

HISTORY OF THE STATE TREASURER'S OFFICE

INDEPENDENT AUDITORS' REPORT

Honorable Susana Martinez, Governor
State Board of Finance
Honorable Tim Eichenberg, State Treasurer
Honorable Timothy Keller, State Auditor
State of New Mexico Office of the State Treasurer
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, 2015, 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 opinions.

HISTORY OF THE STATE TREASURER'S OFFICE

Opinions

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, 2015, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the State of New Mexico Office of the State Treasurer are intended to present the financial position, the changes in financial position, of only that portion of the governmental activities, and each major fund of the Office that is attributable to the transactions of the Office. They do not purport to, and do not present fairly the financial position of State of New Mexico as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 13 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 – 13 in the Supplementary Information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

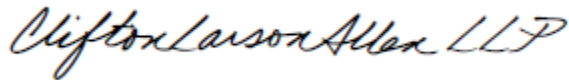
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Schedules 1 – 13 in the Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 – 13 in the Supplementary Information section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The vendor schedule, required by 2.2.2.10(A)(2)(g) NMAC, and schedule of arbitrage on tax exempt bonds have not been subjected to the auditing procedures applied in the audit of the basic and combining and individual fund financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015 on 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.

A handwritten signature in blue ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 25, 2015

HISTORY OF THE STATE TREASURER'S OFFICE

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF NET POSITION JUNE 30, 2015

	Governmental Activities
ASSETS	
Investment in State General Fund Investment Pool	\$ 303,060
Repurchase Agreements (Held in State General Fund Investment Pool)	183,716,192
Due from Other Agencies	112,239,369
Bond Interest Receivable	660,636
Other Assets	3,451
Capital Assets, Net of Accumulated Depreciation:	
Equipment	17,539
Total Assets	<u>\$ 296,940,247</u>
LIABILITIES	
Accounts Payable	195,152
Accrued Payroll	58,954
Other Liabilities	136,829,045
Accrued Payroll Taxes	15,410
Due to State General Fund	144,427
Compensated Absences	97,791
Total Liabilities	<u>137,340,779</u>
NET POSITION	
Investment in Capital Assets	
Restricted for:	17,539
Debt Service	159,670,836
Unrestricted	(88,907)
Total Net Position	<u>159,599,468</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 296,940,247</u>

HISTORY OF THE STATE TREASURER'S OFFICE

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF NET ACTIVITIES YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position Primary Government
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES			
General Government	\$ 4,482,917	\$ -	\$ (4,482,917)
Interest on Debt Service Activity	48,243,902	-	(48,243,902)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 52,726,819	\$ -	(52,726,819)
GENERAL REVENUES:			
State Property Tax Levy			78,006,684
Severance Taxes			426,330,559
BOND ACTIVITY:			
Bond Proceeds			403,649
Bond Principal Payments			(524,987,150)
TRANSFER FROM (TO) STATE AGENCY:			
State General Fund Appropriations			3,729,300
Special Appropriations			178,100
Reversions to State General Fund FY15			(180,681)
Other State Agencies			1,347,785
Interest			6,517,825
Federal Funds			33,416
Total General Revenues and Transfers			(8,620,513)
CHANGE IN NET POSITION			(61,347,332)
Net Position - Beginning			220,946,800
NET POSITION - ENDING			\$ 159,599,468

HISTORY OF THE STATE TREASURER'S OFFICE

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2015

	18200	Major Funds		Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	
ASSETS				
Investment in State General Fund Investment Pool	\$ 303,060	\$ -	\$ -	\$ 303,060
Repurchase Agreements (Held in State General Fund Investment Pool)	-	31,513,960	152,202,232	183,716,192
Other Assets	3,451	-	-	3,451
Bond Interest Receivable	-	160,825	499,811	660,636
Due from Other Agencies	-	15,447,556	96,791,813	112,239,369
Total Assets	\$ 306,511	\$ 47,122,341	\$ 249,493,856	\$ 296,922,708
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ 78,836	\$ -	\$ 116,316	\$ 195,152
Other Liabilities	-	-	136,829,045	136,829,045
Due to State General Fund	144,427	-	-	144,427
Accrued Payroll	58,954	-	-	58,954
Accrued Payroll Taxes	15,410	-	-	15,410
Total Liabilities	297,627	-	136,945,361	137,242,988
FUND BALANCES:				
Restricted for:				
Debt Service	-	47,122,341	112,548,495	159,670,836
Unassigned	8,884	-	-	8,884
Total Fund Balances	8,884	47,122,341	112,548,495	159,679,720
TOTAL LIABILITIES AND FUND BALANCES	\$ 306,511	\$ 47,122,341	\$ 249,493,856	\$ 296,922,708

HISTORY OF THE STATE TREASURER'S OFFICE

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2015

Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)	\$ 159,679,720
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	<u>(246,192)</u>
Total Capital Assets, Net	17,539
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>(97,791)</u>
Net Position of Governmental Activities (Statement of Net Position)	<u><u>\$ 159,599,468</u></u>

HISTORY OF THE STATE TREASURER'S OFFICE

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	
REVENUES				
Interest Income - Debt Service	\$ -	\$ 995,011	\$ 5,552,933	\$ 6,547,945
Federal Funds	3,297	-	-	3,297
Severance Taxes	-	-	426,330,559	426,330,559
State Property Tax Levy	-	78,006,684	-	78,006,684
Total Revenues	<u>3,297</u>	<u>79,001,695</u>	<u>431,883,492</u>	<u>510,888,484</u>
EXPENDITURES				
Current:				
Personnel Services and Employee Benefits	2,836,603	-	-	2,836,603
Operating Costs:				
Contractual Services	299,794	-	-	299,794
Other Administrative Expenditures	593,619	-	-	593,619
Debt Service:				
Principal and Interest on Long-Term Debt	-	75,411,248	155,130,531	230,541,779
Principal and Interest on Short-Term Debt	-	-	342,689,273	342,689,273
Other Charges	-	301,663	460,078	761,741
Total Expenditures	<u>3,730,016</u>	<u>75,712,911</u>	<u>498,279,882</u>	<u>577,722,809</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,726,719)	3,288,784	(66,396,390)	(66,834,325)
OTHER FINANCING SOURCES (USES):				
State General Fund Appropriations	3,729,300	-	-	3,729,300
Special Appropriation	178,100	-	-	178,100
Reversions to State General Fund FY13	(180,681)	-	-	(180,681)
Bond Proceeds	-	403,649	-	403,649
Transfer (to) from Other State Agency	-	-	1,347,785	1,347,785
Total Other Financing Sources (Uses)	<u>3,726,719</u>	<u>403,649</u>	<u>1,347,785</u>	<u>5,478,153</u>
NET CHANGE IN FUND BALANCES	-	3,692,433	(65,048,605)	(61,356,172)
Fund Balances - Beginning of Year	<u>8,884</u>	<u>43,429,908</u>	<u>177,597,100</u>	<u>221,035,892</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,884</u>	<u>\$ 47,122,341</u>	<u>\$ 112,548,495</u>	<u>\$ 159,679,720</u>

HISTORY OF THE STATE TREASURER'S OFFICE

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, 2015

Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (61,356,172)
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 \$15,003 exceeded capital outlay expense of \$0 in the current period:	(15,003)
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	<u>23,843</u>
Change in Net Position of Governmental Activities	<u>\$ (61,347,332)</u>

HISTORY OF THE STATE TREASURER'S OFFICE

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND - BUDGET AND ACTUAL (Budgetary Basis) YEAR ENDED JUNE 30, 2015

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State General Fund Appropriation	\$ 3,729,300	\$ 3,729,300	\$ 3,729,300	\$ -
Federal Grants	4,000	4,000	3,297	(703)
Other	178,100	178,100	178,100	-
Total Revenues	3,911,400	3,911,400	3,910,697	(703)
EXPENDITURES				
Current:				
Personnel Services and Benefits	3,007,447	2,862,447	2,836,603	25,844
Contractual Services	312,053	357,053	299,794	57,259
Operating Costs	591,900	691,900	593,619	98,281
Total Expenditures	3,911,400	3,911,400	3,730,016	181,384
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	180,681	\$ 180,681
RECONCILIATION TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE				
Unbudgeted Reversions to State General Fund			(180,681)	
NET CHANGE IN FUND BALANCES (GAAP BASIS)			\$ -	

HISTORY OF THE STATE TREASURER'S OFFICE

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2015

	Investment Trust Fund	Agency Fund - Gaming Suspense Fund
ASSETS		
Cash and Investments:		
Fiscal Agent Bank Account	\$ 85,318,980	\$ -
Cash in Banks	493,691,193	-
Certificates of Deposit	77,950,178	-
U.S. Government Securities	3,028,345,064	-
Municipal Bonds	64,129,385	-
Repurchase Agreements	606,000,000	-
Discounted Notes	41,641,606	-
Total Cash and Investments	4,397,076,406	-
Securities Receivable	18,958	-
Other Receivables	-	17,157,050
Accrued Interest Receivable	11,482,148	-
TOTAL ASSETS	\$ 4,408,577,512	\$ 17,157,050
LIABILITIES		
Due to Broker	\$ 16,592,613	\$ -
Other Liabilities	28,307	-
Due To State General Fund	-	17,157,050
Total Liabilities	16,620,920	\$ 17,157,050
NET POSITION - HELD IN TRUST	4,391,956,592	
TOTAL LIABILITIES AND NET POSITION	\$ 4,408,577,512	