



# Independent Auditors' Report and State Treasurer's Financial Statements

The 2014 audit of the State Treasurer's financial statements has been performed this year by the independent accounting firm of CliftonLarsonAllen, LLP with approval by the New Mexico State Auditor's Office.

Included in this section of the State Treasurer's 2014 Annual Report for the fiscal year ended June 30, 2014, are the Independent Auditors' Report and State Treasurer's Financial Statements.

The Management's Discussion and Analysis, Notes to Financial Statements, Schedules and Supplementary Information are included in the *State of New Mexico, Office of the State Treasurer, Financial Statements for the Year Ended June 30, 2014, and Independent Auditors' Report*, and are available for review on the State Treasurer's Web site at [www.nmsto.gov](http://www.nmsto.gov).



### 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, 2014, 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.



## FINANCIAL STATEMENTS

### **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, 2014, 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, 2014

# FINANCIAL STATEMENTS



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**STATEMENT OF NET POSITION**  
 June 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	\$ 233,473
Repurchase agreements (held in State General Fund Investment Pool)	47,211,437
Due from other agencies	179,091,818
Other assets	4,359
Capital assets, net of accumulated depreciation:	
Equipment	<u>32,542</u>
Total assets	<u>226,573,629</u>
<b>LIABILITIES</b>	
Accounts payable	398,951
Accrued payroll	52,528
Accrued payroll taxes	13,522
Due to State General Fund	59,828
Due to Other State Agencies	4,980,366
Compensated absences	<u>121,634</u>
Total liabilities	<u>5,626,829</u>
<b>NET POSITION</b>	
Investment in capital assets	32,542
Restricted for:	
Debt service	221,027,008
Unrestricted	<u>(112,750)</u>
Total net position	<u>220,946,800</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 226,573,629</u>



# FINANCIAL STATEMENTS

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014**

Functions/Programs	Expenses	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position  Primary Government
<b>PRIMARY GOVERNMENT</b>			
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	\$ 4,949,336	\$ 3,257	\$ (4,946,079)
Interest on debt service activity	<u>64,574,847</u>	<u>-</u>	<u>(64,574,847)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 69,524,183</u></b>	<b><u>\$ 3,257</u></b>	<b><u>(69,520,926)</u></b>
<b>GENERAL REVENUES:</b>			
State property tax levy			74,591,667
<b>BOND ACTIVITY:</b>			
Bond proceeds			350,000
Bond principal payments			(551,643,767)
<b>TRANSFER FROM (TO) STATE AGENCY:</b>			
State general fund appropriations			3,831,100
Reversions to State General Fund FY14			(63,448)
Other Interfund			-
Other state agencies			(115,654,197)
Interest			6,535,757
Severance taxes			<u>569,569,009</u>
		Total general revenues and transfers	<u>(12,483,879)</u>
		<b>CHANGE IN NET POSITION</b>	<u>(82,004,805)</u>
		<b>NET POSITION, BEGINNING</b>	241,780,324
		<b>RESTATEMENT</b>	<u>61,171,281</u>
		<b>NET POSITION, BEGINNING</b>	<u>302,951,605</u>
		<b>NET POSITION, ENDING</b>	<b><u>\$ 220,946,800</u></b>

# FINANCIAL STATEMENTS



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2014**

	Major Funds			Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	
<b>ASSETS</b>				
Investment in State General Fund Investment Pool	\$ 233,473	\$ -	\$ -	\$ 233,473
Repurchase agreements (held in State General Fund Investment Pool)	-	27,907,794	19,303,643	47,211,437
Other assets	4,359	-	-	4,359
Due from other Agencies	-	15,522,114	163,569,704	179,091,818
Total assets	<u>\$ 237,832</u>	<u>\$ 43,429,908</u>	<u>\$ 182,873,347</u>	<u>\$ 226,541,087</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 103,070	\$ -	\$ 295,881	\$ 398,951
Due to Severance Tax Permanent Fund	-	-	4,980,366	4,980,366
Due to State General Fund	59,828	-	-	59,828
Accrued payroll	52,528	-	-	52,528
Accrued payroll taxes	13,522	-	-	13,522
Total liabilities	<u>228,948</u>	<u>-</u>	<u>5,276,247</u>	<u>5,505,195</u>
<b>FUND BALANCES:</b>				
Restricted for:				
Debt service	-	43,429,908	177,597,100	221,027,008
Unassigned	8,884	-	-	8,884
Total fund balances	<u>8,884</u>	<u>43,429,908</u>	<u>177,597,100</u>	<u>221,035,892</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 237,832</u>	<u>\$ 43,429,908</u>	<u>\$ 182,873,347</u>	<u>\$ 226,541,087</u>



# FINANCIAL STATEMENTS

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2014

Total Fund Balance - Governmental Funds  
(Balance Sheet - Governmental Funds) \$ 221,035,892

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 263,731  
Total accumulated depreciation (231,189)

Total capital assets, net 32,542

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. (121,634)

Net position of governmental activities (Statement of Net Position) \$ 220,946,800



# FINANCIAL STATEMENTS



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2014**

	Major Funds			Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	
<b>REVENUES</b>				
Interest income - debt service	\$ -	\$ 690,136	\$ 5,845,621	\$ 6,535,758
Federal Funds	3,257	-	-	3,257
<b>Total revenues</b>	<b>3,257</b>	<b>690,136</b>	<b>5,845,621</b>	<b>6,539,014</b>
<b>EXPENDITURES</b>				
Current:				
Personnel services and employee benefits	2,951,639	-	-	2,951,639
Operating costs:				
Contractual services	219,107	-	-	219,107
Other administrative expenditures	588,167	-	-	588,167
Debt service:				
Principal and interest on long-term debt	-	75,429,853	280,063,923	355,493,776
Principal and interest on short-term debt	-	-	260,724,838	260,724,838
Other charges	-	6,182	1,151,707	1,157,889
Capital outlay	9,952	-	-	9,952
<b>Total expenditures</b>	<b>3,768,865</b>	<b>75,436,035</b>	<b>541,940,468</b>	<b>621,145,368</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,765,608)</b>	<b>(74,745,899)</b>	<b>(536,094,847)</b>	<b>(614,606,354)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
State general fund appropriations	3,684,500	-	-	3,684,500
Special appropriation	146,600	-	-	146,600
Reversions to State General Fund FY13	(63,448)	-	-	(63,448)
Severance taxes	-	-	569,569,009	569,569,009
State property tax levy	-	74,591,667	-	74,591,667
Bond proceeds	-	350,000	-	350,000
Transfer (to) from other state agency	-	1,263,775	(116,917,972)	(115,654,197)
<b>Total other financing sources (uses)</b>	<b>3,787,652</b>	<b>76,205,442</b>	<b>452,651,037</b>	<b>532,624,131</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,044</b>	<b>1,459,543</b>	<b>(83,443,810)</b>	<b>(81,982,223)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>6,840</b>	<b>18,494,050</b>	<b>223,345,944</b>	<b>241,846,834</b>
<b>RESTATEMENT</b>	<b>-</b>	<b>23,476,315</b>	<b>37,694,966</b>	<b>61,171,281</b>
<b>FUND BALANCES, BEGINNING OF YEAR, restated</b>	<b>6,840</b>	<b>41,970,365</b>	<b>261,040,910</b>	<b>303,018,115</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 8,884</b>	<b>\$ 43,429,908</b>	<b>\$ 177,597,100</b>	<b>\$ 221,035,892</b>





# FINANCIAL STATEMENTS

STATE OF NEW MEXICO 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, 2014

Net Change in Fund Balances - Total Governmental Funds  
(Statement of Revenues, Expenditures, and  
Changes in Fund Balances) \$(81,982,223)

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 \$21,248  
exceeded capital outlay expense of \$9,952 in the current period: (11,296)

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

Increase in compensated absences (11,286)

Change in net position of governmental activities \$(82,004,805)

# FINANCIAL STATEMENTS



STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENT FUNDS -  
 BUDGET AND ACTUAL (Budgetary Basis)  
 Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State General Fund appropriation	\$ 3,684,500	\$ 3,684,500	\$ 3,684,500	\$ -
Federal grants	4,000	4,000	3,257	(743)
Other	146,600	146,600	146,600	-
Total revenues	3,835,100	3,835,100	3,834,357	(743)
<b>EXPENDITURES</b>				
Current:				
Personnel services and benefits	3,129,200	2,984,200	2,951,639	32,561
Contractual services	180,000	225,000	219,107	5,893
Operating costs	506,500	606,500	598,119	8,381
Total expenditures	3,815,700	3,815,700	3,768,865	46,835
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>65,492</b>	<b>\$ 46,092</b>
<b>RECONCILIATION TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE</b>				
Unbudgeted reversions to State General Fund			(63,448)	
<b>NET CHANGE IN FUND BALANCES (GAAP BASIS)</b>			<b>\$ 2,044</b>	



STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2014

	<u>Investment Trust Fund</u>	<u>Agency Fund - Gaming Suspense Fund</u>
<b>ASSETS</b>		
Cash and investments:		
Fiscal Agent Bank Account	\$ 177,579,035	\$ -
Cash in banks	379,916,113	-
Certificates of Deposit	89,700,000	-
U.S. Government securities	2,858,505,373	-
Municipal Bonds	89,788,382	-
Repurchase agreements	<u>844,000,000</u>	<u>-</u>
Total cash and investments	4,439,488,904	-
Securities receivable	182,339	-
Other receivables		-
Accrued interest receivable	<u>10,073,228</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,449,744,471</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Due to Broker	\$ 45,148,139	\$ -
Other liabilities	<u>28,307</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>45,176,446</u>	<u>\$ -</u>
<b>NET POSITION - HELD IN TRUST</b>	<u>4,404,568,025</u>	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 4,449,744,471</u>	



STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
Year Ended June 30, 2014

	<u>Investment Trust Fund</u>
<b>ADDITIONS:</b>	
Investment Income	\$ 26,658,045
Deposits	28,199,279,213
<b>DEDUCTIONS:</b>	
Management fees	(295,680)
Withdrawals	<u>(27,991,564,162)</u>
Subtotal of Change in Net Position	234,077,416
<b>NET POSITION, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2013</b>	<u>4,170,490,609</u>
<b>NET POSITION, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2014</b>	<u>\$ 4,404,568,025</u>