

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

**FINANCIAL STATEMENTS  
AND  
NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2001**

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

## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Official Roster  
June 30, 2001

**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

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

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June 30, 2001

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OFFICE OF THE STATE TREASURER**

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**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Honorable Gary Johnson, Governor  
State Board of Finance  
Honorable Michael A. Montoya, CPA, State Treasurer  
Honorable Domingo P. Martinez, CGFM, 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, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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.

As discussed in Note 1, the financial statements of the Office of the State Treasurer, are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of New Mexico that is attributable to the transactions of the Office.

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, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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, 2001 and the results of operations of such funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2001 on our consideration of the State of New Mexico, Office of the State Treasurer's 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 performed for the purpose of forming an opinion on the general-purpose financial statements and on the combining and individual fund and account group financial statements of the State of New Mexico, Office of the State Treasurer taken as a whole. 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.

**Accounting & Consulting Group, LLP**  
**Certified Public Accountants**

November 20, 2001  
Carlsbad, New Mexico

**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 June 30, 2001

	Governmental Fund Types			Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Investment Trust Fund	General Fixed Assets	General Long-term Debt	
<b>ASSETS AND OTHER DEBITS</b>							
<i>Cash and Investments:</i>							
Cash and cash equivalents	\$ 86,070	\$ -	\$ -	\$ 52,134,548	\$ -	\$ -	\$ 52,220,618
Certificates of deposit	-	-	-	179,550,000	-	-	179,550,000
U.S. Government securities	-	-	-	175,323,900	-	-	175,323,900
Corporate Bonds	-	-	-	23,084,050	-	-	23,084,050
Repurchase Agreements	-	-	134,625,210	2,914,155,515	-	-	3,048,780,725
<i>Total Cash and Investments</i>	<u>86,070</u>	<u>-</u>	<u>134,625,210</u>	<u>3,344,248,013</u>	<u>-</u>	<u>-</u>	<u>3,478,959,293</u>
<i>Other Assets:</i>							
Loan receivable	-	-	48,877	-	-	-	48,877
Due from other agencies	-	-	31,446,279	-	-	-	31,446,279
Accrued interest receivable	-	-	3,703,794	9,847,040	-	-	13,550,834
Investment in New Mexico Business Development Corporation	-	1,399,417	-	-	-	-	1,399,417
Property and equipment	-	-	-	-	214,723	-	214,723
<i>Other Debits:</i>							
Amount to be provided for compensated absences	-	-	-	-	-	84,940	84,940
Amount available in debt service fund	-	-	-	-	-	148,195,037	148,195,037
Amount to be provided for retirement of long-term debt	-	-	-	-	-	445,751,963	445,751,963
Amount available for arbitrage interest	-	-	-	-	-	17,229,884	17,229,884
<i>Total Other Assets and Other Debits</i>	<u>-</u>	<u>1,399,417</u>	<u>35,198,950</u>	<u>9,847,040</u>	<u>214,723</u>	<u>611,261,824</u>	<u>657,921,954</u>
<i>Total Assets and Other Debits</i>	<u>\$ 86,070</u>	<u>\$ 1,399,417</u>	<u>\$ 169,824,160</u>	<u>\$ 3,354,095,053</u>	<u>\$ 214,723</u>	<u>\$ 611,261,824</u>	<u>\$ 4,136,881,247</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 June 30, 2001

	Governmental Fund Types			Fiduciary Fund Type	Account Groups		Total Memorandum Only
	General	Special Revenue	Debt Service	Investment Trust Fund	General Fixed Assets	General Long-term Debt	
<b>LIABILITIES AND FUND EQUITY</b>							
<i>Liabilities:</i>							
Vouchers payable & accrued expen \$	78,117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,117
Security transaction payable	-	-	-	19,520,600	-	-	19,520,600
Due to Severance Tax Permanent Fu	-	-	3,742,643	-	-	-	3,742,643
Bonds payable	-	-	-	-	-	593,947,000	593,947,000
Accrued arbitrage interest payable	-	-	3,190,366	-	-	17,229,884	20,420,250
Compensated absences payable	-	-	-	-	-	84,940	84,940
<i>Total Liabilities</i>	<u>78,117</u>	<u>-</u>	<u>6,933,009</u>	<u>19,520,600</u>	<u>-</u>	<u>611,261,824</u>	<u>637,793,550</u>
<i>Fund Equity</i>							
Investment in general fixed assets	-	-	-	-	214,723	-	214,723
Fund balances, reserved:							
Encumbrances	50,000	-	-	-	-	-	50,000
Fund balances, unreserved:							
Designated for debt service	-	-	145,661,267	-	-	-	145,661,267
Designated for arbitrage	-	-	17,229,884	-	-	-	17,229,884
Designated for investment	-	1,399,417	-	-	-	-	1,399,417
Net assets held in trust	-	-	-	3,334,574,453	-	-	3,334,574,453
Designated for subsequent years expenditures	(42,047)	-	-	-	-	-	(42,047)
<i>Total Fund Equity and net assets held in trust</i>	<u>7,953</u>	<u>1,399,417</u>	<u>162,891,151</u>	<u>3,334,574,453</u>	<u>214,723</u>	<u>-</u>	<u>3,499,087,697</u>
<i>Total Liabilities and Fund Equity and Net Assets Held in Trust \$</i>	<u>86,070</u>	<u>\$ 1,399,417</u>	<u>\$ 169,824,160</u>	<u>\$ 3,354,095,053</u>	<u>\$ 214,723</u>	<u>\$ 611,261,824</u>	<u>\$ 4,136,881,247</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
 Year Ended June 30, 2001

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
<i>Revenues:</i>				
Federal funds	\$ 47,680	\$ -	\$ -	\$ 47,680
State general fund appropriations	3,253,220	-	-	3,253,220
Special appropriation	100,400	-	-	100,400
Department of the Treasury (CMIA)	-	-	-	-
Interest income	-	209,206	25,334,857	25,544,063
<i>Total Revenues</i>	<u>3,401,300</u>	<u>209,206</u>	<u>25,334,857</u>	<u>28,945,363</u>
<i>Expenditures:</i>				
Current:				
Personnel services and employee bene	2,494,395	-	-	2,494,395
Operating costs	667,677	-	-	667,677
Contractual services	77,695	-	-	77,695
Other administrative expenditures	88,547	-	-	88,547
Issuance costs	-	454,407	-	454,407
Interest	-	-	-	-
Other charges	-	-	5,096,207	5,096,207
Capital outlay	114,359	-	-	114,359
Principal and interest on long-term debt	-	-	193,915,387	193,915,387
<i>Total Expenditures</i>	<u>3,442,673</u>	<u>454,407</u>	<u>199,011,594</u>	<u>202,908,674</u>
<i>Excess (Deficiency) of Revenues over Expenditures</i>	<u>(41,373)</u>	<u>(245,201)</u>	<u>(173,676,737)</u>	<u>(173,963,311)</u>
<i>Other Financing Sources (Uses):</i>				
Operating transfers in (out):				
State property tax levy	-	-	36,019,743	36,019,743
Severance taxes	-	-	343,527,199	343,527,199
Bond proceeds	-	192,895,000	1,322,555	194,217,555
Other taxes	-	-	693,304	693,304
Capital projects-reversions in	-	-	1,470,718	1,470,718
Transfer to other state agency	-	(192,440,593)	-	(192,440,593)
TRACS Fund Transfer	(112,000)	-	-	(112,000)
Severance Tax Permanent Fund- reversions out	-	-	(198,692,753)	(198,692,753)
<i>Total Other Financing Sources (Uses)</i>	<u>(112,000)</u>	<u>454,407</u>	<u>184,340,766</u>	<u>184,683,173</u>
<i>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i>	<u>(153,373)</u>	<u>209,206</u>	<u>10,664,029</u>	<u>10,719,862</u>
<i>Fund Balances, June 30, 2000</i>	<u>161,326</u>	<u>1,190,211</u>	<u>152,227,122</u>	<u>153,578,659</u>
<i>Fund Balances, June 30, 2001</i>	<u>\$ 7,953</u>	<u>\$ 1,399,417</u>	<u>\$ 162,891,151</u>	<u>\$ 164,298,521</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP)  
BASIS AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2001

Exhibit C

	<u>Revised Budget</u>	<u>Actual - Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>			
State General Fund appropriation	\$ 3,300,900	\$ 3,300,900	\$ -
Other state funds - Special appropriations	94,500	100,400	5,900
Other Grants	<u>35,500</u>	<u>-</u>	<u>(35,500)</u>
<i>Total revenues</i>	<u>\$ 3,430,900</u>	<u>\$ 3,401,300</u>	<u>\$ (29,600)</u>

	<u>Revised Budget</u>	<u>Expenditures</u>	<u>Outstanding Encumbrances</u>	<u>Total Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Expenditures:</i>					
<i>Current:</i>					
Personnel services	\$ 1,778,684	\$ 1,745,516	\$ -	\$ 1,745,516	\$ 33,168
Employee benefits	761,900	756,917	-	756,917	4,983
In-state travel	9,500	7,882	-	7,882	1,618
Maintenance & repair	19,300	18,875	-	18,875	425
Supplies	48,300	46,297	-	46,297	2,003
Contractual services	127,200	70,870	50,000	120,870	6,330
Operating costs	603,800	587,641	-	587,641	16,159
Out-of-state travel	14,000	13,743	-	13,743	257
Capital outlay	67,300	52,378	-	52,378	14,922
Other financing uses	<u>916</u>	<u>916</u>	<u>-</u>	<u>916</u>	<u>-</u>
<i>Total expenditure</i>	<u>\$ 3,430,900</u>	<u>\$ 3,301,035</u>	<u>\$ 50,000</u>	<u>\$ 3,351,035</u>	<u>\$ 79,865</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
COMBINED STATEMENT OF CHANGES IN NET ASSETS  
INVESTMENT TRUST FUND  
Year Ended June 30, 2001

Exhibit D

Investment income	\$ 201,130,601
Administrative expenses	<u>(342,609)</u>
Operating income	200,787,992
Net transfers to the State Treasurer's Office	<u>546,101,733</u>
Total increase in net assets	746,889,725
Beginning of year - net assets held in trust	<u>2,587,684,728</u>
End of year - net assets held in trust	<u><u>\$ 3,334,574,453</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**



**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 1. Summary of 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, 2001, 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. The Office of the State Treasurer is a part of the State of New Mexico. These financial statements only present activity related to the Treasurers Office.

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

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

The executive department shall consist of a governor, lieutenant governor, secretary of state, state auditor, state treasurer, attorney general, and commissioner of public lands, who shall, unless otherwise provided in the constitution of New Mexico, be elected for 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.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 1. Summary of Significant Accounting Policies** (continued)

- (2) Section 6-1-13 NMSA 1978 (1978 Repl.) provides that the State Treasurer shall authorize all state agency deposit accounts and shall establish conditions and reports appropriate to the accounts.
- (3) Section 6-8-2 NMSA 1978 (1988 Repl.) provides that the State Treasurer shall be a member of the State Investment Council. Section 6-8-6 NMSA 1978 (1988 Repl.) states that the State Treasurer shall maintain custody of the state permanent fund.
- (4) Sections 6-10-11 (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 Treasurer 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 are made available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the State Treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 1. Summary of Significant Accounting Policies (continued)**

- 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.

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 Accounting & Consulting Group, LLP in accordance with accounting principles generally accepted in the United States of America (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.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 1. Summary of Significant Accounting Policies** (continued)

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 2001 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 2000 and 2001 series of bonds.

*Debt Service Funds* are used to account for the accumulation 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.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 1. Summary of Significant Accounting Policies** (continued)

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  
June 30, 2001

**NOTE 1. Summary of 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 accounting principles generally accepted in the United States of America 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, 2001 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 and the Bond Issuance Fund are not budgeted. Debt Service funds are budgeted over the life of their respective bond issues and not on an annual basis.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 1. Summary of Significant Accounting Policies** (continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

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.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 1. Summary of Significant Accounting Policies** (continued)

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.

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.



**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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 accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2. Budget and Actual Data**

A reconciliation of revenues and expenditures presented on a basis in conformity with accounting principles generally accepted in the United States of America (GAAP) to revenue and expenditures presented on a budgetary (Non-GAAP) basis as reflected on Exhibits B and C is presented below:

	Actual GAAP Basis	Audit Adjustments	Total Current Year Encumbrances	Prior Year Encumbrances Paid	Actual Budgetary (Non-GAAP) Basis
General Fund:					
Revenues:					
State general fund appropriation	\$ 3,300,900	\$ -	\$ -	\$ -	\$ 3,300,900
Other financing sources	100,400	-	-	-	100,400
Department of the Treasury (CMIA)	-	-	-	-	-
	<u>\$ 3,401,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,401,300</u>
Expenditures:					
Personnel services	\$ 1,735,563	\$ 9,953	\$ -	\$ -	\$ 1,745,516
Employee benefits	758,832	-	-	(1,915)	756,917
In-state travel	8,668	-	-	(786)	7,882
Maintenance & repairs	18,875	-	-	-	18,875
Supplies	46,297	-	-	-	46,297
Contractual services	77,695	(21,994)	50,000	15,169	120,870
Operating costs	667,677	(8,569)	-	(71,467)	587,641
Out-of state travel	13,791	-	-	(48)	13,743
Capital outlay	114,359	(14,538)	-	(47,443)	52,378
Reversions	-	-	-	-	-
Other financing uses	916	-	-	-	916
Total budgeted expenditures and other financing uses	<u>\$ 3,442,673</u>	<u>\$ (35,148)</u>	<u>\$ 50,000</u>	<u>\$ (106,490)</u>	<u>\$ 3,351,035</u>

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 3. Cash and Repurchase Agreements**

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

Account Description	CFRAS Fund #	Amount
General	182	\$ 86,070
Investment Trust Fund	N/A	52,134,548
Total cash		<u>\$ 52,220,618</u>
Debt Service Funds:		
General Obligation and Revenue Bonds:		
1993 General Obligation Debt Service	483	\$ 13,559,800
1993 General Obligation Debt Service – Rebate Excess Earnings	484	1,114,722
1995 General Obligation Debt Service	960	399,024
1995 General Obligation Debt Service – Rebate Excess Earnings	961	3,210,345
1997 General Obligation Debt Service	183	4,302,219
1997 General Obligation Debt Service – Rebate Excess Earnings	959	1,674,163
1999 General Obligation Debt Service	640	12,350,053
1999 General Obligation Debt Service – Rebate Excess Earnings	409	2,113,927
2000 Enhanced 911 Revenue	018	693,788
2000 Enhanced 911 Revenue – Rebate Excess Earnings	488	28,274
2001 General Obligation Debt Service	414	1,189,503
2001 General Obligation Debt Service – Rebate Excess Earnings	406	20,910
2001-A General Obligation Debt Service	487	4,395,544
2001-A General Obligation Debt Service – Rebate Excess Earnings	415	1,836
		<u>45,054,108</u>
Severance Tax Bonds		
Severance Tax Bonding Fund	410	1,395,490
1993-B Severance Tax Debt Service	571	8,228,427
1993-B Severance Tax Debt Service – Rebate Excess Earnings	570	1,315,868
1994-B Severance Tax Debt Service	418	10,153,100
1994-B Severance Tax Debt Service – Rebate Excess Earnings	413	746,170
1995-A Severance Tax Debt Service	963	1,118,161
1995-A Severance Tax Debt Service – Rebate Excess Earnings	964	20,628
1995-B Severance Tax Debt Service	419	7,258,742
1995-B Severance Tax Debt Service – Rebate Excess Earnings	420	76,316
1996-A Severance Tax Debt Service	392	2,290,540
1996-A Severance Tax Debt Service – Rebate Excess Earnings	393	232,789
1997-A Severance Tax Debt Service	031	9,584,263
1997-A Severance Tax Debt Service – Rebate Excess Earnings	032	881,569
1998-A Series Debt Service	425	1,040,235
1998-A Series Rebate	486	31,058
1998-B Series Debt Service	411	16,941,789
1998-B Series Rebate	426	3,433,359
1999-A Supplemental Severance Tax Debt Service	184	1,946,490
1999-A Supplemental Severance Tax Debt Service – Rebate Excess Earnings	185	189,685
1999-B Series Debt Service	186	5,620,067
1999-B Severance Tax Debt Service – Rebate Excess Earnings	461	694,375
2000 Severance Tax Debt Service	389	13,272,346
2000 Severance Tax Debt Service – Rebate Excess Earnings	391	1,179,899
2000-C Series Debt Service	405	1,899,368
2000-C Series Rebate	406	20,368
		<u>89,571,102</u>
Total Debt Service		134,625,210
Investment Trust Fund	N/A	2,914,155,515
Total Repurchase Agreements		<u>\$ 3,048,780,725</u>

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 3. Cash and Repurchase Agreements** (continued)

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.

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, 2001 collateral pledged to public money deposits was as follows:

	Fiscal Agent Account	Certificates Of Deposit	Total
Cash in bank	\$ 52,220,618	\$ 179,550,000	\$ 231,770,618
Less FDIC insurance coverage	( 100,000)	( 1,900,000)	( 2,000,000)
Total unsecured public funds	<u>\$ 52,120,618</u>	<u>\$ 177,650,000</u>	<u>\$ 229,770,618</u>
Collateral requirement (50% of uninsured public funds)	\$ 26,060,309	\$ 88,825,000	\$ 114,885,309
Collateral pledged:			
US Government securities	( 54,441,816)	( 108,794,218)	( 163,236,034)
(Over) Under Collateralized	<u>\$ ( 28,381,507)</u>	<u>\$( 19,969,218)</u>	<u>\$( 48,350,725)</u>

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**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, 2001 are Category 1 investments.

At June 30, 2001, investments in overnight repurchase agreements were \$1,104,000,000 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, 2001.

Investments administered by the State Treasurer at June 30, 2001 include the following:

Description	Amortized Cost Carrying Amount	Fair Value
US Government securities	\$ 174,637,250	\$ 175,323,900
Corporate bonds	23,068,490	23,084,050
Repurchase agreements	2,914,155,515	2,914,155,515
	\$ 3,111,861,255	\$ 3,112,563,465

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 \$1,399,417 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, 2001 the amount not included in the Investment Trust Fund for the Department of Highway and Transportation was \$210,200,000.

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, 2001 the carrying cost and the fair value were the same in the Local Government Investment Pool.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**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, 2001, are as follows:

State Treasurer's Investment Trust Fund  
Balance Sheet  
June 30, 2001

**Assets**

Cash and Cash Equivalents	\$ 52,134,548
Investments	3,292,113,465
Interest Receivable	<u>9,847,040</u>
Total Assets	<u>\$ 3,354,095,053</u>

**Liabilities and Net Assets:**

Security transaction payable	\$ <u>19,520,600</u>
External Participant account balances	807,112,893
Other Internal Participant account balances	
Primary Government	2,526,759,350
Undistributed Reserves and Unrealized Gains (Losses)	<u>702,210</u>
Total Net Assets	<u>\$ 3,334,574,453</u>
	<u>\$ 3,354,095,053</u>

**Investment Income** – At June 30, 2001 the Office's investment income earnings were as follows:

Local Government Investment Pool	\$ 41,652,437
State Agencies	158,775,954
Unrealized Gain	<u>702,210</u>
	<u>\$ 201,130,601</u>

**NOTE 6. Appropriations and Other Revenue**

The Office received the following appropriations and other revenue for the year ended June 30, 2001:

<u>General Fund</u>	
General appropriation, Laws of 2000, Chapter 3	\$ 3,300,900
Compensation appropriation, Laws of 2000, Chapter 3	<u>100,400</u>
	<u>\$ 3,401,300</u>

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 7. Fixed Assets**

The following is a summary of changes in the General Fixed Asset Account Group for the year ended June 30, 2001:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Furniture, fixtures and equipment	\$ 318,621	\$ 42,707	\$ 146,605	\$ 214,723
Investment in General Fixed Assets from:				
General Fund	\$ 228,735	\$ 42,707	\$ 146,605	\$ 124,837
Donations	88,812	-	-	88,812
Transfer from Office of the Cash Manager	1,074	-	-	1,074
	<u>\$ 318,621</u>	<u>\$ 42,707</u>	<u>\$ 146,605</u>	<u>\$ 214,723</u>

**NOTE 8. Collateral in Trust**

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

**NOTE 9. Due to Severance Tax Permanent Fund and Reversions**

The State Treasurer is required by statute (Section 7-27-8 NMSA 1978, 1986 Repl.) to transfer to the Severance Tax Permanent Fund, all monies in the Severance Tax Bonding Fund, except the amount necessary to meet principal and interest payments on bonds payable of the next two ensuing semi-annual payment dates. A balance of \$3,742,643 remains in the Severance Tax Bonding Fund payable to the Severance Tax Permanent Fund.

**NOTE 10. Changes in Long-Term Debt**

The following is a summary of bonds payable transactions for the year ended June 30, 2001:

	June 30, 2000	Additions	Deductions	June 30, 2001
General obligation bonds	\$ 213,008,000	\$ 100,710,000	\$ 67,601,000	\$ 246,117,000
Severance tax bonds	389,604,000	92,185,000	133,959,000	347,830,000
Totals	<u>\$ 602,612,000</u>	<u>\$ 192,895,000</u>	<u>\$ 201,560,000</u>	<u>\$ 593,947,000</u>

The following bonds were issued during the fiscal year ended June 30, 2001:

General Obligation Bonds Series 2001

On March 1, 2001, the State Board of Finance issued \$62,550,000 in Capital Projects General Obligation Bonds to provide funds for capital expenditures for construction, acquisition or improvement of senior citizen and public education projects. Interest rates range from 4.00% to 5.00% with principal payments due through 2011.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 10. Changes in Long-Term Debt** (continued)

General Obligation Bonds Refunding Series 2001A

On April 1, 2001, the State Board of Finance issued \$33,615,000 in General Obligation Refunding Bonds to refund all outstanding maturities of the State of New Mexico, General Obligation Capital Projects Improvement Bonds, Series 1995. The interest rate is 5.00% with principal payments due through 2004.

Enhanced 911 Revenue Bonds Series 2000

On August 1, 2000 the State Board of Finance issued \$4,545,000 in revenue bonds to grant local governing bodies money for the necessary equipment to provide enhanced 911 services, and to fund a debt service reserve. Interest rates range from 4.35% to 6.75% with principal payments due through 2007.

Severance Tax Bonds Series 2001 S-A

On June 28, 2001, the State Board of Finance issued a \$5,685,000 severance tax note to finance various projects authorized by the State Legislature. The bond matured June 30, 2001 with an interest rate of 4.25%.

Severance Tax Bonds Series 2001 S-B

On June 29, 2001, the State Board of Finance issued a \$74,500,000 severance tax note to finance various public school capital outlay projects pursuant to the Public School Capital Outlay Act. The bond matured June 30, 2001 with an interest rate of 4.25%.

Supplemental Severance Tax Bonds 2000C

On July 1, 2000, the State Board of Finance issued \$12,000,000 in Supplemental Severance Tax Bonds to finance certain capital projects authorized by the State Legislature. Interest rates range from 4.50% to 5.00% with principal payments due through 2007.

**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 had to be paid to the Treasury Department. Arbitrage, as defined, is the excess interest earned by a state or local government on proceeds from the sale of its bonds over interest paid to bond holders.

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

The Revenue Reconciliation Act of 1989 amended the six-month rule. For bonds issued after December 19, 1989 the rebate requirement does not apply if, 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.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 11. Arbitrage on Tax Exempt Bonds** (continued)

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:

	Bond Year End of First Rebate Computation	First Arbitrage Rebate Due Date	First Computation of Arbitrage Completed
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	X
General Obligation Bonds Series 2001	July 2005	August 2005	
General Obligation Bonds Refunding Series 2001A	July 2005	August 2005	
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	X
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	X
Severance Tax Bond Series 1999-A Supplemental	July 2004	August 2004	
Severance Tax Bond Series 2000	July 2005	August 2005	
Severance Tax Bonds 2000C Supplemental	July 2006	August 2006	
Enhanced 911 Revenue Bonds Series 2000	July 2005	August 2005	

Interest earnings on invested bond proceeds through June 30, 2001 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, 2001 is \$48,887.

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

Year	Principal	Interest	Total
2002	\$ 48,887	\$ 505	\$ 49,392
Total	<u>\$ 48,887</u>	<u>\$ 505</u>	<u>\$ 49,392</u>



**STATE OF NEW MEXICO**  
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Notes to Financial Statements  
June 30, 2001

**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, 2001 is the fair market value at that date.

The following is the activity of the State's investment in BDC for the 2000-2001 fiscal year:

	Investment in BDC Bond
Balance, June 30, 2000	\$ 1,190,211
Market value adjustment	209,206
Balance, June 30, 2001	\$ 1,399,417

**NOTE 14. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures as part of the Combined Statements – Overview of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds.  
General Fund -- \$42,047

It is anticipated that the State Treasurer's Office will seek special budget appropriation in the following year to alleviate this deficit fund balance.

**NOTE 15. Fiscal Agent and Correspondent Bank**

Fiscal Agent Bank The State Board of Finance and Wells Fargo 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.

**NOTE 16. 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.

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**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 16. Bonds Payable** (continued)

Severance Tax Bonds:

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

The annual requirements to amortize the combined General Obligation Bond issues outstanding as of June 30, 2001, including interest payments are as follows (See details on Schedule 1):

Fiscal Year <u>Ending June 30.</u>	<u>Total</u>
2002	\$ 50,847,788
2003	50,313,217
2004	37,351,394
2005	37,328,928
2006	28,207,896
Thereafter	<u>82,484,414</u>
Total	\$ <u>286,533,637</u>

The annual requirements to amortize the combined Severance Tax Bond issues outstanding as of June 30, 2001, including interest payments are as follows (See details on Schedule 1):

Fiscal Year <u>Ending June 30.</u>	<u>Total</u>
2002	\$ 77,016,374
2003	70,436,332
2004	62,876,192
2005	53,614,482
2006	46,193,894
Thereafter	<u>95,017,365</u>
Total	\$ <u>405,154,639</u>

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
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June 30, 2001

**NOTE 17. Defeased Debt**

The State of Board of Finance defeased certain general obligation and severance tax bonds by placing the proceeds of new bonds in an irrevocable trust to provide for the refunded portion of all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Office's financial statements. As of June 30, 2001, the amount of defeased debt still outstanding, but removed from the General Long-Term Debt Group was:

Severance Tax Bond Series 1996A \$ 9,335,000

**NOTE 18. Transfers**

Bond Proceeds – The Bond Issuance Fund transferred the net proceeds of the General Obligation and Revenue Bonds and 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, 2001 financial statements:

	CFRAS Number	Amount
Severance Tax Bonds – Series 2001 S-A	734	\$ 5,685,000
Severance Tax Bonds – Series 2001 S-B	730	74,500,000
Severance Tax Bonds – Series 2000 C Supplemental	405	12,000,000
Severance Tax Bonds – Series 2001 A Refunding	487	33,615,000
General Obligation Bonds – Series 2001	414	62,550,000
Enhanced 911 Revenue Bonds – Series 2000	018	4,545,000
Total		\$ 192,895,000

Interfund Transfers:

	Fund	Transfer From	Transfer To
Debt Service			
Severance Tax Bonding Fund	410	\$ 71,047,000	\$ -
Severance Tax Bond – 1993B Debt Service	571	-	8,008,000
Severance Tax Bond – 1994B Debt Service	418	-	9,707,000
Severance Tax Bond – 1995A Debt Service	963	-	1,027,000
Severance Tax Bond – 1995B Debt Service	419	-	7,313,000
Severance Tax Bond – 1996A Debt Service	392	-	1,900,000
Severance Tax Bond – 1997A Debt Service	031	-	9,290,000
Severance Tax Bond – 1998A Debt Service	425	-	1,098,000
Severance Tax Bond – 1998B Debt Service	411	-	14,492,000
Severance Tax Bond – 1999A Debt Service	184	-	1,590,000
Severance Tax Bond – 1999B Debt Service	186	-	4,092,000
Severance Tax Bond – 2000 Debt Service	389	-	10,230,000
Severance Tax Bond – 2000C Debt Service	405	-	1,700,000
Severance Tax Bond – 1995B Rebate	420	-	600,000
Total		\$ 71,047,000	\$ 71,047,000

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
Notes to Financial Statements  
June 30, 2001

**NOTE 19. 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, 2001, 2000, and 1999, were \$409,282, \$419,374, and \$411,662 respectively, equal to the amount of the required contributions for each year.

**NOTE 20. 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 possibly an additional participation fee.

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**OFFICE OF THE STATE TREASURER**  
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June 30, 2001

**NOTE 20. Post Employment Benefits – Retiree Health Care Act Contributions** (continued)

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.

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, Suite D, Santa Fe, New Mexico 87505.

For the fiscal year ended June 30, 2001, the Office remitted \$16,947 in employer contributions and \$8,474 in employee contributions to the Retiree Health Care Authority.

**NOTE 21. 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, 2001:

DFA Report	General Fund
Unadjusted Encumbrances Balance	\$ 50,000
Adjustments for amounts included in Accounts Payable	-
Reserve for Encumbrances	\$ <u>50,000</u>

**NOTE 22. 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, 2000 to June 30, 2001. The limit of coverage is \$5,000,000 with \$1,000 deductible per occurrence. All Office employees are covered by this bond.

**STATE OF NEW MEXICO**  
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June 30, 2001

**NOTE 23. Operating Leases**

In 2000 the Office of the State Treasurer entered into a building lease for 10 years with Galisteo Center. For fiscal year end June 30, 2001 the monthly rent was \$25,291. Beginning July 1, 2001 the monthly rent will increase to \$26,125.

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.

Lease expenditures for the year ended June 30, 2001 were \$268,450 for building rent and \$14,081 for equipment rental.

Future minimum lease payments for these leases are as follows:

<u>Building</u>			
2002		\$	313,505
2003			313,505
2004			313,505
2005			313,505
2006			313,505
Thereafter			<u>1,280,144</u>
Total		\$	<u><u>2,847,699</u></u>
<u>Equipment</u>			
2002		\$	24,310
2003			24,310
2004			19,591
2005			17,231
2006			-
Thereafter			<u>-</u>
Total		\$	<u><u>85,442</u></u>
<u>Vehicle</u>			
2002		\$	5,256
2003			-
2004			-
2005			-
2006			-
Thereafter			<u>-</u>
Total		\$	<u><u>5,256</u></u>

**STATE OF NEW MEXICO**  
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Notes to Financial Statements  
June 30, 2001

**NOTE 24. 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.

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

There were no material changes to the Financial Statements of the Office of the State Treasurer due to the implementation of GASB No. 33.

**NOTE 25. Subsequent Events**

Subsequent to June 30, 2001, the State Board of Finance issued the following debt that will be accounted for in the General Long-Term Debt Account Group and the Office's debt service funds.

Severance Tax Bonds, Refunding Series 2001A – On November 1, 2001, the State Board of Finance issued \$124,015,000 in bonds to refund certain maturities of the outstanding Severance Tax Bonds, Series 1995B, Series 1996A, Series 1998B and Series 1999B.

General Obligation Bonds, Refunding Series 2001B – On November 1, 2001, the State Board of Finance issued \$25,570,000 in bonds to refund certain outstanding maturities of the State of New Mexico, General Obligation Capital Improvements Bonds, Series 1997. The Refunding Bonds were issued for the purpose of financing the acquisition or construction of certain projects specified in the 1996 Capital Projects General Obligation Bond Act.

Supplemental Severance Tax Bonds, Series 2002A – On December 1, 2001, the State Board of Finance issued \$65,000,000 in bonds to finance certain capital projects authorized by the State Legislature.

**SPECIAL REVENUE FUNDS**



## **SPECIAL REVENUE FUNDS**

### **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. The authority for the creation of the fund was Sections 53-7-18 through 53-7-46 NMSA 1978.

### **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 CAS number associated with this fund. However, the Office uses designated number 026 to represent this fund and includes CAS funds 338 and 424 used to account for the current year bond issues.

**STATE OF NEW MEXICO**  
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SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
June 30, 2001

Statement 1

	<u>NM Business Development Corp. Fund</u>	<u>Bond Issuance Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investment in New Mexico Business Development Corp. Bonds	<u>1,399,417</u>	<u>-</u>	<u>1,399,417</u>
	<u>\$ 1,399,417</u>	<u>\$ -</u>	<u>\$ 1,399,417</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Interfund payable	\$ -	\$ -	\$ -
Fund Balance - designated for investment	<u>1,399,417</u>	<u>-</u>	<u>1,399,417</u>
	<u>\$ 1,399,417</u>	<u>\$ -</u>	<u>\$ 1,399,417</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
**SPECIAL REVENUE FUNDS**

Statement 2

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2001

	NM Business Development Corp. Fund	Bond Issuance Fund	Total
<i>Revenues:</i>			
Interest Income	\$ 209,206	\$ -	\$ 209,206
<i>Expenditures:</i>			
Issuance Costs	-	454,407	454,407
<i>Excess (deficiency) of revenues over expenditures</i>	209,206	(454,407)	(245,201)
<i>Other Financing Sources (Uses)</i>			
Bond proceeds	-	192,895,000	192,895,000
Transfer between funds	-	-	-
Transfer to other state agency	-	(192,440,593)	(192,440,593)
<i>Total other financing sources (uses)</i>	-	454,407	454,407
<i>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</i>	209,206	-	209,206
<i>Fund Balances, June 30, 2000</i>	1,190,211	-	1,190,211
<i>Fund Balances, June 30, 2001</i>	\$ 1,399,417	\$ -	\$ 1,399,417

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

**DEBT SERVICE FUNDS**

## DEBT SERVICE FUNDS

### 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 – Rebate	(CFRAS Fund #959)
1999 Series – Debt Service	(CFRAS Fund #640)
1999 Series – Rebate	(CFRAS Fund #409)
2001 Series – Debit Service	(CFRAS Fund #414)
2001 Series C – Rebate	(CFRAS Fund #406)
2001A Series – Refunding	(CFRAS Fund #487)
2001 Series – Rebate	(CFRAS Fund #415)
2000 Series – Enhanced 911 Revenue	(CFRAS Fund #018)
2000 Series – Enhanced 911 Rebate	(CFRAS Fund #488)

### Severance Tax Bond Funds

These 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 – 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)
2000-C Series – Debt Service	(CFRAS Fund #405)
2000-C Series – Rebate	(CFRAS Fund #406)

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
June 30, 2001

Statement 3

	<u>General Obligation Bond Funds</u>	<u>Severance Tax Bond Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Repurchase Agreements	\$ 45,054,108	\$ 89,571,102	\$ 134,625,210
Loans receivable	-	48,877	48,877
Due from other agencies	6,652,533	24,793,746	31,446,279
Accrued interest receivable	<u>1,166,882</u>	<u>2,536,912</u>	<u>3,703,794</u>
<i>Total assets</i>	<u>\$ 52,873,523</u>	<u>\$ 116,950,637</u>	<u>\$ 169,824,160</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<i>Liabilities:</i>			
Vouchers payable - bond issue cost	-	-	-
Due to Severance Tax Permanent Fund	-	3,742,643	3,742,643
Accrued arbitrage interest payable	<u>1,972,326</u>	<u>1,218,040</u>	<u>3,190,366</u>
<i>Total liabilities</i>	<u>1,972,326</u>	<u>4,960,683</u>	<u>6,933,009</u>
<i>Fund Equity:</i>			
Fund Balances, Unreserved:			
Designated for debt service	44,615,078	104,255,087	148,870,165
Designated for arbitrage	<u>6,286,119</u>	<u>7,734,867</u>	<u>14,020,986</u>
<i>Total fund equity</i>	<u>50,901,197</u>	<u>111,989,954</u>	<u>162,891,151</u>
<i>Total liabilities and fund equity</i>	<u>\$ 52,873,523</u>	<u>\$ 116,950,637</u>	<u>\$ 169,824,160</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
DEBT SERVICE FUNDS

Statement 4

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2001

	<u>General Obligation Bond Funds</u>	<u>Severance Tax Bond Funds</u>	<u>Total</u>
<i>Revenues:</i>			
Interest income - debt service	\$ 4,361,957	\$ 16,490,877	\$ 20,852,834
Interest income - arbitrage	<u>1,402,328</u>	<u>3,079,695</u>	<u>4,482,023</u>
<i>Total revenues</i>	<u>5,764,285</u>	<u>19,570,572</u>	<u>25,334,857</u>
<i>Expenditures:</i>			
Principal and interest on long-term debt	43,402,316	150,513,071	193,915,387
Other charges	<u>2,255,401</u>	<u>2,840,806</u>	<u>5,096,207</u>
<i>Total expenditures</i>	<u>45,657,717</u>	<u>153,353,877</u>	<u>199,011,594</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(39,893,432)</u>	<u>(133,783,305)</u>	<u>(173,676,737)</u>
<i>Other financing sources (uses):</i>			
<i>Operating transfers in (out):</i>			
State property tax levy	36,019,743	-	36,019,743
Severance taxes	-	343,527,199	343,527,199
Bond proceeds	1,293,157	29,398	1,322,555
Other taxes	693,304	-	693,304
Capital projects - reversions in	-	1,470,718	1,470,718
Severance Tax Permanent Fund - reversions out	<u>-</u>	<u>(198,692,753)</u>	<u>(198,692,753)</u>
<i>Total other financing sources (uses)</i>	<u>38,006,204</u>	<u>146,334,562</u>	<u>184,340,766</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</i>	<u>(1,887,228)</u>	<u>12,551,257</u>	<u>10,664,029</u>
<i>Fund balances, June 30, 2000</i>	<u>52,788,425</u>	<u>99,438,697</u>	<u>152,227,122</u>
<i>Fund balances, June 30, 2001</i>	<u>\$ 50,901,197</u>	<u>\$ 111,989,954</u>	<u>\$ 162,891,151</u>

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

**FIDUCIARY FUNDS**



## FIDUCIARY FUNDS

### Investment Trust Funds:

**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**  
 FIDUCIARY FUNDS  
 COMBINING BALANCE SHEET  
 June 30, 2001

	Investment Trust Fund			Total
<b>ASSETS</b>	Short-Term Investment Pool	Consolidated Investment Pool	State Funds Investment Pool	(Memorandum Only)
<i>Cash and Investments:</i>				
Cash and cash equivalents	\$ -	\$ -	\$ 52,134,548	\$ 52,134,548
Certificates of deposit	-	-	179,550,000	179,550,000
U.S. Government securities	-	-	175,323,900	175,323,900
Corporate Bonds	-	-	23,084,050	23,084,050
Repurchase agreements	<u>807,112,893</u>	<u>722,432,542</u>	<u>1,384,610,080</u>	<u>2,914,155,515</u>
<i>Total Cash and Investments</i>	807,112,893	722,432,542	1,814,702,578	3,344,248,013
<i>Other Assets:</i>				
Accrued interest receivable	<u>5,218,460</u>	<u>78,892</u>	<u>4,549,688</u>	<u>9,847,040</u>
<i>Total Assets</i>	<u>\$ 812,331,353</u>	<u>\$ 722,511,434</u>	<u>\$ 1,819,252,266</u>	<u>\$ 3,354,095,053</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<i>Liabilities:</i>				
Security transaction payable	\$ -	\$ -	\$ 19,520,600	\$ 19,520,600
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>19,520,600</u>	<u>19,520,600</u>
<i>Fund equity:</i>				
Fund balances, unreserved:				
Net assets held in trust	<u>812,331,353</u>	<u>722,511,434</u>	<u>1,799,731,666</u>	<u>3,334,574,453</u>
<i>Total fund equity and net assets held in trust</i>	<u>812,331,353</u>	<u>722,511,434</u>	<u>1,799,731,666</u>	<u>3,334,574,453</u>
<i>Total liabilities and fund equity and net assets held in trust</i>	<u>\$ 812,331,353</u>	<u>\$ 722,511,434</u>	<u>\$ 1,819,252,266</u>	<u>\$ 3,354,095,053</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
 FIDUCIARY FUNDS  
 COMBINING STATEMENT OF CHANGES IN NET ASSETS  
 June 30, 2001

	Investment Trust Fund			Total (Memorandum Only)
	Short-Term Investment Pool	Consolidated Investment Pool	State Funds Investment Pool	
Investment Income	\$ 41,652,437	\$ 41,173,670	\$ 118,304,494	\$ 201,130,601
Expenses - Management Fees	<u>(96,682)</u>	<u>(245,927)</u>	<u>-</u>	<u>(342,609)</u>
Net Investment Income	41,555,755	40,927,743	118,304,494	200,787,992
Net Proceeds of Units Issued (Redeemed)	144,905,920	75,352,100	325,843,713	546,101,733
Net Assets, held in trust for pool participants, June 30, 2000	<u>625,869,678</u>	<u>606,231,591</u>	<u>1,355,583,459</u>	<u>2,587,684,728</u>
Net Assets, held in trust for pool participants, June 30, 2001	<u>\$ 812,331,353</u>	<u>\$ 722,511,434</u>	<u>\$ 1,799,731,666</u>	<u>\$ 3,334,574,453</u>

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

**GENERAL LONG-TERM DEBT ACCOUNT GROUP**

## **SUPPORTING SCHEDULES**

## **GENERAL LONG-TERM DEBT ACCOUNT GROUP**

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
GENERAL LONG-TERM DEBT ACCOUNT GROUP  
June 30, 2001

Statement 7

	Compensated Absences	General Obligation Bond Funds	Severance Tax Bond Funds	Total
<b>ASSETS AND OTHER DEBITS</b>				
Amount available in debt service funds	\$ -	\$ 43,939,950	\$ 104,255,087	\$ 148,195,037
Amount to be provided for retirement of long-term debt	-	202,177,050	243,574,913	445,751,963
Amount available for arbitrage interest	-	8,276,977	8,952,907	17,229,884
Amount to be provided for compensated absences	84,940	-	-	84,940
<i>Total assets and other debit:</i>	<u>84,940</u>	<u>\$ 254,393,977</u>	<u>\$ 356,782,907</u>	<u>\$ 611,261,824</u>
<b>LIABILITIES</b>				
Bonds payable	\$ -	\$ 246,117,000	\$ 347,830,000	\$ 593,947,000
Accrued arbitrage interest payable	-	8,276,977	8,952,907	17,229,884
Compensated absences payable	84,940	-	-	84,940
<i>Total liabilities</i>	<u>\$ 84,940</u>	<u>\$ 254,393,977</u>	<u>\$ 356,782,907</u>	<u>\$ 611,261,824</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
 COMBINING BALANCE SHEET - GENERAL OBLIGATION AND REVENUE BONDS  
 June 30, 2001

	CFAS Fund #	Repurchase Agreements	Assets			Liabilities	Fund Equity			Total Liabilities and Fund Equity
			Due From Other Agencies	Accrued Interest Receivable	Total Assets	Other Liabilities	Unreserved- Designated for Debt Service	Unreserved- Designated for Arbitrage	Total Fund Equity	
1993 Series-Debt Service	483	\$ 13,559,800	\$ 1,927,847	\$ 1,468	\$ 15,489,115	\$ -	\$ 15,489,115	\$ -	\$ 15,489,115	\$ 15,489,115
1995 Series-Debt Service	960	399,024	1,314,376	-	1,713,400	-	1,713,400	-	1,713,400	1,713,400
1997 Series-Debt Service	183	4,302,219	1,279,279	768	5,582,266	-	5,582,266	-	5,582,266	5,582,266
1999 Series-Debt Service	640	12,350,053	1,382,837	446,643	14,179,533	-	14,179,533	-	14,179,533	14,179,533
2001 Series-Debt Service	414	1,189,503	646,162	553,298	2,388,963	-	2,388,963	-	2,388,963	2,388,963
2001-A Series-Refunding	487	4,395,544	102,032	473	4,498,049	-	4,498,049	-	4,498,049	4,498,049
2000 Series-Enhanced 911 Revenue	18	693,788	-	69,964	763,752	-	763,752	-	763,752	763,752
<i>Total - Debt Service</i>		<u>36,889,931</u>	<u>6,652,533</u>	<u>1,072,614</u>	<u>44,615,078</u>	<u>-</u>	<u>44,615,078</u>	<u>-</u>	<u>44,615,078</u>	<u>44,615,078</u>
1993 Series-Rebate	484	1,114,722	-	122	1,114,844	-	-	1,114,844	1,114,844	1,114,844
1995 Series-Rebate	961	3,210,345	-	1,412	3,211,757	118,193	-	3,093,564	3,093,564	3,211,757
1997 Series-Rebate	959	1,674,163	-	306	1,674,469	1,854,133	-	(179,664)	(179,664)	1,674,469
1999 Series-Rebate	409	2,113,927	-	77,997	2,191,924	-	-	2,191,924	2,191,924	2,191,924
2001 Series Rebate	415	20,910	-	-	20,910	-	-	20,910	20,910	20,910
2001A Series Refunding-Rebate	712	1,836	-	11,592	13,428	-	-	13,428	13,428	13,428
2000 Series-Enhanced 911-Rebate	488	28,274	-	2,839	31,113	-	-	31,113	31,113	31,113
<i>Total - Rebate Accounts</i>		<u>8,164,177</u>	<u>-</u>	<u>94,268</u>	<u>8,258,445</u>	<u>1,972,326</u>	<u>-</u>	<u>6,286,119</u>	<u>6,286,119</u>	<u>8,258,445</u>
<i>Combined Total</i>		<u>\$ 45,054,108</u>	<u>\$ 6,652,533</u>	<u>\$ 1,166,882</u>	<u>\$ 52,873,523</u>	<u>\$ 1,972,326</u>	<u>\$ 44,615,078</u>	<u>\$ 6,286,119</u>	<u>\$ 50,901,197</u>	<u>\$ 52,873,523</u>

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



**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GENERAL OBLIGATION AND REVENUE BONDS  
 Year Ended June 30, 2001

	CFAS Fund #	Revenues		Expenditures		Excess (Deficiency) of Revenue over Expenditures	Other Financing Sources (Uses)			
		Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures		State Property Tax Levy	Bond Proceeds	Interfund Transfers	Other Taxes
1993 Series-Debt Service	483	\$ 313,568	\$ 14,211,264	\$ -	\$ 14,211,264	\$ (13,897,696)	\$ 14,302,873	\$ -	\$ -	\$ -
1995 Series-Debt Service	960	117,920	9,553,447	-	9,553,447	(9,435,527)	4,797,728	-	(3,329,203)	-
1997 Series-Debt Service	183	522,138	8,784,000	4,250	8,788,250	(8,266,112)	4,422,856	-	-	-
1999 Series-Debt Service	640	1,850,055	10,760,300	-	10,760,300	(8,910,245)	11,360,047	-	-	-
2001 Series-Debt Service	414	1,172,045	-	177,491	177,491	994,554	1,034,207	360,202	-	-
Series 2001-A Refunding	487	247,981	-	86,782	86,782	161,199	102,032	907,452	3,329,203	-
Enhanced 911 Revenue Bonds-Series 2000	18	138,250	93,305	-	93,305	44,945	-	25,503	-	693,304
<i>Total - Debt Service</i>		<u>4,361,957</u>	<u>43,402,316</u>	<u>268,523</u>	<u>43,670,839</u>	<u>(39,308,882)</u>	<u>36,019,743</u>	<u>1,293,157</u>	<u>-</u>	<u>693,304</u>
1993 Series-Rebate	484	111,250	-	-	-	111,250	-	-	-	-
1995 Series-Rebate	961	274,036	-	132,745	132,745	141,291	-	-	-	-
1997 Series-Rebate	959	240,291	-	1,854,133	1,854,133	(1,613,842)	-	-	-	-
1999 Series-Rebate	409	713,137	-	-	-	713,137	-	-	-	-
2001 Series Rebate	415	32,502	-	-	-	32,502	-	-	-	-
Series 2001A Refunding	712	-	-	-	-	-	-	-	-	-
Enhanced 911-Series 2000-Rebate	488	31,112	-	-	-	31,112	-	-	-	-
<i>Total - Rebate Accounts</i>		<u>1,402,328</u>	<u>-</u>	<u>1,986,878</u>	<u>1,986,878</u>	<u>(584,550)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Combined Total</i>		<u>\$ 5,764,285</u>	<u>\$ 43,402,316</u>	<u>\$ 2,255,401</u>	<u>\$ 45,657,717</u>	<u>\$ (39,893,432)</u>	<u>\$ 36,019,743</u>	<u>\$ 1,293,157</u>	<u>\$ -</u>	<u>\$ 693,304</u>

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

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

Statement 9  
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COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL OBLIGATION AND REVENUE BONDS  
Year Ended June 30, 2001

	Excess (Deficiency ) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	Fund Balances June 30, 2000	Fund Balances June 30, 2001
	<u>                    </u>	<u>                    </u>	<u>                    </u>
1993 Series-Debt Service	\$ 405,177	\$ 15,083,938	\$ 15,489,115
1995 Series-Debt Service	(7,967,002)	9,680,402	1,713,400
1997 Series-Debt Service	(3,843,256)	9,425,522	5,582,266
1999 Series-Debt Service	2,449,802	11,729,731	14,179,533
2001 Series-Debt Service	2,388,963	-	2,388,963
Series 2001-A Refunding Enhanced 911 Revenue Bonds-Series 2000	4,499,886	-	4,499,886
	<u>763,752</u>	<u>-</u>	<u>763,752</u>
<i>Total - Debt Service</i>	<u>(1,302,678)</u>	<u>45,919,593</u>	<u>44,616,915</u>
1993 Series-Rebate	111,250	1,003,594	1,114,844
1995 Series-Rebate	141,291	2,952,273	3,093,564
1997 Series-Rebate	(1,613,842)	1,434,178	(179,664)
1999 Series-Rebate	713,137	1,478,787	2,191,924
2001 Series Rebate	32,502	-	32,502
Series 2001A Refunding Enhanced 911-Series 2000-Rebate	-	-	-
	<u>31,112</u>	<u>-</u>	<u>31,112</u>
<i>Total - Rebate Accounts</i>	<u>(584,550)</u>	<u>6,868,832</u>	<u>6,284,282</u>
<i>Combined Total</i>	<u>\$ (1,887,228)</u>	<u>\$ 52,788,425</u>	<u>\$ 50,901,197</u>

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
**COMBINING BALANCE SHEET - SEVERANCE TAX BONDS**  
 June 30, 2001

	CFAS Fund #	Repurchase Agreements	Assets		Assets		Liabilities		
			Loans Receivable	Due From Other Agencies	Accrued Interest Receivable	Total Assets	Vouchers Payable	Due To Severance Tax Permanent Fund	Other Liabilities
Severance Tax Bonding	410	\$ 1,395,490	\$ 48,877	\$ 24,793,746	\$ 22	\$ 26,238,135	\$ -	\$ 3,742,643	\$ -
1993-B Series-Debt Service	571	8,228,427	-	-	2,000	8,230,427	-	-	-
1994-B Series-Debt Service	418	10,153,100	-	-	6,977	10,160,077	-	-	-
1995-A Series-Debt Service	963	1,118,161	-	-	2,375	1,120,536	-	-	-
1995-B Series-Debt Service	419	7,258,742	-	-	6,681	7,265,423	-	-	-
1996-A Series-Debt Service	392	2,290,540	-	-	11,653	2,302,193	-	-	-
1997-A Series-Debt Service	31	9,584,263	-	-	2,502	9,586,765	-	-	-
1998-A Series-Debt Service	425	1,040,235	-	-	363	1,040,598	-	-	-
1998-B Series-Debt Service	411	16,941,789	-	-	4,804	16,946,593	-	-	-
1999-A Series-Debt Service	184	1,946,490	-	-	462,222	2,408,712	-	-	-
1999-B Series-Debt Service	186	5,620,067	-	-	940,324	6,560,391	-	-	-
2000 Series-Debt Service	389	13,272,346	-	-	962,582	14,234,928	-	-	-
2000-C Series-Debt Service	405	1,899,368	-	-	3,584	1,902,952	-	-	-
<i>Total - STB Debt Service</i>		<u>80,749,018</u>	<u>48,877</u>	<u>24,793,746</u>	<u>2,406,089</u>	<u>107,997,730</u>	<u>-</u>	<u>3,742,643</u>	<u>-</u>
1993-B Series-Rebate	570	1,315,868	-	-	320	1,316,188	-	-	-
1994-B Series-Rebate	413	746,170	-	-	487	746,657	-	-	-
1995-A Series-Rebate	964	20,628	-	-	-	20,628	-	-	23,147
1995-B Series-Rebate	420	76,316	-	-	-	76,316	-	-	89,707
1996-A Series-Rebate	393	232,789	-	-	1,085	233,874	-	-	369,868
1997-A Series-Rebate	32	881,569	-	-	230	881,799	-	-	735,318
1998-A Series-Rebate	486	31,058	-	-	-	31,058	-	-	-
1998-B Series-Rebate	426	3,433,359	-	-	974	3,434,333	-	-	-
1999-A Series-Rebate	185	189,685	-	-	9,083	198,768	-	-	-
1999-B Series-Rebate	461	694,375	-	-	116,242	810,617	-	-	-
2000 Series Rebate	391	1,179,899	-	-	2,402	1,182,301	-	-	-
2000-C Series Rebate	406	20,368	-	-	-	20,368	-	-	-
<i>Total - STB Rebate Accounts</i>		<u>8,822,084</u>	<u>-</u>	<u>-</u>	<u>130,823</u>	<u>8,952,907</u>	<u>-</u>	<u>-</u>	<u>1,218,040</u>
<i>Combined Total-STB's</i>		<u>\$ 89,571,102</u>	<u>\$ 48,877</u>	<u>\$ 24,793,746</u>	<u>\$ 2,536,912</u>	<u>\$ 116,950,637</u>	<u>\$ -</u>	<u>\$ 3,742,643</u>	<u>\$ 1,218,040</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
**COMBINING BALANCE SHEET - SEVERANCE TAX BONDS**  
June 30, 2001

	Liabilities		Fund Equity		Total Liabilities and Fund Equity
	Total Liabilities	Unreserved- Designated for Debt Service	Unreserved- Designated for Arbitrage	Total Fund Equity	
Severance Tax Bonding	\$ 3,742,643	\$ 22,495,492	\$ -	\$ 22,495,492	\$ 26,238,135
1993-B Series-Debt Service	-	8,230,427	-	8,230,427	8,230,427
1994-B Series-Debt Service	-	10,160,077	-	10,160,077	10,160,077
1995-A Series-Debt Service	-	1,120,536	-	1,120,536	1,120,536
1995-B Series-Debt Service	-	7,265,423	-	7,265,423	7,265,423
1996-A Series-Debt Service	-	2,302,193	-	2,302,193	2,302,193
1997-A Series-Debt Service	-	9,586,765	-	9,586,765	9,586,765
1998-A Series-Debt Service	-	1,040,598	-	1,040,598	1,040,598
1998-B Series-Debt Service	-	16,946,593	-	16,946,593	16,946,593
1999-A Series-Debt Service	-	2,408,712	-	2,408,712	2,408,712
1999-B Series-Debt Service	-	6,560,391	-	6,560,391	6,560,391
2000 Series-Debt Service	-	14,234,928	-	14,234,928	14,234,928
2000-C Series-Debt Service	-	1,902,952	-	1,902,952	1,902,952
<i>Total - STB Debt Service</i>	<u>3,742,643</u>	<u>104,255,087</u>	<u>-</u>	<u>104,255,087</u>	<u>107,997,730</u>
1993-B Series-Rebate	-	-	1,316,188	1,316,188	1,316,188
1994-B Series-Rebate	-	-	746,657	746,657	746,657
1995-A Series-Rebate	23,147	-	(2,519)	(2,519)	20,628
1995-B Series-Rebate	89,707	-	(13,391)	(13,391)	76,316
1996-A Series-Rebate	369,868	-	(135,994)	(135,994)	233,874
1997-A Series-Rebate	735,318	-	146,481	146,481	881,799
1998-A Series-Rebate	-	-	31,058	31,058	31,058
1998-B Series-Rebate	-	-	3,434,333	3,434,333	3,434,333
1999-A Series-Rebate	-	-	198,768	198,768	198,768
1999-B Series-Rebate	-	-	810,617	810,617	810,617
2000 Series Rebate	-	-	1,182,301	1,182,301	1,182,301
2000-C Series Rebate	-	-	20,368	20,368	20,368
<i>Total - STB Rebate Accounts</i>	<u>1,218,040</u>	<u>-</u>	<u>7,734,867</u>	<u>7,734,867</u>	<u>8,952,907</u>
<i>Combined Total-STB's</i>	<u>\$ 4,960,683</u>	<u>\$ 104,255,087</u>	<u>\$ 7,734,867</u>	<u>\$ 111,989,954</u>	<u>\$ 116,950,637</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 SEVERANCE TAX BONDS  
 Year Ended June 30, 2001

CFAS Fund #	Revenues		Expenditures		Total Expenditures	Excess (Deficiency) of Revenue over Expenditures	Other Financing Sources (Uses)		
	Interest Income	Principal and Interest on Long-Term Debt	Other Charge Rebates	Severance Taxes			Bond Proceeds	Capital Projects Reversions	
Severance Tax Bonding	410	\$ 3,462,103	\$ 80,194,646	\$ 144,255	\$ 80,338,901	\$ (76,876,798)	\$ 343,527,199	\$	\$ 1,470,718
1993-B Series-Debt Service	571	310,497	8,335,800	-	8,335,800	(8,025,303)	-	-	-
1994-B Series-Debt Service	418	385,651	10,076,995	-	10,076,995	(9,691,344)	-	-	-
1995-A Series-Debt Service	963	91,498	1,081,816	-	1,081,816	(990,318)	-	-	-
1995-B Series-Debt Service	419	381,981	7,297,460	-	7,297,460	(6,915,479)	-	-	-
1996-A Series-Debt Service	392	339,192	3,331,227	-	3,331,227	(2,992,035)	-	-	-
1997-A Series-Debt Service	31	355,331	11,546,360	-	11,546,360	(11,191,029)	-	-	-
1998-A Series-Debt Service	425	35,810	1,117,975	-	1,117,975	(1,082,165)	-	-	-
1998-B Series-Debt Service (FY98)	411	2,589,925	17,077,212	-	17,077,212	(14,487,287)	-	-	-
1999-A Series-Debt Service	184	763,076	2,101,470	-	2,101,470	(1,338,394)	-	-	-
1999-B Series-Debt Service (FY99)	186	2,289,112	6,524,075	-	6,524,075	(4,234,963)	-	-	-
2000 Series-Debt Service	389	5,313,147	1,828,035	-	1,828,035	3,485,112	-	-	-
2000-C Series-Debt Service	405	173,554	-	-	-	173,554	-	29,398	-
<i>Total - STB Debt Service</i>		<u>16,490,877</u>	<u>150,513,071</u>	<u>144,255</u>	<u>150,657,326</u>	<u>(134,166,449)</u>	<u>343,527,199</u>	<u>29,398</u>	<u>1,470,718</u>
1993-B Series-Rebate	570	158,270	-	-	-	158,270	-	-	-
1994-B Series-Rebate	413	124,310	-	671,145	671,145	(546,835)	-	-	-
1995-A Series-Rebate	964	13,597	-	23,147	23,147	(9,550)	-	-	-
1995-B Series-Rebate	420	109,575	-	897,073	897,073	(787,498)	-	-	-
1996-A Series-Rebate	393	101,657	-	369,868	369,868	(268,211)	-	-	-
1997-A Series-Rebate	32	151,655	-	735,318	735,318	(583,663)	-	-	-
1998-A Series-Rebate	486	13,197	-	-	-	13,197	-	-	-
1998-B Series-Rebate	426	814,175	-	-	-	814,175	-	-	-
1999-A Series-Rebate	185	95,340	-	-	-	95,340	-	-	-
1999-B Series-Rebate	461	298,348	-	-	-	298,348	-	-	-
2000 Series-Rebate	391	1,179,203	-	-	-	1,179,203	-	-	-
2000-C Series Rebate	406	20,368	-	-	-	20,368	-	-	-
<i>Total - STB Rebate Accounts</i>		<u>3,079,695</u>	<u>-</u>	<u>2,696,551</u>	<u>2,696,551</u>	<u>383,144</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Combined Total-STB's</i>		<u>\$ 19,570,572</u>	<u>\$ 150,513,071</u>	<u>\$ 2,840,806</u>	<u>\$ 153,353,877</u>	<u>\$ (133,783,305)</u>	<u>\$ 343,527,199</u>	<u>\$ 29,398</u>	<u>\$ 1,470,718</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
SEVERANCE TAX BONDS  
Year Ended June 30, 2001

	Other Financing Sources (Uses)		Severance Tax Perm. Fund Reversions	Excess (Deficiency ) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	Fund Balances June 30, 2000	Fund Balances June 30, 2001
	Interfund Transfers	Payment to Escrow Agent				
Severance Tax Bonding	\$ (71,047,000)	\$ -	\$ (198,692,753)	\$ (1,618,634)	\$ 24,114,126	\$ 22,495,492
1993-B Series-Debt Service	8,008,000	-	-	(17,303)	8,247,730	8,230,427
1994-B Series-Debt Service	9,707,000	-	-	15,656	10,144,421	10,160,077
1995-A Series-Debt Service	1,027,000	-	-	36,682	1,083,854	1,120,536
1995-B Series-Debt Service	7,313,000	-	-	397,521	6,867,902	7,265,423
1996-A Series-Debt Service	1,900,000	-	-	(1,092,035)	3,394,228	2,302,193
1997-A Series-Debt Service	9,290,000	-	-	(1,901,029)	11,487,794	9,586,765
1998-A Series-Debt Service	1,098,000	-	-	15,835	1,024,763	1,040,598
1998-B Series-Debt Service (FY98)	14,492,000	-	-	4,713	16,941,880	16,946,593
1999-A Series-Debt Service	1,590,000	-	-	251,606	2,157,106	2,408,712
1999-B Series-Debt Service (FY99)	4,092,000	-	-	(142,963)	6,703,354	6,560,391
2000 Series-Debt Service	10,230,000	-	-	13,715,112	519,816	14,234,928
2000-C Series-Debt Service	1,700,000	-	-	1,902,952	-	1,902,952
<i>Total - STB Debt Service</i>	<u>(600,000)</u>	<u>-</u>	<u>(198,692,753)</u>	<u>11,568,113</u>	<u>92,686,974</u>	<u>104,255,087</u>
1993-B Series-Rebate	-	-	-	158,270	1,157,918	1,316,188
1994-B Series-Rebate	-	-	-	(546,835)	1,293,492	746,657
1995-A Series-Rebate	-	-	-	(9,550)	7,031	(2,519)
1995-B Series-Rebate	600,000	-	-	(187,498)	174,107	(13,391)
1996-A Series-Rebate	-	-	-	(268,211)	132,217	(135,994)
1997-A Series-Rebate	-	-	-	(583,663)	730,144	146,481
1998-A Series-Rebate	-	-	-	13,197	17,861	31,058
1998-B Series-Rebate	-	-	-	814,175	2,620,158	3,434,333
1999-A Series-Rebate	-	-	-	95,340	103,428	198,768
1999-B Series-Rebate	-	-	-	298,348	512,269	810,617
2000 Series-Rebate	-	-	-	1,179,203	3,098	1,182,301
2000-C Series Rebate	-	-	-	20,368	-	20,368
<i>Total - STB Rebate Accounts</i>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>983,144</u>	<u>6,751,723</u>	<u>7,734,867</u>
<i>Combined Total-STB's</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (198,692,753)</u>	<u>\$ 12,551,257</u>	<u>\$ 99,438,697</u>	<u>\$ 111,989,954</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
GENERAL LONG-TERM DEBT  
June 30, 2001

Schedule 1  
Page 1 of 2

Issue	Date	Amount	Interest Rate	Unpaid Balance 6/30/2000	New Bonds	Deductions-Bonds Paid or Defeased	Unpaid Balance 6/30/2001	Interest to Maturity	Debt Service Requirements
<b>General Obligation and Revenue Bonds</b>									
Capital Projects-Series 1993	3/1/1993	\$ 80,500,000	2.75-8.50%	\$ 38,305,000	\$ -	\$ 12,703,000	\$ 25,602,000	\$ 1,210,680	\$ 26,812,680
Capital Projects-Series 1995	4/1/1995	66,265,000	4.90-6.10%	40,883,000	-	40,883,000	-	-	-
Capital Projects-Series 1997	3/1/1997	64,825,000	4.30-5.50%	52,925,000	-	6,450,000	46,475,000	6,681,263	53,156,263
Capital Projects-Series 1999	3/1/1999	80,895,000	4.00-5.00%	80,895,000	-	7,565,000	73,330,000	12,747,650	86,077,650
Capital Projects-Series 2001	3/1/2001	62,550,000	4.00-5.00%	-	62,550,000	-	62,550,000	15,684,661	78,234,661
Refunding Series 2001-A	4/1/2001	33,615,000	5.00%	-	33,615,000	-	33,615,000	3,324,563	36,939,563
Enh. 911 Rev. Bonds-Series 2000	8/1/2000	4,545,000	4.35-6.75%	-	4,545,000	-	4,545,000	767,820	5,312,820
<i>Total General Obligation and Revenue Bonds</i>		<u>393,195,000</u>		<u>213,008,000</u>	<u>100,710,000</u>	<u>67,601,000</u>	<u>246,117,000</u>	<u>40,416,637</u>	<u>286,533,637</u>
<b>Severance Tax Bonds</b>									
Series 1993-B	9/1/1993	75,023,000	4.00-7.00%	23,390,000	-	7,430,000	15,960,000	755,630	16,715,630
Series 1994-B	8/1/1994	92,038,000	4.80-7.60%	19,120,000	-	9,330,000	9,790,000	254,540	10,044,540
Series 1995-A	4/1/1995	8,062,000	4.60-6.90%	3,024,000	-	951,000	2,073,000	108,952	2,181,952
Series 1995-B	11/1/1995	58,340,000	4.40-5.50%	38,375,000	-	5,665,000	32,710,000	3,980,975	36,690,975
Series 1996-A	6/1/1996	37,237,000	4.50-5.375%	15,665,000	-	2,645,000	13,020,000	1,468,623	14,488,623
Series 1997-A Refunding	6/1/1997	62,036,000	4.50-5.50%	19,902,000	-	10,775,000	9,127,000	250,993	9,377,993
Series 1998-A Refunding	3/1/1998	22,730,000	4.25-5.00%	22,655,000	-	-	22,655,000	2,373,661	25,028,661
Series 1998-B	5/1/1998	136,100,000	4.50-4.75%	125,155,000	-	11,450,000	113,705,000	22,893,375	136,598,375
Series 1999-A Supplemental	10/1/1999	12,000,000	4.25-5.5%	12,000,000	-	1,435,000	10,565,000	1,624,463	12,189,463
Series 1999-B	6/15/1999	50,668,000	5.00%	50,668,000	-	4,093,000	46,575,000	11,406,625	57,981,625
Series 2000	6/1/2000	59,650,000	5.00-5.50%	59,650,000	-	-	59,650,000	9,953,013	69,603,013
Series 2001 S-A	6/28/2001	5,685,000	4.25%	-	5,685,000	5,685,000	-	-	-
Series 2001 S-B	6/28/2001	74,500,000	4.25%	-	74,500,000	74,500,000	-	-	-
Series 2000-C Supplemental	7/1/2000	12,000,000	4.50-5.00%	-	12,000,000	-	12,000,000	2,253,789	14,253,789
<i>Total Severance Tax Bonds</i>		<u>706,069,000</u>		<u>389,604,000</u>	<u>92,185,000</u>	<u>133,959,000</u>	<u>347,830,000</u>	<u>57,324,639</u>	<u>405,154,639</u>
<i>Total General Long-Term Debt</i>		<u>\$ 1,099,264,000</u>		<u>\$ 602,612,000</u>	<u>\$ 192,895,000</u>	<u>\$ 201,560,000</u>	<u>\$ 593,947,000</u>	<u>\$ 97,741,276</u>	<u>\$ 691,688,276</u>

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

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
GENERAL LONG-TERM DEBT  
June 30, 2001

Issue	Year Ending June 30						
	2002	2003	2004	2005	2006	Thereafter	Total
<b>General Obligation Bonds</b>							
Capital Projects-Series 1993	\$ 13,824,364	\$ 12,988,316	\$ -	\$ -	\$ -	\$ -	\$ 26,812,680
Capital Projects-Series 1995	-	-	-	-	-	-	-
Capital Projects-Series 1997	8,745,313	8,780,275	8,836,000	8,867,700	8,923,475	9,003,500	53,156,263
Capital Projects-Series 1999	10,761,500	10,760,100	10,759,725	10,759,625	10,758,900	32,277,800	86,077,650
Capital Projects-Series 2001	7,644,937	7,699,138	7,722,438	7,716,438	7,769,838	39,681,872	78,234,661
Refunding Series 2001-A	9,101,813	9,327,000	9,280,625	9,230,125	-	-	36,939,563
Enhanced 911 Revenue Bonds-Series 2000	769,861	758,388	752,606	755,040	755,683	1,521,242	5,312,820
<i>Total General Obligation Bonds</i>	<u>50,847,788</u>	<u>50,313,217</u>	<u>37,351,394</u>	<u>37,328,928</u>	<u>28,207,896</u>	<u>82,484,414</u>	<u>286,533,637</u>
<b>Severance Tax Bonds</b>							
Series 1993-B	8,343,400	8,372,230	-	-	-	-	16,715,630
Series 1994-B	10,044,540	-	-	-	-	-	10,044,540
Series 1995-A	1,088,236	1,093,716	-	-	-	-	2,181,952
Series 1995-B	7,307,370	7,322,073	7,317,275	7,351,457	7,392,800	-	36,690,975
Series 1996-A	2,316,065	3,359,230	4,398,272	4,415,056	-	-	14,488,623
Series 1997-A Refunding	9,377,993	-	-	-	-	-	9,377,993
Series 1998-A Refunding	1,117,976	10,965,475	10,933,370	2,011,840	-	-	25,028,661
Series 1998-B	17,074,825	17,077,463	17,072,550	17,072,725	17,076,669	51,224,143	136,598,375
Series 1999-A Supplemental	2,028,327	2,029,101	2,029,656	2,034,672	2,038,394	2,029,313	12,189,463
Series 1999-B	5,458,500	6,862,875	6,305,250	6,758,375	6,738,000	25,858,625	57,981,625
Series 2000	10,860,650	11,344,150	12,792,675	11,929,038	10,896,625	11,779,875	69,603,013
Series 2000-C Supplemental	1,998,492	2,010,019	2,027,144	2,041,319	2,051,406	4,125,409	14,253,789
<i>Total Severance Tax Bonds</i>	<u>77,016,374</u>	<u>70,436,332</u>	<u>62,876,192</u>	<u>53,614,482</u>	<u>46,193,894</u>	<u>95,017,365</u>	<u>405,154,639</u>
<i>Total debt service requirements</i>	<u>\$ 127,864,162</u>	<u>\$ 120,749,549</u>	<u>\$ 100,227,586</u>	<u>\$ 90,943,410</u>	<u>\$ 74,401,790</u>	<u>\$ 177,501,779</u>	<u>\$ 691,688,276</u>

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



**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, CGFM, State Auditor  
Santa Fe, New Mexico

We have audited the 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, as of and for the year ended June 30, 2001, and have issued our report thereon dated November 20, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 Schedule of Findings and Questioned Costs as items 2001-2 and 2001-3.

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 general purpose, combining and individual fund and account group financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2001-1 and 2001-4.

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 general purpose, combining and individual fund and account group 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 conditions, 2001-1 and 2001-4, are material weaknesses.

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.

**Accounting & Consulting Group, LLP**  
**Certified Public Accountants**

November 20, 2001  
Carlsbad, New Mexico

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2001

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**2001-1: Investment Trust Fund

## Condition:

The State Treasurer's Office (STO) is responsible for maintaining accurate and timely agency account cash balances. The current system, which includes other entities, the DFA, individual agencies and the banking system, is not designed correctly to allow the STO to fulfill their responsibility. The current process does not allow the STO to allocate unrealized gains and losses in accordance with GASB #31 and the ability to have accurate and timely agency balances.

## 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.

## Cause:

There are numerous factors that complicate this matter. The main factors include 1) outdated computer program (TRACS), 2) involvement of a variety of agencies and the related difficulties when dealing with a large group of people, 3) the lack of funding to address the project correctly and 4) the timeliness of correction made by individual agencies and the STO.

## Effect:

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

## Recommendation:

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

## Client Response:

The State Treasurer's Office (STO) has assessed and determined its informational needs for financial and control purposes. Various accounting segments would be effective and more efficient if these functions were returned to the appropriate agencies responsible for revenue and disbursement streams to and from funds under their purview. Due to advances in computer technologies, it would be appropriate, timely, and cost effective for the financial institution to provide the agencies with the technological expertise to assist in the deposit, warrant, and reconciliation functions.

The STO is expected to maintain cash balances by state agency and fund, however, the STO cannot maintain balances by agency and fund if the agencies do not provide the detailed documentation that is necessary. While positive changes have occurred regarding identifying information that has been incorporated into the state warrant, the final decision regarding the redesigning of an effective document (warrant) must be developed and implemented for all state agencies by Department of Finance and Administration.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2001

2001-1: Investment Trust Fund (continued)

The STO has taken the initiative to identify the cost of implementation of such a system and is currently seeking a special appropriation from the legislature.

Only if the STO is fully funded for the reengineering process as described in the Information Technology Plan, can the STO (via banking institution) provide the state agencies with timely cash balances and other pertinent information that is required by each state agency.

2001-2: Payroll

Condition:

During our testing of payroll, 7 of 25 instances were identified where the amounts withheld from employee paychecks did not correspond to W-4's or other deduction authorizations that were completed and signed by the employees.

Criteria:

Law requires employee tax withholdings to correspond with W-4's prepared and signed by the employees and that employers must have on file authorizations signed by the employees for certain other types of deductions. In both instances, the actual payroll deductions must correspond to the amounts agreed to by the employees.

Cause:

There is an oversight in the portion of the payroll process designed to ensure that W-4's and other deduction authorization documentation signed by the employees correspond to the actual amounts withheld from their paychecks.

Effect:

Not withholding at the correct rate per W-4's and deduction authorizations is a violation of the law.

Recommendation:

We recommend that W-4's and deduction authorizations should be reviewed periodically to ensure payroll is being correctly prepared.

Client Response:

Corrective action has been taken. Internal control procedures have been implemented.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2001

2001-3: Expenditures

Condition:

During our testing of the disbursement process, the auditors identified 5 instances out of 10 tested where travel expense reports were not mathematically correct. In addition, many employees receive an advance for travel, but there is no system in place to ensure that the final expense report is properly completed and submitted to the STO.

Criteria:

Effective internal control over the disbursement process requires that all travel expense reports be recalculated prior to reimbursement. There should also be a system in place to monitor outstanding travel advances to ensure final travel reports are completed in a timely manner.

Cause:

The apparent lack of recalculation is an oversight in essential disbursement procedures.

Effect:

Incorrect reimbursement payments are occurring due to the mathematical errors. Also, employees may be receiving travel advances but never taking a trip, which could result in overpayments.

Recommendation:

We recommend the STO require that all travel expense reports be recalculated prior to being processed for payment and that a system be put in place to monitor outstanding travel advances for final disposition.

Client Response:

Corrective action has been taken. Internal control procedures and a system software revision has been implemented to avoid the reoccurrence of this situation.

2001-4: General Ledger

Condition:

The STO maintains a computerized system for tracking 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 Funds' financial statements are manually compiled once a year. Proper controls require periodically reconciling the detailed accounts to the general ledger to eliminate errors. This should be performed by someone independent of the detailed record preparation.

Criteria:

Effective accounting principles require that organizations maintain a complete general ledger.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2001

2001-4: General Ledger (continued)

Cause:

The State Treasurer's Office does not have a software package that maintains a complete general ledger. This makes it very difficult to ensure that the agency is accounting for all transactions and activities.

Effect:

Without a complete general ledger, some transactions could be intentionally or unintentionally omitted from the records of the State Treasurer's Office.

Recommendation:

A general ledger software package should be purchased and utilized by the STO.

Client Response:

The STO is currently assessing the method it would implement to maintain a quarterly Financial Reporting System, which would accumulate, classify, and summarize all transactions recorded for the fiscal year.

2001-5: Investment Activity

Condition:

During our testing of investments we noted instances of noncompliance with State imposed statutes governing the investment of public funds.

Criteria:

New Mexico State Treasurers Investment Policy imposes various restrictions on the types of investments and procedures to purchase certain investments.

Cause:

The specific requirements outlined in the investment policy prepared by the STO are not being followed. Specifically the State must have a custodial undertaking agreement in place in conjunction with any potential tri-party repurchase agreement and The State Board of Finance must approve this custodial undertaking agreement prior to the State Treasurer's Office entering into the tri-party repurchase agreement.

Effect:

The State Treasurer's Office invested over \$239 million in a non-conforming, tri-party repurchase agreement in violation of their investment policy. For a period of time these funds were held in a financial institution with which the State did not have a custodial agreement in place.

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2001

2001-5: Investment Activity (continued)

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.

Client Response:

During September 2000, two investments were made with an institution that had not been appropriately and completely approved per the State Treasurer's investment policy. Upon discovery of this error, and within ten days of the original investment date, corrective action was taken and the funds were properly invested in an approved and qualified investment institution. We would point out that the State Treasurer's office does have checklists for our various investment activities. We have reviewed, and continue to review, our policies and procedures in these areas and will be more diligent in the future to insure strict compliance with the investment policy.

**B. PRIOR YEAR AUDIT FINDINGS**

2000-1: Investment Trust Fund

Unresolved and repeated as Finding 2001-1

2000-2: Payroll

Unresolved and repeated as Finding 2001-2

2000-3: Investment Activity

Resolved and not repeated in the current year

2000-4: Expenditures

Unresolved and repeated as Finding 2001-3

2000-5: General Fund – Internal Accounting System

Unresolved and repeated as Finding 2001-4

2000-6: Arbitrage Liability Payments

Resolved and not repeated in the current year

2000-7: Local Government Investment Pool (LGIP) – Security Investments

Resolved and not repeated in the current year

**STATE OF NEW MEXICO**  
**OFFICE OF THE STATE TREASURER**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2001

**C. EXIT CONFERENCE**

The contents of this report were discussed on December 6, 2001. The following individuals were in attendance.

Office of the State Treasurer

Robert E. Vigil  
Sam Taylor  
Tomasita Gallegos  
Steve Gonzales  
Danny Tinoca  
Dominic Garcia  
Victor Vigil  
Ann Marie Gallegos  
Robert Tedrow

Department of Finance and Administration

Jan Goodwin

State Auditor's Office

Joanne Chavez  
John R. Earnshaw

Accounting & Consulting Group, LLP

Ray Roberts, CPA

Crowe Chizek (By Phone)

Scott Nickerson, CPA