

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

**FINANCIAL STATEMENTS  
AND  
OTHER FINANCIAL INFORMATION**

**JUNE 30, 2000**

**(With Independent Auditors' Reports Thereon)**

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

**Table of Contents  
June 30, 2000**

**INTRODUCTORY SECTION**

	<u>Page</u>
Official Roster	1

**FINANCIAL SECTION**

Independent Auditors' Report	2
------------------------------	---

**General Purpose Financial Statements:**

	<u>Exhibit</u>	
Combined Balance Sheet – All Fund Types and Account Groups	A	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	B	5
Combined Statement of Revenues and Expenditures – Budget (Non-GAAP) Basis and Actual – General Fund	C	6
Combined Statement of Changes in Net Assets – Investment Trust Fund	D	7
Notes to Financial Statements		8-29

**COMBINED AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

	<u>Statement</u>	
Special Revenue Funds:		
Statement of Purpose		30
Combining Balance Sheet	1	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	32
Debt Service Funds:		
Statement of Purpose		33
Combining Balance Sheet	3	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	35
Fiduciary Funds:		
Statement of Purpose		36
Combining Balance Sheet	5	37
Combining Statement of Changes in Net Assets	6	38

(continued)

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

**Table of Contents (continued)  
June 30, 2000**

**OTHER INFORMATION SECTION**

	<u>Schedule</u>	<u>Page</u>
Statement of Purpose – General Long-term Debt		39
Schedule of General Long-term Debt	1	40
Schedule of Combining Balance Sheet – General Obligation Bonds	2	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – General Obligation Bonds	3	42
Schedule of Combining Balance Sheet – Severance Tax Bonds	4	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Severance Tax Bonds	5	44
Schedule of Local Government Investment Pool	6	45
Schedule of Purchases and Sales for fiscal year ended June 30, 1999	7	46-49
Schedule of Investments – Book and Market Value	8	50-53
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		54-55
Memorandum on Accounting Procedures and Internal Controls		56-63
Status of Prior Year Findings		64
Exit Conference		65
Management letter regarding internal control recommendation on cash receipts		66-67

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

**Official Roster  
June 30, 2000**

**State Board of Finance**

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

**State Board of Finance Staff**

Harold G. Field, II	Executive Officer
Jan Goodwin	Director

**Office of the State Treasurer**

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

"15 Years of Excellence"

John E. Barraclough, Jr., C.P.A.  
Annette V. Hayden, C.P.A.

1422 Paseo de Peralta  
Post Office Box 1847  
Santa Fe, New Mexico 87504  
(505) 983-3387  
(505) 988-2505 FAX  
(800) 983-1040 Toll Free

Douglas W. Fraser, C.P.A.  
Candace M. Hintenach, C.P.A.  
Georgie L. Broadie, C.P.A.  
Eun K. Hong, C.P.A.  
Susan L. Wittman, C.P.A.

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general-purpose financial statements and the combining and individual fund and account group financial statements of the State of New Mexico, Office of the State Treasurer (Office), as of and for the year ended June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of New Mexico, Office of the State Treasurer as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining, individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the State of New Mexico, Office of the State Treasurer, as of June 30, 2000 and the results of operations of such funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2000 on our consideration of the State of New Mexico, Office of the State Treasurer internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

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



November 17, 2000

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

Exhibit A

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2000**

	Governmental Fund Types			Fiduciary	Account Groups		Total- Memorandum Only
	General	Special	Debt Service	Investment	General	General	
		Revenue		Trust Fund	Fixed Assets	Long-term Debt	
<u>Assets and Other Debits</u>							
Cash and Investments:							
Cash and cash equivalents	\$ 97,221	\$ 112,000	\$ -	\$ 6,452,393	\$ -	\$ -	\$ 6,661,614
Certificates of deposit	-	-	-	151,700,000	-	-	151,700,000
U.S. Government securities	-	-	-	1,016,893,629	-	-	1,016,893,629
Corporate Bonds	-	-	-	53,653,905	-	-	53,653,905
Repurchase Agreements	-	-	119,747,645	1,331,107,391	-	-	1,450,855,036
<b>Total Cash and Investments</b>	<b>97,221</b>	<b>112,000</b>	<b>119,747,645</b>	<b>2,559,807,318</b>	<b>-</b>	<b>-</b>	<b>2,679,764,184</b>
Other Assets:							
Loan receivable	-	-	234,468	-	-	-	234,468
Due from State General Fund	30,000	-	-	-	-	-	30,000
Due from Federal Government	35,000	-	-	-	-	-	35,000
Due from other agencies	-	-	27,400,748	-	-	-	27,400,748
Interfund receivable	112,000	-	-	-	-	-	112,000
Accrued interest receivable	-	-	5,581,362	27,877,410	-	-	33,458,772
Investment in New Mexico Business	-	-	-	-	-	-	-
Development Corporation bonds	-	1,190,211	-	-	-	-	1,190,211
Property and equipment	-	-	-	-	318,621	-	318,621
Other Debits:							
Amount to be provided for compensated absences	-	-	-	-	-	88,882	88,882
Amount available in debt service funds	-	-	-	-	-	138,606,566	138,606,566
Amount to be provided for retirement of long-term debt	-	-	-	-	-	464,005,434	464,005,434
Amount available for arbitrage interest	-	-	-	-	-	13,620,555	13,620,555
<b>Total Other Assets and Other Debits</b>	<b>177,000</b>	<b>1,190,211</b>	<b>33,216,578</b>	<b>27,877,410</b>	<b>318,621</b>	<b>616,321,437</b>	<b>679,101,257</b>
<b>Total Assets and Other Debits</b>	<b>\$ 274,221</b>	<b>\$ 1,302,211</b>	<b>\$ 152,964,223</b>	<b>\$ 2,587,684,728</b>	<b>\$ 318,621</b>	<b>\$ 616,321,437</b>	<b>\$ 3,358,865,441</b>

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

Exhibit A

**Combined Balance Sheet (continued)  
All Fund Types and Account Groups  
June 30, 2000**

	Governmental Fund Types			Fiduciary	Account Groups		Total-
	General	Special	Debt Service	Investment	General	General	Memorandum Only
		Revenue		Trust Fund	Fixed Assets	Long-term Debt	
<b>Liabilities and Fund Equity</b>							
<b>Liabilities:</b>							
Vouchers payable and accrued expenses	\$ 89,658	\$ -	\$ 219,376	\$ -	\$ -	\$ -	\$ 309,034
Interfund payable	-	112,000	-	-	-	-	112,000
Due to Severance Tax Permanent Fund	-	-	202,741	-	-	-	202,741
Due to State General Fund	23,237	-	-	-	-	-	23,237
Bonds payable	-	-	-	-	-	602,612,000	602,612,000
Accrued arbitrage interest payable	-	-	-	-	-	13,620,555	13,620,555
Compensated absences payable	-	-	-	-	-	88,882	88,882
Other liabilities	-	-	314,984	-	-	-	314,984
<b>Total Liabilities</b>	<b>112,895</b>	<b>112,000</b>	<b>737,101</b>	<b>-</b>	<b>-</b>	<b>616,321,437</b>	<b>617,283,433</b>
<b>Fund Equity</b>							
Investment in general fixed assets	-	-	-	-	318,621	-	318,621
Fund balances, reserved:							
Encumbrances	106,489	-	-	-	-	-	106,489
Fund balances, unreserved:							
Designated for debt service	-	-	138,606,567	-	-	-	138,606,567
Designated for arbitrage	-	-	13,620,555	-	-	-	13,620,555
Designated for investment	-	1,190,211	-	-	-	-	1,190,211
Net assets held in trust	-	-	-	2,587,684,728	-	-	2,587,684,728
Designated for subsequent years expenditures	54,837	-	-	-	-	-	54,837
<b>Total Fund Equity and net assets held in trust</b>	<b>161,326</b>	<b>1,190,211</b>	<b>152,227,122</b>	<b>2,587,684,728</b>	<b>318,621</b>	<b>-</b>	<b>2,741,582,008</b>
<b>Total Liabilities and Fund Equity and Net Assets Held in Trust</b>	<b>\$ 274,221</b>	<b>\$ 1,302,211</b>	<b>\$ 152,964,223</b>	<b>\$ 2,587,684,728</b>	<b>\$ 318,621</b>	<b>\$ 616,321,437</b>	<b>\$ 3,358,865,441</b>

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

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

Exhibit B

**Combined Statement of Revenues, Expenditures and Changes  
in Fund Balances - All Governmental Fund Types**

**Year Ended June 30, 2000**

	Governmental Fund Types			Total- Memorandum Only
	General	Special Revenue	Debt Service	
<b>Revenues:</b>				
State general fund appropriations	\$ 3,217,400	\$ -	\$ -	\$ 3,217,400
Special appropriation	71,308	-	-	71,308
Department of the Treasury (CMIA)	39,375	-	-	39,375
Interest income	-	-	19,990,114	19,990,114
	<u>3,328,083</u>	<u>-</u>	<u>19,990,114</u>	<u>23,318,197</u>
<b>Total Revenues</b>	<b>3,328,083</b>	<b># -</b>	<b># 19,990,114</b>	<b># 23,318,197</b>
<b>Expenditures:</b>				
Personnel services and employee benefits	2,493,348	-	-	2,493,348
Operating costs	437,570	-	-	437,570
Contractual services	122,648	-	-	122,648
Capital outlay	88,722	-	-	88,722
Other administrative expenditures	75,802	-	-	75,802
Principal and interest on long-term debt	-	-	163,700,909	163,700,909
Issuance costs	-	135,438	-	135,438
Interest	-	63,326	-	63,326
Other charges	-	-	866,217	866,217
	<u>3,218,090</u>	<u>198,764</u>	<u>164,567,126</u>	<u>167,983,980</u>
<b>Total Expenditures</b>	<b>3,218,090</b>	<b>198,764</b>	<b>164,567,126</b>	<b>167,983,980</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>109,993</b>	<b>(198,764)</b>	<b>(144,577,012)</b>	<b>(144,665,783)</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in (out):				
State property tax levy	-	-	36,571,797	36,571,797
Severance taxes	-	-	192,890,369	192,890,369
Bonds proceeds	-	130,004,934	512,236	130,517,170
Capital projects - reversions in	-	-	920,794	920,794
Transfers from special revenue fund	-	-	-	-
Transfer to other state agency	-	(129,869,496)	-	(129,869,496)
Severance Tax Permanent	-	-	-	-
Fund - reversions out	-	-	-	-
Reversion to State General Fund	(23,146)	-	(66,685,560)	(66,708,706)
	<u>(23,146)</u>	<u>135,438</u>	<u>164,209,636</u>	<u>164,321,928</u>
<b>Total Other Financing Sources (Uses)</b>	<b>(23,146)</b>	<b>135,438</b>	<b>164,209,636</b>	<b>164,321,928</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>86,847</b>	<b>(63,326)</b>	<b>19,632,624</b>	<b>19,656,145</b>
Fund Balances, June 30, 1999	74,479	1,253,537	132,594,498	133,922,514
Fund Balances, June 30, 2000	<u>\$ 161,326</u>	<u>\$ 1,190,211</u>	<u>\$ 152,227,122</u>	<u>\$ 153,578,659</u>

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



**STATE OF NEW MEXICO**  
**Office of the State Treasurer - Administration**

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

**Year Ended June 30, 2000**

**General Fund**

	<u>Revised Budget</u>	<u>Actual - Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
State General Fund appropriation	\$ 3,217,400	\$ 3,217,400	\$ -
Other state funds - Special appropriations	71,300	71,308	8
Department of the Treasury (CMIA)	<u>35,000</u>	<u>-</u>	<u>(35,000)</u>
Total revenues	<u>\$ 3,323,700</u>	<u>\$ 3,288,708</u>	<u>\$ (34,992)</u>

	<u>Revised Budget</u>	<u>Expenditures</u>	<u>Outstanding Encumbrances</u>	<u>Total Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:					
Current:					
Personal services	\$ 1,877,825	\$ 1,865,459	\$ -	\$ 1,865,459	\$ 12,366
Employee benefits	635,500	627,171	2,633	629,804	5,696
In-state travel	12,500	9,861	1,359	11,220	1,280
Maintenance and repairs	6,800	6,750	-	6,750	50
Supplies	40,300	39,868	-	39,868	432
Contractual services	107,775	95,713	12,062	107,775	-
Operating costs	515,800	433,342	81,072	514,414	1,386
Out-of-state travel	19,000	18,660	47	18,707	293
Capital outlay	107,500	59,116	47,443	106,559	941
Other financing uses	<u>700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700</u>
Total expenditures	<u>\$ 3,323,700</u>	<u>\$ 3,155,940</u>	<u>\$ 144,616</u>	<u>\$ 3,300,556</u>	<u>\$ 23,144</u>

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

STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

Exhibit D

Combined Statement of Changes in Net Assets  
Investment Trust Fund

Year Ended June 30, 2000

Investment income	\$ 112,217,163
Administrative Expenses	<u>(397,077)</u>
Operating income	111,820,086
Net transfers to the State Treasurer's Office	<u>(206,916,186)</u>
Total decrease in net assets	(95,096,100)
Beginning of year - net assets held in trust	<u>2,682,780,828</u>
End of year - net assets held in trust	<u><u>\$ 2,587,684,728</u></u>

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

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

**Notes to Financial Statements  
June 30, 2000**

**NOTE 1 – SUMMARY OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**

In prior years, the Office of the State Treasurer was audited under two separate reports; 1) the Administrative Fund and 2) the Special Revenue Funds, Debt Service Funds, Investment Trust Fund and the Long-Term Debt Account Group. For June 30, 2000, all funds of the State Treasurer's Office are included under one audit and auditors' report. The financial statements and notes to the financial statements include all funds for which the State Treasurer is responsible.

State Board of Finance

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

The Board has the responsibility for the issuance of the general obligation and severance tax bonds and for the investment and distribution of the proceeds from such bonds. In that regard, the Board approves the issuance of all such bonds, and provides information for bond prospectuses in order to ensure compliance with financial disclosure requirements and to present information concerning bond issues in a meaningful and informative format. Bonds issued by the Board and the corresponding debt service funds are accounted for by the Office of the State Treasurer and are included in the accompanying financial statements.

Office of the State Treasurer

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

The Office of the State Treasurer is established by the New Mexico Constitution, Article V, Section 1, which provides in part:

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

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

- (1) Sections 8-6-1 through 8-6-7 NMSA 1978 (1983 Repl.), as amended. Section 8-6-3 NMSA 1978 (1983 Repl.), provides that the State Treasurer shall receive and keep all monies of the state, except when otherwise provided, shall disburse the public money upon lawful warrants and shall keep a just true and comprehensive account of all monies received and disbursed.
- (2) Section 6-1-13 NMSA 1978 (1978 Repl.), provides that the State Treasurer shall authorize all state agency deposit accounts and shall establish conditions and reports appropriate to the accounts.
- (3) Section 6-8-2 NMSA 1978 (1988 Repl.), provides that the State Treasurer shall be a member of the State Investment Council. Section 6-8-6 NMSA 1978 (1988 Repl.) states that the State Treasurer shall maintain custody of the state permanent fund.

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

**Notes to Financial Statements (continued)  
June 30, 2000**

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

- (4) Sections 6-10-11 (G), (H), and (I) NMSA 1978 (1988 Supp.), empower the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in demand deposits and not immediately needed for the operation of state government in certain specified securities or investments.
- (5) Section 12-6-4 NMSA 1978 provides that the cost of the annual audit of the State Treasury shall be borne by special appropriations to the State Board of Finance. The cost of the audit and other expenses paid in behalf to the New Mexico State Treasurer's Investment Fund not material to the combined financial statements are not reflected in the accompanying financial statements.
- (6) Section 6-124-2 NMSA 1978 is to ensure an orderly and uninterrupted flow of money to the general fund by anticipating the receipt of taxes and other state revenue.
- (7) Section 61-10-10.1 Short-term investment fund created; distribution of earnings; report of investment.
  - a. There is created in the state treasury the "short-term investment fund". The fund shall consist of all deposits from governmental entities and Indian tribes or pueblos that are placed in the custody of the state treasurer for short-term investment purposes pursuant to this section. The state treasurer shall maintain a separate account for each governmental entity and Indian tribe or pueblo having deposits in the fund.
  - b. If any local public body is unable to receive payment on public money at the rate of interest as set forth in Section 6-10-36 NMSA 1978 from financial institutions within the geographic boundaries of the governmental unit, then a local public finance official having money of that local public body in his custody required for expenditure within thirty days or less may, with the consent of the appropriate local board of finance, if any, remit some or all of such money to the state treasurer, bank, savings and loan association or credit union for deposit for the purpose of short-term investment as allowed by this section.
  - c. Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to this section, the local public body finance official shall notify and make sure funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the state board of finance for such short-term investments.
  - d. The local public body finance official shall specify the length of time each deposit shall be in the short-term investment fund, but in any event the deposit shall not be made for more than thirty days. The state treasurer through the use of the state fiscal agent shall separately track each such deposit and shall make such information available to the public upon written request.
  - e. The state treasurer shall invest the fund as provided for state funds under Section 6-10-10 NMSA 1978 and may elect to have the short-term investment fund consolidated for investment purposes with the state funds under the control of the state treasurer; provided that accurate and detailed accounting records are maintained for the account of each participating entity and Indian tribe or pueblo and that a proportionate amount of interest earned is credited to each of the separate government accounts. The fund shall be invested to achieve its objective, which is to realize the maximum return consistent with safe and prudent management.
  - f. At the end of each month, all interest earned from investment of the short-term investment fund shall be distributed by the state treasurer to the contributing entities and Indian tribes or pueblos in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. No fees or transfer expenses shall be charged to the participating entities and Indian tribes or pueblos for investment in the short-term investment fund.

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

**Notes to Financial Statements (continued)  
June 30, 2000**

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

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

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

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

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

Fund Accounting

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

Governmental Fund Types

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

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

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

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

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

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

**Notes to Financial Statements (continued)  
June 30, 2000**

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

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

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

Fiduciary Fund Types

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

Account Groups

General Fixed Asset Account Group

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

General Long-term Debt Account Group

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

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

Basis of Accounting

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

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

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

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

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

**Notes to Financial Statements (continued)  
June 30, 2000**

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

Budgets and Budgetary Accounting

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

1. By September 1<sup>st</sup>, the Office prepares a budget appropriation request by category to be presented to the next legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA make recommendations and adjustments to the appropriation request which become the Governor's proposal to the Legislature.
4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budgetary control is exercised at the category level of the Office as a whole and changes are approved by the DFA.
7. Formal budgetary integration is employed as a management control device during the year for the General Fund.
8. The budget for the General Fund is adopted on a cash encumbrances basis. Current year encumbrances are included as expenditures and payment of prior year encumbrances is excluded from expenditures. There is no recognition of changes in prepaid expenses, accounts payable and property, plant and equipment. Budgetary comparisons presented for the General and Special Revenue Funds in the report are on the non GAAP budgetary basis, which does not conform to generally accepted accounting principles because encumbrances are treated as expenditures; increases to expenditures to be funded from fund balances do not cause a corresponding increase in revenues; and this procedure conforms to DFA and State requirements.
9. The Office's budget for the fiscal year ending June 30, 1999 was amended in a legally permissible manner by reallocating line item category totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.

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

Use of Estimates

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

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

**Notes to Financial Statements (continued)  
June 30, 2000**

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

Cash and Cash Equivalents

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

Investments

The Treasurer's Investment Trust Fund has implemented GASB 31 "Accounting and Financial Reporting for Certain Investments". This statement requires that certain investments as defined in GASB 31 to be valued at fair value. Fair value is based on quoted market prices as of the valuation date. The change in fair value is recognized as a component of investment income in the current year.

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

The Treasurer's Investment Trust Fund does not participate in securities lending transactions.

Loan Receivable

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

Due From Other Agencies

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

Encumbrances

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

Accrued Compensated Absences

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

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



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

**Notes to Financial Statements (continued)  
June 30, 2000**

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

Long-term Obligations

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

Designated Fund Balance and Net Assets Held for Trust

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

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

Collateral Held

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

Due To and Due From Other Funds

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

Bond Discounts/Issuance Costs

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

Reserved Fund Balance

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

Total Columns

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

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

**Notes to Financial Statements (continued)  
June 30, 2000**

**NOTE 2 – BUDGET AND ACTUAL DATA**

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

<u>GENERAL FUND</u>	Actual GAAP Basis	Audit Adjustments	Total Current Year Encumbrances	Prior Year Encumbrances Paid	Actual Budgetary (Non-GAAP) Basis
Revenues:					
State general fund appropriation	\$3,217,400	\$ -	\$ -	\$ -	\$3,217,400
Other financing sources	71,308	-	-	-	71,308
Department of the Treasury (CMIA)	<u>39,375</u>	<u>(39,375)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$3,328,083</u>	<u>\$(39,375)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,288,708</u>
Expenditures:					
Personal services	\$1,865,459	\$ -	\$ -	\$ -	\$1,865,459
Employee benefits	627,889	-	2,633	(718)	629,804
In-state travel	10,434	-	1,359	(573)	11,220
Maintenance & repairs	6,750	-	-	-	6,750
Supplies	39,959	(91)	-	-	39,868
Contractual services	122,648	296	12,062	(27,231)	107,775
Operating costs	437,569	5,439	81,072	(9,666)	514,414
Out-of state travel	18,660	-	47	-	18,707
Capital outlay	88,722	(29,606)	47,443	-	106,559
Reversions	23,146	(23,146)	-	-	-
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total budgeted expenditures and other financing uses	<u>\$3,241,236</u>	<u>\$(47,108)</u>	<u>\$144,616</u>	<u>\$(38,188)</u>	<u>\$3,300,556</u>

**NOTE 3 – CASH AND REPURCHASE AGREEMENTS**

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

<u>Account Description</u>	<u>CFRAS Fund #</u>	<u>Amount</u>
General	182	\$ 97,221
Special Revenue Fund – TRACS	492	112,000
Investment Trust Fund	N/A	<u>6,452,393</u>
Total Cash		<u>\$6,661,614</u>

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

**Notes to Financial Statements (continued)  
June 30, 2000**

**NOTE 3 – CASH AND REPURCHASE AGREEMENTS (continued)**

Debt Service Funds:

General Obligation Bonds:

1993 General Obligation Debt Service	483	\$11,344,856
1993 General Obligation Debt Service – Rebate Excess Earnings	484	1,003,594
1995 General Obligation Debt Service	960	8,831,242
1995 General Obligation Debt Service – Rebate Excess Earnings	961	2,952,273
1997 General Obligation Debt Service	183	8,510,761
1997 General Obligation Debt Service – Rebate Excess Earnings	959	1,385,607
1999 General Obligation Debt Service	640	7,964,096
1999 General Obligation Debt Service – Rebate Excess Earnings	409	<u>1,185,491</u>
		<u>43,177,920</u>

Severance Tax Bonds:

Severance Tax Bonding Fund	410	4,530,090
1993-B Severance Tax Debt Service	571	8,247,730
1993-B Severance Tax Debt Service – Rebate Excess Earnings	570	1,157,918
1994-B Severance Tax Debt Service	418	10,144,420
1994-B Severance Tax Debt Service – Rebate Excess Earnings	413	1,293,492
1995-A Severance Tax Debt Service	963	1,083,854
1995-A Severance Tax Debt Service – Rebate Excess Earnings	964	7,031
1995-B Severance Tax Debt Service	419	6,867,902
1995-B Severance Tax Debt Service – Rebate Excess Earnings	420	174,107
1996-A Severance Tax Debt Service	392	3,394,228
1996-A Severance Tax Debt Service – Rebate Excess Earnings	393	132,217
1997-A Severance Tax Debt Service	031	11,487,794
1997-A Severance Tax Debt Service – Rebate Excess Earnings	032	730,144
1998-A Series Debt Service	425	1,024,763
1998-A Series Rebate	486	17,861
1998-B Series Rebate	426	2,257,332
1998-B Series Debt Service	411	15,462,742
1998-C Series	N/A	
1999-B Series Debt Service	186	5,576,056
1999-B Severance Tax Debt Service – Rebate Excess Earnings	461	261,104
1999-A Supplemental Severance Tax Debt Service	184	1,938,035
1999-A Supplemental Severance Tax Debt Service – Rebate Excess Earnings	185	14,252
2000 Severance Tax Debt Service	389	763,555
2000 Severance Tax Debt Service – Rebate Excess Earnings	391	<u>3,098</u>
		<u>76,569,725</u>

Total Debt Service 119,747,645

Investment Trust Fund N/A 1,331,107,391

Total Repurchase Agreements \$1,450,855,036

Investment Trust Fund

Cash on deposit represents the demand deposit account with the fiscal agent bank. Current year transactions reflect all banking activity for the fiscal year as well as the activity of investments purchased and disposed of during the fiscal year.

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

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

**Notes to Financial Statements (continued)  
June 30, 2000**

**NOTE 3 – CASH AND REPURCHASE AGREEMENTS (continued)**

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

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$100,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 100% of the par value of the investment dependent upon the institutions operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50% of the average investment balance. At June 30, 2000 collateral pledged to public money deposits was as follows:

	<u>Fiscal Agent Account</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Cash in bank	\$ 6,661,614	\$151,700,000	\$158,361,614
Less FDIC insurance coverage	<u>(100,000)</u>	<u>(300,000)</u>	<u>(400,000)</u>
	6,561,614	151,400,000	157,961,614
Collateral pledged:			
U. S. Government securities	<u>(25,482,171)</u>	<u>(89,396,479)</u>	<u>(114,878,650)</u>
Uncollateralized public money Deposits	<u>\$(18,920,557)</u>	<u>\$62,003,521</u>	<u>\$ 43,082,964</u>

**NOTE 4 – INVESTMENTS**

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

In accordance with GASB Statement 3, investments must be categorized to give an indication of the level of risk assumed by the State at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the State Treasurer or agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent but not in the state's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the state's name. All of the investments at June 30, 2000 are Category 1 investments.

At June 30, 2000, investments in overnight repurchase agreements were \$623,000,000 of which collateral was U.S. Treasury notes and bills held at Bankers Trust Company of California, in the State's name. Fair value for the securities below was obtained from Bankers Trust Company and reflects quoted market prices as of June 30, 2000.

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

**Notes to Financial Statements (continued)  
June 30, 2000**

**NOTE 4 – INVESTMENTS (continued)**

Investments administered by the State Treasurer at June 30, 2000 include the following:

<u>Description</u>	<u>Amortized Cost Carrying Amount</u>	<u>Fair Value</u>
U.S. Government securities	\$1,057,810,255	\$1,016,893,629
Corporate bonds	55,855,816	53,653,905
Repurchase agreements	<u>1,331,107,391</u>	<u>1,331,107,391</u>
	<u>\$2,444,773,462</u>	<u>\$2,401,654,925</u>

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

The State Treasurer also administers an investment of \$1,190,211 in New Mexico Business Development Corporation bonds on behalf of the State of New Mexico. The original bond investment of \$2,528,332 was called in October 1992 (See Note 1). This investment is reflected in the New Mexico Business Development Corporation Special Revenue Fund.

Certain investments owned and administered by the Department of Highway and Transportation are purchased through the State Treasurer's Office. At June 30, 2000 the amount not included in the Investment Trust Fund for the Department of Highway and Transportation was \$305,932,498.

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

The Local Government Investment Pool investments are monitored by the same investment committee and the same procedures and policies are followed in administering these funds that are used in the oversight process of all other state investments. The investments are recorded at fair value in the financial statements, however, the individual participant balances remain at their carrying cost. At June 30, 2000 the carrying cost and the fair value were the same in the Local Government Investment Pool.

On May 5, 2000, the State Treasurer's Office transferred \$94,100,000 of Certificates of Deposit and \$115,900,000 in cash from the State portion of pooled investments in exchange for government securities with a face value of \$210,000,000 held by the Local Government Investment Pool. In addition, accrued interest was transferred at this time. The fair value of the government securities at the time of the transfer was approximately \$204,684,000.

**NOTE 5 – CONDENSED FINANCIAL STATEMENTS**

Condensed financial statements of the Investment Trust Fund, inclusive of external and internal participants for the fiscal year ended June 30, 2000, are as follows:

State Treasurer's Investment Trust Fund	
Balance Sheet	
June 30, 2000	
<b>Assets</b>	
Cash and Cash Equivalents	\$ 6,452,393
Investments	2,553,354,925
Interest Receivable	<u>27,877,410</u>
Total Assets	<u>\$2,587,684,728</u>
<b>Net Assets:</b>	
External Participant account balances	\$ 670,402,579
Other Internal Participant account balances	
Primary Government	1,937,044,650
Undistributed Reserves and Unrealized Gains (Losses)	<u>(19,762,501)</u>
Total Net Assets	<u>\$2,587,684,728</u>

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

**Notes to Financial Statements (continued)  
June 30, 2000**

**NOTE 5 – CONDENSED FINANCIAL STATEMENTS (continued)**

**Investment Income** – At June 30, 2000 the Office’s investment income earnings were as follows:

Local Government Investment Pool	\$ 41,858,191
State Agencies	90,121,473
Unrealized Loss	<u>(19,762,501)</u>
	<u>\$112,217,163</u>

**NOTE 6 – APPROPRIATIONS AND OTHER REVENUE**

The Office received the following appropriations and other revenue for the year ended June 30, 2000:

<u>General Fund</u>	
General appropriation, Laws of 1999, Chapter 3	\$3,217,400
Compensation appropriation, Laws of 1999, Chapter 3	71,308
Department of the Treasury (CMIA)	<u>-</u>
	<u>\$3,288,708</u>

**NOTE 7 – FIXED ASSETS**

The following is a summary of changes in the General Fixed Asset Account Group for the year ended June 30, 2000:

	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2000</u>
Furniture, fixtures and equipment	\$319,535	\$79,756	\$80,670	\$318,621
Investment in General Fixed Assets from:				
General Fund	229,649	79,756	80,670	228,735
Donations	88,812	-	-	88,812
Transfer from Office of the Cash Manager	<u>1,074</u>	<u>-</u>	<u>-</u>	<u>1,074</u>
Totals	<u>\$319,535</u>	<u>\$79,756</u>	<u>\$80,670</u>	<u>\$318,621</u>

**NOTE 8 – COLLATERAL IN TRUST**

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

**NOTE 9 – DUE TO SEVERANCE TAX PERMANENT FUND AND REVERSIONS**

The State Treasurer is required by statute (Section 7-27-8 NMSA 1978, 1986 Repl.) to transfer to the Severance Tax Permanent Fund, all monies in the Severance Tax Bonding Fund, except the amount necessary to meet principal and interest payments on bonds payable of the next two ensuing semi-annual payment dates. A balance of \$202,741 remains in the Severance Tax Bonding Fund payable to the Severance Tax Permanent Fund.

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

**Notes to Financial Statements (continued)  
June 30, 2000**

**NOTE 10 – CHANGES IN LONG-TERM DEBT**

The following is a summary of bonds payable transactions for the year ended June 30, 2000:

	<u>June 30, 1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2000</u>
General obligation bonds	\$238,295,000	\$ -	\$ 25,287,000	\$213,008,000
Severance tax bonds	<u>372,425,000</u>	<u>130,004,934</u>	<u>112,825,934</u>	<u>389,604,000</u>
Totals	<u>\$610,720,000</u>	<u>\$130,004,934</u>	<u>\$138,112,934</u>	<u>\$602,612,000</u>

The following bonds were issued during the fiscal year ended June 30, 2000:

Supplemental Severance Tax Bonds Series 1999A

On October 1, 1999, the State Board of Finance issued \$12,000,000 in Supplemental Severance Tax Bonds to provide funds for educational facilities projects throughout New Mexico. Interest rates range from 4.25% to 5.5% with principal payments due through 2006.

Severance Tax Bonds Series 2000

On June 1, 2000, the State Board of Finance issued \$59,650,000 in severance tax bonds to finance a variety of capital projects authorized by the State Legislature. Interest rates range from 5.0% to 5.5% with principal payments due through 2007.

Severance Tax Bonds Series 2000A

On April 27, 2000 the State Board of Finance issued \$36,654,000 in severance tax bonds to finance public school critical capital outlay projects and higher education capital projects. The bond matured April 28, 2000 with an interest rate of 5.5%.

Severance Tax Bonds Series 2000 S-A

On June 29, 2000, the State Board of Finance issued a \$3,400,934 severance tax note to finance various projects authorized by the State Legislature. The note matured June 30, 2000 with an interest rate of 6.0%.

Severance Tax Bonds Series 2000 S-B

On June 20, 2000, the State Board of Finance issued a \$18,300,000 severance tax note to finance various public school capital outlay projects pursuant to the Public School Capital Outlay Act. The bond matured June 30, 2000 with an interest rate of 6.0%.

**NOTE 11 – ARBITRAGE ON TAX EXEMPT BONDS**

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

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

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

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

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

**Notes to Financial Statements (continued)  
June 30, 2000**

**NOTE 11 – ARBITRAGE ON TAX EXEMPT BONDS (continued)**

	<u>Bond Year End of First Rebate Computation</u>	<u>First Arbitrage Rebate Due Date</u>	<u>First Computation of Arbitrage Completed</u>
Capital Projects General Obligation Bonds Series 1993	September 1998	November 1998	X
General Obligation Refunding Bonds Series 1993-B	September 1998	November 1998	X
General Obligation Capital Projects Improvement Bonds Series 1995	September 2000	November 2000	X
General Obligation Capital Projects Improvement Bonds Series 1997	September 2002	November 2002	
General Obligation Capital Projects Bonds Series 1999	July 2004	August 2004	
Severance Tax Bonds Series 1993-B	July 1998	August 1998	X
Severance Tax Bonds Series 1994-B	July 1999	August 1999	X
Severance Tax Bonds Series 1995-A	July 2000	August 2000	X
Severance Tax Bonds Series 1995-B	July 2000	August 2000	
Severance Tax Bonds Series 1996-A	July 2001	August 2001	
Severance Tax Refunding Bonds Series 1997-A	July 2002	August 2002	
Severance Tax Refunding Bonds Series 1998-A	July 2003	August 2003	
Severance Tax Bonds Series 1998-B	July 2003	August 2003	
Severance Tax Bond Series 1999-B	July 2004	August 2004	
Severance Tax Bond Series 1999-A Supplemental	July 2004	August 2004	
Severance Tax Bond Series 2000	July 2005	August 2005	

Interest earnings on invested bond proceeds through June 30, 2000 did not exceed the interest costs of the bonds. Such amounts would have been included as a reservation of fund balance in the accompanying financial statements. Amounts due the Internal Revenue Service which are known and measurable are recorded as a liability – accrued arbitrage interest payable in the accompanying financial statements.

**NOTE 12 – LOANS RECEIVABLE**

The Laws of 1974, Chapter 74 authorized a loan of \$2.75 million from the Severance Tax Bonding Fund to the Department of Labor, Employment Security Division for construction of the Employment Security Building in Albuquerque, NM (Tewa Building). The loan is repaid in monthly principal and interest installments of \$16,076.50 over 25 years. The balance outstanding at June 30, 2000 is \$234,468.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$185,473	\$ 7,445	\$192,918
2002	<u>48,995</u>	<u>397</u>	<u>49,392</u>
Total	<u>\$234,468</u>	<u>\$7,842</u>	<u>\$242,310</u>



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

**Notes to Financial Statements (continued)  
June 30, 2000**

**NOTE 13 – NEW MEXICO BUSINESS DEVELOPMENT CORPORATION (BDC)**

In 1991, the State Treasurer called in the original investment of \$2,528,332 in bonds, issued by the BDC to protect the state's share of BDC's assets. This action forced a liquidation of BDC and the remaining assets of BDC were turned over to a trustee, Norwest Bank, on behalf of the State Treasurer on October 1, 1991, pursuant to the terms of the "Realization of Assets Agreement." Payment of interest on the remaining outstanding debt ceased as of the call date. Accordingly, no interest income is being accrued for in the accompanying financial statements. There are outstanding accounts receivable for BDC, however, since the collectibility is not known, the accounts receivable or corresponding bad debt has not been recognized. The balance at June 30, 2000 is the fair market value at that date.

The following is the activity of the State's investment in BDC for the 1999-2000 fiscal year:

	<u>Investment in BDC Bond</u>
Balance, June 30, 1999	\$1,253,537
Market value adjustment	<u>    (63,326)</u>
Balance, June 30, 2000	<u>\$1,190,211</u>

**NOTE 14 – INTERFUND RECEIVABLE/PAYABLE**

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

**NOTE 15 – DUE TO STATE GENERAL FUND**

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

C-FRAS Fund No. 182	00 <sup>th</sup> fiscal year	<u>\$23,237</u>
---------------------	------------------------------	-----------------

**NOTE 16 – FISCAL AGENT AND CORRESPONDENT BANK**

Fiscal Agent Bank The State Board of Finance and First Security Bank in Albuquerque (Bank) entered into an agreement whereby the Bank would provide banking services as Fiscal Agent for the State of New Mexico through August 12, 2003.

Correspondent Bank The State Board of Finance and Bankers Trust Company of California (BTC) entered into an agreement whereby BTC would provide banking services as Correspondent Bank for the State of New Mexico through August 12, 2003.

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

**Notes to Financial Statements (continued)  
June 30, 2000**

**NOTE 17 – BONDS PAYABLE**

General Obligation Bonds:

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

Severance Tax Bonds:

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

**OFFICE OF THE STATE TREASURER  
LONG TERM DEBT  
June 30, 2000**

**Note 17 - Bonds Payable (continued)**

Issue	Date	Amount	Interest Rate	Unpaid Balance 6/30/99	New Bonds	Deductions-Bonds Paid or Deceased	Unpaid Balance 6/30/00	Interest to Maturity	Debt Service Requirements
<b>General Obligation Bonds</b>									
Capital Projects-Series 1993	3/1/93	\$ 80,500,000	2.75-8.50%	\$ 50,621,000	\$ -	\$ 12,316,000	\$ 38,305,000	\$ 2,718,944	\$ 41,023,944
Capital Projects-Series 1995	4/1/95	66,265,000	4.90-6.10%	47,754,000	-	6,871,000	40,883,000	5,555,603	46,438,603
Capital Projects-Series 1997	3/1/97	64,825,000	4.30-5.50%	59,025,000	-	6,100,000	52,925,000	9,015,263	61,940,263
Capital Projects-Series 1999	3/1/99	80,895,000	4.00-5.00%	\$80,895,000	-	-	80,895,000	15,942,950	96,837,950
<b>Total General Obligation Bonds</b>		<u>292,485,000</u>		<u>238,295,000</u>	<u>-</u>	<u>25,287,000</u>	<u>213,008,000</u>	<u>33,232,760</u>	<u>246,240,760</u>
<b>Severance Tax Bonds</b>									
Series 1993-B	9/1/93	75,023,000	4.00-7.00%	30,470,000	-	7,080,000	23,390,000	1,661,430	25,051,430
Series 1994-B	8/1/94	92,038,000	4.80-7.60%	28,025,000	-	8,905,000	19,120,000	1,001,535	20,121,535
Series 1995-A	4/1/95	8,062,000	4.60-6.90%	3,924,000	-	900,000	3,024,000	239,768	3,263,768
Series 1995-B	11/1/95	58,340,000	4.40-5.50%	43,800,000	-	5,425,000	38,375,000	5,613,435	43,988,435
Series 1996-A	6/1/96	37,237,000	4.50-5.375%	20,925,000	-	5,260,000	15,665,000	2,154,851	17,819,851
Series 1997-A Refunding	6/1/97	62,036,000	4.50-5.50%	35,858,000	-	15,956,000	19,902,000	1,022,353	20,924,353
Series 1998-A Refunding	3/1/98	22,730,000	4.25-5.00%	22,655,000	-	-	22,655,000	3,491,637	26,146,637
Series 1998-B	5/1/98	136,100,000	4.50-4.75%	136,100,000	-	10,945,000	125,155,000	28,520,588	153,675,588
Series 1999-A Supplemental	10/1/99	12,000,000	4.25-5.5%	-	12,000,000	-	12,000,000	2,290,933	14,290,933
Series 1999-B	6/15/99	50,668,000	5.00%	50,668,000	-	-	50,668,000	13,837,700	64,505,700
Series 2000	6/1/00	59,650,000	5-5.5%	-	59,650,000	-	59,650,000	11,781,048	71,431,048
Series 2000 A	4/27/00	36,654,000	5.50%	-	36,654,000	36,654,000	-	-	-
Series 2000 S-A	6/29/00	3,400,934	6.00%	-	3,400,934	3,400,934	-	-	-
Series 2000 S-B	6/29/00	18,300,000	6	-	18,300,000	18,300,000	-	-	-
<b>Total Severance Tax Bonds</b>		<u>672,238,934</u>		<u>372,425,000</u>	<u>130,004,934</u>	<u>112,825,934</u>	<u>389,604,000</u>	<u>71,615,278</u>	<u>461,219,278</u>
<b>Total General Long-Term Debt</b>		<u>\$ 964,723,934</u>		<u>\$ 610,720,000</u>	<u>\$ 130,004,934</u>	<u>\$ 138,112,934</u>	<u>\$ 602,612,000</u>	<u>\$ 104,848,038</u>	<u>\$ 707,460,038</u>

**OFFICE OF THE STATE TREASURER  
LONG TERM DEBT  
June 30, 2000**

**Note 17 - Bonds Payable (continued)**

Issue	Year Ending June 30						
General Obligation Bonds	2001	2002	2003	2004	2005	Thereafter	Total
Capital Projects-Series 1993	\$ 14,211,264	\$ 13,824,364	\$ 12,988,316	\$ -	\$ -	\$ -	\$ 41,023,944
Capital Projects-Series 1995	9,190,732	9,236,886	9,286,043	9,336,808	9,388,134	-	46,438,603
Capital Projects-Series 1997	8,784,000	8,745,313	8,780,275	8,836,000	8,867,700	17,926,975	61,940,263
Capital Projects-Series 1999	10,760,300	10,761,500	10,760,100	10,759,725	10,759,625	43,036,700	96,837,950
<b>Total General Obligation Bonds</b>	<b>42,946,296</b>	<b>42,568,063</b>	<b>41,814,734</b>	<b>28,932,533</b>	<b>29,015,459</b>	<b>60,963,675</b>	<b>246,240,760</b>
Severance Tax Bonds							
Series 1993-B	8,335,800	8,343,400	8,372,230	-	-	-	25,051,430
Series 1994-B	10,076,995	10,044,540	-	-	-	-	20,121,535
Series 1995-A	1,081,816	1,088,236	1,093,716	-	-	-	3,263,768
Series 1995-B	7,297,460	7,307,370	7,322,073	7,317,275	7,351,457	7,392,800	43,988,435
Series 1996-A	3,331,228	2,316,065	3,359,230	4,398,272	4,415,056	-	17,819,851
Series 1997-A Refunding	11,546,360	9,377,993	-	-	-	-	20,924,353
Series 1998-A Refunding	1,117,976	1,117,976	10,965,475	10,933,370	2,011,840	-	26,146,637
Series 1998-B	17,077,213	17,074,825	17,077,463	17,072,550	17,072,725	68,300,812	153,675,588
Series 1999-A Supplemental	2,101,470	2,028,327	2,029,101	2,029,656	2,034,672	4,067,707	14,290,933
Series 1999-B	6,524,075	5,458,500	6,862,875	6,305,250	6,758,375	32,596,625	64,505,700
Series 2000	1,828,035	10,860,650	11,344,150	12,792,675	11,929,038	22,676,500	71,431,048
<b>Total Severance Tax Bonds</b>	<b>70,318,428</b>	<b>75,017,882</b>	<b>68,426,313</b>	<b>60,849,048</b>	<b>51,573,163</b>	<b>135,034,444</b>	<b>461,219,278</b>
<b>TOTAL DEBT SERVICE REQUIREMENTS</b>	<b>\$ 113,264,724</b>	<b>\$ 117,585,945</b>	<b>\$ 110,241,047</b>	<b>\$ 89,781,581</b>	<b>\$ 80,588,622</b>	<b>\$ 195,998,119</b>	<b>\$ 707,460,038</b>

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

**Notes to Financial Statements (continued)  
June 30, 2000**

**NOTE 18 – DEFEASED DEBT**

In prior years, the Board of Finance defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Office's financial statements. On June 30, 2000, \$11,662,000 of bonds outstanding is considered defeased. On July 1, 2000, \$2,327,000 of the defeased debt was paid off by the trust.

**NOTE 19 – TRANSFERS**

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

The proceeds were distributed as follows and the proceeds are accounted for in DFA's June 30, 2000 financial statements:

	<u>CFRAS Number</u>	<u>Amount</u>
Severance Tax Bonds – Series 2000 S-A Supplemental	762	\$ 3,400,934
Severance Tax Bonds – Series 2000 S-B Supplemental	763	18,300,000
Severance Tax Bonds – Series 2000 A Supplemental	283	36,654,000
Severance Tax Bonds – Series 1999 A	403	12,000,000
Severance Tax Bonds – Series 2000	588	<u>59,650,000</u>
Total		<u>\$130,004,934</u>

Interfund Transfers

	<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
<u>Debt Service</u>			
Severance Tax Bonding Fund	410	\$57,850,000	
Severance Tax Bond – 1993B Debt Service	571		\$8,000,000
Severance Tax Bond – 1994B Debt Service	418		9,500,000
Severance Tax Bond – 1995A Debt Service	963		1,000,000
Severance Tax Bond – 1995B Debt Service	419		6,500,000
Severance Tax Bond – 1996A Debt Service	392		2,950,000
Severance Tax Bond – 1997A Debt Service	031		10,900,000
Severance Tax Bond – 1998A Debt Service	425		1,100,000
Severance Tax Bond – 1998B Debt Service	411		11,000,000
Severance Tax Bond – 1999A Debt Service	184		1,800,000
Severance Tax Bond – 1999B Debt Service	186		<u>5,100,000</u>
Total		<u>\$57,850,000</u>	<u>\$57,850,000</u>

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

**Notes to Financial Statements (continued)  
June 30, 2000**

**NOTE 20 – EMPLOYEE RETIREMENT PLAN – STATE OF NEW MEXICO**

Plan Description

Substantially all of the Office's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Office is required to contribute 16.59% depending upon the division of the gross covered salary. The contribution requirements of plan members and the Office are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the years ending June 30, 2000, 1999 and 1998, were \$419,374, \$411,662 and \$407,579 respectively, equal to the amount of the required contributions for each year.

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

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

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

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

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

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

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

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

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

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 810 West San Mateo, Santa Fe, New Mexico 87505.

For the fiscal year ended June 30, 2000, the Office remitted \$ 17,551 in employer contributions and \$8,776 in employee contributions to the Retiree Health Care Authority.

**NOTE 22 – OUTSTANDING ENCUMBRANCES**

The following is a reconciliation of outstanding encumbrances per the Department of Finance and Administration (DFA) Report to the reserve for encumbrances and accounts payable as shown in the financial statements at June 30, 2000:

<u>DFA Report</u>	<u>General Fund</u>
Unadjusted Encumbrances Balance	\$144,616
Adjustments for amounts included in Accounts Payable	<u>38,127</u>
Reserve for Encumbrances	<u>\$106,489</u>

**NOTE 23 – CONTINGENCIES**

The Department is exposed to various risks of loss for which the Department carries insurance (auto; employee fidelity bond; general liability; civil rights and foreign jurisdiction; money and securities; property; and workers' compensation) with the State of New Mexico Risk Management Division.

Public employee fidelity bonding coverage is self-insured by the State of New Mexico. The current policy year is July 1, 1999 to June 30, 2000. The limit of coverage is \$5,000,000 with \$1,000 deductible per occurrence. All Office employees are covered by this bond.

**NOTE 24 – OPERATING LEASES**

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

The Office entered into a new building lease for 10 years with Galisteo Center. The monthly rent for FY 01 will be \$22,917. After the first year, the rent increases to \$25,210.

The Office is obligated on leases for the Xerox copy machine and a vehicle from General Services Department. These leases are considered for accounting purposes to be operating leases.

The leases are contingent on the New Mexico Legislature granting sufficient authority and appropriations to carry out their conditions and agreements. If sufficient authority or appropriations are not granted, these leases shall terminate when required by law or upon the Office giving the Lessors sixty days notice, whichever comes first.

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

**Notes to Financial Statements (continued)  
June 30, 2000**

**NOTE 24 – OPERATING LEASES (continued)**

Lease expenditures for the year ended June 30, 2000 were \$205,903 for building rent and \$12,503 for equipment rental.

Future minimum lease payments for these leases are as follows for June 30, 2001:

<u>Year ending June 30, 2001</u>	<u>Amount</u>
Building	\$275,000
Xerox	7,000
Vehicle	<u>5,256</u>
Total minimum payments required	<u>\$287,256</u>

**NOTE 25 – ACCOUNTING STANDARD PRONOUNCEMENTS**

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

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

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

**NOTE 26 – SUBSEQUENT EVENTS**

Subsequent to June 30, 2000, the State Board of Finance issued the following debt which will be accounted for in the General Long Term Debt Account Group and the Office’s debt service funds.

Enhanced 911 Revenue Bonds – Series 2000 – On August 1, 2000, the State Board of Finance issued \$4,545,000 revenue bonds to make grants to local governing bodies for payment of equipment purchase, equipment installation and approved maintenance necessary to enhance 911 services. Interest rates range from 4.25% to 6.75% with principal payments due through July 2007.

Supplemental Severance Tax Bonds Series 2000C – On November 16, 2000 the State Board of Finance issued \$12,000,000 in severance tax bonds to finance public school capital outlay projects. Interest rates range from 4.50% to 5.00% with principal payments due through July 2007.



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

**Statement of Purpose  
Special Revenue Funds  
June 30, 2000**

New Mexico Business Development Corporation Fund

The fund was established to account for the State's investment in the New Mexico Business Development Corporation Bank.

Bond Issuance Fund

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

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

TRACS Fund

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

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

Statement 1

**Special Revenue Funds  
Combining Balance Sheet**

**June 30, 2000**

	<u>New Mexico Business Development Corp. Fund</u>	<u>Bond Issuance Fund</u>	<u>TRACS Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ -	\$ 112,000	\$ 112,000
Investment in New Mexico Business Development Corp. Bonds	-	-	-	-
	<u>1,190,211</u>	<u>-</u>	<u>-</u>	<u>1,190,211</u>
	<u>\$ 1,190,211</u>	<u>\$ -</u>	<u>\$ 112,000</u>	<u>\$ 1,302,211</u>
<u>Liabilities and Fund Equity</u>				
Interfund payable	\$ -	\$ -	\$ 112,000	\$ 112,000
Fund Balance - designated for investment	-	-	-	-
	<u>1,190,211</u>	<u>-</u>	<u>-</u>	<u>1,190,211</u>
	<u>\$ 1,190,211</u>	<u>\$ -</u>	<u>\$ 112,000</u>	<u>\$ 1,302,211</u>

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

STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

Statement 2

**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2000**

	New Mexico Business Development Corp. Fund	Bond Issuance Fund	TRACS Fund	Total
Interest Income:	\$ -	\$ -	\$ -	\$ -
Expenditures - Issuance Costs	-	135,438	-	135,438
Interest Income	63,326	-	-	63,326
Deficiency of revenues over expenditures	63,326	135,438	-	198,764
Other Financing Sources (Uses)				
Bond proceeds	-	130,004,934	-	130,004,934
Transfer between funds	-	-	-	-
Transfer to other state agency	-	(129,869,496)	-	(129,869,496)
Total other financing sources (uses)	-	135,438	-	135,438
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(63,326)	-	-	(63,326)
Fund Balance, June 30, 1999	1,253,537	-	-	1,253,537
Fund Balance, June 30, 2000	\$ 1,190,211	\$ -	\$ -	\$ 1,190,211

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

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

**Statement of Purpose  
Debt Service Funds  
June 30, 2000**

**General Obligation Bond Funds**

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

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

**Severance Tax Bond Funds**

The funds are to account for tax receipts levied upon natural resource products, severed and saved from the lands of the State of New Mexico and to account for payment of principal and interest on severance tax bonds.

Severance Tax Bonding Fund	(CFRAS Fund #410)
1993-B Series – Debt Service	(CFRAS Fund #571)
1993-B Series – Rebate	(CFRAS Fund #570)
1994-B Series – Debt Service	(CFRAS Fund #418)
1994-B Series – Rebate	(CFRAS Fund #413)
1995-A Series – Debt Service	(CFRAS Fund #963)
1995-A Series – Rebate	(CFRAS Fund #964)
1995-B Series – Debt Service	(CFRAS Fund #419)
1995-B Series – Rebate	(CFRAS Fund #420)
1996-A Series – Debt Service	(CFRAS Fund #392)
1996-A Series – Rebate	(CFRAS Fund #393)
1997-A Series – Refunding	(CFRAS Fund #640)
1997-A Series – Debt Service	(CFRAS Fund #031)
1997-A Series – Rebate	(CFRAS Fund #032)
1998-A Series – Debt Service	(CFRAS Fund #425)
1998-A Series – Rebate	(CFRAS Fund #486)
1998-B Series – Rebate	(CFRAS Fund #426)
1998-B Series – Debt Service	(CFRAS Fund #411)
1998-C Series – Debt Service	N/A
1999-B Series – Debt Service	(CFRAS Fund #186)
1999-A Series – Debt Service	(CFRAS Fund #184)
1999-A Series – Rebate	(CFRAS Fund #185)
1999-B Series – Rebate	(CFRAS Fund #461)
2000 Series – Debt Service	(CFRAS Fund #389)
2000 Series – Rebate	(CFRAS Fund #391)

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

Statement 3

**Debt Service Funds  
Combining Balance Sheet**

**June 30, 2000**

	Debt Service		<u>Total</u>
	<u>General Obligation Bond Funds</u>	<u>Severance Tax Bond Funds</u>	
<u>Assets</u>			
Repurchase Agreements	\$ 43,177,920	\$ 76,569,725	\$ 119,747,645
Loans receivable	-	234,468	234,468
Due from other agencies	8,329,159	19,071,590	27,400,749
Accrued interest receivable	1,281,346	4,300,015	5,581,361
	<u>\$ 52,788,425</u>	<u>\$ 100,175,798</u>	<u>\$ 152,964,223</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Vouchers payable - bond issue costs	\$ -	\$ 219,376	\$ 219,376
Due to Severance Tax Permanent Fund	-	202,741	202,741
Other liabilities	-	314,984	314,984
	<u>-</u>	<u>737,101</u>	<u>737,101</u>
<u>Fund Equity</u>			
Fund Balances, Unreserved:			
Designated for debt service	45,919,593	92,686,974	138,606,567
Designated for arbitrage	6,868,832	6,751,723	13,620,555
	<u>52,788,425</u>	<u>99,438,697</u>	<u>152,227,122</u>
Total Fund Equity	<u>52,788,425</u>	<u>99,438,697</u>	<u>152,227,122</u>
Total Liabilities and Fund Equity	<u>\$ 52,788,425</u>	<u>\$ 100,175,798</u>	<u>\$ 152,964,223</u>

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

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

Statement 4

**Debt Service Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

Year Ended June 30, 2000

	Debt Service		<u>Total</u>
	<u>General Obligation Bond Funds</u>	<u>Severance Tax Bond Funds</u>	
Revenues:			
Interest income - debt service	\$ 4,293,150	\$ 11,451,311	\$ 15,744,461
Interest income - arbitrage	1,896,446	2,349,207	4,245,653
	<u>6,189,596</u>	<u>13,800,518</u>	<u>19,990,114</u>
Total Revenues			
Expenditures:			
Principal and interest on long-term debt	35,528,552	128,172,357	163,700,909
Other charges	477,626	388,591	866,217
	<u>36,006,178</u>	<u>128,560,948</u>	<u>164,567,126</u>
Total Expenditures			
Excess (Deficiency) of Expenditures Over Revenues	<u>(29,816,582)</u>	<u>(114,760,430)</u>	<u>(144,577,012)</u>
Other Financing Sources (Uses):			
Operating transfers in (out):			
State property tax levy	36,571,797	-	36,571,797
Severance taxes	-	192,890,369	192,890,369
Bond proceeds	-	512,236	512,236
Capital projects - reversions in	-	920,794	920,794
Transfers from special revenue fund	-	-	-
Severance Tax Permanent Fund - reversions out	<u>-</u>	<u>(66,685,560)</u>	<u>(66,685,560)</u>
Total Other Financing Sources (Uses)	<u>36,571,797</u>	<u>127,637,839</u>	<u>164,209,636</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>6,755,215</u>	<u>12,877,409</u>	<u>19,632,624</u>
Fund Balances, June 30, 1999	<u>46,033,210</u>	<u>86,561,288</u>	<u>132,594,498</u>
Fund Balances, June 30, 2000	<u>\$ 52,788,425</u>	<u>\$ 99,438,697</u>	<u>\$ 152,227,122</u>

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

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

**Statement of Purpose  
Fiduciary Funds**

**Investment Trust Fund:**

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

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

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

STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

Statement 5

**Fiduciary Funds**  
**Combining Balance Sheet**  
**June 30, 2000**

	Investment Trust Fund			Total Memorandum Only
	Short-Term Investment Pool	Consolidated Investment Pool	State Funds Investment Pool	
<u>Assets</u>				
Cash and Investments:				
Cash and cash equivalents	\$ -	\$ -	\$ 6,452,393	\$ 6,452,393
Certificates of deposit	102,600,000	-	49,100,000	151,700,000
U.S. Government securities	-	-	1,016,893,629	1,016,893,629
Corporate Bonds	-	-	53,653,905	53,653,905
Repurchase agreements	515,000,000	603,252,355	212,855,036	1,331,107,391
	<u>617,600,000</u>	<u>603,252,355</u>	<u>1,338,954,963</u>	<u>2,559,807,318</u>
Total Cash and Investments				
Other Assets:				
Accrued interest receivable	8,269,678	2,979,236	16,628,496	27,877,410
	<u>8,269,678</u>	<u>2,979,236</u>	<u>16,628,496</u>	<u>27,877,410</u>
	<u>\$ 625,869,678</u>	<u>\$ 606,231,591</u>	<u>\$ 1,355,583,459</u>	<u>\$ 2,587,684,728</u>
	<u>Total Assets</u>			

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



STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

Statement 6

Fiduciary Funds  
Combining Statement of Changes in Net Assets  
June 30, 2000

	Short-Term Investment Pool	Investment Trust Fund Consolidated Investment Pool	State Funds Investment Pool	Total Memorandum Only
Investment Income	\$ 30,968,954	\$ 39,195,100	\$ 42,053,109	\$ 112,217,163
Expenses - Management Fees	(117,873)	(279,204)	-	(397,077)
Net Investment Income	30,851,081	38,915,896	42,053,109	111,820,086
Net Proceeds of Units Issued (Redeemed)	192,058,956	(308,434,149)	(90,540,993)	(206,916,186)
Net Assets, held in trust for pool Participants, June 30, 1999	402,959,641	875,749,844	1,404,071,343	2,682,780,828
Net Assets, held in trust for pool Participants, June 30, 2000	\$ 625,869,678	\$ 606,231,591	\$ 1,355,583,459	\$ 2,587,684,728

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

**OTHER INFORMATION SECTION**

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

**Statement of Purpose  
General Long-term Debt  
June 30, 2000**

**General Long-term Debt**

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

STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

Schedule 1

Schedule of General Long-term Debt

June 30, 2000

	<u>Compensated Absences</u>	<u>General Obligation Bond Funds</u>	<u>Severance Tax Bond Funds</u>	<u>Total</u>
<u>Assets and Other Debits</u>				
Amount available in debt service funds	\$ -	\$ 45,919,593	\$ 92,686,973	\$ 138,606,566
Amount to be provided for retirement of long-term debt	-	167,088,407	296,917,027	464,005,434
Amount available for arbitrage interest	-	6,868,832	6,751,723	13,620,555
Amount to be provided for compensated absences	<u>88,882</u>	<u>-</u>	<u>-</u>	<u>88,882</u>
Total Assets and Other Debits	<u><u>\$ 88,882</u></u>	<u><u>\$ 219,876,832</u></u>	<u><u>\$ 396,355,723</u></u>	<u><u>\$ 616,321,437</u></u>
 <u>Liabilities</u>				
Bonds payable	\$ -	\$ 213,008,000	\$ 389,604,000	\$ 602,612,000
Accrued arbitrage interest payable	-	6,868,832	6,751,723	13,620,555
Compensated absences payable	<u>88,882</u>	<u>-</u>	<u>-</u>	<u>88,882</u>
Total Liabilities	<u><u>\$ 88,882</u></u>	<u><u>\$ 219,876,832</u></u>	<u><u>\$ 396,355,723</u></u>	<u><u>\$ 616,321,437</u></u>

STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

Schedule 2

Combining Balance Sheet - General Obligation Bonds

June 30, 2000

CFAS Fund #	Repurchase Agreements	Due From Other Agencies	Assets		Liabilities	Fund Equity			Total Liabilities and Fund Equity	
			Accrued Interest Receivable	Total Assets	Other Liabilities	Unreserved- Designated for Debt Service	Unreserved- Designated for Arbitrage	Total Fund Equity		
1993 Series-Debt Service	483	\$ 11,344,856	\$ 3,739,082	\$ -	\$ 15,083,938	\$ -	\$ 15,083,938	\$ -	\$ 15,083,938	\$ 15,083,938
1995 Series-Debt Service	960	8,831,242	849,160	-	9,680,402	-	9,680,402	-	9,680,402	9,680,402
1997 Series-Debt Service	183	8,510,761	759,832	154,929	9,425,522	-	9,425,522	-	9,425,522	9,425,522
1999 Series-Debt Service	640	7,964,096	2,981,085	784,550	11,729,731	-	11,729,731	-	11,729,731	11,729,731
<b>Total - Debt Service</b>		<b>36,650,955</b>	<b>8,329,159</b>	<b>939,479</b>	<b>45,919,593</b>	<b>-</b>	<b>45,919,593</b>	<b>-</b>	<b>45,919,593</b>	<b>45,919,593</b>
1993 Series-Rebate	484	1,003,594	-	-	1,003,594	-	-	1,003,594	1,003,594	1,003,594
1995 Series-Rebate	961	2,952,273	-	-	2,952,273	-	-	2,952,273	2,952,273	2,952,273
1997 Series-Rebate	959	1,385,607	-	48,571	1,434,178	-	-	1,434,178	1,434,178	1,434,178
1999 Series-Rebate	409	1,185,491	-	293,296	1,478,787	-	-	1,478,787	1,478,787	1,478,787
<b>Total - Rebate Accounts</b>		<b>6,526,965</b>	<b>-</b>	<b>341,867</b>	<b>6,868,832</b>	<b>-</b>	<b>-</b>	<b>6,868,832</b>	<b>6,868,832</b>	<b>6,868,832</b>
<b>Combine Total</b>		<b>\$ 43,177,920</b>	<b>\$ 8,329,159</b>	<b>\$ 1,281,346</b>	<b>\$ 52,788,425</b>	<b>\$ -</b>	<b>\$ 45,919,593</b>	<b>\$ 6,868,832</b>	<b>\$ 52,788,425</b>	<b>\$ 52,788,425</b>

STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

Schedule 3

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
General Obligation Bonds

Year Ended June 30, 2000

CFAS Fund #	Revenues		Expenditures		Excess (Deficiency) of Revenue over Expenditures	Other Financing Sources (Uses)				Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	Fund Balances June 30, 1999	Fund Balances June 30, 2000	
	Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures		State Property Tax Levy	Bond Proceeds	Interfund Transfers	Payment to Escrow Agent				
1993 Series-Debt Service	483	\$ 214,359	\$ 14,393,543	\$ -	\$ 14,393,543	\$ (14,179,184)	\$ 15,706,261	\$ -	\$ -	\$ -	\$ 1,527,077	\$ 13,556,861	\$ 15,083,938
1995 Series-Debt Service	960	308,149	9,143,772	4,775	9,148,547	(8,840,398)	6,193,864	-	-	-	(2,646,534)	12,326,936	9,680,402
1997 Series-Debt Service	183	939,663	8,779,125	-	8,779,125	(7,839,462)	5,813,950	-	-	-	(2,025,512)	11,451,034	9,425,522
1999 Series-Debt Service	640	2,830,979	3,212,112	-	3,212,112	(381,133)	8,857,722	-	-	-	8,476,589	3,253,142	11,729,731
Total - Debt Service		4,293,150	35,528,552	4,775	35,533,327	(31,240,177)	36,571,797	-	-	-	5,331,620	40,587,973	45,919,593
1993 Series-Rebate	484	103,335	-	-	-	103,335	-	-	-	-	103,335	900,259	1,003,594
1995 Series-Rebate	961	332,999	-	472,851	472,851	(139,852)	-	-	-	-	(139,852)	3,092,125	2,952,273
1997 Series-Rebate	959	326,256	-	-	-	326,256	-	-	-	-	326,256	1,107,922	1,434,178
1999 Series-Rebate	409	1,133,856	-	-	-	1,133,856	-	-	-	-	1,133,856	344,931	1,478,787
Total - Rebate Accounts		1,896,446	-	472,851	472,851	1,423,595	-	-	-	-	1,423,595	5,445,237	6,868,832
Combined Total		\$ 6,189,596	\$ 35,528,552	\$ 477,626	\$ 36,006,178	\$ 29,816,582	\$ 36,571,797	\$ -	\$ -	\$ -	\$ 6,755,215	\$ 46,033,210	\$ 52,788,425

STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

Schedule 4

Combining Balance Sheet-Severance Tax Bonds

June 30, 2000

CFAS Fund #	Assets					Liabilities				Fund Equity			Total Liabilities and Fund Equity	
	Repurchase Agreements	Loans Receivable	Due From Other Agencies	Accrued Interest Receivable	Total Assets	Vouchers Payable	Due To Severance Tax Permanent Fund	Other Liabilities	Total Liabilities	Unreserved- Designated for Debt Service	Unreserved- Designated for Arbitrage	Total Fund Equity		
Severance Tax Bonding	410	\$ 4,530,090	\$ 234,468	\$ 19,071,589	\$ 700,096	\$ 24,536,243	\$ 219,376	\$ 202,741	\$ -	\$ 422,117	\$ 24,114,126	\$ -	\$ 24,114,126	\$ 24,536,243
1993-B Series-Debt Service	571	8,247,730	-	-	-	8,247,730	-	-	-	-	8,247,730	-	8,247,730	8,247,730
1994-B Series-Debt Service	418	10,144,421	-	-	-	10,144,421	-	-	-	-	10,144,421	-	10,144,421	10,144,421
1995-A Series-Debt Service	963	1,083,854	-	-	-	1,083,854	-	-	-	-	1,083,854	-	1,083,854	1,083,854
1995-B Series-Debt Service	419	6,867,902	-	-	-	6,867,902	-	-	-	-	6,867,902	-	6,867,902	6,867,902
1996-A Series-Debt Service	392	3,394,228	-	-	-	3,394,228	-	-	-	-	3,394,228	-	3,394,228	3,394,228
1997-A Series-Debt Service	31	11,487,794	-	-	-	11,487,794	-	-	-	-	11,487,794	-	11,487,794	11,487,794
1998-A Series-Debt Service	425	1,024,763	-	-	-	1,024,763	-	-	-	-	1,024,763	-	1,024,763	1,024,763
1998-B Series-Debt Service	411	15,462,742	-	-	1,479,138	16,941,880	-	-	-	-	16,941,880	-	16,941,880	16,941,880
1999-A Series-Debt Service	184	1,938,035	-	-	290,316	2,228,351	-	-	71,245	71,245	2,157,106	-	2,157,106	2,228,351
1999-B Series-Debt Service	186	5,576,056	-	-	1,127,298	6,703,354	-	-	-	-	6,703,354	-	6,703,354	6,703,354
2000 Series-Debt Service	389	763,555	-	-	-	763,555	-	-	243,739	243,739	519,816	-	519,816	763,555
<b>Total - STB Debt Service</b>		<b>70,521,170</b>	<b>234,468</b>	<b>19,071,589</b>	<b>3,596,848</b>	<b>93,424,075</b>	<b>219,376</b>	<b>202,741</b>	<b>314,984</b>	<b>737,101</b>	<b>92,686,974</b>	<b>-</b>	<b>92,686,974</b>	<b>93,424,075</b>
1993-B Series-Rebate	570	1,157,918	-	-	-	1,157,918	-	-	-	-	-	1,157,918	1,157,918	1,157,918
1994-B Series-Rebate	413	1,293,492	-	-	-	1,293,492	-	-	-	-	-	1,293,492	1,293,492	1,293,492
1995-A Series-Rebate	964	7,031	-	-	-	7,031	-	-	-	-	7,031	-	7,031	7,031
1995-B Series-Rebate	420	174,107	-	-	-	174,107	-	-	-	-	174,107	-	174,107	174,107
1996-A Series-Rebate	393	132,217	-	-	-	132,217	-	-	-	-	132,217	-	132,217	132,217
1997-A Series-Rebate	32	730,144	-	-	-	730,144	-	-	-	-	730,144	-	730,144	730,144
1998-A Series-Rebate	486	17,861	-	-	-	17,861	-	-	-	-	17,861	-	17,861	17,861
1998-B Series-Rebate	426	2,257,332	-	-	362,826	2,620,158	-	-	-	-	2,620,158	-	2,620,158	2,620,158
1999-A Series-Rebate	185	14,252	-	-	89,176	103,428	-	-	-	-	103,428	-	103,428	103,428
1999-B Series-Rebate	461	261,104	-	-	251,165	512,269	-	-	-	-	512,269	-	512,269	512,269
2000 Series Rebate	391	3,098	-	-	-	3,098	-	-	-	-	3,098	-	3,098	3,098
<b>Total - STB Rebate Accounts</b>		<b>6,048,556</b>	<b>-</b>	<b>-</b>	<b>703,167</b>	<b>6,751,723</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,751,723</b>	<b>6,751,723</b>	<b>6,751,723</b>
<b>Combined Total-STB's</b>		<b>\$ 76,569,726</b>	<b>\$ 234,468</b>	<b>\$ 19,071,589</b>	<b>\$ 4,300,015</b>	<b>\$ 100,175,798</b>	<b>\$ 219,376</b>	<b>\$ 202,741</b>	<b>\$ 314,984</b>	<b>\$ 737,101</b>	<b>\$ 92,686,974</b>	<b>\$ 6,751,723</b>	<b>\$ 99,438,697</b>	<b>\$ 100,175,798</b>

STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

Schedule 5

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Severance Tax Bonds  
Year Ended June 30, 2000

CFAS Fund #	Revenues		Expenditures		Total Expenditures	Excess (Deficiency) of Revenue over Expenditures	Other Financing Sources (Uses)					Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	Fund Balances June 30, 1999	Fund Balances June 30, 2000	
	Interest Income	Principal and Interest on Long-Term Debt	Other Charge Rebates	Severance Taxes			Bond Proceeds	Capital Projects Reversions	Interfund Transfers	Payment to Escrow Agent	Severance Tax Perm. Fund Reversions				
Severance Tax Bonding	410	\$ 2,080,750	\$ 58,364,151	\$ 309,867	\$ 58,674,018	\$ (56,593,268)	\$ 192,890,369	\$ -	\$ 920,794	\$ (57,850,000)	\$ -	\$ (66,685,560)	\$ 12,682,335	\$ 11,431,791	\$ 24,114,126
1993-B Series-Debt Service	571	285,597	8,301,480	-	8,301,480	(8,015,883)	-	-	-	8,000,000	-	-	(15,883)	8,263,613	8,247,730
1994-B Series-Debt Service	418	694,156	10,112,535	-	10,112,535	(9,418,379)	-	-	-	9,500,000	-	-	81,621	10,062,800	10,144,421
1995-A Series-Debt Service	963	103,460	1,085,641	-	1,085,641	(982,181)	-	-	-	1,000,000	-	-	17,819	1,066,035	1,083,854
1995-B Series-Debt Service	419	440,650	7,331,277	-	7,331,277	(6,890,627)	-	-	-	6,500,000	-	-	(390,627)	7,258,529	6,867,902
1996-A Series-Debt Service	392	476,123	6,153,715	-	6,153,715	(5,677,592)	-	-	-	2,950,000	-	-	(2,727,592)	6,121,820	3,394,228
1997-A Series-Debt Service	31	388,578	17,355,745	-	17,355,745	(16,967,167)	-	-	-	10,900,000	-	-	(6,067,167)	17,554,961	11,487,794
1998-A Series-Debt Service	425	32,317	1,117,975	-	1,117,975	(1,085,658)	-	-	-	1,100,000	-	-	14,342	1,010,421	1,024,763
1998-B Series-Debt Service (FY98)	411	4,009,277	17,076,100	-	17,076,100	(13,066,823)	-	-	-	11,000,000	-	-	(2,066,823)	19,008,703	16,941,880
1999-A Series-Debt Service	184	357,106	-	-	-	357,106	-	-	-	1,800,000	-	-	2,157,106	-	2,157,106
1999-B Series-Debt Service (FY99)	186	2,575,717	1,273,738	-	1,273,738	1,301,979	-	-	-	5,100,000	-	-	6,401,979	301,375	6,703,354
2000 Series-Debt Service	389	7,580	-	-	-	7,580	-	512,236	-	-	-	-	519,816	-	519,816
Total - STB Debt Service		11,451,311	128,172,357	309,867	128,482,224	(117,030,913)	192,890,369	512,236	920,794	-	-	(66,685,560)	10,606,926	82,080,048	92,686,974
1993-B Series-Rebate	570	141,683	-	-	-	141,683	-	-	-	-	-	-	141,683	1,016,235	1,157,918
1994-B Series-Rebate	413	129,167	-	-	-	129,167	-	-	-	-	-	-	129,167	1,164,325	1,293,492
1995-A Series-Rebate	964	12,193	-	78,724	78,724	(66,531)	-	-	-	-	-	-	(66,531)	73,562	7,031
1995-B Series-Rebate	420	103,034	-	-	-	103,034	-	-	-	-	-	-	103,034	71,073	174,107
1996-A Series-Rebate	393	81,043	-	-	-	81,043	-	-	-	-	-	-	81,043	51,174	132,217
1997-A Series-Rebate	32	154,607	-	-	-	154,607	-	-	-	-	-	-	154,607	575,537	730,144
1998-A Series-Rebate	486	11,219	-	-	-	11,219	-	-	-	-	-	-	11,219	6,642	17,861
1998-B Series-Rebate	426	1,097,466	-	-	-	1,097,466	-	-	-	-	-	-	1,097,466	1,522,692	2,620,158
1999-A Series-Rebate	185	103,428	-	-	-	103,428	-	-	-	-	-	-	103,428	-	103,428
1999-B Series-Rebate	461	512,269	-	-	-	512,269	-	-	-	-	-	-	512,269	-	512,269
2000 Series-Rebate	391	3,098	-	-	-	3,098	-	-	-	-	-	-	3,098	-	3,098
Total - STB Rebate Accounts		2,349,207	-	78,724	78,724	2,270,483	-	-	-	-	-	-	2,270,483	4,481,240	6,751,723
Combined Total-STB's		\$ 13,800,518	\$ 128,172,357	\$ 388,591	\$ 128,560,948	\$ (114,760,430)	\$ 192,890,369	\$ 512,236	\$ 920,794	\$ -	\$ -	\$ (66,685,560)	\$ 12,877,409	\$ 86,561,288	\$ 99,438,697



STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

Schedule 6

Local Government Investment Pool  
Reconciliation of Individual Account Balances to  
Cash and Investments

as of June 30, 2000

Cash and Investments	\$ 670,402,579
Interest earned and recorded to individual accounts at June 30, 2000 received subsequent to year end	9,445,470
Correction to repurchase pool amount - adjusted after year end to reflect individual account balances	<u>(115,090)</u>
Individual account balances at June 30, 2000	<u><u>\$ 679,732,959</u></u>

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

Schedule 8

**Schedule of Investments  
June 30, 2000**

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Repurchase Agreements	Various	Various	Various	\$ 1,450,855,036	\$ 1,450,855,036	\$ -
<u>Fixed Income Governmental Obligations</u>						
<u>National Mortgage Associations</u>						
Federal National Mortgage Med Term NTS	6.220%	6/3/1998	6/3/2003	20,000,000	19,462,400	(537,600)
Federal National Mortgage Association	6.200%	7/7/1998	7/7/2003	5,000,000	4,857,800	(142,200)
Federal National Mortgage Association	5.910%	9/8/1998	9/8/2003	5,004,494	4,829,700	(174,794)
Federal National Mortgage Association	6.040%	10/22/1998	10/22/2003	9,000,000	8,888,130	(111,870)
Federal National Mortgage Association	5.800%	11/17/1998	11/17/2003	10,000,000	9,589,100	(410,900)
Federal National Mortgage Association	5.790%	12/1/1998	12/1/2003	10,000,000	9,598,400	(401,600)
Federal National Mortgage Association	5.000%	12/1/1998	12/1/2003	20,000,000	19,065,600	(934,400)
Federal National Mortgage Association	5.630%	12/21/1998	12/8/2003	5,000,000	4,777,350	(222,650)
Federal National Mortgage Association	5.820%	1/12/1999	1/12/2004	14,990,071	14,385,900	(604,171)
Federal National Mortgage Association	6.070%	5/5/1999	5/5/2004	14,979,537	14,411,700	(567,837)
Federal National Mortgage Association	5.840%	1/13/1999	1/13/2004	5,000,000	4,797,650	(202,350)
Federal National Mortgage Association	5.740%	2/5/1999	2/9/2004	4,988,281	4,779,700	(208,581)
Federal National Mortgage Association	5.860%	2/11/1999	2/11/2004	14,994,354	14,385,900	(608,454)
Federal National Mortgage Association	5.900%	2/11/1999	2/11/2004	29,995,483	28,800,000	(1,195,483)
Federal National Mortgage Association	6.100%	4/8/1999	4/7/2004	10,000,000	9,609,400	(390,600)
Federal National Mortgage Association	6.170%	3/15/1999	3/15/2004	20,000,000	19,343,600	(656,400)
Total National Mortgage Association				<u>198,952,220</u>	<u>191,582,330</u>	<u>(7,369,890)</u>

(continued)

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

Schedule 8

**Schedule of Investments  
June 30, 2000**

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Banks	6.220%	6/9/1998	6/9/2003	5,000,000	4,864,050	(135,950)
Federal Home Loan Banks	5.810%	9/23/1998	9/23/2003	10,000,000	9,631,200	(368,800)
Federal Home Loan Banks	5.850%	10/7/1998	10/7/2003	5,000,000	4,815,600	(184,400)
Federal Home Loan Banks	5.770%	10/14/1998	10/14/2003	20,000,000	19,218,800	(781,200)
Federal Home Loan Banks	5.460%	10/21/1998	10/21/2003	5,000,000	4,764,050	(235,950)
Federal Home Loan Banks	5.550%	10/27/1998	10/27/2003	20,000,000	19,100,000	(900,000)
Federal Home Loan Banks	5.531%	11/5/1998	11/5/2003	4,993,750	4,771,100	(222,650)
Federal Home Loan Banks	5.530%	11/5/1998	11/5/2003	25,000,000	23,836,000	(1,164,000)
Federal Home Loan Banks	5.535%	11/10/1998	11/10/2003	9,996,875	9,542,200	(454,675)
Federal Home Loan Banks	5.610%	11/12/1998	11/12/2003	20,000,000	19,118,800	(881,200)
Federal Home Loan Banks	5.500%	11/12/1998	11/12/2003	10,000,000	9,532,800	(467,200)
Federal Home Loan Banks	5.625%	11/12/1998	11/12/2003	5,000,000	4,782,050	(217,950)
Federal Home Loan Banks	5.635%	11/17/1998	11/17/2003	30,000,000	28,696,800	(1,303,200)
Federal Home Loan Banks	5.625%	11/18/1998	11/18/2003	5,000,000	4,781,250	(218,750)
Federal Home Loan Banks	5.785%	11/17/1998	11/17/2003	20,000,000	19,203,200	(796,800)
Federal Home Loan Banks	5.785%	11/17/1998	11/17/2003	25,000,000	24,015,750	(984,250)
Federal Home Loan Banks	5.825%	11/25/1998	11/25/2003	5,000,000	4,804,700	(195,300)
Federal Home Loan Banks	5.910%	12/1/1998	12/1/2003	10,000,000	9,628,100	(371,900)
Federal Home Loan Banks	5.930%	12/1/1998	12/1/2003	20,000,000	19,265,600	(734,400)
Federal Home Loan Banks	5.870%	12/10/1998	12/10/2003	8,900,000	8,556,549	(343,451)
Federal Home Loan Banks	5.660%	12/22/1998	12/22/2003	10,000,000	9,557,800	(442,200)
Federal Home Loan Banks	5.810%	2/3/1999	2/3/2004	20,000,000	19,175,000	(825,000)
Federal Home Loan Banks	5.850%	2/10/1999	2/10/2004	20,000,000	19,175,000	(825,000)
Federal Home Loan Banks	5.765%	2/11/1999	2/11/2004	4,996,875	4,779,700	(217,175)
Federal Home Loan Banks	5.750%	2/12/1999	2/14/2004	9,995,479	9,560,900	(434,579)
Federal Home Loan Banks	5.786%	2/24/1999	2/24/2002	20,000,000	19,134,400	(865,600)
Federal Home Loan Banks	5.845%	1/26/1999	1/26/2004	9,997,770	9,592,200	(405,570)
Federal Home Loan Banks	6.040%	5/13/1999	5/13/2004	20,000,000	19,193,800	(806,200)
Federal Home Loan Banks	6.100%	5/19/1999	5/19/2004	20,000,000	19,268,800	(731,200)
Federal Home Loan Banks	6.090%	5/17/1999	5/17/2004	20,000,000	19,262,600	(737,400)
Federal Home Loan Banks	6.500%	7/6/99	7/6/04	10,000,000	9,731,300	(268,700)

(continued)

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

Schedule 8

**Schedule of Investments  
June 30, 2000**

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Banks	6.205%	6/23/1998	6/23/2003	5,000,000	4,860,950	(139,050)
Federal Home Loan Banks	6.110%	6/18/1998	6/18/2003	4,997,128	4,852,350	(144,778)
Federal Home Loan Banks	6.065%	1/7/1999	1/7/2004	19,995,001	19,303,200	(691,801)
Federal Home Loan Banks	6.050%	8/20/1998	8/20/2003	5,000,000	4,835,950	(164,050)
Federal Home Loan Banks	6.000%	1/13/1999	1/13/2004	20,000,000	19,268,800	(731,200)
Federal Home Loan Banks	6.000%	1/12/1999	1/12/2004	10,000,000	9,634,400	(365,600)
Federal Home Loan Banks	6.060%	1/20/1999	1/20/2004	45,000,000	43,411,050	(1,588,950)
Federal Home Loan Banks	6.000%	11/18/1998	11/18/2003	5,000,000	4,796,100	(203,900)
Federal Home Loan Banks	6.000%	11/18/1998	11/18/2003	20,000,000	19,306,200	(693,800)
Federal Home Loan Banks	5.780%	11/24/1998	11/24/2003	20,000,000	19,206,200	(793,800)
Federal Home Loan Banks	5.810%	2/5/1999	2/5/2004	20,000,000	19,168,800	(831,200)
Federal Home Loan Banks	5.580%	12/10/1998	12/10/2003	10,000,000	9,542,200	(457,800)
Federal Home Loan Banks	5.830%	2/5/1999	2/5/2004	19,997,656	19,156,200	(841,456)
Federal Home Loan Banks	5.900%	2/11/1999	2/11/2004	20,000,000	19,218,800	(781,200)
Federal Home Loan Banks	6.000%	4/16/1999	4/16/2004	20,000,000	19,165,600	(834,400)
Federal Home Loan Banks	6.140%	5/10/1999	5/10/2004	15,000,000	14,435,100	(564,900)
Federal Home Loan Banks	6.020%	10/29/1998	10/29/2003	40,000,000	38,587,600	(1,412,400)
Federal Home Loan Banks	6.030%	3/17/1999	3/17/2004	20,000,000	19,268,800	(731,200)
Federal Home Loan Banks	6.075%	4/14/1999	4/19/2004	20,000,000	19,200,000	(800,000)
Federal Home Loan Banks	6.060%	4/15/1999	4/15/2004	20,000,000	19,268,800	(731,200)
Federal Home Loan Banks	6.100%	4/21/1999	4/21/2004	20,000,000	19,281,200	(718,800)
Federal Farm Credit Banks	6.100%	3/22/1999	3/22/2004	20,000,000	19,228,200	(771,800)
Federal Farm Credit Banks	6.050%	4/12/1999	4/12/2004	9,987,500	9,595,300	(392,200)
Federal Home Loan Mortgage Corp	6.300%	3/8/1999	3/8/2004	20,000,000	19,359,400	(640,600)
Total Other Federal Agency				858,858,034	825,311,299	(33,546,735)

(continued)

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

Schedule 8

**Schedule of Investments  
June 30, 2000**

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
<u>Corporate Obligations</u>						
<u>Non-Oil Industrials</u>						
J C Penney, Inc.	6.500%		6/15/2002	5,045,025	4,681,050	(363,975)
J C Penney, Inc.	7.250%		4/1/2002	3,049,955	2,861,880	(188,075)
Tyson Foods, Inc.	6.000%	1/21/1998	1/15/2003	4,997,206	4,758,700	(238,506)
Total Non-Oil Industrials				13,092,186	12,301,630	(790,556)
<u>Banking Obligations</u>						
Bank One Corp	7.250%		8/1/2002	2,547,833	2,489,525	(58,308)
Bankers Tr NY Corp	7.500%	1/15/1992	1/15/2002	5,091,278	5,004,850	(86,428)
Total Banking Obligations				7,639,111	7,494,375	(144,736)
<u>Financial Obligations</u>						
Bear Stearns Cos Inc	6.500%	7/29/1997	8/1/2002	5,036,836	4,884,050	(152,786)
Bear Stearns Cos Inc Global NT	6.200%	3/30/1998	3/30/2003	5,000,000	4,803,600	(196,400)
Countrywide Home Loans Inc	6.380%		10/8/2002	5,006,678	4,853,700	(152,978)
Household Financial Corp	6.480%	7/31/1997	7/31/2002	5,020,067	4,887,350	(132,717)
Lehman Brothers Holdings Inc	6.125%		7/15/2003	10,039,780	9,528,800	(510,980)
Salomon Smith Barney Holdings	6.500%	10/15/1995	10/15/2002	5,021,158	4,900,400	(120,758)
Total Financial Obligations				35,124,519	33,857,900	(1,266,619)
<b>Total-All Securities</b>				<b>\$ 2,564,521,106</b>	<b>\$ 2,521,402,570</b>	<b>\$ (43,118,536)</b>

(continued)

1422 Paseo de Peralta  
Post Office Box 1847  
Santa Fe, New Mexico 87504  
(505) 983-3387  
(505) 988-2505 FAX  
(800) 983-1040 Toll Free

Douglas W. Fraser, C.P.A.  
Candace M. Hintenach, C.P.A.  
Georgie L. Broadie, C.P.A.  
Eun K. Hong, C.P.A.  
Susan L. Wittman, C.P.A.

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

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

We have audited the financial statements of the State of New Mexico, Office of the State Treasurer, as of and for the year ended June 30, 2000, and have issued our report thereon dated November 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of New Mexico, Office of the State Treasurer, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Memorandum of Accounting Procedures and Internal Controls as items 00-2,00-3, 00-4 and 00-6.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of New Mexico, Office of the State Treasurer's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of New Mexico, Office of the State Treasurer's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Memorandum on Accounting Procedures and Internal Controls as number 00-1.

Barraclough & Associates, P.C.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition, 00-1, is a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Office of the State Treasurer in a separate letter dated November 17, 2000.

This report is intended for the information of management of the State of New Mexico, Office of the State Treasurer, State of New Mexico, the Office of the State Auditor and other applicable state entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



November 17, 2000

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

**Memorandum on Accounting Procedures and Internal Controls  
June 30, 2000**

**REPORTABLE CONDITION**

**00-1 Investment Trust Fund (Material Weakness)**

Statement of Condition:

The STO maintains a computerized system for tracking the investment activity (this includes purchases, sales, interest income, realized gains and losses). The internally generated reports list the carrying cost and the fair value of the investments. The STO's current system could be considered a subsidiary ledger, but the information is never compiled into a general ledger. A general ledger is used to accumulate, classify, and summarize the transactions recorded in the books of original entry. The general ledger is the basis for the preparation of financial statements and a key element in an internal control structure. Currently, the Trust Fund's financial statements are manually compiled once a year. Proper controls require periodically reconciling the detailed accounts to the general ledger to provide assurance that errors are not taking place. This should be performed by someone independent of the detailed record preparation.

Per GASB statement number 31, investments must be recorded at their fair value. As noted above, the STO internally generated reports list the carrying cost and the fair value of investments. The difference between the carrying amount and fair value of investments should be reflected, if material, in the state agency's cash balance at year-end. At the present time this difference is not material, but no procedures exist to inform the state agencies of the possible unrealized gains or losses.

The TRACS System is used to account for individual state agency balances. The TRACS System should agree with the total investments held at the State Treasurer. As of June 30, 2000 these balances do not agree. Currently, there are unreconciled differences that relate back to 1996. The reports are not reconciled on a timely basis. The TRACS computer system does not appear to be maintained properly which causes delays in the reconciliation process. Additionally, the responsibility for the reconciliation lies with the State Treasurer, however, this process is very dependent on state agency cooperation.

Criteria:

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

Effect:

Transactions affecting this fund may not be identified or may be improperly recorded. The untimeliness of the TRACS report diminishes its effectiveness.

Cause:

There are numerous factors that complicate and slow down the reconciliation process involving the TRACS system: 1) the computer system is inoperable frequently due to maintenance problems, 2) the state agencies do not make corrections in a timely manner, 3) the STO has not resolved old reconciling items from prior years.



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

**Memorandum on Accounting Procedures and Internal Controls  
June 30, 2000**

**REPORTABLE CONDITIONS**

**00-1 Investment Trust Fund (material weakness) (Continued)**

Recommendation:

We recommend that the Office of the State Treasurer determine its informational needs for financial and control purposes and assess the cost of obtaining this information. This includes the implementation of a general ledger and their computer concerns involving the TRACS system. In addition, the STO needs to resolve the old reconciling items.

Management Response:

This finding more closely reflects a realistic position on what needs to occur at the State Treasurer's Office in order to obtain total program reporting. The STO is in agreement that two major processes need to be perfected, one, development of an automated process which would verify that the total of all cash accounts equals the total funds invested, two, development and implementation of an automated accounting system which would interface account cash balances with investments and produce a trial balance and other required financial Statement Reports.

The STO office is responsible for maintaining accurate and timely agency account cash balances. This would be a much more simple task if the STO had sole authority to require changes to the business processes from the fiscal Agent bank, State Agencies and Department of Finance and Administration. The STO has been advocating changes to both the deposit and warrant side of the agencies banking activities. This, in combination with a computer system upgrade would resolve the problem. In summary two items stand in the way of STO resolving this issue, they are authority to implement changes and financial resources to develop and implement an adequate computer system.

The issue related to reporting of investment activity is one that will require additional resources to acquire an automated accounting and reporting system which would be able to interface all financial activity at the STO. The STO will attempt to implement a manual process of creating this report on a monthly basis as recommended.

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

**Memorandum on Accounting Procedures and Internal Controls  
June 30, 2000**

**00-2 Payroll**

Statement of Condition:

In 8 of 14 timesheets tested for one employee, the timesheets were not signed and 4 of 8 leave forms for the same employee were not signed.

Criteria:

Employees must sign timesheets and leave forms to verify the accuracy of hours reported and leave taken.

Effect:

The employee was paid for hours that were not certified as worked via the employee signature.

Cause:

Employee and management oversight.

Recommendation:

We recommend all timesheets or leave forms not be processed for payment until the employee has verified the information and signed off as valid.

Management Response:

Issue has been discussed with employee and he does not dispute time worked or leave taken. Corrective action has been taken. Internal control procedures have been implemented to avoid the reoccurrence of this situation.

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

**Memorandum on Accounting Procedures and Internal Controls  
June 30, 2000**

**00-3 Investment Activity**

Statement of Condition:

In two out of the four months tested there was \$22,000,000 in certificates of deposit in one financial institution. In one of the four months tested the LGIP did not have at least 10% of their assets maturing within one day.

Criteria:

The investment policy are restrictions governing assets that allow no more than \$20,000,000 in certificates of deposit to be held in one financial institution. The investment policy for the LGIP has maturity restrictions related to its investments.

Effect:

The State Treasurer's Office is in violation of their investment policy. Monies from the flex repo are available to the office within 48 hours.

Cause:

The specific requirements outlined in the investment policy are not being reviewed monthly for compliance.

Recommendation:

We recommend that The Office of the State Treasurer establish a checklist that outlines the requirements of the investment policy and review these requirements monthly for compliance.

Management Response:

The State Treasurer's Office Timely detected this problem and corrected it. The individual staff member responsible for monitoring compliance with the amount of Certificates of Deposits with banks was not aware the maximum of CD's per Financial Institution was 20 millions dollars.

The STO disagrees with the condition cited for the Local Government Investment Pool. It is the position of the STO that any LGIP funds invested in Flex-repurchase agreement are available on demand. Funds requested from this type of investment would be available to participants within the required timeframe mandated by STO/Participants agreement.

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

**Memorandum on Accounting Procedures and Internal Controls  
June 30, 2000**

**00-4 Expenditures**

Statement of Condition:

In 1 of 10 STO per diem expenditures tested, the actual reimbursement for meals exceeded the maximum allowed for a 24-hour period by \$6.27. The reimbursement was for 2 employees.

In 2 of 9 Board of Finance expenditures tested, payment was not made within 30 days of receipt of the goods or services.

Criteria:

Actual expenses for meals are limited by NMSA 1978, Section 10-8-4 (K)(2) to a maximum of \$22.50 for a 24-hour period per person.

Per NMSA 1978, Section 13-1-158, payment must be made within 30 days of the receipt of goods or services.

The date goods or services were received must be documented to ensure payment is made within 30 days.

Effect:

Employees received more in reimbursement than is authorized by State Statute.

Violation of NMSA 1978, Section 13-1-158.

Late payments may occur since there is not documentation of the date of actual receipt of goods or services.

Cause:

Management oversight and lack of file maintenance.

Recommendation:

We recommend careful review of reimbursement forms for compliance with the State Per Diem Act.

We recommend that internal procedures be developed in order to ensure that payment for goods or services received is made within 30 days.

We recommend that the STO document when goods or services are actually received to ensure payment is made within 30 days.

Management Response:

The \$6.27 overpayment was discussed with staff at the Department of Finance and Administration. The State Treasurer's Office and Department of Finance and Administration are in disagreement with this finding.

Due to delays in turn around time of documents requiring board member signatures, the itemized schedule of travel expense was slow in being paid. The Board of Finance staff will Federal Express these forms for signature to board members to avoid future delay in payment.

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

**Memorandum on Accounting Procedures and Internal Controls  
June 30, 2000**

**00-5 General Fund – Internal Accounting System**

Statement of Condition:

The internal AIMS System general ledger balances do not agree to the DFA C-FRAS system general ledger balances at year-end.

Criteria:

The State Treasurer's Office should maintain and reconcile its internal accounting system with DFA C-FRAS financial reports on a monthly basis.

Effect:

Account balances do not agree between the two systems.

Cause:

The two systems are not being reconciled on a timely basis. The STO has not reconciled the two systems for the past several years.

Recommendation:

We recommend the internal AIMS general ledger be corrected to reflect the June 30, 2000 audited balances that match DFA and go forward from that date. The AIMS system should be reconciled to the DFA C-FRAS general ledger system on a monthly basis.

Management Response:

The State Treasurer's Office is aware of the importance of this and does monitor the variances between these two systems. STO will formally document the process to verify compliance with this requirement. The real issue is whether this duplicate process of creating another set of financial data is of any benefit or simply an increase burden of more unwarranted work. It should be noted that in a December 1, 2000 State Agencies are being notified of the discontinuance of the "AIMS" system.

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

**Memorandum on Accounting Procedures and Internal Controls  
June 30, 2000**

**00-6 Arbitrage Liability Payments**

Statement of Condition:

The Office underpaid its yield reduction arbitrage liability to the IRS by \$14,247.88 on the General Obligation Capital Projects Improvement Bonds Series 1995 and \$11,087.50 on the Severance Tax Bonds Series 1995-A.

Criteria:

Both the rebate liability and the yield reduction liability amounts must be paid.

Effect:

The arbitrage liabilities are underpaid at June 30, 2000 and the State may incur late penalties with the Internal Revenue Service.

Cause:

Clear and concise instructions were not provided to the Office regarding the amounts to pay with the IRS Form 8038-T. Therefore, the amounts above were omitted from the payments remitted.

Recommendation:

We recommend the STO pay the additional liabilities as soon as possible and work with the Contractor to ensure the payments are correctly applied. Also, the Board of Finance should consider confirming the amounts owed with the Contractor on future payments.

Management Response:

The additional liability and interest penalty have been paid by the STO. The payment instructions submitted to the SBOF and STO by the firm contracted to do the tax rebate analysis were in error. The instructions omitted one of the payment lines on the IRS tax form that required payment. The firm, on their next bill for tax rebate analysis services will reduce their fees by the amount of the interest penalty paid by the State. The firm has also corrected its instructional payment form for future client use. Once the contract has expired with this firm, other firms will be considered in preparing tax rebate analysis. In the future, the SBOF will confirm amounts with the selected contractor.

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

**Memorandum on Accounting Procedures and Internal Controls  
June 30, 2000**

**00-7 Local Government Investment Pool (LGIP) – Security Investments**

Statement of Condition:

The Local Government Investment Pool had investments in long-term U.S. Government securities at a cost of \$210,000,000 as of June 30, 1999. The State Treasurer's investment policy relating to the Local Government Investment Pool does not permit investments in long-term securities. Moreover, the fair market value of these securities was not recorded in the individual participant balances to reflect unrealized gains or losses. This condition was reported in the State Treasurer's audit findings for the fiscal year ended June 30, 1999. The investments in question continued during the fiscal year ended June 30, 2000 while discussions were held with respect to a prudent resolution. The condition was resolved as of May 2, 2000 with approval of the State Board of Finance.

Criteria:

The State Treasurer's Investment Policy relating to the Local Government Investment Pool does not allow investments with maturities exceeding 397 days. Government Accounting Standards Board (GASB) Statement No. 31 requires that security investments be recorded at fair value for financial reporting purposes and that unrealized gains and losses be reflected in the financial statements, and by the participants in the Pool.

Effect

In this case, the State Treasurer's Office departed from its investment policy. The Local Government Investment Pool participants' balances reflected the cost basis of investments and the related interest earnings only. Unrealized gains/losses were not reflected in participants' balances.

Cause:

The participants' balances were not adjusted to reflect unrealized gains and losses because it is not the intention of the pool to have market risk passed on to participants. Management's periodic testing and monitoring of the policy to ensure that investments of the pool were short-term failed to disclose the departure in the investment policy.

Recommendation:

We recommend that the State Treasurer's Office more closely monitor its policy relating to the Local Government Investment Pool to ensure that the pool remains invested in short-term instruments as specified by the policy.

Management Response:

This finding was resolved during the current year audit period. The State Treasurer's office strongly disagrees with including this matter as a current finding for fiscal year ended June 30, 2000. This finding should be reported as a prior year finding that has been resolved. In accordance with State Auditor Rule 10.5.A., "all prior-year findings must be identified by reference number, the descriptive titles and categorized in the audit report" as follows:

- 1) resolved and not included in the current year,
- 2) repeated in the current year.

In its present form this finding may be misleading. In any event, as noted above, the matter at issue in this finding was completely rectified during the current reporting period without negative consequences to either the Local Government Investment Pool or to any participant in the Pool. On the contrary, while the Local Government Investment Pool remained free of losses, the State pooled investments into which the long-term U.S. Government Securities involved in this scenario were transferred, experienced realized gains on recent transactions due to prudence and patience of Management in addressing this issue.

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

**Status of Prior Year Findings**

**June 30, 2000**

Resolved:

Fixed Assets  
Investment Policy – Other  
Collateral – Certificate of Deposit  
Personnel Files  
General Fund - Reversion

Repeated and/or modified:

Funds not maintained in an accounting system  
Reconciliation – Total investments to the T-Wars system  
Expenditures  
Local Government Investment Pool – Fair Value of Security Investments



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

**June 30, 2000**

An exit conference was held December 11, 2000 with the following in attendance:

**Office of the State Treasurer**

Robert E. Vigil  
Sam Taylor  
Tomasita Gallegos  
Pete Gurule  
Danny Tinoca  
Dominic Garcia

**Department of Finance and Administration**

Jan Goodwin  
Scott Stovall  
Roby Romero

**State Auditor's Office**

John R. Earnshaw

**Barraclough & Associates, P.C.**

John E. Barraclough, Jr.  
Candace Hintenach  
Georgie Broadie

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