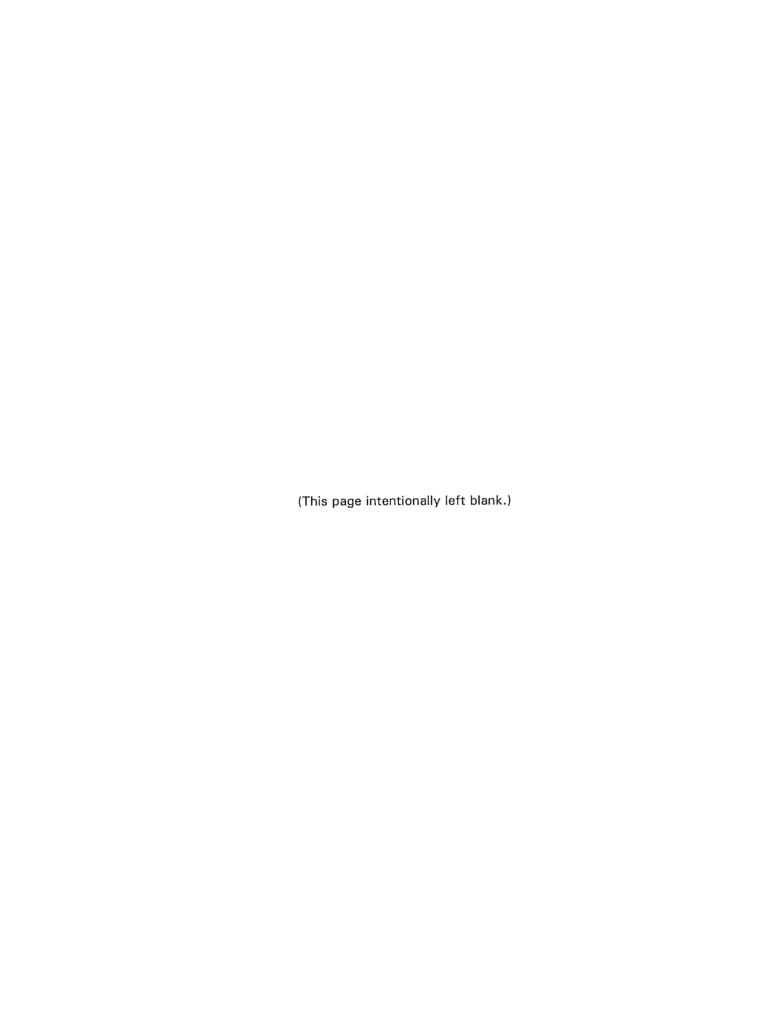
ANNUAL FINANCIAL REPORT

JUNE 30, 2002

(With Independent Auditors' Report Thereon)





Official Roster June 30, 2002

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 State Treasurer (elect)

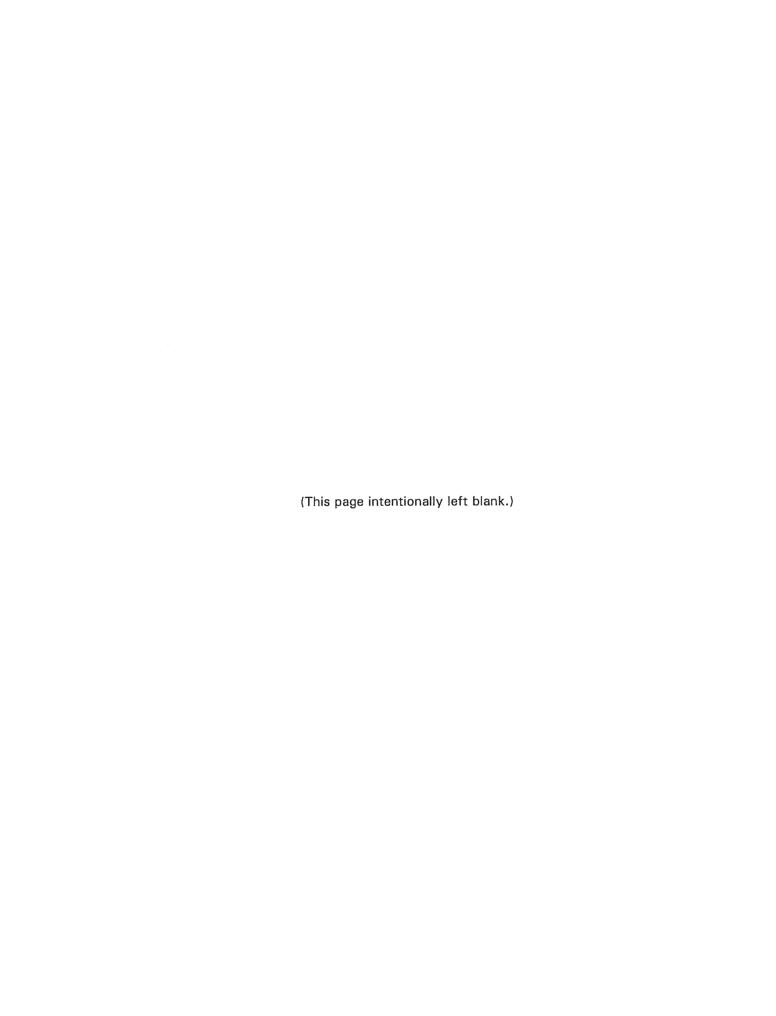
Ann Marie Gallegos Deputy State Treasurer

ANNUAL FINANCIAL REPORT

Year ended June 30, 2002

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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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico, Office of the State Treasurer (Office) as of and for the year ended June 30, 2002, which collectively comprise the Office's basic financial statements 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. 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico, Office of the State Treasurer as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Office has implemented a new financial reporting model, as required by the provisions of GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2002.

The Management's Discussion and Analysis on pages 5 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

GARY BENDER, CPA E. DEAN FRIESEN, CPA, CVA DAVID M. FRITSCHY, CPA REESE GATELEY, CPA R.A. "BOBBI" HAYES, CPA MARION L. LEDFORD, CPA S. JOHN MANGANARO, CPA RAY ROBERTS, CPA, CVA

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Office's basic financial statements. The Summary of Long-term Debt Obligations, and the Summary of Investments are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Summary of Long-term Debt Obligations, and the Summary of Investments have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2002 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.

Accounting & Consulting Moule, LLP

Accounting & Consulting Group, LLP Certified Public Accountants

November 1, 2002 Carlsbad, New Mexico

Management's Discussion and Analysis

As management of the OFFICE OF THE STATE TREASURER, we offer readers of the OFFICE OF THE STATE TREASURER'S financial statements this narrative overview and analysis of the financial activities of the OFFICE OF THE STATE TREASURER for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with the financial statements of the OFFICE OF THE STATE TREASURER and additional information provided.

Financial Highlights

- The assets administered by the OFFICE OF THE STATE TREASURER in the Investment Trust Fund increased by \$98,844,838 The majority of this increase is due to the average yield on the investment portfolio of 3.62%.
- As of the close of the current fiscal year, the OFFICE OF THE STATE TREASURER'S governmental funds reported combined ending fund balances of \$175,283,978, an increase of \$10,985,457 in comparison with the prior year.
- The OFFICE OF THE STATE TREASURER'S total debt increased by \$26,631,000 (4.5 percent), during the current fiscal year. The key factor in this increase was issuance of new debt obligations to meet the needs of the State and Local agencies served by the OFFICE OF THE STATE TREASURER.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the OFFICE OF THE STATE TREASURER'S finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the OFFICE OF THE STATE TREASURER'S assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the OFFICE OF THE STATE TREASURER is improving or deteriorating.

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

The government-wide financial statements can be found at exhibits A-1 and A-2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The OFFICE OF THE STATE TREASURER, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the OFFICE OF THE STATE TREASURER can be divided into two categories: governmental funds, and fiduciary funds.

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

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

The OFFICE OF THE STATE TREASURER maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, the NM Business Development Corporation fund, the Bond Issuance fund, General Obligation Bond funds, and Severance Tax Bond funds all of which are considered to be major funds. The General Obligation and Severance Tax Bond funds combine into a single, aggregated presentation the activity of each individual bond issue. Individual bond transaction data of these governmental funds is provided in the form of *combining statements* elsewhere in this report.

The OFFICE OF THE STATE TREASURER adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found at exhibits B-1 through C-1 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the OFFICE OF THE STATE TREASURER'S own programs.

Fiduciary funds provide the same type of information as the government-wide financial statements, only in more detail. The fiduciary fund financial statements provide separate information for the Short-Term Investment Pool, Consolidated Investment Pool, and State Funds Investment Pool.

The OFFICE OF THE STATE TREASURER'S fiduciary funds account for cash, securities, and other investments identified and held in custody on behalf of local and state government agencies and are separately identified by the types of state and local agencies for which the funds are held. The Short-term Investment Pool accounts for the Local Government Investment Pool (LGIP), the Consolidated Investment Pool accounts for funds held in custody for both state and local government agencies, and the State Funds Investment Pool accounts for funds identified and held in custody on behalf of state agencies.

The basic fiduciary fund financial statements can be found at exhibits D-1 and D-2 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-54 of this report.

Other information. The combining statements referred to earlier in connection with the General Obligation and Severance Tax Bond funds are presented immediately following the notes to the financial statements.

Combining statements, schedules of capital assets, and schedules of long-term debt can be found on pages 57-79 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the OFFICE OF THE STATE TREASURER, liabilities exceeded assets by \$443,316,662 at the close of the most recent fiscal year.

By far the largest portion of the OFFICE OF THE STATE TREASURER'S deficit net assets (99.995 percent) reflect amounts expected to be provided to satisfy its general and severance tax bond obligations. It is the responsibility of the OFFICE OF THE STATE TREASURER to record and administer debt on behalf of the agencies and departments of the State of New Mexico. The proceeds of bond issues authorized by the State Board of Finance are transferred to various State agencies in the form of grants. The Office anticipates the future tax revenues generated will be adequate to service the debt obligations. The transfer of the funds to the various agencies causes the Office to record deficit net assets.

An additional portion of the OFFICE OF THE STATE TREASURER'S net assets \$12,885,163 represents resources that are subject to external restrictions on how they may be used.

Governmental activities. Governmental activities increased the OFFICE OF THE STATE TREASURER'S fund balances in the governmental financial statements by \$10,985,457. Key elements of this increase are as follows:

Comparison of Key Elements (in thousands)

	Governmental Activities			
	June 30,	June 30,		
	2002	2001		
Revenues				
Federal funds	\$ 26,140	\$ 47,680		
State appropriation	3,377,600	3,253,220		
Special appropriation	54,754	100,400		
Interest income	15,384,986	25,544,063		
Miscellaneous	30,000	-		
Expenses				
Current:				
Personnel services and employee benefits	2,200,132	2,494,395		
Operating costs	602,226	667,677		
Contractual services	203,935	77,695		
Other administrative expenditures	52,604	454,407		
Capital outlay	86,867	114,359		
Debt Service:				
Principal and interest on long-term debt	265,082,984	193,915,387		
Other charges	1,668,102	5,096,207		
Nonoperating revenue and				
(expense)	262,008,827	184,340,766		

^{*}For comparison purposes in this first year of GASB Statement No. 34 implementation, we have utilized the governmental fund statements. In the future, when the information becomes available, a comparative analysis of government-wide data will be presented.

Financial Analysis of the Government's Funds

As noted earlier, the OFFICE OF THE STATE TREASURER uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the OFFICE OF THE STATE TREASURER'S governmental funds reported combined ending fund balances of \$175,283,978, an increase of \$10,985,457 in comparison with the prior year. Approximately 98.98 percent of this total amount, \$173,492,007 is *unreserved, designated for subsequent year's* expenditures that is an internal designation of unreserved fund balance. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to encumbrances and the New Mexico Business Development Corporation, \$1,441,051. The remainder, less than 1%, reported as *undesignated*, is subject to reversion to the State Permanent Fund.

The fund balance of the OFFICE OF THE STATE TREASURER'S general fund increased by \$382,755 during the current fiscal year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are briefly summarized as follows:

- \$239,000 in decreases for personnel services and employee benefits due to several positions remaining open.
- \$85,000 in increases for contractual services due to additional costs for GASB Statement #34 implementation and quarterly financial statement preparation.
- \$169,500 in increases for operating costs for maintenance, repair and replacement of computer software and equipment.

Of this increase, \$15,500 was to be funded out of increases in special state appropriations.

Capital Asset and Debt Administration

Capital assets. The OFFICE OF THE STATE TREASURER'S investment in capital assets for its governmental activities as of June 30, 2002, amounts to \$182,907 (net of accumulated depreciation). This investment in capital assets includes office and computer equipment.

Additional information on the OFFICE OF THE STATE TREASURER'S capital assets can be found in note 4 on page 43 of this report.

Long-term debt. At the end of the current fiscal year, the OFFICE OF THE STATE TREASURER had total bonded debt outstanding of \$620,578,000 all of which is secured by pledged tax revenues.

OFFICE OF THE STATE TREASURER'S Outstanding Debt

General Obligation and Severance Tax Bonds Payable

	Total
	2002 2001
General obligation bonds	\$ 204,267,000 \$ 246,117,000
Severance tax bonds	416,311,000 347,830,000
	\$ 620,578,000 \$ 593,947,000

Additional information on the OFFICE OF THE STATE TREASURER'S long-term debt can be found in note 6 on pages 44-47 of this report.

Economic Factors and Next Year's Budgets and Rates

- Inflationary trends in the region compare favorably to national indices. Costs associated with the general fund are expected to remain stable.
- During fiscal year end June 30, 2002, several personnel positions remained open, causing the budget to be underspent. The June 30, 2003 budget anticipates filling those positions.

These factors were considered in preparing the OFFICE OF THE STATE TREASURER'S budget for the 2003 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the OFFICE OF THE STATE TREASURER'S finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Robert Vigil, State Treasurer (elect), OFFICE OF THE STATE TREASURER, P. O. Box 608, Santa Fe, NM 87504-0608.





STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF NET ASSETS

June 30, 2002

	_	Governmental Activities
ASSETS		
Cash and cash equivalents Repurchase agreements Due from other agencies Accrued interest receivable Investment in New Mexico Business Development Corporation Deferred charges, net of accumulated amortization (\$1,046,469) Capital assets (net of accumulated depreciation):	\$	519,185 149,088,522 22,225,084 2,690,222 1,401,263 1,863,331
Equipment		182,907
Total assets	\$ =	177,970,514
LIABILITIES AND NET ASSETS		
Accounts payable and other current liabilities Due to Severance Tax Permanent Fund Noncurrent liabilities: Due within one year Due in more than one year Accrued arbitrage interest payable Total liabilities	\$ 	128,477 114,625 109,231,000 511,415,878 397,196 621,287,176
Invested in capital assets Restricted for: Debt service-arbitrage New Mexico Development Corporation Unrestricted	_	182,907 11,483,900 1,401,263 (456,384,732)
Total net assets		(443,316,662)
Total liabilities and net assets	\$_	177,970,514

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2002

Functions/Programs		Expenses		Program Revenues Operating Grants and		et (Expenses) Revenue and Changes in Net Assets Primary Government Tovernmental Activities
Primary government:		Ехрепаса		manda	***************************************	Activities
Governmental activities:						
Personnel services and employee benefits	\$	2,184,050	\$	80,894	\$	(2,103,156)
Operating costs		654,006		-		(654,006)
Contractual services		203,935		-		(203,935)
Other administrative costs		52,604		-		(52,604)
Other charges		778,371		-		(778,371)
Interest on long-term debt	_	20,503,984			_	(20,503,984)
Total primary government	\$_	24,376,950	\$	80,894		(24,296,056)
Ge	neral Reve	enues:				
		ral fund approp	riation	ıs		3,377,600
	_	erty tax levy				62,339,453
	everance					226,023,966
C	ther taxe	s				673,300
C	apital pro	jects reversions	s in			3,950,733
N	/liscellane	ous				30,000
Unr	estricted	investment ear	nings			15,384,986
Tra	nsfers to	other agencies				(302,188,625)
	Total ge	neral revenues	and tr	ansfers	_	9,591,413
	Chan	ge in net assets	S			(14,704,643)
Net	assets -	beginning			((428,612,019)
Net	assets -	ending			\$_(443,316,662)

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2002

	General		NM Business Development Corp. Fund		Bond Issuance Fund	
ASSETS						
Cash and Investments: Cash and cash equivalents Repurchase agreements Total Cash and Investments	\$ 	519,185 - 519,185	\$ 	-	\$ 	- - -
Restricted Assets: Investment in New Mexico Business Development Corporation		-		1,401,263		-
Other Assets: Due from other agencies Accrued interest receivable		-		-		-
Total Assets	\$_	519,185	\$_	1,401,263	\$	-
LIABILITIES AND FUND BALANCES						
Liabilities: Accounts payable and accrued expenses Due to Severance Tax Permanent Fund Accrued arbitrage interest payable Total liabilities	\$	128,477 - - 128,477	\$	- - - -	\$ 	- - - -
Fund balances: Reserved for: Encumbrances New Mexico Business Development Corporation Unreserved: Designated for subsequent year's expenditures, reported in:		39,788 -		- 1,401,263		- -
Debt service funds: Debt service Arbitrage Undesignated, reported in: General fund Total fund balances	_	350,920 390,708		1,401,263		- - -
Total liabilities and fund balances	\$	519,185	\$	1,401,263	\$	-

General Obligation Bond Funds		Severance Tax Bond Funds		Total Governmental Funds
\$ 61,486,60 61,486,60		87,601,915 87,601,915	\$ _	519,185 149,088,522 149,607,707
	-	-		1,401,263
5,588,85 73,97		16,636,232 2,616,252	_	22,225,084 2,690,222
\$ 67,149,42	<u>29</u> \$	106,854,399	\$=	175,924,276
\$	- \$ - - -	114,625 397,196 511,821	\$ - -	128,477 114,625 397,196 640,298
	-	-		39,788 1,401,263
63,129,38 4,020,04		98,878,724 7,463,854		162,008,107 11,483,900
67,149,42	<u>-</u> 29	- 106,342,578	_	350,920 175,283,978
\$ 67,149,42	29 \$	106,854,399	\$_	175,924,276



Exhibit B-1 (Page 2 of 2)

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS June 30, 2002

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$	175,283,978
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		182,907
Deferred charges for bond issuance costs are recorded as expenditures in the governmental funds, but their effect on net assets is recorded in the government wide statements when the bonds are issued.		1,863,331
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(620,646,878)
Net assets of governmental activities	\$ (443,316,662)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the year ended June 30, 2002

		General	[NM Business Development Corp. Fund	Bond Issuance Fund
Revenues:		00.440			
Federal funds	\$	26,140	\$	-	\$ -
State general fund appropriations		3,377,600		-	-
Special appropriation		54,754		44.074	-
Interest income		-		41,871	-
Interest income - debt service		-		-	-
Interest income - arbitrage		-		-	-
Miscellaneous			_	30,000	-
Total revenues	_	3,458,494	_	71,871	_
Expenditures:					
Current:		2 200 122			
Personnel services and employee benefits		2,200,132 602,226		-	-
Operating costs Contractual services		135,867		68,068	-
Other administrative expenditures		50,647		1,957	•
·		•		1,307	-
Capital outlay Debt service:		86,867		-	-
Principal and interest on long-term debt		_		-	-
Other charges	_	2 075 720	_	70,025	
Total expenditures	_	3,075,739		70,025	
Excess (deficiency) of revenues					
over (under) expenditures	_	382,755	_	1,846	
Other financing sources (uses):					
Operating transfers in (out)					
State property tax levy		_		-	-
Severance taxes		-		_	-
Bond proceeds		-		-	269,255,467
Other taxes		-		-	•
Capital projects - reversions in		-		-	-
Payment to escrow agent		-		-	-
Severance tax permanent fund - reversions out		-		-	-
Transfer to other state agency		-		-	(269, 255, 467)
Total other financing sources (uses)	_	_		_	~
Net change in fund balances		382,755		1,846	-
Fund balances - beginning of year		7,953	_	1,399,417	
Fund balances - end of year	\$=	390,708	\$	1,401,263	\$

	General Obligation		Severance Tax		Total Governmental
	Bond Funds		Bond Funds	_	Funds
\$	- - -	\$		\$	26,140 3,377,600 54,754
	-		-		41,871
	3,003,732		10,720,640		13,724,372
	809,319		809,424		1,618,743
_	3,813,051	-	11,530,064	-	30,000 18,873,480
-	0,010,001	-	11,000,001	-	10,070,100
	-		-		2,200,132
	-		-		602,226
	-		-		203,935
	-		-		52,604
	-		-		86,867
	51,019,045		214,063,939		265,082,984
	8,659		1,659,443		1,668,102
	51,027,704	_	215,723,382		269,896,850
	(47,214,653)		(204,193,318)	_	(251,023,370)
	62,339,453		-		62,339,453
			226,023,966		226,023,966
	450,132		1,504,401		271,210,000
	673,300		-		673,300
	-		3,950,733		3,950,733
	-		(898,408)		(898,408)
	-		(32,034,750)		(32,034,750) (269,255,467)
_	63,462,885	-	198,545,942	-	262,008,827
	00,402,000	_	100,040,042	-	202,000,027
	16,248,232		(5,647,376)		10,985,457
	50,901,197	1400	111,989,954	-	164,298,521
\$	67,149,429	\$_	106,342,578	\$	175,283,978



Exhibit B-2 (Page 2 of 2)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the year ended June 30, 2002

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

Net change in fund balances - total governmental funds

\$ 10,985,457

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

35,087

Governmental funds report payments of compensated absences as expenditures.

However, changes in the accrued balances of compensated absences are reported in the statement of activities.

16,082

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This following amounts are the effect of these differences in the treatment of long-term debt and related items.

Bond Proceeds	(271,210,000)
Principal payments on long-term debt	244,579,000
Bond issuance costs	1,172,424
Amortization of bond issuance costs	(282,693)

Change in net assets of governmental activities

\$ (14,704,643)

COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP)

BASIS AND ACTUAL - GENERAL FUND Year Ended June 30, 2002

			Budgeted Amounts	
			Original	Final
Revenues: State General Fund appropriation Other state funds:			\$ 3,377,600	\$ 3,377,600
Special appropriations Other Grants			39,300 35,500	54,800 35,500
Total revenues			\$ 3,452,400	\$ 3,467,900
	Budgeted	I Amounts		
	Original	Final	Expenditures	Outstanding Encumbrances
Expenditures: Current:				
Personnel services and benefits Contractual services	\$ 2,792,300 74,000	\$ 2,553,300 159,000	\$ 2,200,158 134,874	\$ - 20,428
Operating costs	585,100	754,600	690,305	19,360
Total expenditures	3,451,400	3,466,900	3,025,337	39,788
Other financing uses	1,000	1,000	946	
Total expenditures and other financing uses	\$ <u>3,452,400</u>	\$ 3,467,900	\$ <u>3,026,283</u>	\$39,788_

Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)			
\$ 3,377,600	\$ -			
54,754 26,140	(46) (9,360)			
\$ 3,458,494	\$ (9,406)			
Total Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)			
\$ 2,200,158 155,302 709,665	\$ 353,142 3,698 44,935			
3,065,125	401,775			
946	54			
\$ <u>3,066,071</u>	\$ 401,829			

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2002

	Investment Trust Fund					
	Short	Short-Term Consolidated		State Funds		
	Investm	ent Pool		Investment Pool	Investment Pool	
ASSETS		_				
Cash and Investments:						
Cash and cash equivalents	\$	-	\$	-	\$	15,376,670
Certificates of deposit		-		-		199,550,000
U.S. Government securities		-		-		392,712,800
Corporate Bonds		-		-		15,398,500
Repurchase agreements	1,156,	216,939		532,370,552	_	1,126,076,591
Total Cash and Investments	1,156,	216,939		532,370,552		1,749,114,561
Other Assets:						
Accrued interest receivable	5,	245,189		6,018	_	9,986,632
Total Assets	\$ <u>1,161,</u>	162,128	\$_	532,376,570	\$ =	1,759,101,193
LIABILITIES AND FUND EQUITY						
Fund equity:						
Fund balances, unreserved:						
Net assets held in trust	\$ <u>1,161,</u>	162,128	\$	532,376,570	\$_	1,759,101,193
Total fund equity and net						
assets held in trust	1,161,4	162,128		532,376,570	_	1,759,101,193
Total liabilities and fund						
equity and net assets						
held in trust	\$ <u>1,161,</u>	162,128	\$	532,376,570	\$_	1,759,101,193

Total	
(Memorandun	n
Only)	

\$ 15,376,670 199,550,000 392,712,800 15,398,500 2,814,664,082

3,437,702,052

15,237,839

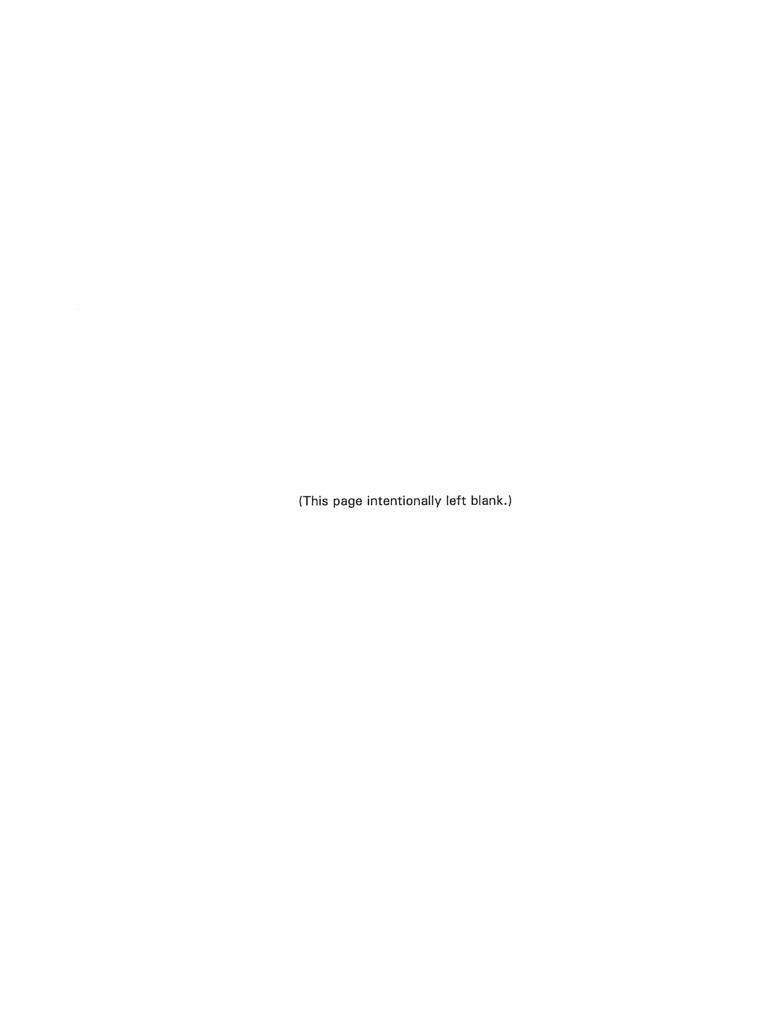
\$ 3,452,939,891

- \$<u>3,452,939,891</u>
 - 3,452,939,891
- \$ 3,452,939,891

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS June 30, 2002

		Investment Trust Fund				
	Short-Term		Consolidated			State Funds
		Investment Pool		Investment Pool		Investment Pool
	•	,	_		•	
Investment Income	\$	30,149,940	\$	19,612,930	\$	83,654,691
Expenses - Management Fees		(109,022)	_	(291,546)	_	_
Net Investment Income		30,040,918		19,321,384		83,654,691
Net proceeds of deposits (withdrawals)		319,089,857		(209,456,248)		(143,805,764)
Net Assets, held in trust for pool participants, June 30, 2001		812,331,353	_	722,511,434	_	1,819,252,266
Net Assets, held in trust for pool participants, June 30, 2002	\$	1,161,462,128	\$_	532,376,570	\$_	1,759,101,193

Total (Memorandum Only)
100 447 504
\$ 133,417,561
(400,568)
(34,172,155)
3,354,095,053
\$ 3,452,939,891



Notes to Financial Statements June 30, 2002

NOTE 1. Summary of Significant Accounting Policies

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.
- (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.

Notes to Financial Statements June 30, 2002

NOTE 1. Summary of Significant Accounting Policies (continued)

- (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.
 - 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.

Notes to Financial Statements June 30, 2002

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The 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.

Oversight by the State Board of Finance

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

The Board has the responsibility for the issuance of the general obligation and severance tax bonds and for the investment and distribution of the proceeds from such bonds. In that regard, the Board approves the issuance of all such bonds, and provides information for bond prospectuses in order to ensure compliance with financial disclosure requirements and to present information concerning bond issues in a meaningful and informative format. 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.

Notes to Financial Statements June 30, 2002

NOTE 1. Summary of Significant Accounting Policies (continued)

Financial Reporting Entity

In evaluating how to define the Office, for financial reporting purposes, management has considered all potential programs and operations of the entity. The Office of the State Treasurer is a department of the State of New Mexico that has separate elected officials. The financial statements and notes to the financial statements include all funds for which the State Treasurer is responsible. These financial statements only present activity related to the Treasurers Office.

Government-wide and fund financial statements

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

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

Notes to Financial Statements June 30, 2002

NOTE 1. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The New Mexico Business Development Corporation 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.

The *Bond Issuance Fund* was established to account for the issuance and related issuance costs of severance tax and general obligation bond issues. The corresponding debt is accounted for in the *General Obligation Bond Funds* and the *Severance Tax Bond Funds*.

The *General Obligation Bond 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.

The Severance Tax Bond 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.

Notes to Financial Statements June 30, 2002

NOTE 1. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

Additionally, the government reports the following fund types:

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

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

The State Funds Investment Pool accounts for cash, securities and other investments, identified and held in custody only for state agencies.

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

Assets, Liabilities and Net Assets or Equity

<u>Deposits and Investments</u>: The Office's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

Notes to Financial Statements June 30, 2002

NOTE 1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Assets or Equity (continued)

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

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

<u>Capital Assets</u>: Capital assets, which include equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

<u>Compensated Absences</u>: 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. 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.

Notes to Financial Statements June 30, 2002

NOTE 1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Assets or Equity (continued)

<u>Long-term Obligations</u>: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

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

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

NOTE 2. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

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

1. By September 1st, the Office prepares a budget appropriation request by category to be presented to the next legislature.

Notes to Financial Statements June 30, 2002

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgets and Budgetary Accounting (continued)

- 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 makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the Legislature.
- 4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
- 5. Both 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 Fund 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, 2002 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.

Notes to Financial Statements June 30, 2002

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgets and Budgetary Accounting (continued)

The following is a reconciliation between the Non-GAAP budgetary (cash) basis amounts and the governmental fund financial statements by fund type.

		General Fund		
Excess (deficiency) of revenues over expenditures	\$	382,755		
Adjustments: Accounts payable Accrued expenses Outstanding encumbrances	_	49,482 (26) (39,788)		
Excess (deficiency) of revenues over expenditures (Budget Basis)	\$ =	392,423		

NOTE 3. Deposits and Investments

<u>Fiscal Agent Bank:</u> 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.

<u>Correspondent Bank:</u> 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.

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

Account Description	CFRAS Fund #	_	Amount
General	182	\$	519,185
Investment Trust Fund	N/A	_	15,376,670
Total cash		\$	15,895,855

Notes to Financial Statements June 30, 2002

NOTE 3. Deposits and Investments (continued)

Account Description	CFRAS Fund #	Amount
Debt Service Funds:		
General Obligation and Revenue Bonds:		
1993 General Obligation Debt Service 1993 General Obligation Debt Service — Rebate Excess Earnings 1995 General Obligation Debt Service 1995 General Obligation Debt Service — Rebate Excess Earnings 1997 General Obligation Debt Service 1997 General Obligation Debt Service — Rebate Excess Earnings 1999 General Obligation Debt Service 1999 General Obligation Debt Service — Rebate Excess Earnings	483 484 960 961 183 959 640 409	\$ 15,876,605 1,140,568 - - 9,091,674 3,976 12,625,392 2,502,993
2000 Enhanced 911 Revenue 2000 Enhanced 911 Revenue – Rebate Excess Earnings 2001 General Obligation Debt Service 2001-A General Obligation Debt Service – Rebate Excess Earnings 2001-B General Obligation Debt Service – Refunding 2001-A General Obligation Debt Service – Refunding	018 488 414 487 415 482 712	683,423 70,162 5,819,110 11,346,883 294,648 2,028,493 2,680 61,486,607
Severance Tax Bonds		
Severance Tax Bonding Fund 1993-B Severance Tax Debt Service 1993-B Severance Tax Debt Service – Rebate Excess Earnings 1994-B Severance Tax Debt Service 1994-B Severance Tax Debt Service – Rebate Excess Earnings 1995-A Severance Tax Debt Service 1995-A Severance Tax Debt Service – Rebate Excess Earnings 1995-B Severance Tax Debt Service 1995-B Severance Tax Debt Service 1995-B Severance Tax Debt Service – Rebate Excess Earnings 1996-A Severance Tax Debt Service	410 571 570 418 413 963 964 419 420 392	408,397 8,428,792 1,352,107 - - 1,114,037 26,368 7,128,175 105,452
1996-A Severance Tax Debt Service – Rebate Excess Earnings 1997-A Severance Tax Debt Service 1997-A Severance Tax Debt Service – Rebate Excess Earnings 1998-A Series Debt Service 1998-A Series Rebate 1998-B Series Debt Service 1998-B Series Rebate 1999-A Supplemental Severance Tax Debt Service	393 031 032 425 486 411 426 184	11,193,099 31,775 16,257,817 3,512,664 1,868,996
1999-A Supplemental Severance Tax Debt Service – Rebate Excess Earnings 1999-B Series Debt Service 1999-B Severance Tax Debt Service – Rebate Excess Earnings 2000 Severance Tax Debt Service 2000 Severance Tax Debt Service – Rebate Excess Earnings 2000-C Series Debt Service 2000-C Series Rebate 2001-A Severance Tax Debt Service 2002-A Severance Tax Debt Service	185 186 461 389 391 405 406 408 095	223,304 7,269,602 1,165,058 11,074,967 1,207,153 1,810,838 173,232 5,790,336 7,459,746
		87,601,915
Total Debt Service	N/A	149,088,522 2,814,664,082
Investment Trust Fund Total Repurchase Agreements	IN/A	\$ 2,963,752,604
rotal hoparonase Agreements		

Notes to Financial Statements June 30, 2002

NOTE 3. Deposits and Investments (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 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.

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 102% 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, 2002 collateral pledged to public money deposits was as follows:

Notes to Financial Statements June 30, 2002

NOTE 3. Deposits and Investments (continued)

	Fiscal Agent Account	Certificates Of Deposit	Total
Cash in bank	\$ 32,441,569	\$ 199,550,000	\$ 231,991,569
Less FDIC insurance coverage	(100,000)	(2,900,000)	(3,000,000)
Total unsecured public funds	\$ 32,341,569	\$ 196,650,000	\$ 228,991,569
Collateral requirement (50% of uninsured public funds)	\$ 16,170,785	\$ 98,325,000	\$ 114,495,785
Collateral pledged: US Government securities	(269,499,978)	(133,555,934)	(403,055,912)
(Over) Under Collateralized	\$ (253,329,193)	\$ (35,230,934)	\$ (288,560,127)

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 Office'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 Office'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 Office's name. All of the investments at June 30, 2002 are Category 1 investments.

At June 30, 2002, investments in overnight repurchase agreements were \$1,093,000,000 of which collateral was U.S. Treasury notes and bills held at Bankers Trust Company of California, in the Office's name. Fair value for the securities below was obtained from Bankers Trust Company and reflects quoted market prices as of June 30, 2002.

Notes to Financial Statements June 30, 2002

NOTE 3. Deposits and Investments (continued)

Investments administered by the State Treasurer at June 30, 2002 include the following:

Description	Amortized Cost Description Carrying Amount			Fair Value
US Government securities Corporate bonds Repurchase agreements	\$	389,879,541 15,018,451 2,814,664,082		392,712,800 15,398,500 2,814,664,082
	\$	3,219,562,074	\$	3,222,775,382

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 \$1,401,263 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 1991 (See Note 12). 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, 2002 the amount not included in the Investment Trust Fund for the Department of Highway and Transportation was \$168,500,000.

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.

<u>Local Government Investment Pool</u>: Cities, counties, and other non-state agencies invest monies in the State Treasurer external investment pool (Local Government Investment Pool). The investments are recorded at fair value based on quoted market prices as of the valuation date in the financial statements, however, the individual participant balances remain at their carrying cost. At June 30, 2002 the carrying cost and the fair value were the same in the Local Government Investment Pool.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested.

Participation in the local government investment pool is voluntary.

Notes to Financial Statements June 30, 2002

NOTE 4. Capital Assets

Capital asset activity for the year ended June 30, 2002 was as follows:

	Beginning Balance Increases Decreas		Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated Equipment	\$ <u>214,723</u>	\$86,867	(30,808)	\$ <u>270,782</u>
Total capital assets being depreciated	214,723	86,867	(30,808)	270,782
Less accumulated depreciation for: Equipment	(36,095)	(51,780)		(87,875)
Total accumulated depreciation	(36,095)	(51,780)	-	<u>(87,875</u>)
Total capital assets being depreciated, net	\$ <u>178,628</u>	\$ 35,087	\$ <u>(30,808</u>)	\$ <u>182,907</u>

Depreciation expense was charged to functions/programs of the Office as follows:

Governmental activities: General government	\$ 51,780
Total depreciation expense – governmental activities	\$ 51,780

NOTE 5. 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, 2002 the monthly rent was \$26,125. The monthly rent is adjusted annually for changes in the Consumer Price Index.

The Office leases various office equipment. 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.

Notes to Financial Statements June 30, 2002

NOTE 5. Operating Leases (continued)

Lease expenditures for the year ended June 30, 2002 were \$313,505 for building rent and \$11,986 for equipment rental. Future minimum lease payments for these leases are as follows:

Building	
2003	\$ 313,505
2004	313,505
2005	313,505
2006	313,505
2007	313,505
Thereafter	 966,639
Total	\$ 2,534,164
Equipment	
2003	\$ 7,079
2004	2,950
2005	-
2006	-
2007	-
Thereafter	 -
Total	\$ 10,029

NOTE 6. Long-term Debt

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.

The following General Obligation Bonds were issued during the fiscal year ended June 30, 2002:

General Obligation Bonds Refunding Series 2001B: On November 13, 2001, the State Board of Finance issued General Obligation Bonds Refunding Series 2001B with a principal amount of \$23,830,000. The refunding debt was used to refund in advance of their stated maturity dates the 2002-2006 maturities of the General Obligation Bond Series 1997. Interest rates are at 5% with principal payments due through 2007.

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.

Notes to Financial Statements June 30, 2002

NOTE 6. Long-term Debt (continued)

The following Severance Tax Bonds were issued during the fiscal year ended June 30, 2002:

Severance Tax Bonds Refunding Series 2001A: On November 13, 2001, the State Board of Finance issued bonds with a principal amount of \$115,380,000. The refunding debt was used to refund in advance of their stated maturity dates the 2003-2005 maturities of the Severance Tax Bonds Series 1995B, the 2002-2004 maturities of the Severance Tax Bonds Series 1996A, the 2005-2008 maturities of the Severance Tax Bonds Series 1998B, and the 2006-2009 maturities of the Severance Tax Bonds Series 1999B. Interest rates range from 4.00% to 5.00% with principal payments due through 2013.

Supplemental Severance Tax Bonds Series 2002A: On December 11, 2001, the State Board of Finance issued bonds with a principal amount of \$65,000,000 to finance public capital projects authorized by the State Legislature. Interest rates range from 4.00% to 5.00% with principal payments due through 2012.

Severance Tax Bonds Series 2002A: On May 14, 2002, the State Board of Finance issued bonds with a principal amount of \$67,000,000 to finance public capital projects authorized by the State Legislature. Interest rates range from 4.00% to 5.00% with principal payments due through 2013.

The annual requirements to amortize the combined General Obligation Bond issues outstanding as of June 30, 2002, including interest payments are as follows (See details on Schedule 6):

Fiscal Year	
Ending June 30,	Total
2003	\$ 50,359,266
2004	37,397,443
2005	36,950,602
2006	27,833,399
2007	27,963,812
2008-2012	54,142,503
Total	\$ 234,647,025

Notes to Financial Statements June 30, 2002

NOTE 6. Long-term Debt (continued)

The annual requirements to amortize the combined Severance Tax Bond issues outstanding as of June 30, 2002, including interest payments are as follows (See details on Schedule 6):

Fiscal Year		
Ending June 30,	_	Total
2003	\$	80,751,177
2004		79,843,463
2005		70,524,141
2006		63,006,300
2007		54,135,309
2008-2012		140,074,375
2013	_	8,471,625
Total	\$_	496,806,390

Advance and current refundings:

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.

On November 13, 2001, the State Board of Finance issued General Obligation Bonds Refunding Series 2001B with a principal amount of \$23,830,000. The refunding debt was used to refund in advance of their stated maturity dates the 2002-2006 maturities of the General Obligation Bond Series 1997. The difference in cash flows required between the prior debt service requirements and new refunding debt service requirements resulted in cash flow savings of \$1,029,743. The economic gain, or present value savings, was \$912,603.

On November 13, 2001, the State Board of Finance issued Severance Tax Bonds Refunding Series 2001A with a principal amount of \$115,380,000. The refunding debt was used to refund in advance of their stated maturity dates the 2003-2005 maturities of the Severance Tax Bonds Series 1995B, the 2002-2004 maturities of the Severance Tax Bonds Series 1996A, the 2005-2008 maturities of the Severance Tax Bonds Series 1998B, and the 2006-2009 maturities of the Severance Tax Bonds Series 1999B. The 1995B and 1996A series were redeemed during the year ended June 30, 2002. The difference in cash flows required between the prior debt service requirements and new refunding debt service requirements resulted in cash flow savings of \$3,853,661. The economic gain, or present value savings, was \$3,828,525.

Notes to Financial Statements June 30, 2002

NOTE 6. Long-term Debt (continued)

As of June 30, 2002, the amount of defeased debt still outstanding, but removed from the government-wide statement of net assets was:

Severance Tax Bonds, Refunding Series 2001A:

 Severance Tax Bond Series 1998B
 \$ 62,215,000

 Severance Tax Bond Series 1999B
 \$ 23,445,000

General Obligation Bonds, Refunding Series 2001B:

General Obligation Bond Series 1997

\$ 25,025,000

Changes in Long-term liabilities:

Long-term liability activity for the year ended June 30, 2002, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities: Bonds payable General obligation bonds Severance tax bonds	\$ 246,117,000 \$ 347,830,000	23,830,000 \$ 247,380,000	65,680,000 \$ 178,899,000	204,267,000 \$ 416,311,000	50,359,266 80,751,177
Total bonds payable	593,947,000	271,210,000	244,579,000	620,578,000	131,110,443
Compensated absences	84,940		16,062	68,878	_
Totals	\$ 594,031,940 \$	271,210,000 \$	244,595,062 \$	620,646,878 \$	131,110,443

Less amounts representing interest 21,8

21,879,443

Principal due within one year

\$ 109,231,000

Notes to Financial Statements June 30, 2002

NOTE 7. Condensed Financial Statements

Condensed financial statements of the Investment Trust Fund, inclusive of external and internal participants for the fiscal year ended June 30, 2002, are as follows:

State Treasurer's Investment Trust Fund Balance Sheet June 30, 2002

Assets

Cash and Cash Equivalents Investments Interest Receivable	\$	15,376,670 3,422,325,382 15,237,839
Total Assets	\$_	3,452,939,891
Liabilities and Net Assets:		
Security transaction payable	\$	-
External Participant account balances		1,156,216,939
Other Internal Participant account balances		
Primary Government		2,293,509,644
Undistributed Reserves and Unrealized Gains (Losses)	_	3,213,308
Total Net Assets	\$_	3,452,939,891
Investment Income – At June 30, 2002 the Office's investment incorfollows:	ne e	earnings were as
Local Government Investment Pool	\$	30,149,940
Consolidated Investment Pool		19,612,930
Short-term Investment Pool		80,441,383
Unrealized Gain	_	3,213,308
	\$_	133,417,561

Notes to Financial Statements June 30, 2002

NOTE 8. Appropriations and Other Revenue

The Office received the following appropriations and other revenue for the year ended June 30, 2002:

General Fund	
General appropriation, (General Appropriation Act) Compensation appropriation, Laws of 2001, Chapter 340	\$ 3,377,600 54,754
	\$ 3,432,354

NOTE 9. 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 10. 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 \$114,625 remains in the Severance Tax Bonding Fund payable to the Severance Tax Permanent Fund.

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.

Notes to Financial Statements June 30, 2002

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:

			First
	Bond Year End of		Computation of
	First Rebate	First Arbitrage	Arbitrage
	Computation	Rebate Due Date	Completed
Capital Projects General Obligation Bonds Series 1993	September 1998	November 1998	Х
General Obligation Refunding Bonds Series 1993-B	September 1998	November 1998	Х
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	Χ
General Obligation Capital Projects Bonds Series 1999	July 2004	August 2004	Χ
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	Χ
Severance Tax Bonds Series 1994-B	July 1999	August 1999	Χ
Severance Tax Bonds Series 1995-A	July 2000	August 2000	Х
Severance Tax Bonds Series 1995-B	July 2000	August 2000	Х
Severance Tax Bonds Series 1996-A	July 2001	August 2001	Χ
Severance Tax Refunding Bonds Series 1997-A	July 2002	August 2002	Χ
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	Χ
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 2005	August 2005	
Enhanced 911 Revenue Bonds Series 2000	July 2005	August 2005	

Interest earnings on invested bond proceeds through June 30, 2002 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. 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, Wells Fargo Bank (formerly 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 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, 2002 is the fair market value at that date.

Notes to Financial Statements June 30, 2002

NOTE 13. Transfers

<u>Bond Proceeds</u> – 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, 2002 financial statements:

	CFRAS	
	Number	Amount
Severance Tax Bonds - Series 2001 A Refunding	408	\$115,380,000
Severance Tax Bonds - Series 2002 A	095	67,000,000
Severance Tax Bonds - Series 2002 A Supplemental	388	65,000,000
General Obligation Bonds – Series 2001 B Refunding	482	23,830,000
Total		\$271,210,000

Interfund Transfers:

		Transfer	Transfer
	Fund	From	To
Debt Service			
Severance Tax Bonding Fund	410	\$ 67,947,000	\$ -
Severance Tax Bond – 1993B Debt Service	571	-	8,400,000
Severance Tax Bond - 1994B Debt Service	418	-	-
Severance Tax Bond - 1995A Debt Service	963	-	1,035,000
Severance Tax Bond - 1995B Debt Service	419	-	6,500,000
Severance Tax Bond - 1996A Debt Service	392	-	15,000
Severance Tax Bond - 1997A Debt Service	031	-	-
Severance Tax Bond - 1998A Debt Service	425	-	11,100,000
Severance Tax Bond - 1998B Debt Service	411	-	14,000,000
Severance Tax Bond – 1999A Debt Service	184	-	1,820,000
Severance Tax Bond – 1999B Debt Service	186	-	4,300,000
Severance Tax Bond - 2000 Debt Service	389	-	7,500,000
Severance Tax Bond – 2000C Debt Service	405	-	1,277,000
Severance Tax Bond – 1995B Rebate	420	-	-
Severance Tax Bond - 2002A Debt Service	095	-	7,000,000
Severance Tax Bond - 2001A Debt Service	408		5,000,000
Total		\$ <u>67,947,000</u>	\$ <u>67,947,000</u>

NOTE 14. 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.

Notes to Financial Statements June 30, 2002

NOTE 14. Employee Retirement Plan – State of New Mexico (continued)

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, 2002, 2001, and 2000, were \$390,803, \$409,282, and \$419,374, respectively, equal to the amount of the required contributions for each year.

NOTE 15. 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.

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.

Notes to Financial Statements June 30, 2002

NOTE 15. Post Employment Benefits - Retiree Health Care Act Contributions (continued)

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

For the fiscal year ended June 30, 2002, the Office remitted \$16,276 in employer contributions and \$8,138 in employee contributions to the Retiree Health Care Authority.

NOTE 16. 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, 2002:

DFA Report	Ge	eneral Fund
Unadjusted Encumbrances Balance as follows:		
Contractual services	\$	20,428
Operating costs		19,360
		39,788
Adjustments for amounts included in Accounts Payable		-
Reserve for Encumbrances	\$	39,788

NOTE 17. Risk Management

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, 2001 to June 30, 2002. The limit of coverage is \$5,000,000 with \$1,000 deductible per occurrence. All Office employees are covered by this bond.

Notes to Financial Statements June 30, 2002

NOTE 18. Reversion to the State General Fund

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

Amounts expected to revert to the state general fund as of June 30, 2002 are \$362,223.

NOTE 19. Subsequent Events

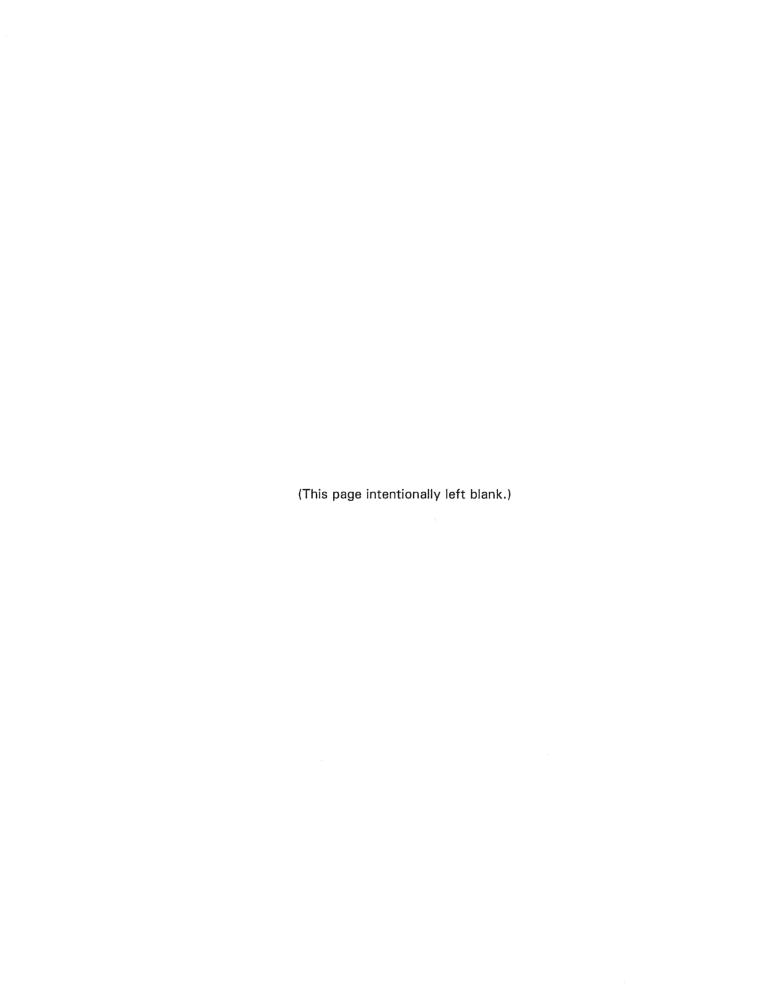
Subsequent to June 30, 2002, the State Board of Finance issued the following debt that will be accounted for in the government-wide statement of net assets and the Office's debt service funds:

Supplemental Severance Tax Bonds, Series 2002B. On November 1, 2002, the State Board of Finance issued \$45,000,000 in bonds to finance certain capital projects authorized by the State Legislature.

NOTE 20. Prior Period Adjustment – Change in Accounting Principle

Before the implementation of GASB Statement No. 34, accounting principles generally accepted in the United States of America did not require governments to present government-wide financial statements. Accordingly, beginning net assets presented on the government-wide financial statements includes items such as capital assets used in governmental activities and debt related to governmental activities that were previously reported in the general fixed assets account group and the general long-term debt account group. As a result of the implementation of GASB Statement No. 34, the Office's beginning net assets for governmental activities as presented in the government-wide statements decreased \$592,910,540 over beginning fund balance recorded in the governmental funds due to the incorporation of the related capital assets and debt.





Schedule 1

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY ASSET CLASS AND SOURCE Year Ended June 30, 2002

	-	Balance e 30, 2001	A	dditions	De	eletions	_	Balance e 30,2002
Governmental funds capital assets	<i>::</i>							
Equipment, furniture & fixtures	\$	214,723	\$	86,867	\$	30,808	\$	270,782
Total governmental funds capital assets	\$	214,723	\$	86,867	\$	30,808	\$	270,782
Investments in governmental fund capital assets by source:	s							
General Fund revenues	\$	214,723	\$	86,867	\$	30,808	\$	270,782
Total governmental funds capital assets	\$	214,723	\$	86,867	\$	30,808	\$	270,782

COMBINING BALANCE SHEET-GENERAL OBLIGATION AND REVENUE BONDS GENERAL OBLIGATION BOND FUNDS

June 30, 2002

		Assets								
						Accrued				
	CFAS	Repurchase		Due From		Interest		Total		
	Fund #	 Agreements		ther Agencies		Receivable		Assets		
1993 Series-Debt Service	483	\$ 15,876,604	\$	-	\$	1,903	\$	15,878,507		
1995 Series-Debt Service	960			-		170		170		
1997 Series-Debt Service	183	9,091,674		1,255,800		1,144		10,348,618		
1999 Series-Debt Service	640	12,625,392		1,591,600		2,360		14,219,352		
2001 Series-Debt Service	414	5,819,111		1,168,252		37,808		7,025,171		
2001-A Series-Refunding	487	11,346,883		1,476,600		1,332		12,824,815		
2001-B Series-Refunding	482	2,028,493		96,600		333		2,125,426		
2000 Series-Enhanced										
911 Revenue	18	683,423		-		23,901	_	707,324		
Total Bull Cont		F7 474 F00		E 500 050		00.054				
Total - Debt Service		57,471,580	•	5,588,852	,	68,951	-	63,129,383		
1993 Series-Rebate	484	1,140,568		-		-		1,140,568		
1995 Series-Rebate	961	-		-		-		_		
1997 Series-Rebate	959	3,976		-		1		3,977		
1999 Series-Rebate	409	2,502,993		-		468		2,503,461		
2001 Series-Rebate	415	294,648		-		2,098		296,746		
2001-A Series-Rebate	712	2,680		-		-		2,680		
2000 Series-Enhanced										
911-Rebate	488	70,162		-		2,452	_	72,614		
Total - Rebate Accounts		4,015,027	-	-	-	5,019	-	4,020,046		
Combined Total		\$ 61,486,607	\$	5,588,852	\$	73,970	\$ =	67,149,429		

	Liabilities				Fund Equity				
			Unreserved-		Unreserved-			Т	otal Liabilities
	Other		Designated for	D	esignated for	Total			and
	Liabilities		Debt Service		Arbitrage		Fund Equity		Fund Equity
\$	-	\$	15,878,507	\$	-	\$	15,878,507	\$	15,878,507
	-		170		=		170		170
			10,348,618		-		10,348,618		10,348,618
	-		14,219,352		-		14,219,352		14,219,352
	-		7,025,171		-		7,025,171		7,025,171
	-		12,824,815		-		12,824,815		12,824,815
	-		2,125,426		-		2,125,426		2,125,426
,	_	_	707,324	_				707,324	
			63,129,383	_		_	63,129,383		63,129,383
	-		-		1,140,568		1,140,568		1,140,568
	-		=		-		-		-
	-		-		3,977		3,977		3,977
	-		-		2,503,461		2,503,461		2,503,461
	-		-		296,746		296,746		296,746
	-		-		2,680		2,680		2,680
	_	-	-	_	72,614	_	72,614		72,614
	-	_		_	4,020,046	_	4,020,046	_	4,020,046
\$		\$	63,129,383	\$_	4,020,046	\$_	67,149,429	\$	67,149,429

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GENERAL OBLIGATION BOND FUNDS June 30, 2002

			Revenues	Expenditures						
	CFAS Fund #		Interest Income		Principal and Interest on ong-Term Debt	Otl	her Charges	[Total Expenditures	
1993 Series-Debt Service	483	\$	110,435	\$	13,824,364	\$	_	\$	13,824,364	
1995 Series-Debt Service	960	*	170,400	Ψ.	10,024,004	Ψ	_	٧	10,024,004	
1997 Series-Debt Service	183		103,604		8,519,404		2,750		8,522,154	
1999 Series-Debt Service	640		635,973		10,761,500		2,730		10,761,500	
2001 Series-Debt Service	414		2,025,499		7,644,936		832		7,645,768	
2001-A Series Refunding	487		82,281		9,101,813		4,549		9,106,362	
2001-B Series-Refunding	482		5,109		397,167		-		397,167	
2000 Series Enhanced	.02		57.55		00,,.0,				00.7.0.	
911 Revenue Bonds	18	_	40,661		769,861		528	_	770,389	
Total - Debt Service		-	3,003,732	-	51,019,045		8,659	_	51,027,704	
1993 Series-Rebate	484		25,724		-		-		-	
1995 Series-Rebate	961		8,991		-		-		-	
1997 Series-Rebate	959		154,641		-		-		-	
1999 Series-Rebate	409		311,537		-		-		-	
2001 Series-Rebate	415		264,244		-		-		-	
2001-A Series Rebate	712		2,680		-		-		-	
2000 Series Enhanced										
911 Revenue-Rebate	488	_	41,502	_	-		***	-	-	
Total - Rebate Accounts		_	809,319	-			_			
Combined Total		\$ =	3,813,051	\$ _	51,019,045	\$	8,659	\$ _	51,027,704	

Other Financing Sources (Uses)

	cess (Deficiency)								
01	Revenues over		State Property		Bond	d Interfund			Other
	Expenditures		Tax Levy		Proceeds		Transfers		Taxes
\$	(13,713,929) 170 (8,418,550) (10,125,527) (5,620,269)	\$	16,857,878 - 10,470,347 15,065,346 5,275,355	\$	- - - 116,847	\$	(2,754,557) (1,713,400) 2,714,555 (4,900,000) 4,864,275	\$	- - - -
	(9,024,081)		13,120,004		171,106		4,057,900		-
	(392,058)		1,550,523		162,179		804,782		-
_	(729,728)	_	-	-				•	673,300
	(48,023,972)		62,339,453		450,132		3,073,555		673,300
_	25,724 8,991 154,641 311,537 264,244 2,680 41,502	_	- - - - -	_	- - - - -	-	- (3,102,555) 29,000 - - - -	-	- - - - -
	809,319	-		-	-	-	(3,073,555)	-	
\$ _	(47,214,653)	\$_	62,339,453	\$ _	450,132	\$	-	\$ =	673,300



Schedule 3 (Page 2 of 2)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AN CHANGES IN FUND BALANCES GENERAL OBLIGATION BOND FUNDS

June 30, 2002

Excess (Deficiency) of Revenues and

Other Financing

Sources Over

CFAS	_						
CFAS	Exp	Expenditures and Fund Balances				Fund Balances	
Fund #	Other	Financing Uses		June 30, 2001	June 30, 2002		
	\$	389,392	\$	15,489,115	\$	15,878,507	
		(1,713,230)		1,713,400		170	
		4,766,352		5,582,266		10,348,618	
640		39,819		14,179,533		14,219,352	
414		4,636,208		2,388,963		7,025,171	
487		8,324,929		4,499,886		12,824,815	
482		2,125,426		-		2,125,426	
18		(56,428)		763,752	_	707,324	
		18,512,468		44,616,915	_	63,129,383	
101		25 724		1 114 044		1 140 569	
		•				1,140,568	
						3,977	
		·				•	
		•				2,503,461	
		-		32,502		296,746 2,680	
112		2,080		-		2,000	
488		41,502		31,112		72,614	
		(2,264,236)	_	6,284,282	_	4,020,046	
	\$	16,248,232	\$_	50,901,197	\$_	67,149,429	
	Fund # 483 960 183 640 414 487 482 18 484 961 959 409 415 712	Fund # Other 483 \$ 960 183 640 414 487 482 18 484 961 959 409 415 712 488	Fund # Other Financing Uses 483 \$ 389,392 960 (1,713,230) 183 4,766,352 640 39,819 414 4,636,208 487 8,324,929 482 2,125,426 18 (56,428) 484 25,724 961 (3,093,564) 959 183,641 409 311,537 415 264,244 712 2,680 488 41,502 (2,264,236)	Fund # Other Financing Uses 483 \$ 389,392 960 (1,713,230) 183 4,766,352 640 39,819 414 4,636,208 487 8,324,929 482 2,125,426 18 (56,428) 484 25,724 961 (3,093,564) 959 183,641 409 311,537 415 264,244 712 2,680 488 41,502 (2,264,236)	Fund # Other Financing Uses June 30, 2001 483 \$ 389,392 \$ 15,489,115 960 (1,713,230) 1,713,400 183 4,766,352 5,582,266 640 39,819 14,179,533 414 4,636,208 2,388,963 487 8,324,929 4,499,886 482 2,125,426 - 18 (56,428) 763,752 484 25,724 1,114,844 961 (3,093,564) 3,093,564 959 183,641 (179,664) 409 311,537 2,191,924 415 264,244 32,502 712 2,680 - 488 41,502 31,112 (2,264,236) 6,284,282	Fund # Other Financing Uses June 30, 2001 483 \$ 389,392 \$ 15,489,115 \$ 960 (1,713,230) 1,713,400 183 4,766,352 5,582,266 640 640 39,819 14,179,533 414 4,636,208 2,388,963 487 8,324,929 4,499,886 482 2,125,426 - - 18 (56,428) 763,752 - - - 484,616,915 -	

COMBINING BALANCE SHEET-SEVERANCE TAX BONDS

SEVERANCE TAX BOND FUNDS June 30, 2002

		Assets								
		Accrued								
	CFAS		Repurchase		Due From		Interest		Total	
	Fund #	A	greements	0	ther Agencies		Receivable		Assets	
			400.007		40.000.000	_			17.011.000	
Severance Tax Bonding	410	\$	408,397	\$	16,636,232	\$	1 410	\$	17,044,629	
1993-B Series-Debt Service	571		8,428,792		-		1,410		8,430,202	
1994-B Series-Debt Service	418		-		-		1,278		1,278	
1995-A Series-Debt Service	963		1,114,037		-		625		1,114,662	
1995-B Series-Debt Service	419		7,128,175		-		2,596		7,130,771	
1996-A Series-Debt Service	392		=		-		2,103		2,103	
1997-A Series-Debt Service	31		-		-		371		371	
1998-A Series-Debt Service	425		11,193,099		-		1,698		11,194,797	
1998-B Series-Debt Service	411		16,257,817		-		4,927		16,262,744	
1999-A Series-Debt Service	184		1,868,996		-		1,318		1,870,314	
1999-B Series-Debt Service	186		7,269,602		_		3,745		7,273,347	
2000 Series-Debt Service	389		11,074,967		-		604,950		11,679,917	
2000-C Series-Debt Service	405		1,810,838		-		781,235		2,592,073	
2001-A Series-Refunding	408		5,790,336		-		878		5,791,214	
2002-A Series-Debt Service	95		7,459,746	_	-	-	1,145,181	_	8,604,927	
Total - Debt Service		·	79,804,802		16,636,232	-	2,552,315	_	98,993,349	
1993-B Series-Rebate	570		1,352,107		_		226		1,352,333	
1994-B Series-Rebate	413		1,302,107		-		220		1,002,000	
1995-A Series-Rebate	964		26,368		-		- 15		26,383	
	420				-		38		105,490	
1995-B Series-Rebate	393		105,452		-		30		100,490	
1996-A Series-Rebate			-		-		-		-	
1997-A Series-Rebate	32		- 01 775		-		-		21 700	
1998-A Series-Rebate	486		31,775		-		5		31,780	
1998-B Series-Rebate	426		3,512,664				1,059		3,513,723	
1999-A Series-Rebate	185		223,304		-		35		223,339	
1999-B Series-Rebate	461		1,165,058		-		600		1,165,658	
2000 Series Rebate	391		1,207,153		=		33,419		1,240,572	
2000-C Series Rebate	406		173,232	_		_	28,540	_	201,772	
Total - Rebate Accounts			7,797,113	_	_	_	63,937		7,861,050	
Combined Total		\$	87,601,915	\$ =	16,636,232	\$ =	2,616,252	\$ =	106,854,399	

	Liabilities	Fund Equity				
Due To Accrued			Unreserved-	Unreserved-		
Severance Tax Arbitrage		Total	Designated for	Designated for		
Permanent Fund	_		Debt Service	Arbitrage		
Å 114 COE		d 111.00	4 10,000,004	A		
\$ 114,625	\$ -	\$ 114,625	\$ 16,930,004 8,430,202	\$ -		
-	-	-	1,278	-		
-	-	-		-		
-	-	-	1,114,662	-		
-	-	-	7,130,771	-		
-	-	-	2,103	-		
	-	=	371	-		
-	-	-	11,194,797	•		
-	-	-	16,262,744	-		
-	-	-	1,870,314	-		
•	~	-	7,273,347	-		
-	-	-	11,679,917	-		
-	-	-	2,592,073	-		
-	-	-	5,791,214	-		
_		-	8,604,927	-		
114,625		114,625	98,878,724			
	202,905	202,905		1,149,428		
	202,900	202,300	-	1,143,420		
_	16,244	16,244	_	10,139		
-	105,153	105,153	-	337		
-	72,894	72,894	-	(72,894)		
-	72,004	72,034	_	(72,034)		
_		_	-	31,780		
		_	<u>-</u>	3,513,723		
-	_	-	-	223,339		
-	-	•	-	1,165,658		
-	~	-	-	1,240,572		
-	-	- -	- -	201,772		
	397,196	397,196	-	7,463,854		

\$ 114,625	\$ 397,196	\$ <u>511,821</u>	\$ 98,878,724	\$ <u>7,463,854</u>		



COMBINING BALANCE SHEET-SEVERANCE TAX BONDS SEVERANCE TAX BOND FUNDS June 30, 2002

					Total Liabilities
	CFAS		Total		and
	Fund #		Fund Equity		Fund Equity
Severance Tax Bonding	410	\$	16,930,004	\$	17,044,629
1993-B Series-Debt Service	571		8,430,202		8,430,202
1994-B Series-Debt Service	418		1,278		1,278
1995-A Series-Debt Service	963		1,114,662		1,114,662
1995-B Series-Debt Service	419		7,130,771		7,130,771
1996-A Series-Debt Service	392		2,103		2,103
1997-A Series-Debt Service	31		371		371
1998-A Series-Debt Service	425		11,194,797		11,194,797
1998-B Series-Debt Service	411		16,262,744		16,262,744
1999-A Series -Debt Servic€	184		1,870,314		1,870,314
1999-B Series-Debt Service	186		7,273,347		7,273,347
2000 Series-Debt Service	389		11,679,917		11,679,917
2000-C Series-Debt Service	405		2,592,073		2,592,073
Series 2001-A Refunding	408		5,791,214		5,791,214
Series 2002-A	95		8,604,927		8,604,927
Total - Debt Service			98,878,724		98,993,349
1993-B Series-Rebate	570		1,149,428		1,352,333
1994-B Series-Rebate	413		1,143,420		1,002,000
1995-A Series-Rebate	964		10,139		26,383
1995-B Series-Rebate	420		337		105,490
1996-A Series-Rebate	393		(72,894)		105,490
1997-A Series-Rebate	32		(72,034)		-
1998-A Series-Rebate	486		31,780		31,780
1998-B Series-Rebate	426		3,513,723		3,513,723
1999-A Series-Rebate	185		223,339		223,339
1999-B Series-Rebate	461		1,165,658		1,165,658
2000 Series Rebate	391		1,240,572		1,240,572
2000-C Series Rebate	406		201,772		201,772
2000-C Selles Repaile	400		201,772		201,772
Total - Rebate Accounts			7,463,854		7,861,050
. Sta. Hobato / Hobballo		•	7,100,004	•	7,001,000
Combined Total		\$	106,342,578	\$	106,854,399

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES SEVERANCE TAX BOND FUNDS June 30, 2002

			Revenues	,	Expenditures				
					Principal and				
	CFAS		Interest		Interest on				Total
	Fund #		Income	L	.ong-Term Debt	. <u> </u>	ther Charges		Expenditures
Severance Tax Bonding	410	\$	4,838,934	\$	139,865,928	\$	890,025	\$	140,755,953
1993-B Series-Debt Service	571		143,175		8,343,400		-		8,343,400
1994-B Series-Debt Service	418		(2,057)		10,044,540		112,202		10,156,742
1995-A Series-Debt Service	963		47,362		1,088,236		_		1,088,236
1995-B Series-Debt Service	419		189,101		6,823,753		-		6,823,753
1996-A Series-Debt Service	392		(4,874)		2,045,051		265,165		2,310,216
1997-A Series-Debt Service	31		1,621		9,377,993		210,022		9,588,015
1998-A Series-Debt Service	425		172,174		1,117,975		-		1,117,975
1998-B Series-Debt Service	411		913,370		15,597,219		-		15,597,219
1999-A Series-Debt Service	184		(330,071)		2,028,327		-		2,028,327
1999-B Series-Debt Service	186		1,285,331		4,872,375		-		4,872,375
2000 Series-Debt Service	389		805,639		10,860,650		-		10,860,650
2000-C Series-Debt Service	405		1,410,613		1,998,492		-		1,998,492
2001-A Series-Refunding	408		33,892		-		-		-
Series 2002-A	95	-	1,216,430				-	-	-
Total - Debt Service		_	10,720,640	_	214,063,939		1,477,414	-	215,541,353
1002 D Carina Bahata	570		26 145				202 205		202.005
1993-B Series-Rebate 1994-B Series-Rebate	413		36,145		-		202,905		202,905
1995-A Series-Rebate	964		5,709		-		92,688		92,688
			5,755		-		(6,903)		(6,903)
1995-B Series-Rebate 1996-A Series-Rebate	420		29,174		-		15,446		15,446
	393		27,036		-		(122,107)		(122,107)
1997-A Series-Rebate	32		6,206		-		-		-
1998-A Series-Rebate	486		722		-		-		-
1998-B Series-Rebate	426		79,390		-		-		-
1999-A Series-Rebate	185		24,571		-		=		-
1999-B Series-Rebate	461		355,041		-		-		-
2000 Series-Rebate	391		58,271		-		-		-
2000-C Series Rebate	406	-	181,404	-	_	-	-		_
Total - Rebate Accounts		_	809,424	_			182,029	_	182,029
Combined Total		\$ _	11,530,064	\$ _	214,063,939	\$ =	1,659,443	\$ _	215,723,382

Other Financing Sources (Uses)

Excess (Deficiency) of						Oital				
• • • • • • • • • • • • • • • • • • • •		C		D1		Capital				
Revenues over		Severance		Bond	Projects			Interfund		Payment to
Expenditures		Taxes	_	Proceeds Reversions			Transfers	<u> </u>	scrow Agent	
\$ (135,917,019)	\$	226,023,966	\$	358,582	\$	3,950,733	\$	(67,947,000)	\$	_
(8,200,225)		-		-		-		8,400,000		-
(10,158,799)		-		-		_		₩		mt .
(1,040,874)		-				-		1,035,000		-
(6,634,652)		-		-		-		6,500,000		-
(2,315,090)		-		-		-		15,000		
(9,586,394)		-		-		-		-		-
(945,801)		-		-		-		11,100,000		-
(14,683,849)		-		-		-		14,000,000		-
(2,358,398)		-		-		-		1,820,000		-
(3,587,044)		-		-		-		4,300,000		-
(10,055,011)		-		-		=		7,500,000		-
(587,879)		-		-		-		1,277,000		-
33,892		-		757,322		-		5,000,000		-
1,216,430	_	-	_	388,497	_	_	_	7,000,000		-
(204,820,713)	_	226,023,966	_	1,504,401	_	3,950,733	. <u>-</u>	-		-
(166,760)		-		-		-		-		_
(86,979)		-		-		-		-		(659,678)
12,658		-		-		-		-		-
13,728		-		-		-		-		-
149,143		-		-		-		-		(86,043)
6,206		-		-		-		-		(152,687)
722		-		-		-		-		
79,390		-		-		-		-		-
24,571		-		-		_		-		-
355,041		-		-		-		-		-
58,271		-		-		PM.		-		-
<u> 181,404</u>	_	_	_	-	_	-	_		-	-
627,395			_	-	_	_	_	-	_	(898,408)
\$ <u>(204,193,318)</u>	\$ _	226,023,966	\$_	1,504,401	\$_	3,950,733	\$_	_	\$_	(898,408)



Schedule 5 (Page 2 of 2)

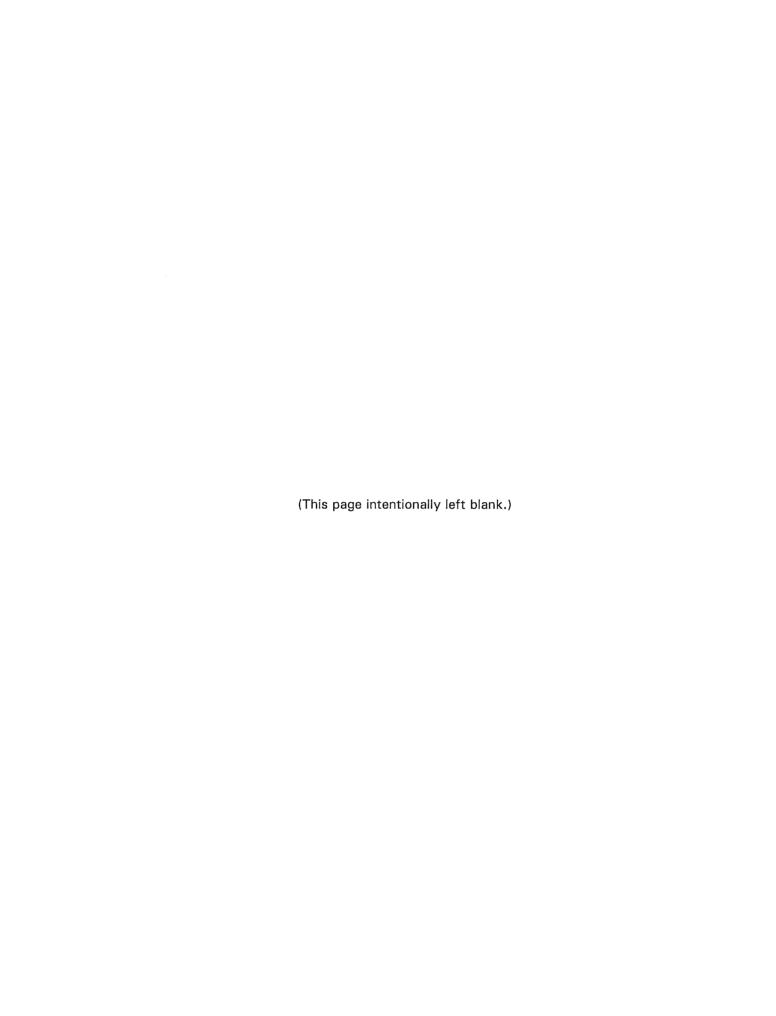
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES SEVERANCE TAX BOND FUNDS June 30, 2002

		Other Financing Sources (Uses)	Excess (Deficiency) of Revenues and Other Financing Sources Over		
		Severance Tax	Expenditures		
	CFAS	Permanent	and Other	Fund Balances	Fund Balances
	Fund #	Fund Reversions	Financing Uses	June 30, 2001	June 30, 2002
Severance Tax Bonding	410	\$ (32,034,750)	\$ (5,565,488)	\$ 22,495,492	\$ 16,930,004
1993-B Series-Debt Service	571	-	199,775	8,230,427	8,430,202
1994-B Series-Debt Service	418	_	(10,158,799)	10,160,077	1,278
1995-A Series-Debt Service	963	-	(5,874)	1,120,536	1,114,662
1995-B Series-Debt Service	419	-	(134,652)	7,265,423	7,130,771
1996-A Series-Debt Service	392	_	(2,300,090)	2,302,193	2,103
1997-A Series-Debt Service	31	-	(9,586,394)	9,586,765	371
1998-A Series-Debt Service	425	-	10,154,199	1,040,598	11,194,797
1998-B Series-Debt Service	411	-	(683,849)	16,946,593	16,262,744
1999-A Series-Debt Service	184	-	(538,398)	2,408,712	1,870,314
1999-B Series-Debt Service	186	-	712,956	6,560,391	7,273,347
2000 Series-Debt Service	389	-	(2,555,011)	14,234,928	11,679,917
2000-C Series-Debt Service	405	-	689,121	1,902,952	2,592,073
Series 2001-A Refunding	408	-	5,791,214	-	5,791,214
Series 2002-A	95		8,604,927	_	8,604,927
Total - Debt Service		(32,034,750)	(5,376,363)	104,255,087	98,878,724
1000 B 0 1 B 1 1	570		44.00 70.01	1 0 1 0 1 0 0	4.40.400
1993-B Series-Rebate	570	-	(166,760)	1,316,188	1,149,428
1994-B Series-Rebate	413	-	(746,657)	746,657	10 100
1995-A Series-Rebate	964	-	12,658	(2,519)	10,139
1995-B Series-Rebate	420	-	13,728	(13,391)	337
1996-A Series-Rebate	393	-	63,100	(135,994)	(72,894)
1997-A Series-Rebate	32 486	-	(146,481)	146,481	21 700
1998-A Series-Rebate		-	722	31,058	31,780
1998-B Series-Rebate 1999-A Series-Rebate	426 185	-	79,390 24,571	3,434,333 198,768	3,513,723 223,339
1999-B Series-Rebate	461	-	355,041	810,617	1,165,658
2000 Series-Rebate	391	-	58,271	1,182,301	1,105,058
2000 Series Rebate	406	- -	181,404	20,368	201,772
2000-C Delles Repate	400		101,404	20,300	201,772
Total - Rebate Accounts		_	(271,013)	7,734,867	7,463,854
Combined Total		\$ (32,034,750)	\$ (5,647,376)	\$ <u>111,989,954</u>	\$ <u>106,342,578</u>

SUMMARY OF LONG-TERM DEBT OBLIGATIONS June 30, 2002

Issue	Date	Date Amount		Interest Rate	Unpaid Balance 6/30/2001		
General Obligation and Revenue Bon	nds						
Capital Projects-Series 1993	3/1/1993	\$	80,500,000	4.75%	\$	25,602,000	
Capital Projects-Series 1997	3/1/1997		64,825,000	4.30-5.50%		46,475,000	
Capital Projects-Series 1999	3/1/1999		80,895,000	4.00-5.00%		73,330,000	
Capital Projects-Series 2001	3/1/2001		62,550,000	4.00-5.00%		62,550,000	
Refunding Series 2001-A	4/1/2001		33,615,000	5.00%		33,615,000	
Enhanced 911 Revenue							
Bonds-Series 2000	8/1/2000		4,545,000	4.35-5.90%		4,545,000	
2001-B Refunding	11/1/2001	-	23,830,000	5.00%	-		
Total General Obligation Bonds		_	350,760,000		_	246,117,000	
Severence Tax Bonds							
Series 1993-B	9/1/1993		75,023,000	4.70%		15,960,000	
Series 1994-B	8/1/1994		92,038,000	4.80-7.60%		9,790,000	
Series 1995-A	4/1/1995		8,062,000	5.20%		2,073,000	
Series 1995-B	11/1/1995		58,340,000	4.50%		32,710,000	
Series 1996-A	6/1/1996		37,237,000	4.50-5.375%		13,020,000	
Series 1997-A Refunding	6/1/1997		62,036,000	4.50-5.50%		9,127,000	
Series 1998-A Refunding	3/1/1998		22,730,000	4.25-5.00%		22,655,000	
Series 1998-B	5/1/1998		136,100,000	4.50-4.75%		113,705,000	
Series 1999-A Supplemental	10/1/1999		12,000,000	4.25-5.50%		10,565,000	
Series 1999-B	6/15/1999		50,668,000	5.00%		46,575,000	
Series 2000	6/1/2000		59,650,000	5.00%		59,650,000	
Series 2000-C Supplemental	7/1/2000		12,000,000	4.50-5.00%		12,000,000	
Series 2001-A Refunding	11/1/2001		115,380,000	1.85-3.60%		-	
Series 2002-A	5/1/2002		67,000,000	4.00-5.00%		-	
Series 2002-A Supplemental	12/1/2001	_	65,000,000	4.00-5.00%			
Total Severence Tax Bonds		_	873,264,000		_	347,830,000	
Total Long-Term Debt		\$_	1,224,024,000		\$_	593,947,000	

	New Bonds		Refunded Debt		Principal Payments		Total Reductions	 Unpaid Balance 6/30/2002
\$	-	\$	-	\$	12,915,000	\$	12,915,000	\$ 12,687,000
	-		25,025,000		6,775,000		31,800,000	14,675,000
	-		-		7,875,000		7,875,000	65,455,000
	-		-		4,770,000		4,770,000	57,780,000
	-		-		7,755,000		7,755,000	25,860,000
	-		-		565,000		565,000	3,980,000
	23,830,000		-					23,830,000
	23,830,000		25,025,000		40,655,000		65,680,000	204,267,000
	-		-		7,780,000		7,780,000	8,180,000
	-		-		9,790,000		9,790,000	
	-		-		1,007,000		1,007,000	1,066,000
	-		20,565,000		5,930,000		26,495,000	6,215,000
	-		11,285,000		1,735,000		13,020,000	-
	-		-		9,127,000		9,127,000	-
	-		-		11 000 000		74 005 000	22,655,000
	-		62,215,000		11,990,000		74,205,000	39,500,000
	-		22 445 200		1,565,000		1,565,000	9,000,000
	-		23,445,000		3,210,000		26,655,000	19,920,000
	-		-		7,925,000		7,925,000	51,725,000
	115,380,000		-		1,330,000		1,330,000	10,670,000
	· ·		-		-		-	115,380,000
_	67,000,000 65,000,000	_	-	_		_		67,000,000 65,000,000
_	247,380,000		117,510,000		61,389,000	_	178,899,000	416,311,000
\$ _	271,210,000	\$	142,535,000	\$	102,044,000	\$ _	244,579,000	\$ 620,578,000



STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER SUMMARY OF LONG-TERM DEBT OBLIGATIONS June 30, 2002

Issue		Interest to Maturity	 Debt Service Requirements
General Obligation and Revenue Bond	ds		
Capital Projects-Series 1993 Capital Projects-Series 1997 Capital Projects-Series 1999 Capital Projects-Series 2001 Refunding Series 2001-A Enhanced 911 Revenue Bonds-Series 2000 2001-B Refunding	\$	301,316 650,375 9,861,150 12,809,725 1,977,750 562,959 4,216,750	\$ 12,988,316 15,325,375 75,316,150 70,589,725 27,837,750 4,542,959 28,046,750
Total General Obligation Bonds	-	30,380,025	234,647,025
Severence Tax Bonds	-	00,000,020	201,047,020
Series 1993-B Series 1994-B Series 1995-A Series 1995-B Series 1996-A Series 1997-A Refunding Series 1998-A Refunding		192,230 - 27,716 139,838 - - - 1,255,688	8,372,230 - 1,093,716 6,354,838 - - - 23,910,688
Series 1998-B Series 1999-A Supplemental Series 1999-B Series 2000 Series 2000-C Supplemental Series 2001-A Refunding Series 2002-A Series 2002-A Supplemental	_	2,857,100 1,161,136 2,055,500 7,017,363 1,587,497 26,992,333 19,922,604 17,286,385	42,357,100 10,161,136 21,975,500 58,742,363 12,257,497 142,372,333 86,922,604 82,286,385
Total Severence Tax Bonds	_	80,495,390	496,806,390
Total Long-Term Debt	\$ _	110,875,415	\$ 731,453,415

SUMMARY OF LONG-TERM DEBT OBLIGATIONS

June 30, 2002

Issue	Year Ending,								
General Obligation Bonds		2003		2004		2005			
Capital Projects-Series 1993	\$	12,988,316	\$	-	\$	-			
Capital Projects-Series 1997		7,634,825		7,690,550		-			
Capital Projects-Series 1999		10,760,100		10,759,725		10,759,625			
Capital Projects-Series 2001		7,699,138		7,722,437		7,716,437			
Refunding Series 2001-A		9,327,000		9,280,625		9,230,125			
Enhanced 911 Revenue									
Bonds-Series 2000		758,387		752,606		755,040			
2001 B Refunding		1,191,500		1,191,500		8,489,375			
Total General Obligation Bonds		50,359,266	_	37,397,443	-	36,950,602			
Severance Tax Bonds									
Series 1993-B		8,372,230		-		-			
Series 1995-A		1,093,716		-		-			
Series 1995-B		6,354,838		-		-			
Series 1998-A Refunding		10,965,475		10,933,350		2,011,863			
Series 1998-B		14,122,250		14,117,338		14,117,512			
Series 1999-A Supplemental		2,029,101		2,029,656		2,034,672			
Series 1999-B		5,690,625		5,133,000		5,586,125			
Series 2000		11,344,150		12,792,675		11,929,038			
Series 2000-C Supplemental		2,010,019		2,028,244		2,042,419			
Series 2001-A Refunding		7,930,583		15,861,000		15,891,750			
Series 2002-A		2,120,417		8,399,125		8,450,725			
Series 2002-A Supplemental		8,717,773		8,549,075	_	8,460,037			
Total Severance Tax Bonds		80,751,177	-	79,843,463	_	70,524,141			
Total Debt Service									
Requirements	\$ <u></u>	131,110,443	\$	117,240,906	\$_	107,474,743			

Year Ending,

	2006	2007	2007 2008-2012	2013	Total
\$	_	\$ -	- \$ -	\$ -	\$ 12,988,316
	-	-		-	15,325,375
	10,758,900	10,757,100	10,757,100 21,520,700	-	75,316,150
	7,769,837	7,821,837	7,821,837 31,860,039	-	70,589,725
	-	-	-	-	27,837,750
	755,662	759,500	759,500 761,764	-	4,542,959
	8,549,000	8,625,375	8,625,375 -	-	28,046,750
_	27,833,399	27,963,812	27,963,812 54,142,503		234,647,025
	_	_		_	8,372,230
	_	_		_	1,093,716
	_	_	_		6,354,838
	-	_		144	23,910,688
	_	_		_	42,357,100
	2,038,394	2,029,313	2,029,313 -	-	10,161,136
	5,565,750	-	· ·	_	21,975,500
	10,896,625	9,729,875	9,729,875 2,050,000	-	58,742,363
	2,051,406	2,060,034	2,060,034 2,065,375	-	12,257,497
	25,618,750	23,562,375	23,562,375 53,507,875	-	142,372,333
	8,481,750	8,505,962	8,505,962 42,493,000	8,471,625	86,922,604
	8,353,625	8,247,750	8,247,750 39,958,125	-	82,286,385
	63,006,300	54,135,309	54,135,309 140,074,375	8,471,625	496,806,390
\$_	90,839,699	\$ <u>82,099,121</u>	82,099,121 \$ 194,216,878	\$ 8,471,625	\$ <u>731,453,415</u>

SCHEDULE OF INVESTMENTS June 30, 2002

Security Description	Interest Rate	Purchase Date	Maturity Date	Book Value
Repurchase Agreements	Various	Various	Various	\$ 2,814,664,082
Fixed Income Governmental Obligations National Mortgage Association Federal National Mortgage Association	4.230%	2/14/2002	2/14/2005	\$\$
Student Loan Marketing Association Student Loan Marketing Association Total Student Loan Marketing Associa	4.610% 4.630% ation	7/25/2001 7/25/2001	7/25/2003 7/25/2003	35,000,000 25,009,500 60,009,500
Federal Home Loan Bank Total Other Federal Agency	5.125% 4.500% 3.500% 4.400% 4.410% 4.580% 4.720% 5.000% 4.590% 4.620%	1/12/2001 5/4/2001 11/26/2001 2/22/2002 4/1/2002 4/1/2002 4/5/2002 5/2/2002 6/3/2002 5/2/2002	1/13/2003 5/15/2003 11/26/2004 2/22/2005 4/1/2005 4/1/2005 4/1/2005 5/2/2005 6/3/2005 5/2/2005	19,917,441 19,952,600 40,000,000 25,000,000 25,000,000 25,000,000 50,000,000 30,000,000 309,870,041
Corporate Obligations Non-Oil Industrials Tyson Foods, Inc. Total Non-Oil Industrials Financial Obligations Lehman Brothers Holdings, Inc.	6.000% 6.125%	1/21/1998	1/15/2003 7/15/2003	5,004,839 5,004,839 10,013,612
Total-All Securities				\$ 404,897,992

	Market Value	_	Unrealized Gain (Loss)
\$	2,814,664,082	\$	-
		•	
\$	20,037,500	\$.	37,500
	35,821,450 25,592,000		821,450 582,500
	61,413,450		1,403,950
	20,332,250 20,400,000 40,137,600 25,062,500 25,000,000 25,000,000 25,007,500 50,094,000 30,150,000 50,078,000 311,261,850		414,809 447,400 137,600 62,500 - 7,500 94,000 150,000 78,000 1,391,809
-	5,099,500 5,099,500 10,299,000	-	94,661 94,661 285,388
- \$	408.111.300	;	3.213.308
v	**************************************	v	0.210.000











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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico, Office of the State Treasurer, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 1, 2002. 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's, 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 2002-2, and 2002-3.

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2002-1.

GARY BENDER, CPA

E. DEAN FRIESEN, CPA, CVA

DAVID M. FRITSCHY, CPA

REESE GATELEY, CPA

R.A. "BOBBI" HAYES, CPA

MARION L. LEDFORD, CPA

S. JOHN MANGANARO, CPA

RAY ROBERTS, CPA, CVA

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition, 2002-1, is a material weakness.

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

Accounting & Consulting Group, LLP Certified Public Accountants

accounting & Consulting Broup, LLP

November 1, 2002 Carlsbad, New Mexico

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2002

A. FINDINGS - FINANCIAL STATEMENT AUDIT

2002-1: 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2002

2002-1: Investment Trust Fund (continued)

The STO has taken the initiative to identify the cost of implementation of such a system.

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.

2002-2: Collateralization of Certificates of Deposit

Condition:

During our examination we determined that one of the State Treasurer's Office's certificates of deposit was undercollateralized by approximately \$46,000.

Criteria:

All cash and investments of New Mexico public agencies should be adequately collateralized.

Effect:

The effect of this condition is a violation of the Public Money Act.

Recommendation:

We recommend the State Treasurer's Office scrutinize all collateral pledged on investments to ensure it complies with the Public Money Act.

Client Response:

The State Treasurer's Office was in the process of converting a manual system to an automated system of the Collateral Division. The Collateral division has converted to the QED Automated System that is capable of pricing down securities and factoring on a daily basis. Due to the volatility of the market, the pledged collateral was .46% (less than 1%) for that particular day (June 30, 2002); however, the appropriate pledged collateral was put in place shortly thereafter. This automated change was completed prior to any finding being initiated.

2002-3: Travel Reimbursement Documentation

Condition:

During our tests of compliance with the State statutes, we determined that 4 out of 10 reimbursements for travel and per diem contained exceptions. We noted one instance where travel reimbursement was made and no underlying documentation was located in the files. We also noted instances where employees were reimbursed incorrect amounts for travel and per diem and one instance where an employee was advanced more than 80% of the total per diem rates and mileage cost.

Criteria:

The State statutes are specific regarding the amounts an agency can reimburse employees for their travel and per diem while on business for the State of New Mexico. Adherence to these statutes is obligatory.

Cause:

The lack of adequate monitoring of the travel reimbursement appears to be the cause of this finding.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2002

Effect:

Incorrect reimbursement payments are occurring due to lack of monitoring. In addition, a lack of monitoring is also apparent when no supporting documentation is located to support amounts reimbursed an employee.

Recommendation:

We suggest the individual responsible for monitoring compliance with state statutes and documentation requirements ensure compliance of all travel and per diem reimbursements.

Client Response:

The State Treasurer's Office was in the process of converting a manual system to an automated system for tracking travel and per diem disbursements. Use of the automated system has helped to alleviate the problems which occurred prior to implementing the system. This automated change was completed prior to any finding being initiated.

B. PRIOR YEAR AUDIT FINDINGS

2001-1: Investment Trust Fund

Unresolved and repeated as Finding 2002-1

2001-2: Payroll

Resolved and not repeated in the current year

2001-3: Expenditures

Resolved and not repeated in the current year

2001-4: General Ledger

Resolved and not repeated in the current year

2001-5: Investment Activity

Resolved and not repeated in the current year

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2002

C. EXIT CONFERENCE

The contents of this report were discussed on December 16, 2002. The following individuals were in attendance.

Office of the State Treasurer

Dolores C. Baca
Jacob Block
Tomasita Gallegos
Ann Marie Gallegos
Dominic Garcia
Gwen Knox
Darlene Lujan
Robert Tedrow
Annabel Vigil

Accounting & Consulting Group, LLP

Ray Roberts, CPA Simon Benson, CPA