	100,000	449,225	-	500,000	50,776
(FHLB)	First National Bank	<u>7,315,079</u>	<u>100,000</u>	<u>3,607,540</u>	<u>-</u>	<u>4,627,758</u>	<u>1,020,219</u>
SUBTOTAL		127,576,526	2,299,359	72,923,130	26,000,000	129,045,880	82,122,750

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

Schedule 10 - continued

Schedule of Collateral Pledged by Depository - continued

YEAR ENDED JUNE 30, 2008

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (under)
					Surety Bond Letter of Credit	Securities	
BANKS - continued:							
Lordsburg							
(FHLB)	Western Bank	\$ 4,021,743	100,000	1,960,872	-	3,310,607	1,349,736
Los Alamos							
(FHLB)	Los Alamos National Bank	20,497,354	100,000	10,198,677	15,450,000	-	5,251,323
Portales							
(TIB)	Portales National Bank	605,142	100,000	252,571	-	304,366	51,795
Raton							
(TIB)	International State Bank	518,805	100,000	209,403	-	577,252	367,850
Roswell							
(FHLB)	Bank of the Southwest	2,376,561	100,000	1,138,281	1,000,000	830,264	691,984
(TIB)	Valley Bank of Commerce	105,532	100,000	2,766	-	250,000	247,234
Ruidoso							
(FHLB)	First National Bank	2,000,000	100,000	950,000	-	1,704,925	754,925
Santa Fe							
(FHLB)	Century Bank	30,000,000	100,000	14,950,000	-	15,273,477	323,477
(FHLB)	Community Bank	57,835	57,835	-	-	30,929	30,929
(WFB)	First National Bank	30,000,000	100,000	14,950,000	-	15,245,635	295,635
Silver City							
(FHLB)	AM Bank	-	-	-	-	-	-
Socorro							
(BA)	First State Bank	306,735	100,000	103,368	-	320,000	216,633
Taos							
(TIB)	Centinel Bank	119,314	100,000	9,657	-	150,657	141,000
(FHLB)	Peoples Bank	-	-	-	-	1,372,577	1,372,577
SAVINGS AND LOANS:							
Alamogordo							
(FHLB)	Alamogordo Federal S&L	25,917	25,917	-	-	44,392	44,392
Albuquerque							
(FHLB)	Union Savings Bank	5,000,000	100,000	2,450,000	-	3,306,659	856,659
Roswell							
(FHLB)	First Federal Bank	180,545	100,000	40,273	-	568,155	527,883
Santa Fe							
(FHLB)	Charter Bank for Savings	22,000,000	100,000	10,950,000	-	11,699,902	749,902
CREDIT UNION:							
Santa Fe	Guadalupe Credit Union	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SUBTOTAL		117,915,483	1,583,752	58,165,866	16,450,000	54,989,797	13,273,932

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

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

Schedule 10 - continued

Schedule of Collateral Pledged by Depository - continued

YEAR ENDED JUNE 30, 2008

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (under)
					Surety Bond Letter of Credit	Securities	
ANCILLARY RECEIVERSHIP ACCOUNTS:							
Albuquerque							
(BA)	Bank of America, N.A.	\$ 325,435	100,000	112,718	-	293,468	180,750
(FHLB)	First Community Bank	1,936,273	100,000	918,137	-	958,988	40,851
(WFB)	Wells Fargo Bank, N.A.	4,318	4,318	-	-	171,765	171,765
Espanola							
(TIB)	Valley National Bank	388,101	100,000	144,051	-	715,000	570,950
Los Alamos							
(FHLB)	Los Alamos National Bank	375,369	100,000	137,685	250,000	-	112,316
Santa Fe							
(WFB)	Century Bank	1,000,414	100,000	450,207	-	2,475,000	2,024,793
(WFB)	First National Bank	214,058	100,000	57,029	-	847,197	790,168
FISCAL AGENT BANK:							
(BA)	Bank of America	<u>75,406,713</u>	<u>100,000</u>	<u>37,653,357</u>	<u>-</u>	<u>43,399,383</u>	<u>5,746,026</u>
SUBTOTAL		<u>79,650,681</u>	<u>704,318</u>	<u>39,473,182</u>	<u>250,000</u>	<u>48,860,800</u>	<u>9,637,618</u>
TOTAL		<u>\$ 325,142,690</u>	<u>4,587,429</u>	<u>170,562,177</u>	<u>42,700,000</u>	<u>232,896,476</u>	<u>105,034,300</u>
Reconciliation to Note 3:							
	Fiscal Agent Account	\$ 75,406,713	100,000	37,653,357	-	43,399,383	5,746,027
	Certificates of Deposit	<u>201,800,000</u>	<u>1,248,991</u>	<u>109,275,505</u>	<u>42,000,000</u>	<u>113,679,179</u>	<u>46,403,674</u>
		277,206,713	1,348,991	146,928,862	42,000,000	157,078,562	52,149,701
Add:							
	Agency Deposits	43,692,011	2,634,120	21,813,481	450,000	70,356,497	48,993,016
	Ancillary Receivership Accounts	<u>4,243,968</u>	<u>604,318</u>	<u>1,819,825</u>	<u>250,000</u>	<u>5,461,417</u>	<u>3,891,592</u>
		<u>47,935,979</u>	<u>3,238,438</u>	<u>23,633,306</u>	<u>700,000</u>	<u>75,817,914</u>	<u>52,884,608</u>
		<u>\$ 325,142,692</u>	<u>4,587,429</u>	<u>170,562,168</u>	<u>42,700,000</u>	<u>232,896,476</u>	<u>105,034,308</u>
Custodial Banks:							
(BA)	Bank of America						
(FHLB)	Fed. Home Loan Bank Dallas						
(WFB)	Wells Fargo Bank						
(TIB)	The Independent Bankers Bank						

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

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule 10 - continued

Schedule of Collateral Pledged by Depository - continued

YEAR ENDED JUNE 30, 2008

REPURCHASE AGREEMENTS:

Name of Custodian	Location of Custodian	Repurchase Agreements per Financial Statement	Collateral Required	Collateral Pledged Mortgage Backed Securities (MBS) *	Issuer	CUSIP Number	Excess (Under) Collateralized
Northern Trust	Chicago, IL	\$ 36,949,275	37,688,261	37,916,813	FNMA	31314TAX9	\$ 228,553
Northern Trust	Chicago, IL	7,002,433	7,142,482	7,178,140	FNMA	31414HP38	35,658
Northern Trust	Chicago, IL	8,333,234	8,499,899	8,540,464	FNMA	31413H3N6	40,565
Northern Trust	Chicago, IL	38,743,203	39,518,067	39,723,387	FNMA	31411UAX9	205,320
Northern Trust	Chicago, IL	33,249,952	33,914,951	34,082,623	FNMA	31409XQW2	167,672
Northern Trust	Chicago, IL	26,537,695	27,068,449	27,229,886	FNMA	31407VM28	161,437
Northern Trust	Chicago, IL	38,774,173	39,549,656	39,775,718	FNMA	31407GYE2	226,062
Northern Trust	Chicago, IL	3,990,957	4,070,776	4,090,349	FNMA	31406AW99	19,573
Northern Trust	Chicago, IL	22,542,699	22,993,553	23,132,473	FNMA	31405ASF1	138,920
Northern Trust	Chicago, IL	26,635,778	27,168,494	27,329,237	FNMA	31402RBT5	160,743
Northern Trust	Chicago, IL	3,283,057	3,348,718	3,364,010	FNMA	31385WVD8	15,292
Northern Trust	Chicago, IL	27,764,351	28,319,638	28,479,417	FMAC	31342AUK3	159,779
Northern Trust	Chicago, IL	7,637,603	7,790,355	7,826,981	FMAC	312926WN4	36,626
Northern Trust	Chicago, IL	24,441,239	24,930,064	25,069,167	FMAC	312926M21	139,103
Northern Trust	Chicago, IL	29,481,483	30,071,113	30,248,363	FMAC	3128S4S99	177,250
Northern Trust	Chicago, IL	6,356,213	6,483,337	6,522,237	FMAC	3128QT7E8	38,900
Northern Trust	Chicago, IL	33,080,135	33,741,738	33,937,108	FMAC	3128QTB60	195,370
Northern Trust	Chicago, IL	33,110,635	33,772,848	33,965,482	FMAC	3128QJG26	192,634
Northern Trust	Chicago, IL	14,519,835	14,810,232	14,892,486	FMAC	3128QJZS8	82,254
Northern Trust	Chicago, IL	34,898,266	35,596,231	35,801,971	FMAC	3128Q2FX6	205,740
Northern Trust	Chicago, IL	22,534,606	22,985,298	23,109,140	FMAC	3128PH5F4	123,842
Northern Trust	Chicago, IL	14,565,001	14,856,301	14,943,394	FMAC	3128NHJU8	87,093
Northern Trust	Chicago, IL	34,850,253	35,547,258	35,714,432	FMAC	3128MJE71	167,174
Northern Trust	Chicago, IL	20,691,147	21,104,970	21,222,861	FMAC	3128MJCDO	117,891
Northern Trust	Chicago, IL	12,674,005	12,927,485	12,992,094	FMAC	3128M5EH9	64,609
Northern Trust	Chicago, IL	3,664,537	3,737,828	3,758,725	FMAC	3128LXAN0	20,897
Northern Trust	Chicago, IL	27,767,495	28,322,845	28,468,680	FMAC	3128LULU8	145,835
Northern Trust	Chicago, IL	37,231,528	37,976,159	38,188,006	FMAC	3128L8VR3	211,847
Northern Trust	Chicago, IL	18,474,589	18,844,081	18,949,201	FMAC	3128L7Z75	105,120
Northern Trust	Chicago, IL	12,681,997	12,935,637	13,007,798	FMAC	3128L7T49	72,161
Northern Trust	Chicago, IL	36,924,784	37,663,280	37,873,382	FMAC	3128L62E8	210,102
Northern Trust	Chicago, IL	38,815,146	39,591,449	39,812,307	FMAC	3128L4LJ1	220,858
Northern Trust	Chicago, IL	2,026,644	2,067,177	2,077,511	FMAC	3128KYXE4	10,334
Northern Trust	Chicago, IL	4,909,954	5,008,153	5,036,091	FMAC	3128KXAW1	27,938
Northern Trust	Chicago, IL	9,076,234	9,257,759	9,301,283	FMAC	3128KXRA1	43,524
Northern Trust	Chicago, IL	5,874,961	5,992,460	6,025,889	FMAC	3128KXWY3	33,429
Northern Trust	Chicago, IL	20,684,784	21,098,480	21,191,276	FMAC	3128KVET8	92,796
Northern Trust	Chicago, IL	16,916,898	17,255,236	17,351,493	FMAC	3128KVRY3	96,257
Northern Trust	Chicago, IL	11,359,158	11,586,341	11,644,245	FMAC	3128KTFN5	57,904
Northern Trust	Chicago, IL	5,401,321	5,509,347	5,540,081	FMAC	3128KSPD8	30,734
Northern Trust	Chicago, IL	30,935,639	31,554,352	31,730,375	FMAC	3128KSQM7	176,023
Northern Trust	Chicago, IL	18,437,162	18,805,905	18,910,813	FMAC	3128KQCF1	104,908
Northern Trust	Chicago, IL	29,377,862	29,965,419	30,132,579	FMAC	3128KLFC6	167,160
Northern Trust	Chicago, IL	30,885,305	31,503,011	31,678,789	FMAC	3128KLJM0	175,778
Northern Trust	Chicago, IL	4,395,515	4,483,425	4,508,435	FMAC	3128KKZY8	25,010
Northern Trust	Chicago, IL	16,852,617	17,189,669	17,285,583	FMAC	3128KJJBK7	95,914
Northern Trust	Chicago, IL	10,379,082	10,586,664	10,645,735	FMAC	3128KFYA2	59,071
Northern Trust	Chicago, IL	24,449,330	24,938,317	25,063,637	FMAC	3128K9Q49	125,320
Northern Trust	Chicago, IL	9,822,467	10,018,916	10,073,430	FMAC	3128JPQD5	54,514
Northern Trust	Chicago, IL	35,007,763	35,707,918	35,920,797	FNMA	31414TAV3	212,879
Total		\$ <u>1,025,000,000</u>	<u>1,045,500,000</u>	<u>1,051,264,374</u>			\$ <u>5,764,374</u>

Reconciliation to Financial Statements:

Repurchase agreements reported in Debt Service Funds, page 17	\$ 106,148,801
Repurchase agreements reported in Statement of Fiduciary Net Assets, page 23	<u>918,851,199</u>

Total repurchase agreements \$ 1,025,000,000

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

SCHEDULE OF FINDINGS AND RESPONSES

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund of the State of New Mexico, Office of the State Treasurer (State Treasurer), as of and for the year ended June 30, 2008, which collectively comprise the State Treasurer's basic financial statements, and have issued our report thereon dated December 15, 2008. We have also audited Schedules 2 through 5 and Schedules 8 through 9, and Schedule 6 – Summary of Long Term Debt Obligations, as listed in the table of contents and included in the financial statements as supplementary information as of and for the year ended June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph, and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions,



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

Internal Control Over Financial Reporting - continued

to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the State Treasurer's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the State Treasurer's financial statements that is more than inconsequential will not be prevented or detected by the State Treasurer's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying schedule of findings and responses as items 2006-04, 2007-04, 2007-05, 2007-06, 2007-07, 2007-08, 2007-09, and 2008-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the State Treasurer's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-04 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Treasurer's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such as opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2007-08 and 2007-09.

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

Compliance and Other Matters - continued

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

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

Mayne & Company, LLC

December 15, 2008

A. FINDINGS - FINANCIAL STATEMENT AUDIT

2006-04 CONTROLS OVER INFORMATION SYSTEMS – Repeated and Modified

Condition: The State Treasurer’s Office has developed a contingency plan for alternative processing in the event of loss or interruption of the information technology (IT) systems. However, the plan has not been fully implemented. The final configuration of the file server, the rebuild of the old file server and bringing on line the QED server. In order to complete the implementation of the contingency plan, a “QMOE” line must be installed, which requires construction to extend the demarcation to the State Treasurer’s building.

Criteria: Sound business practices dictate that a government agency should be able to recreate data in the event of loss or interruption of IT functions.

Cause: The State Treasurer’s Office received partial funding to implement the disaster recovery plan and hopes to obtain additional funding of \$50,000 during the next legislative session.

Effect: Potential loss of financial data or the inability to carry out treasury functions.

Recommendation: We recommend the State Treasurer’s Office complete the installation of the “QMOE” line to fully implement its contingency plan.

State Treasurer’s Office Response: The State Treasurer is in agreement that an update of the disaster recovery plan is critical to provide business continuity in the event of loss or interruption of IT operations at current the State Treasurer facilities. The disaster recovery plan update has been written and the State Treasurer requested \$180,000 during the 2008 legislative session to implement the plan. The final appropriation for implementation of the plan was \$100,000. The State Treasurer revised the list of supplies and equipment for the disaster recovery plan budget, supplemented it with funds from the FY 2008 operating budget and is placing the orders for the supplies and equipment.

After considering numerous off-site locations for the disaster recovery site, the State Treasurer’s Office selected a site in Albuquerque, and has signed a Memorandum of Understanding (MOU) authorizing the use of the facility for IT equipment placement and the use of numerous work situations for the disaster recovery team in case of loss or interruption of the State Treasurer’s IT operations.

Schedule of Findings and Responses - continued

A. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

2007-04 DAILY AUTO RECONCILIATION PROCESS REQUIRES MANUAL INTERVENTION (Material Weakness)

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

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

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

Cause: Current business processes and the SHARE system functionality precluded The State Treasurer's Office from effectively and efficiently reconciling daily bank activity to the general ledger.

Effect: The State Treasurer's Office must perform a manual reconciliation to clear transactions that did not auto-reconcile which is a labor intensive and time consuming process. Unreconciled cash transactions may or may not have a general ledger impact.

Schedule of Findings and Responses - continued

A. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

2007-04 DAILY AUTO RECONCILIATION PROCESS REQUIRES MANUAL INTERVENTION (Material Weakness) - continued

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

State Treasurer's Response: Current business processes and/or SHARE system constraints do not allow the State Treasurer's Office to reconcile wire and ACH disbursements in an efficient and timely manner. A manual process of matching bank-to-book transactions is a time-consuming and arduous process. Although business processes and controls are in place for reconciling ACH and wire activity, the State Treasurer's Office is uncertain to what extent it can utilize the SHARE system to automate this process. There are certain systematic as well as bank-related issues that must be resolved before an automated reconciliation can occur. The State Treasurer's Office will continue to work with the Department of Finance and the fiscal agent bank to develop any system performance enhancements, reconfigurations, and changes to business processes to ensure timely and accurate reconciliations.

Although the State Treasurer concurs with the significance of this condition, the State Treasurer does not accept sole responsibility for the occurrence of this condition. The State Treasurer's Office will address this condition internally to the best of its ability. However, the State Treasurer's Office cannot provide assurance that jointly responsible state agencies will also address or correct this condition.

2007-05 WARRANTS NOT STALE DATED – Repeated and Modified

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

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

Cause: Although there is functionality within the SHARE accounting system for stale dated warrants, the accounting system was not configured properly. The business processes have not been established for the stale dated warrant process.

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

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

Schedule of Findings and Responses - continued

A. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

2007-05 WARRANTS NOT STALE DATED – Repeated and Modified - continued

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

State Treasurer's Office Response: The DFA is responsible for the management of the SHARE system and makes decisions on the design and implementation of system revisions or added functionality. The DFA and the State Treasurer's Office continue to work together to test and complete a stale-dated warrant process. Implementation of the stale-dated warrant functionality within SHARE is a collaborative effort between the State Treasurer's Office and the DFA. Until a process is in place, the State Treasurer's Office will work with the fiscal agent bank to identify stale-dated warrants using the positive pay system and reconcile daily stale-dated warrants that are presented for payment.

Although the State Treasurer concurs with the significance of this condition, the State Treasurer does not accept sole responsibility for the occurrence of this condition. The State Treasurer's Office will address this condition internally to the best of its ability. However, the State Treasurer's Office cannot provide assurance that jointly responsible state agencies will also address or correct this condition.

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

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

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

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

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

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

Schedule of Findings and Responses - continued

A. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

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

State Treasurer's Office Response: Third-party, warrant-issuing agencies are responsible for canceling warrants in the SHARE system that have been stolen, forged, lost, or issued erroneously. These agencies must also verify that a warrant has not yet been redeemed. It is uncertain how warrant cancellations by third-party, warrant-issuing agencies are reflected in the SHARE system or how these warrants can be reconciled. The State Treasurer's Office is working with the Financial Control Division of the DFA to establish a uniform and fully-documented business process to ensure accurate and timely reconciliation of cancelled warrants.

Although the State Treasurer concurs with the significance of this condition, the State Treasurer does not accept sole responsibility for the occurrence of this condition. The State Treasurer's Office will address this condition internally to the best of its ability. However, the State Treasurer's Office cannot provide assurance that jointly responsible state agencies will also address or correct this condition.

2007-07 SELF-EARNING INTEREST DISTRIBUTED TO WRONG ACCOUNT AND DISTRIBUTIONS WERE NOT TIMELY - Repeated and Modified

Condition: The State Treasurer's Severance Tax Bonding Fund (Fund 410) had been receiving monthly interest income on its average monthly cash balance from the Interest on State Funds (Fund 801) in error. As a result, a restatement of fund balance for the Severance Tax Bonding Fund (Fund 410) was made for the amount of \$11,893,122. Also, the distribution of monthly interest earned was not timely. For the months of July, August, September, October, and November 2007, interest was distributed in February 2008; for the months of December 2007 and January 2008, interest was distributed in April 2008; for the months of February, March, April and May 2008, interest was distributed in June 2008; for the month of June 2008, interest was distributed in September 2008. DFA nor the State Treasurer's Office could provide all of the statutory authority to support the distribution to the various recipients (funds) receiving the self-earning interest.

Criteria: DFA calculates the amount of interest earned on self-earning interest funds for various state agencies based on the monthly cash balance reports from SHARE. DFA then submits monthly interest calculation worksheets to the State Treasurer who in turn prepares the operating transfer order to distribute the interest earned to the various recipients (funds).

Schedule of Findings and Responses - continued

A. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

2007-07 SELF-EARNING INTEREST DISTRIBUTED TO WRONG ACCOUNT AND DISTRIBUTIONS WERE NOT TIMELY - Repeated and Modified - continued

Cause: The DFA and the State Treasurer have not been able to obtain the statutory authority references necessary to support the distribution of interest to each recipient. A SHARE query necessary to calculate the amount of interest earned on the self-earning interest accounts was not accessible by the State Treasurer being in July 2007. By November 2007, the DFA agreed to run the SHARE query and calculate the interest earnings.

Effect: Interest distributions may be made in error to unauthorized recipients (funds).

Recommendation: We recommend that the DFA and the State Treasurer obtain all statutory authority references and verify that interest earning distributions are made only to those recipients (funds) authorized by state statute. We also recommend the DFA and the State Treasurer review and revise the process for calculating interest earnings to be distributed to various recipients (funds) in order to facilitate accurate and timely distribution of interest earnings.

State Treasurer's Response: The State Treasurer's Office is continuing to document the statutory authority for the funds that receive interest earnings distributions. The State Treasurer's Office has reviewed with the DFA the interest rate used to calculate the earnings interest. The State Treasurer's Office is also implementing procedures.

2007-08 CASH OVERDRAFTS

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

July 11, 2007	\$70,612,933.49
August 13, 2007	\$23,642,527.24
September 14, 2007	\$68,135,043.93
March 14, 2008	\$11,806,765.76
June 12, 2008	\$12,039,732.13

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

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

Schedule of Findings and Responses - continued

A. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

2007-08 CASH OVERDRAFTS - continued

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

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

State Treasurer's Response: The State's Master Depository Account experienced negative balances on five (5) occasions during fiscal year 2008. The negative balances on these days were corrected by the daily activity of the next day.

The State Treasurer's Office has determined that the overdrafts were a result of the gross receipts distribution by the New Mexico Taxation and Revenue Department. The gross receipt disbursement is initiated by the Taxation and Revenue Department once a month on approximately the fifteenth of each month. Proper notification of the disbursement is provided to the State Treasurer's Office by the Taxation and Revenue Department. In these particular instances, however, the ACH file was processed on the day of submission to the bank instead of on the actual "effective date" of the file. As a result, the State Treasurer's Office was unable to position adequate cash in the account on those days. The fiscal agent bank, Bank of America, has indicated that it will post 'on-us' items on the day of submission unless proper "effective dates" are included in the ACH file. "On us" items are items that will be handled by Bank of America. The State Treasurer's Office has not been able to determine whether the proper effective dates were included in these instances. The use of the "effective date" field on the ACH file is critical for proper payment processing and cash positioning. The State Treasurer's Office will work with the Department of Finance, the Taxation and Revenue Department, and the fiscal agent bank to ensure that the proper effective date is included in all ACH disbursement files.

Although the State Treasurer concurs with the significance of this condition, the State Treasurer does not accept sole responsibility for the occurrence of this condition. The State Treasurer's Office will address this condition internally to the best of its ability. However, the State Treasurer's Office cannot provide assurance that jointly responsible state agencies will also address or correct this condition.

Schedule of Findings and Responses - continued

A. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

2007-09 MONIES NOT REVERTED TO STATE GENERAL FUND

Condition: The State Treasurer had not reverted state appropriations due to the State General Fund for fiscal years 2006 and 2007 as of December 15, 2008. The State Treasurer identified \$91,403 in state appropriations from fiscal year 2006 to be reverted to the State General Fund which resulted in a restatement of fund balance of the General Fund (Fund 182).

Criteria: Chapter 6-5-10 NMSA 1978 states in part "...all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central financial reporting and accounting system as of June 30 shall revert by September 30 to the general funds."

Cause: The State Treasurer inadvertently failed to process an operating transfer order to revert unreserved, undesignated fund balance for Fund 182.

Effect: The State Treasurer is in noncompliance with State statute. Also, failure to revert unreserved, undesignated fund balances results in monies not being available for re-appropriation by the New Mexico State Legislature during its legislative sessions.

Recommendation: We recommend that the State Treasurer revert state appropriations for fiscal years ended June 30, 2006 and 2007 immediately.

State Treasurer's Response: The State Treasurer's Office will revert all monies due to the State General Fund for fiscal years 2006 and 2007 by December 15, 2008. The Budget and Finance Division has cleared the unreserved, undesignated fund balances to initiate these prior year reversions. The required fiscal year 2008 reversion to the State General Fund has already been transferred.

2008-01 CONFIRMATION OF STATE AGENCIES INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

Condition: The State Treasurer's Office responds to requests from external parties (i.e., auditors) to confirm the investment a state agency has in the State General Fund Investment Pool. Although the State Treasurer's Office reconciles a state agencies bank activity to the SHARE Cash Management Module on a daily basis, the State Treasurer does not know what transactions actions, if any, have been posted by journal entry to the Investment in the State General Fund Investment Pool by a state agency. The State Treasurer is not responsible for the review, reconciliation or validation of those journal entries posted by a state agency.

Criteria: Third party confirmation of account balances is standard procedure used to substantiate account balances.

A. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

**2008-01 CONFIRMATION OF STATE AGENCIES INVESTMENT IN THE STATE
GENERAL FUND INVESTMENT POOL - continued**

Cause: The State Treasurer's Office is not an independent third party from that State of New Mexico. The State Treasurer's Office utilizes the same accounting system (SHARE) as all state agencies. The general ledger balances reported by a state agency would not differ from the balance the State Treasurer's Office confirms to external parties for the Investment in State General Fund Investment Pool.

Effect: A state agencies Investment in the State General Fund Investment Pool may be misstated if external parties are relying on the confirmation from the State Treasurer's Office as evidence to substantiate account balances.

Recommendation: We recommend that the State Treasurer's Office research state statutes, regulations, state accounting policies and practices, and consult with other oversight state agencies on what would be the best practice to respond to external party confirmations of a state agencies Investment in the State General Fund Investment Pool.

State Treasurer's Response: In July 2006, the state implemented the Statewide Human Resources, Accounting and Management Reporting system (SHARE). The SHARE system replaced the Department of Finance and Administration's Central Accounting System, the Treasury Reconciliation Accounting and Cashiering System (TRACS), and additional systems that were in place at various state agencies.

The implementation of SHARE in July 2006 centralized the state's accounting system. As a result the State Treasurer's Office no longer has the stand-alone TRACS system, which previously provided agency balances for independent public accounting firms performing annual agency audits. With the implementation of the SHARE system, the State Treasurer's Office cannot provide an independent third-party account balance confirmation. Each agency now has similar access to account balances, which are uniform and identical to all entities that have SHARE account access. The State Treasurer's Office will undertake the necessary research and provide recommendation(s) on the best practice to respond to external party confirmations of state agencies Investment in the State General Investment Pool.

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Summary Schedule of Prior Year Audit Findings

2006-1	Reconciliation of the QED Investment Accounting System to Northern Trust Based on Par Value, Not Market Value – Resolved
2006-4	Controls over Information Systems – Repeated and Modified
2006-7	Cross Training and Prior Period Adjustments – Resolved
2007-1	Book to Bank Reconciliation Not Timely – Resolved
2007-2	Reconciliation of QED Investment Accounting System to General Ledger Not Timely (Material Weakness) – Resolved
2007-3	Reconciliation of Cash Management Module to General Ledger Not Timely – Resolved
2007-4	Daily Auto Reconciliation Process Requires Manual Intervention (Material Weakness) – Repeated and Modified
2007-5	Warrants Not Stale-Dated – Repeated and Modified
2007-6	Warrant Cancellations Process Inconsistence for Third Party Warrant Issuing State Agencies – Repeated and Modified
2007-7	Manual Calculation of Interest on Self-Earning Accounts and Distributions Not Timely – Repeated and Modified
2007-8	Cash Overdrafts – Repeated and Modified
2007-9	Monies Not Reverted to General Fund by Due Date – Repeated and Modified
2007-10	Annual and Sick Leave Balances Not Calculated Correctly – Resolved
2007-11	Financial Audit Report Not Filed by Due Date – Resolved

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Exit Conference

An exit conference was held with the State Treasurer's Office on December 15, 2008. The conference was held at the State Treasurer's offices in Santa Fe, New Mexico. In attendance were:

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James B. Lewis, State Treasurer
Mark F. Valdes, Deputy State Treasurer
Joelle Mevi, Chief Investment Officer, Investment Division Director
Orlando Romero, State Cash Manager, Cash Management Division
Arthur L. "Larry" Castillo, Chief Financial Officer, Budget and Finance Division
Clarence L. Smith, Chief Operations Officer, Operations Division
Ronald Crespin, Finance & Budget Bureau Chief
Patricia J. Ortiz, Finance & Budget Financial Analyst
Judy A. Espinosa, Compliance Officer
Randilynn M. Lord, Legal Counsel

MEYNERS + COMPANY, LLC

Georgie Ortiz, CPA, CGFM, Assurance Principal
Jo Ann Chavez, CPA, Assurance Manager
Taryn Hazelton, Assurance Staff

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor and were reviewed and approved by the State Treasurer's Office. However, the financial statements remain the responsibility of management, as addressed in the Independent Auditors' Report.