



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund, and each fiduciary fund, of the State of New Mexico Office of the State Treasurer (the Office) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, each fiduciary fund, and the aggregate remaining fund information of the Office as of June 30, 2013, and the respective changes in financial position and, respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office's basic financial statements. Schedules 1 – 11 in the Supplementary Information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 1 – 11 in the Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 – 11 in the Supplementary Information section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, or our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 16, 2013



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
STATEMENT OF NET POSITION
June 30, 2013**

	<u>Governmental Activities</u>
ASSETS	
Investment in State General Fund Investment Pool	\$ 218,547
Repurchase agreements (held in State General Fund Investment Pool)	163,448,234
Due from other agencies	78,620,034
Other assets	2,030
Capital assets, net of accumulated depreciation: Equipment	<u>43,838</u>
Total assets	<u>242,332,683</u>
LIABILITIES	
Accounts payable	260,852
Accrued payroll	43,500
Accrued payroll taxes	11,690
Due to State General Fund	123,838
Due to Other State Agencies	85
Compensated absences	<u>110,348</u>
Total liabilities	<u>550,313</u>
NET POSITION	
Invested in capital assets	43,838
Restricted for:	
Debt service	241,839,994
Unrestricted	<u>(101,462)</u>
Total net position	<u>241,782,370</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 242,332,683</u>



STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position Primary Government
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES			
General government	\$ 4,725,076	\$ -	\$ (4,725,076)
Interest on debt service activity	48,562,628	-	(48,562,628)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 53,287,704</u>	<u>\$ -</u>	<u>(53,287,704)</u>
GENERAL REVENUES:			
State property tax levy			49,331,490
UNRESTRICTED INVESTMENT EARNINGS			
BOND ACTIVITY:			
Bond principal payments			(456,702,435)
TRANSFER FROM (TO) STATE AGENCY:			
State general fund appropriations			3,694,600
Reversions to State General Fund FY13			(121,124)
Other state agencies			3,613,052
Interest			7,369,532
Severance taxes			<u>420,048,819</u>
		Total general revenues and transfers	<u>27,233,934</u>
		CHANGE IN NET POSITION	<u>(26,053,770)</u>
		NET POSITION, BEGINNING	265,645,207
		RESTATEMENT	<u>2,190,933</u>
		NET POSITION, BEGINNING, restated	<u>267,836,140</u>
		NET POSITION, ENDING	<u>\$ 241,782,370</u>



Financial Statements

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013**

	Major Funds			Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	
ASSETS				
Investment in State General Fund				
Investment Pool	\$ 218,547	\$ -	\$ -	\$ 218,547
Repurchase agreements (held in State General Fund Investment Pool)	-	18,719,724	144,728,510	163,448,234
Other assets	2,030	-	-	2,030
Due from other Agencies	-	-	78,620,034	78,620,034
Total assets	<u>\$ 220,577</u>	<u>\$ 18,719,724</u>	<u>\$ 223,348,544</u>	<u>\$ 242,288,845</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 32,663	\$ 225,674	\$ 2,515	\$ 260,852
Due to Severance Tax Permanent Fund	-	-	85	85
Due to State General Fund	123,838	-	-	123,838
Accrued payroll	43,500	-	-	43,500
Accrued payroll taxes	11,690	-	-	11,690
Total liabilities	<u>211,691</u>	<u>225,674</u>	<u>2,600</u>	<u>439,965</u>
FUND BALANCES:				
Restricted for:				
Debt service	-	18,494,050	223,345,944	241,839,994
Unrestricted, unassigned	8,886	-	-	8,886
Total fund balances	<u>8,886</u>	<u>18,494,050</u>	<u>223,345,944</u>	<u>241,848,880</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 220,577</u></u>	<u><u>\$ 18,719,724</u></u>	<u><u>\$ 223,348,544</u></u>	<u><u>\$ 242,288,845</u></u>



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)	\$ 241,848,880
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Capital assets total acquisition value	253,779
Total accumulated depreciation	<u>(209,941)</u>
Total capital assets, net	43,838

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

Some liabilities (compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(110,348)</u>
Net position of governmental activities (Statement of Net Position)	<u>\$ 241,782,370</u>



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 Year Ended June 30, 2013**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Obligation Bond Fund</u>	<u>Severance Tax Bond Fund</u>	
REVENUES				
Interest income - debt service	\$ -	\$ 597,161	\$ 6,772,371	\$ 7,369,532
Total revenues	<u>-</u>	<u>597,161</u>	<u>6,772,371</u>	<u>7,369,532</u>
EXPENDITURES				
Current:				
Personnel services and employee benefits	2,785,552	-	-	2,785,552
Operating costs:				
Contractual services	173,509	-	-	173,509
Other administrative expenditures	603,040	-	-	603,040
Debt service:				
Principal and interest on long-term debt	-	76,000,200	149,434,278	225,434,478
Principal and interest on short-term debt	-	-	279,830,585	279,830,585
Other charges	-	562,173	570,155	1,132,328
Capital outlay	11,375	-	-	11,375
Total expenditures	<u>3,573,476</u>	<u>76,562,373</u>	<u>429,835,018</u>	<u>509,970,867</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,573,476)	(75,965,212)	(423,062,647)	(502,601,335)
OTHER FINANCING SOURCES (USES):				
State general fund appropriations	3,572,300	-	-	3,572,300
Special appropriation	122,300	-	-	122,300
Reversions to State General Fund FY13	(121,124)	-	-	(121,124)
Severance taxes	-	-	420,048,819	420,048,819
State property tax levy	-	49,331,490	-	49,331,490
Transfer (to) from other state agency	-	836,354	2,776,698	3,613,052
Total other financing sources (uses)	<u>3,573,476</u>	<u>50,167,844</u>	<u>422,825,517</u>	<u>476,566,837</u>
NET CHANGE IN FUND BALANCES	-	(25,797,368)	(237,130)	(26,034,498)
FUND BALANCES, BEGINNING OF YEAR	8,886	44,291,418	221,392,141	265,692,445
RESTATEMENT	-	-	2,190,933	2,190,933
FUND BALANCES, BEGINNING OF YEAR, restated	<u>8,886</u>	<u>44,291,418</u>	<u>223,583,074</u>	<u>267,883,378</u>
FUND BALANCES, END OF YEAR	<u>\$ 8,886</u>	<u>\$ 18,494,050</u>	<u>\$ 223,345,944</u>	<u>\$ 241,848,880</u>



**STATE OF NEWMEXICO OFFICE OF THE STATE TREASURER
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

Net Change in Fund Balances - Total Governmental Funds

**(Statement of Revenues, Expenditures, and
Changes in Fund Balances)**

\$ (26,034,498) -

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

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

This is the amount by which depreciation expense of \$43,215 exceeded capital outlay expense of \$11,375 in the current period:

(31,840)

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

Decrease in compensated absences

12,568

Change in net position of governmental activities

\$ (26,053,770) -



STATE OF NEWMEXICO OFFICE OF THE STATE TREASURER
 STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENT FUNDS -
 BUDGET AND ACTUAL (Budgetary Basis)
 Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State General Fund appropriation	\$ 3,572,300	\$ 3,572,300	\$ 3,572,300	\$ -
Other	122,300	122,300	122,300	-
Total revenues	3,694,600	3,694,600	3,694,600	-
EXPENDITURES				
Current:				
Personnel services and benefits	3,012,600	2,882,600	2,785,552	97,048
Contractual services	175,500	185,500	173,509	11,991
Operating costs	506,500	626,500	614,415	12,085
Total expenditures	3,694,600	3,694,600	3,573,476	121,124
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,124</u>	<u>\$ 121,124</u>
RECONCILIATION TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE				
Unbudgeted reversions to State General Fund			(121,124)	
NET CHANGE IN FUND BALANCES (GAAP BASIS)			<u>\$ -</u>	



STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
STATEMENT OF FIDUCIARY NET POSITION
 June 30, 2013

	<u>Investment Trust Fund</u>	<u>Agency Fund - Gaming Suspense Fund</u>
ASSETS		
Cash and investments:		
Fiscal Agent Bank Account	\$ 160,648,092	\$ -
Investment in State General Fund		
Investment Pool	-	2,368,665
Cash in banks	259,519,528	-
Certificates of Deposit	59,950,000	-
U.S. Government securities	2,463,519,046	-
Corporate Bonds	16,326,722	-
Municipal Bonds	73,453,986	-
Repurchase agreements	1,085,000,000	-
CMO/REMIC	<u>6,260,990</u>	<u>-</u>
Total cash and investments	4,124,678,364	2,368,665
Securities receivable	194,163,729	-
Other receivables	436,506	-
Accrued interest receivable	<u>10,251,248</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 4,329,529,847</u>	<u>\$ 2,368,665</u>
LIABILITIES		
Due to Broker	159,010,931	-
Other liabilities	28,307	-
Due to State General Fund	<u>-</u>	<u>2,368,665</u>
TOTAL LIABILITIES	<u>159,039,238</u>	<u>2,368,665</u>
NET POSITION - HELD IN TRUST	<u>4,170,490,609</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,329,529,847</u>	<u>\$ 2,368,665</u>



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2013**

	<u>Investment Trust Fund</u>
INVESTMENT INCOME	\$ 7,232,533
EXPENSES	
Management fees	<u>(303,950)</u>
Net investment income	<u>6,928,583</u>
NET PROCEEDS OF DEPOSITS (WITHDRAWALS)	174,521,996
NET POSITION, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2012	<u>3,989,040,030</u>
NET POSITION, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2013	<u>\$ 4,170,490,609</u>