

STATE OF NEW MEXICO

**OFFICE OF THE STATE ENGINEER/
INTERSTATE STREAM COMMISSION**

**AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2010

HINKLE & LANDERS, P. C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
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OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
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**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
OFFICIAL ROSTER
AS OF JUNE 30, 2010**

OFFICE OF THE STATE ENGINEER

<u>Name</u>	<u>Title</u>
John R. D'Antonio, Jr., P.E.	State Engineer
John Romero	Director, Water Resources Allocation Program
Estevan Lopez	Director, Interstate Stream Compact Compliance Program
D.L. Sanders	Director, Litigation & Adjudication Program
Curtis Eckhart	Acting Director, Program Support Chief, Budget Bureau

INTERSTATE STREAM COMMISSION

Jim Dunlap	Chairman, Farmington
J. Phelps White III	Vice-Chair, Roswell
John R. D'Antonio, Jr., P.E.	Secretary, Santa Fe
Mark Sanchez	Member, Albuquerque
Blane Sanchez	Member, Bosque Farms
Buford Harris	Member, Mesilla
Patricio Garcia	Member, Espanola
Julia Davis Stafford	Member, Cimarron
James Wilcox	Member, Carlsbad

ADMINISTRATION

Curtis Eckhart	Acting Director, Program Support Chief, Budget Bureau
Monica Trujillo	Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas,
State Auditor,
and
Mr. Jim Dunlap, Chairman
John R. D'Antonio, Jr., P.E., State Engineer
Office of the State Engineer/Interstate Stream Commission
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 Office of the State Engineer/Interstate Stream Commission (Agency) as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents. We also have audited the financial statements of each of the Agency's nonmajor governmental funds, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. 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 with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the Agency are intended to present the financial position and changes in financial position of only that portion of the governmental activities, major funds and aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Agency. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Agency as of June 30, 2010, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, and fiduciary fund of the Agency as of June 30, 2010, and the respective changes in financial position, and the budgetary comparisons for the Capital Projects Fund and the Multi-Year Appropriation Fund, and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2010, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Agency has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and the budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "supplementary information" in the Table of Contents, including the Schedule of Changes in Assets and Liabilities – Agency Funds, the Schedule of Performance Data, the Schedule of Joint Powers Agreements, Memoranda of Understanding and Other Governmental Agreements, and the Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The image shows a handwritten signature in black ink that reads "Hinkle & Landers, P.C.". The signature is written in a cursive, flowing style.

Hinkle & Landers, P.C.
December 14, 2010

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
(GOVERNMENT-WIDE)
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 125
State General Fund Investment Pool	24,290,884
Prepaid expenses	479
Receivables, net of allowance	1,410,190
Due from other state agencies	2,230,823
Due from federal government	569,162
Escrow deposits	21,929
Investments	14,809,632
Total current assets	43,333,224
Noncurrent assets	
Loans receivable, net of allowance	2,447,809
Capital assets, net of depreciation	104,244,758
Total assets	\$ 150,025,789
LIABILITIES	
Current liabilities	
Accounts payable	\$ 4,147,755
Accrued salaries and benefits payable	1,149,578
Due to other state agencies	29,548
Compensated absences:	
Expected to be paid within one year	1,015,222
Due to state General Fund	3,014,266
Total liabilities	9,356,369
NET ASSETS	
Restricted for:	
Expenditure in future years	4,794,289
Ute Dam operating/construction	581,322
Loans	2,463,390
Investigation and construction of water conservation projects	23,025,121
Improvement and increase of surface flow of Rio Grande River	5,996,677
Pecos River Basin land management	579,085
Unrestricted	(1,015,222)
Invested in capital assets	104,244,758
Total net assets	140,669,420
Total liabilities and net assets	\$ 150,025,789

See independent auditors' report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
(GOVERNMENT-WIDE)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Governmental Activities</u>
Expenses	
Agriculture, Energy and Natural Resources	
Current:	
Personal services and employee benefits	\$ 23,508,778
Contractual services	10,973,723
Other	10,550,775
Depreciation expense	<u>1,130,879</u>
Total expenses	<u>46,164,155</u>
Program revenues	
Charges for services	41,397
Operating grants and contributions	14,599,645
Capital grants and contributions	<u>1,060,932</u>
Total program revenues	<u>15,701,974</u>
Net program expense	<u>(30,462,181)</u>
General revenues	
General Fund appropriation	22,141,500
Gain (Loss) on disposal of assets, net	<u>(15,787)</u>
Total general revenues	<u>22,125,713</u>
Other financing sources (uses)	
Transfers in (out):	
General obligation bond appropriations	264,804
Severance tax bond appropriations	3,940,362
Interagency transfers in	4,963,515
Reversion to the State General Fund	(10,258,350)
Interagency transfers out	<u>(3,560,929)</u>
Total other financing sources (uses)	<u>(4,650,598)</u>
Change in net assets	(12,987,066)
Net assets, beginning, as originally reported	154,691,977
Restatement to capital assets	<u>(1,035,491)</u>
Net assets, beginning, as restated	<u>153,656,486</u>
Net assets, ending	<u>\$ 140,669,420</u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2010

	Major Funds						Total Governmental Funds
	214 General Fund	326 Irrigation Works Fund	328 Improvement of the Rio Grande Fund	864 Multi-Year Appropriations Fund	267 Capital Projects Fund	Other Funds	
ASSETS							
Cash	\$ 125	-	-	-	-	-	125
State General Fund Investment Pool	3,587,056	9,732,997	5,016,817	2,535,051	2,182,056	1,236,908	24,290,884
Prepaid expenses	479	-	-	-	-	-	479
Receivables, net of allowance	165,748	1,228,861	-	-	-	-	1,394,609
Due from other funds	2,118,016	4,000	-	34,175	345,259	-	2,501,451
Due from other state agencies	80,576	506,586	120,628	-	1,523,033	-	2,230,823
Due from federal sources	241,740	-	-	-	327,422	-	569,162
Escrow deposits	-	-	-	-	21,929	-	21,929
Investments	-	13,716,199	1,093,433	-	-	-	14,809,632
Loan receivables, net of allowance	-	2,463,390	-	-	-	-	2,463,390
Total assets	<u>\$ 6,193,740</u>	<u>27,652,033</u>	<u>6,230,878</u>	<u>2,569,227</u>	<u>4,399,699</u>	<u>1,236,908</u>	<u>48,282,485</u>
LIABILITIES							
Accounts payable	\$ 1,758,948	-	-	101,548	2,257,731	29,526	4,147,753
Accrued payroll	537,087	-	-	3,726	-	-	540,813
Payroll related liabilities	605,356	-	-	3,409	-	-	608,765
Due to other funds	53,521	2,163,522	234,201	3,233	-	46,975	2,501,451
Due to other state agencies	29,548	-	-	-	-	-	29,548
Due to State General Fund	2,800,189	-	-	2,226	211,851	-	3,014,266
Total liabilities	<u>5,784,650</u>	<u>2,163,522</u>	<u>234,201</u>	<u>114,142</u>	<u>2,469,582</u>	<u>76,501</u>	<u>10,842,598</u>
FUND BALANCE							
Reserved for:							
Loans receivable	-	2,463,390	-	-	-	-	2,463,390
Subsequent year expenditure	408,485	-	-	2,455,085	1,908,189	-	4,771,759
Petty cash	125	-	-	-	-	-	125
Prepaid expenses & escrow deposits	479	-	-	-	21,929	-	22,408
Unreserved/undesignated reported in:							
Special revenue fund	-	23,025,121	5,996,677	-	-	1,160,407	30,182,205
Capital projects fund	-	-	-	-	-	-	-
Total fund balance	<u>409,089</u>	<u>25,488,511</u>	<u>5,996,677</u>	<u>2,455,085</u>	<u>1,930,118</u>	<u>1,160,407</u>	<u>37,439,887</u>
Total liabilities and fund balance	<u>\$ 6,193,740</u>	<u>27,652,033</u>	<u>6,230,878</u>	<u>2,569,227</u>	<u>4,399,699</u>	<u>1,236,908</u>	<u>48,282,485</u>

See independent auditors' report

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION

**Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets
As of June 30, 2010**

Total fund balance - Governmental funds	\$ 37,439,887
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	104,244,758
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences payable	(1,015,222)
Rounding	<u>(3)</u>
Net assets of governmental activities	\$ <u><u>140,669,420</u></u>

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Major Funds						Total Governmental Funds
	214 General Fund	326 Irrigation Works Construction Fund	328 Improvement of the Rio Grande Fund	864 Multi-Year Appropriations Fund	267 Capital Projects Fund	Other Funds	
Revenues							
Federal funds	\$ 339,371	-	-	-	1,060,932	-	1,400,303
Charges for services	-	-	-	-	-	41,397	41,397
Investment earnings (loss)	-	7,867,945	1,603,909	-	-	-	9,471,854
Interest on loans	-	57,034	-	-	-	-	57,034
Miscellaneous revenue	1,082,532	2,467,055	796,226	-	322,964	62,611	4,731,388
Total revenues	1,421,903	10,392,034	2,400,135	-	1,383,896	104,008	15,701,976
Expenditures							
Agriculture, Energy and Natural Resources							
Current:							
Personal services and benefits	23,252,728	-	-	275,222	-	-	23,527,950
Contractual services	7,808,435	-	-	493,795	4,057,684	73,073	12,432,987
Other costs	4,917,634	-	-	191,372	5,384,323	50,983	10,544,312
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:	302,539	-	-	8,897	1,382,798	27,378	1,721,612
Total expenditures	36,281,336	-	-	969,286	10,824,805	151,434	48,226,861
Excess (deficiency) of revenue over expenditures	(34,859,433)	10,392,034	2,400,135	(969,286)	(9,440,909)	(47,426)	(32,524,885)
Other financing sources (uses)							
Sale of land	-	-	-	-	-	632,306	632,306
Transfers in (out):							
General obligation bond proceeds	-	-	-	-	264,804	-	264,804
Severance tax bond proceeds	-	-	-	-	3,940,362	-	3,940,362
State General Fund appropriations FY10	22,141,500	-	-	-	-	-	22,141,500
Interfund transfers in	10,222,365	-	4,536	-	67,723	-	10,294,625
Interagency transfers in	3,756,938	25	-	877,948	328,604	-	4,963,515
Interfund transfers (out)	-	(9,709,210)	(540,940)	-	-	(44,475)	(10,294,625)
Interagency transfers (out)	-	-	-	(851,367)	(2,709,562)	-	(3,560,929)
Reversions	(1,830,478)	-	-	(2,226)	(8,425,646)	-	(10,258,350)
Total other financing sources (uses):	34,290,325	(9,709,185)	(536,404)	24,355	(6,533,715)	587,831	18,123,207
Net change in fund balance	(569,108)	682,849	1,863,731	(944,931)	(15,974,624)	540,405	(14,401,678)
Fund balance, beginning, as originally reported	978,197	24,805,662	4,132,946	3,400,016	17,904,742	620,002	51,841,565
Restatement	-	-	-	-	-	-	-
Fund balance, beginning, as restated	978,197	24,805,662	4,132,946	3,400,016	17,904,742	620,002	51,841,565
Fund balance, ending	\$ 409,089	25,488,511	5,996,677	2,455,085	1,930,118	1,160,407	37,439,887

See independent auditors' report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances (deficit) - total governmental funds	\$	(14,401,678)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay and professional service expenditures (additions) which were capitalized	3,174,413	
Depreciation	<u>(1,130,879)</u>	2,043,534

In the Statement of Activities, only the gain on the sale of land is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of land sold.

Land sales		(632,306)
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Some items reported in the Statement of Activities are not sources or uses of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds.

These activities consist of:

Decrease in compensated absences	19,172	
Loss on disposal of assets	<u>(15,787)</u>	<u>3,384</u>

Change in net assets of governmental activities	\$	<u><u>(12,987,066)</u></u>
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STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION

GENERAL FUND (214) - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (Non-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Miscellaneous revenue	\$ 674,300	817,300	1,082,532	265,232
Federal funds	517,300	1,149,217	339,371	(809,846)
Fund balance budgeted	195,944	969,574	-	(969,574)
Total revenues	1,387,544	2,936,091	1,421,903	(1,514,188)
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	23,900,200	23,990,585	23,252,728	737,857
Contractual services	9,435,044	10,521,989	7,808,435	2,713,554
Other	6,455,900	7,233,117	5,240,323	1,992,794
Total expenditures	39,791,144	41,745,691	36,301,486	5,444,205
Excess (deficiency) of revenues over expenditures	(38,403,600)	(38,809,600)	(34,879,583)	3,930,017
Other financing sources (uses)				
General appropriations	22,141,500	22,141,500	22,141,500	-
Operating transfers in	16,262,100	16,668,100	13,979,303	(2,688,797)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	38,403,600	38,809,600	36,120,803	(2,688,797)
Reversion	-	-	(1,830,478)	(1,830,478)
Change in fund balance	-	-	(589,258)	(589,258)
Fund balance, beginning of year	978,197	978,197	978,197	-
Fund balance, end of year	\$ 978,197	978,197	388,939	(589,258)

Reconciliation of Budgetary Basis to Fund Financial Statement

Total Budget Basis Expenditures - fiscal year 2010	\$ 36,301,486
Adjustments:	
Amounts expensed in prior year financial statements and paid from FY10 budget	14,217
Amounts expensed in current year financial statements and paid from FY11 budget	(34,367)
Total GAAP basis Governmental Fund Expenditures - fiscal year ended June 30, 2010	\$ 36,281,336

See independent auditors' report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
IRRIGATION WORKS CONSTRUCTION FUND (326) - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (Non-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Miscellaneous revenue	\$ 421,600	421,600	903,745	482,145
Investment earnings	5,292,800	5,292,800	7,867,945	2,575,145
Land rental	1,832,000	1,832,000	1,563,309	(268,691)
Interest on loans	87,400	87,400	57,034	(30,366)
Fund balance	<u>3,869,300</u>	<u>3,869,300</u>	<u>-</u>	<u>(3,869,300)</u>
Total revenues	<u>11,503,100</u>	<u>11,503,100</u>	<u>10,392,033</u>	<u>(1,111,067)</u>
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>11,503,100</u>	<u>11,503,100</u>	<u>10,392,033</u>	<u>(1,111,067)</u>
Other financing sources (uses)				
Operating transfers in	-	-	25	25
Operating transfers out	<u>(11,503,100)</u>	<u>(11,503,100)</u>	<u>(9,709,210)</u>	<u>1,793,890</u>
Total other financing sources (uses)	<u>(11,503,100)</u>	<u>(11,503,100)</u>	<u>(9,709,185)</u>	<u>1,793,915</u>
Change in fund balance	-	-	682,849	682,849
Fund balance, beginning of year	<u>24,805,662</u>	<u>24,805,662</u>	<u>24,805,662</u>	<u>-</u>
Fund balance, end of year	<u>\$ 24,805,662</u>	<u>24,805,662</u>	<u>25,488,511</u>	<u>682,849</u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION

IMPROVEMENT TO THE RIO GRANDE FUND (328)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (Non-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Land rental	\$ -	-	796,225	796,225
Interest on investments	926,700	926,700	1,603,909	677,209
Total revenues	<u>926,700</u>	<u>926,700</u>	<u>2,400,134</u>	<u>1,473,434</u>
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>926,700</u>	<u>926,700</u>	<u>2,400,134</u>	<u>1,473,434</u>
Other financing sources (uses)				
Operating transfers in	-	-	4,536	4,536
Operating transfers out	(926,700)	(926,700)	(540,940)	385,760
Total other financing sources (uses)	<u>(926,700)</u>	<u>(926,700)</u>	<u>(536,404)</u>	<u>390,296</u>
Change in fund balance	-	-	1,863,731	1,863,731
Fund balance, beginning of year	<u>4,132,946</u>	<u>4,132,946</u>	<u>4,132,946</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,132,946</u>	<u>4,132,946</u>	<u>5,996,677</u>	<u>1,863,731</u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
AS OF JUNE 30, 2010

	Agency Funds
Assets	
Cash and investments	\$ 298,121
Total assets	\$ 298,121
Liabilities	
Water rights protest hearing/other deposits	\$ 29,607
Accounts payable	977
Deposits held in custody for others	267,537
Total liabilities	\$ 298,121

See independent auditors' report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. Organization and Function

The formation of the Office of the State Engineer began in 1905, when the Office of the Territorial Irrigation Engineer was established. In 1904, the territorial surface water code was enacted. This legislation superseded the 1905 law and created the Office of the Territorial Engineer, later known as the Office of the State Engineer. Section 72-2-1, NMSA 1978 Compilation, provides that there shall be a "state engineer" who shall be a technically qualified and registered professional engineer under the Engineering and Land Surveying Practice Act (Chapter 61, Article 23, NMSA 1978 Comp.). The State Engineer shall be appointed by the Governor and confirmed by the Senate.

The Office of the State Engineer is composed of four programs: Water Resource Allocation, Interstate Stream Compact Compliance and Water Development, Water Rights Protection and Adjudication, and Program Support. Each program is managed by a director who is responsible directly to the State Engineer.

The New Mexico Interstate Stream Commission, created by Chapter 25, Laws of 1935, is delegated broad general powers for the protection, conservation and development of the waters and stream systems of New Mexico, both interstate and intrastate (Section 72-14-3, NMSA, 1978 Compilation).

The Interstate Stream Commission is composed of nine members, eight of whom are unsalaried and appointed by the governor for a term of six years; the ninth member and secretary of the Commission is the State Engineer. The statutes provide that the eight appointed members shall be representatives of major irrigation districts or sections of the State and that no two members shall be appointed from the same district or section. The chairman is elected by the Commission.

The Office of the State Engineer and the Interstate Stream Commission are separate but companion State entities. The responsibilities of the Office of the State Engineer include water rights administration, water resource investigations, dam safety, rehabilitation of diversion dams and ditches, flood mitigation programs, issuance of water well driller licenses, and hydrographic surveys for water rights adjudications. The Interstate Stream Commission administers interstate stream compacts, funds regional planning projects, oversees interstate litigation, cooperates in the planning of Federal water projects, and provides financial assistance for the construction of irrigation works. Together the two are responsible for the administration, development, conservation and protection of New Mexico's water resources.

2. Summary of Significant Accounting Policies

The Office of the State Engineer/Interstate Stream Commission's (the Agency) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This Statement provided for the most significant change in financial reporting in over twenty years and was phased in based on the size of the government. Later, the GASB unanimously approved Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Statement 37 clarified and modified Statements 34 and was implemented simultaneously with Statement 34. Statement 38 modified, established and rescinded certain financial statement disclosure requirements.

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As part of GASB Statement No. 34, there was a reporting requirement regarding a government's Infrastructure (roads, bridges, etc.). The Agency owns and operates infrastructure assets, including dams, pipelines, a refugium and metering station installations statewide. The Agency depreciates these assets over the estimated useful life of each asset.

A. Reporting Entity

The Office of the State Engineer is created by statute and is comprised of a State Engineer appointed by the Governor. The Interstate Stream Commission is also created by statute and is comprised of commissioners appointed by the Governor. The appointed commissioners elect a chairman. The State Engineer and the Chairman of the Interstate Stream Commission have administrative responsibility for the Agency.

The Agency is a component unit of the Executive branch of government and these financial statements include all funds and activities over which the Agency's officers have oversight responsibility. The Officers have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential programs and operations of the Agency. The financial statements and notes to the financial statements include all funds for which the Agency is responsible. These financial statements only present activity related to the Office of the State Engineer/Interstate Stream Commission. The Agency has no component units.

B. Basic Financial Statements – Government-Wide Statements

The basic financial statements include both government-wide (based on the Agency as a whole) and fund financial statements. The new reporting model focus is on either the Agency as a whole, or major individual funds (within the fund financial statements). The Agency is a single-program government that engages in only governmental activities and has no component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities.

For its government-wide activities, the Agency has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In the government-wide Statement of Net Assets, the governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Agency's net assets are reported in three parts – invested in capital assets, restricted net assets and unrestricted net assets.

The government-wide Statement of Activities reports the gross and net cost of the Agency's function. The function is also supported by general government revenues (primarily appropriations from the State General Fund). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues: charges for services, operating grants and capital grants. Program revenues must be directly associated with the function. The Agency includes only one function (Agriculture,

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Energy and Natural Resources).

The net costs (by function) are normally covered by general revenue (State General Fund appropriations). This government-wide focus is more on the sustainability of the Agency as an entity and the change in the Agency's net assets resulting from the current year's activities. The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in the governmental fund category.

The governmental fund statements are presented on the current financial resources measurement focus and the modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Agency's actual experience conforms to the budget or fiscal plan.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the government-wide presentation.

The Agency's fiduciary funds (agency funds) are presented in the fund financial statements and use the economic resources measurement focus and the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Agency, these funds are not incorporated in the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency first uses restricted resources then unrestricted resources.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Agency are reported on the basis of funds in the fund financial statements. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The Agency uses the following fund types:

Governmental Funds

General Fund - The general fund is the general operating fund of the Agency and is used to account for all financial resources except those required to be accounted for in another fund. The general fund is reported by a generic fund type classification within the financial statements known as governmental funds.

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Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue funds are also reported by a generic fund type classification known as governmental funds. All special revenue funds are non-reverting.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest. The debt service fund is reported by a generic fund type classification known as governmental funds.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and water rights. The capital projects fund is reported by a generic fund type classification known as governmental funds.

Fiduciary Funds

Agency Funds - Agency funds are used to account for assets held by the Agency as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency has one agency fund and is also the fiduciary for two escrow accounts, as described below:

Irrigation Fees Suspense Fund - (#849) This fund is used to account for the collection and payment of irrigation fees and water rights protest hearing deposits. Irrigation fees are transferred to the State General Fund and water rights protest hearing deposits are held until settlement. The fund is authorized by Section 72-2-6. NMSA, 1978 Compilation.

United States Army Corps of Engineers – The purpose of this escrow account is to enable the Interstate Stream Commission to make available funds for the United States Army Corps of Engineers (COE) for use toward 1113 Acequia Projects. The 1113 Acequia Project (Section 1113 (a) (1) of the Water Resources Development Act of 1986, Public Law 99-662) is for the restoration and preservation of the Acequia systems that have cultural and historic values to the region. The purpose of these projects is to protect and to restore the river diversion structures and associated canal systems in New Mexico that are declared as political subdivisions of the State of New Mexico. Only the COE has authority to withdraw funds from the account. Interest on the account is credited to Irrigation Works Construction Fund (#326).

Ute Dam Outlet Works Pipeline Replacement Project – This escrow account is maintained for the United States Army Corps of Engineers for the purposes of modification of the outlet works at the Ute Dam. Modifications include the replacement of the pipeline and the design and construction of repairs to mitigate slab failure and to prevent additional damage to the slab, the foundation and the adjacent spillway. Only the COE has authority to withdraw funds from the account.

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide Statement of Net Assets. The funds are further classified as major or non-major, with emphasis placed on major funds within the governmental and proprietary categories.

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A fund is considered major if it is the General fund of the Agency, deemed as major by the Agency due to its importance, or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

Since the Agency does not have any enterprise funds, only the first criterion is applied.

Major Funds

General Fund – (#214) See previous description for “General Fund.”

Special Revenue Funds:

Irrigation Works Construction Fund – (#326) This fund accounts for program costs to review, evaluate and approve loan agreements and financing contracts with conservancy, irrigation and soil and water conservation districts, community ditches and private ditch and reservoir companies and related functions. The fund was created by Section 72-14-23, NMSA, 1978 Compilation. With the implementation of performance based budgeting, beginning July 1, 2002, current expenditures related to this activity are recorded in the general fund because this is where the Legislature appropriated the funds for expenditure.

Improvement of the Rio Grande Fund – (#328) This fund accounts for funds distributed to various entities for projects relating to improvements of the Rio Grande channel. The fund was created by Section 72-14-4 through 72-14-6, NMSA, 1978 Compilation. With the implementation of performance based budgeting, beginning July 1, 2002, current expenditures related to this activity are recorded in the general fund because this is where the Legislature appropriated the funds for expenditure.

Multi-Year Appropriations Fund – (#864) This fund accounts for appropriations and other financial resources, other than those related to capital projects, where expenditure is allowed over multiple years. The fund was administratively established because a separate fund was deemed necessary for accountability.

Capital Project Fund:

Capital Projects Fund – (#267) See previous description for “Capital Projects Fund.” The fund was created by the Laws of 1996, Chapter 11.

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Non-major Funds

Special Revenue Funds:

Ute Dam Operating Fund – (#324) This fund accounts for the operation and maintenance of Ute Dam and reservoir. The fund was created by Section 72-14-36, NMSA, 1978 Compilation. With the implementation of performance based budgeting, beginning July 1, 2002, current expenditures related to this activity are recorded in the general fund because this is where the Legislature appropriated the funds for expenditure.

Ute Dam Construction Fund – (#325) The fund accounts for revenues generated from investment of funds remaining from the original Ute Dam Capital Improvements Fund. The fund was created by Section 72-14-36 to 72-14-37, NMSA, 1978 Compilation.

Pecos River Basin Land Management Fund – (#686) The fund was created pursuant to Laws of 2006, Chapter 77 enacted as 72-1-2.5 NMSA 1978. The fund accounts for revenues and expenses related to the management of land purchases, pursuant to Section 72-1-2.4 NMSA 1978, and management of augmentation well fields in the lower Pecos river basin. Money in the fund does not revert to any other fund at the end of a fiscal year. The fund consists of appropriations, grants, donations or bequests to the fund, all revenues from land purchased pursuant to Section 72-1-2.4 NMSA 1978, and income from investment of the fund or money otherwise accruing to the fund. Money in the fund shall be invested pursuant to Chapter 6, Article 10 NMSA 1978.

Hydrographic Bond Income Fund – (#657) This fund accounts for the revenue streams properly attributable to the Irrigation Works Construction Fund and the Improvement of the Rio Grande Fund, but pledged to cover debt service requirements. Any amounts in excess of annual debt service requirements are transferred to the two funds in a proportion that the excess bears to the earnings properly attributable to each fund. The fund was created by Section 72-4-15, NMSA, 1978 Compilation. The Agency's debt liability was extinguished in May 2008. As a result, beginning in June 2008, all revenue streams attributable to the Irrigation Works Construction Fund and the Improvement of the Rio Grande Fund are no longer recorded in this fund.

Debt Service Fund – (#705) See description above. The fund was created by Sections 72-14-15 and 72-14-18, NMSA, 1978 Compilation.

Special Revenue Funds (Inactive):

The following fund is included in the Agency's general ledger, however, the fund had no activity during fiscal year 2010.

Indian Water Right Settlement Fund – (#2017) This fund was created by 2007 NM laws, Chap. 42 Section 88. This legislation requires a certification by the Interstate Stream Commission to the Secretary of the Department of Finance and Administration (DFA) attesting to settlements involving water rights related to the Navajo Nation, Taos and Aamodt cases.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

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Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Agency funds do not report revenues, expenses or net assets, however, changes in assets and liabilities are recognized on the accrual basis.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available, with "available" meaning revenues are collectible within the current period or within 60 days after year-end). Appropriations are recorded as a receivable at the time the money is made available to the specific fund. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to Governmental Accounting Standards Board No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

E. Encumbrances

The General Appropriations Act of 2004, which applied to fiscal year 2005 budgets, established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico. Under the law, encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year is reclassified as accounts payable.

Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amounts subject to reversion. The Agency has no encumbrances outstanding at year-end for single year appropriations.

F. Use of Estimates

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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G. Financial Statement Amounts

1. Cash and Investments

For the purpose of the Statement of Net Assets, "Cash and investments" includes investments in the State Treasurer General Fund Investment Pool. In accordance with Sections 6-10-10 I through O, NMSA 1978 as amended, the State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government. Please see the State Treasurer's annual audit report for the GASB 40 disclosure of the investments, which may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0608.

The Agency maintains a petty cash fund of \$125 which has benefit to the Agency beyond the fiscal year ended June 30, 2010. Petty cash expenditures are made from this fund and reimbursed as needed.

2. Receivables

Receivables are primarily inclusive of accrued interest receivable on outstanding loan balances and accounts receivable due for water master billings.

Accrued interest receivable comprises interest due from loan balances outstanding during the year, which generally carry an interest rate of 2.5% and require one annual payment of principal and interest. Interest is calculated on the outstanding principal balance from the last payment date using the simple method. The Agency does not consider the interest fully collectible and accordingly there is an allowance of \$15,581 for uncollectible accrued interest receivable as of June 30, 2010.

Pursuant to state statute, the State Engineer may appoint a water master to a district based on the application of the majority of members of the district. The water master is responsible for the apportionment, regulation, control and preservation of waters in his district under the general supervision of the State Engineer. Districts who apply for the services of a water master are required to compensate the State Engineer for the services provided. Accordingly, amounts billed but unpaid at year-end are recorded as accounts receivable. The Agency considers the balance fully collectible and accordingly there is no allowance for doubtful accounts.

3. Prepaid Expense

Prepaid expense includes prepaid amounts for employee travel. Amounts provided to employees in advance of work-related travel are subsequently expensed, and overpayment, if any, is refunded. The Agency had \$479 in prepaid expenses at June 30, 2010.

4. Escrow Deposits

In order to fulfill New Mexico's obligations under the Pecos River Supreme Court Decree the Agency is engaged in the purchase of various land and water rights. As of June 30, 2010 amounts have been deposited to escrow that will be applied against the purchase price. If the purchase is not finalized, the amounts will be refunded.

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5. Due from Other State Agencies

This balance is comprised of appropriations to the Agency transferred via other state agencies, investment earnings due to Funds 326 and 328, and draw-downs of bond proceeds.

6. Interfund Receivable and Payables – Due To/Due From

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Interfund receivable and payables are presented at net amounts for each fund.

7. Due from Federal Government

The balance is comprised of reimbursements to the Agency for expenditures in the fiscal year ending 2010 but not received by year-end.

8. Investments

Funds in the Irrigation Works Construction Fund and the Improvement of the Rio Grande Fund are invested in the New Mexico State Investment Council's Equity (Large Cap Active) and Fixed (Core Bonds) Income Investment. Investments in these external investment pools are carried at market value.

9. Loans Receivable

State statute authorized the Interstate Stream Commission to make loans to irrigation and similar districts, acequia and community ditch associations and to municipalities and other political subdivisions of the State, out of any unpledged funds in the Irrigation Works Construction Fund for engineering, design and construction of a project or rehabilitation of an existing project. Generally, the loans are repayable in annual installments over ten to twenty years with interest at two and one-half percent. An allowance for loan losses has been established to account for loans that may be uncollectible. As of June 30, 2010, the allowance is \$27,920.

10. Capital Assets

Before the 2005 legislative session, items costing more than \$1,000 were capitalized. Effective June 19, 2005, House Bill 1074 amended Section 12-6-10, NMSA 1978, to increase the capitalization threshold to items costing more than \$5,000. Assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The Agency capitalized its investment in land and water rights and these assets are not depreciated because they are considered inexhaustible. Construction works in progress are not depreciable assets; these assets become depreciable when they are removed from works in progress and added to the

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appropriate asset category. The Agency capitalized its infrastructure assets and has elected to depreciate infrastructure assets over the assets' estimated useful lives.

Depreciation on all exhaustible capital assets is provided on the straight-line basis with no salvage value. The estimated useful life for capital assets is estimated as follows:

Infrastructure assets	40 years
Buildings and structures	5 to 40 years
Leasehold improvement	Life of the lease
Furniture and fixtures	10 years
Machinery and equipment (including software)	5 to 7 years
Vehicles	5 years

The Agency does not have any debt associated with capitalized assets.

11. Accounts Payable

Goods and services received before year-end but paid after year-end are recorded as accounts payable. A large percentage of accounts payable are for contractual services.

12. Accrued Payroll and Payroll Related Liabilities

Accrued payroll includes amounts owed for work performed as of June 30, 2010, but not yet paid. Payroll related liabilities are amounts owed related to personnel services, but not yet paid as of June 30, 2010, and include payroll taxes and amounts due for employee benefit programs.

13. Compensated Absences

Employees accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated annual leave as of the date of termination, up to a maximum of 240 hours. At June 30, 2010, the liability for unpaid vacation leave was \$980,571. Employees accumulate sick leave at the rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 720 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. Additionally, upon retirement those employees with over 600 hours accumulated sick leave have the option to convert 400 hours of such leave to cash at one half of their hourly rate. At June 30, 2010, the liability for the sick leave conversion was \$34,651. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources in accordance with GASB Interpretation No. 6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

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14. Due to State General Fund

Various appropriations to the funds of the Agency are reverting at various times. Unexpended and unencumbered cash balances of appropriations required to be reverted by June 30, 2010 and prior are recorded as Due to the State General Fund. Cash recoveries in reverting funds during the fiscal year from stale dated warrants and prior year reimbursements are also due to the State General Fund. Pursuant to Section 6-5-10 NMSA, 1978, all unreserved, undesignated fund balances in reverting funds and accounts are required to be reverted to the State General Fund by September 30th but may adjust the reversion within forty-five (45) days of release of the audit report.

15. Equity Classifications

Government-wide Statements

Equity is classified as net assets. Net assets is the difference between assets and liabilities. Net assets invested in capital assets represents the historical cost of assets or fair value on date of receipt less accumulated depreciation on those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by the Agency or external restrictions by other governments, creditors or grantors. Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserve for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts uncompleted as of the close of the fiscal year. Reserve for loans represents the portion of fund balance that is not available for expenditure because the Agency has invested those resources in long-term assets.

Reserve for subsequent year expenditure represents the cash and receivable balances at June 30, 2010 that the Agency has budgeted for expenditure in 2011 and the unencumbered, unexpended budget balance of appropriations that do not lapse until 2011 or later. Unreserved fund balance represents funds that do not lapse at the end of the year and are available for expenditure in future years.

16. Revenues and Expenditures

Substantially all governmental fund revenues are accrued. Program revenues consist of the following:

Charges for Services — Consists of charges for water master services and miscellaneous reimbursements.

Operating Grants and Contributions — Consists of Federal grant revenue, investment earnings, interest on loans and land lease income that are restricted for use in a particular program.

Capital Grants and Contributions — Consists of reimbursements received from the federal government for capital projects.

Expenditures are recognized when the related fund liability is incurred.

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17. Stewardship, Compliance and Accountability

By its nature as a government unit, the Agency is subject to various laws and contractual regulations. An analysis of the Agency's compliance with significant laws and regulations and demonstration of its stewardship over Agency resources follows.

H. Budgets and Budgetary Accounting

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

1. No later than September 1, the Agency prepares a budget appropriation request and proposed expenditures and the means of financing them.
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 adjusts the appropriation request that becomes 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.
6. The legal level of budgetary control is at the appropriation unit level.
7. Formal budgetary integration is employed as a management control device during the year. Budget adjustments were made in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year ended June 30, 2010.
8. Appropriations lapse at the end of the fiscal year except for amounts related to goods and services received by June 30 or appropriated for expenditure in subsequent years. Except for special General Fund appropriations, the Special Revenue Funds are nonreverting.
9. Budgets for the governmental funds are adopted on a modified accrual basis per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N. However, there is an exception to the statute which requires accounts payable accrued at fiscal year end that do not get paid by statutory deadline to be paid out of the next year's budget (Section 6-10-4 NMSA 1978). The authority for the budget for multi-year appropriations lapses when the appropriation period lapses.

Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentation in these financial

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statements is consistent with this budgeting methodology.

In accordance with the requirements of Section 2.2.2.10, A(2)(b) of 2.2.2 NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASB 34, footnote 53, the major fund budgetary comparison statements have been included as a part of the basic financial statements.

Budgets for the Capital Projects Fund #267 and Multi-Year Appropriations Fund #864 are adopted when the projects are appropriated by the State Legislature and agreements have been established with the recipient. These statements are presented as supplementary information and they reflect project inception-to-date information. Additional budget information is available from the Agency, DFA and/or the State Board of Finance. During fiscal year 2010, the Agency did not anticipate any activity in Fund #324, and therefore, a budget was not established.

I. Investments

The Agency invests in two external investment pools. The Large Cap Pool is an equity pool and the Core Bond Pool is a fixed income pool. The pools are uninsured and there is no regulatory oversight on the investment pools. The pools are managed by the New Mexico State Investment Council and the Agency has no control or authority over the securities that each pool acquires.

The Constitution and Statutes of the State of New Mexico place various restrictions on investments which may be held by the State. The purpose of these restrictions is to minimize risk within portfolios. Separate audited financial statements of the Core Bonds Pool and the Large Cap Active Pool are available from the New Mexico State Investment Council.

These funds are also reported in the New Mexico State Investment Council's regular annual audit. Those reports can be obtained by writing the New Mexico State Investment Council at 41 Plaza le Prensa, Santa Fe, NM 87505.

J. Detail Notes on Accounts and Transaction Classes

1. Investments in the State Treasurer General Fund Investment Pool

Cash and investments include investments in the State Treasurer General Fund Investment Pool. Investments in the State Treasurer General Fund Investment Pool and bank account balances are reported at carrying amount which reasonably estimates fair value.

Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The GFIP is not rated for credit risk.

Interest Rate Risk for Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency does not have an investment policy that limits investment interest rate risk.

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Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. In general, state statutes require that all deposits held by financial institutions be collateralized at a minimum level of 50 percent. FDIC advisory opinion 94-24 states that public funds are entitled to \$100,000 insurance for time or savings deposits (including bank money market accounts) and \$100,000 for demand deposits deposited within the state in compliance with 12 CFR Subsection 330.15. The US Congress has temporarily increased FDIC deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. Changes have also been made to other account types. For more information, visit www.fdic.gov. Deposits (cash or cash equivalents) are carried at cost, which approximates market value.

At year-end, the carrying amounts of State Treasurer accounts and bank accounts were as follows:

<u>Account Name</u>	<u>Account Number/ Type</u>	<u>Balance per Depository</u>	<u>Balance per Financial Statements</u>
General Fund			
State Treasurer	550-214	\$ 3,586,786	3,587,056
International Bank - Cimarron	Demand	270	-
Petty Cash	on site	125	125
Irrigation Works Construction Fund			
State Treasurer	550-326	9,732,997	9,732,997
Improvement of the Rio Grande Fund			
State Treasurer	550-328	5,016,817	5,016,817
Multi-Year Appropriation Fund			
State Treasurer	550-864	2,535,051	2,535,051
Capital Projects Fund			
State Treasurer	550-267	2,182,056	2,182,056
Ute Dam Operating Fund			
State Treasurer	550-324	21,856	21,856
Ute Dam Construction Fund			
State Treasurer	550-325	603,941	603,941
Pecos River Basin Land Management Fund			
State Treasurer	550-686	611,111	611,111
Total governmental funds		\$ 24,291,009	24,291,009
<u>Fiduciary Accounts</u>			
Irrigation Fee Suspense Fund			
State Treasurer	550-849	\$ 29,607	29,607
Ute Dam Outlets - Wells Fargo	Demand	16,480	16,480
US Army Corps of Engineers - Wells Fargo	Demand	252,034	252,034
Total fiduciary funds		\$ 298,121	298,121

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As of June 30, 2010, the Agency's fiduciary accounts were exposed to custodial risk as follows:

	Wells Fargo
US Army Corps of Engineers	\$ 252,034
Ute Dam Outlets	16,480
Less: FDIC coverage	(250,000)
Uninsured public funds	\$ 18,514

Detail of pledged collateral specific to this Agency is unavailable because the bank comingles pledged collateral for all state funds it holds. However, the Office of the State Treasurer's Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Collateral pledged to secure these deposits is monitored by the State Treasurer's Office (STO). The STO issues separate financial statements that disclose the collateral pledged to secure these deposits. The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978 as amended. The State Treasurer with the advice and consent of the state board of finance can invest money held in demand deposits and investments not immediately needed for operation of state government in:

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States of other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract;
- (c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars;
- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests:
 - (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.;
 - (2) medium-term notes and corporate notes with a maturity not exceeding five years that are

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- rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or
- (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;
- (e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or,
- (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser. For additional GASB 40 disclosure information regarding cash/investments held by the State Treasurer, see the State Treasurer's annual audit report for the GASB 40 disclosure of the investments, which may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0608.

2. Investments

Investments are held in the equity and fixed income pooled investment funds of the New Mexico State Investment Council. The investments represent each fund's proportionate share of the quoted market prices of the securities held in the external investment pools. The pools invest in equity securities, U.S. Treasury securities, Federal Agency notes, industrial and utility bonds and notes, and overnight repurchase agreements. The investments are carried at market value. Following is a summary of investments held at June 30, 2010:

	Irrigation Works Construction Fund		Improvement of the Rio Grande Fund	
	Units	Market Value	Units	Market Value
Large Cap Active Pool	3,650	\$ 7,214,693	239	\$ 472,245
Core Bond Pool	2,813	6,501,505	269	621,187
Total investments		\$ 13,716,199		\$ 1,093,433

In accordance with GASB Statement 40, investments must be categorized to give an indication of the level of custodial credit risk assumed by the Agency at year-end. The New Mexico State Investment Council issues separate financial statements that disclose the types of investments, collateral pledged to secure investments and risk categorization of the Large Cap Active Pool and

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the Core Bond Pool. In addition to the investment earnings on the Large Cap Active Pool and the Core Bond Pool, the Irrigation Works Construction Fund and the Improvement of the Rio Grande Fund are also beneficiaries of the New Mexico Land Grant Permanent Fund and receive distributions of investment earnings from that permanent fund. (Prior to fiscal year 2009, these revenue streams were pledged to secure a revenue bond payable, and, in accordance with State Statute, revenues were deposited into the Hydrographic Bond Income Fund.) Finally, the Agency receives interest on overnight investments of cash balances made by the State Treasurer's Office.

The following includes the components of investment earnings for fiscal year 2010:

	Irrigation Works Construction Fund	Improvement of the Rio Grande Fund
	<u> </u>	<u> </u>
Interest and dividends on investments and cash deposits	\$ 414,198	35,612
Realized gain (loss) on sale of investments	670,394	45,158
Increase (decrease) in fair value of investments	740,467	65,210
Management fee expense	(34,862)	(2,691)
Interest on investments at STO	16,214	6,651
Distribution of investment earnings from LGPF	<u>6,061,534</u>	<u>1,453,969</u>
Investment earnings	<u><u>\$ 7,867,945</u></u>	<u><u>1,603,909</u></u>

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains or losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior year(s) and the current year.

3. Appropriations

Current year general appropriations are as follows:

General Appropriation	<u>Amount</u>
General Fund (#214)	
Operating budget	\$ <u><u>22,141,500</u></u>

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4. Capital Assets

Capital asset activity for the year ended June 30, 2010 is as follows:

	Beginning Balance 2009	Additions	Deletions	Reclass- ifications	Adjustments	Ending Balance 2010
Capital assets not depreciated:						
Water rights & land	\$ 74,837,985	1,158,550	(632,306)	(337,000)	-	75,027,229
Land held for sale	-	-	-	337,000	-	337,000
Construction works-in-progress	2,380,898	1,304,041	-	-	(1,035,491)	2,649,448
Total capital assets not depreciated	77,218,883	2,462,591	(632,306)	-	(1,035,491)	78,013,677
Capital assets depreciated:						
Infrastructure	33,931,534	647,202	-	-	-	34,578,736
Buildings and structures	23,098	-	-	-	-	23,098
Furniture and fixtures	470,458	-	(31,573)	-	-	438,885
Machinery and equipment	3,761,818	58,156	(193,537)	-	-	3,626,437
Leasehold improvement	43,184	-	-	-	-	43,184
Vehicles	30,000	6,463	-	-	-	36,463
Total capital assets being depreciated	38,260,092	711,821	(225,110)	-	-	38,746,803
Total capital assets	115,478,975	3,174,412	(857,416)	-	(1,035,491)	116,760,480
Less accumulated depreciation:						
Infrastructure	(7,858,601)	(894,685)	-	-	-	(8,753,286)
Buildings and structures	(18,961)	(631)	-	-	-	(19,592)
Furniture and fixtures	(382,830)	(38,163)	26,837	-	-	(394,156)
Machinery and equipment	(3,287,581)	(191,357)	182,486	-	-	(3,296,452)
Leasehold improvement	(16,194)	(5,398)	-	-	-	(21,592)
Vehicles	(30,000)	(646)	-	-	-	(30,646)
Total accumulated depreciation	(11,594,167)	(1,130,881)	209,323	-	-	(12,515,724)
Net capital assets	\$ 103,884,808	2,043,531	(648,093)	-	(1,035,491)	104,244,758

The land and water rights asset category is inclusive of all inexhaustible assets owned by the Agency and includes land, permanent easements and water rights. Many of the items included in this category are inclusive of both land and water rights, and because the price is customarily negotiated as a whole, the assets are recorded as one item. In addition, when the cost of a temporary construction easement is negotiated as part of the price of the permanent easement, the cost of the temporary easement is included in land and water rights. Depreciation expense of \$1,130,879 was charged to the agriculture, energy and natural resources function of governmental activities. As of June 30, 2010, Agency has idle assets of \$292,964; all assets are fully depreciated and are pending disposal.

Significant current year additions include \$1,158,550 for land and water rights, and \$1,304,041 for construction-in-progress. During the past five years the Agency purchased significant land and water rights in the Pecos Valley River Basin to comply with legal obligations. During fiscal year 2010, the Agency began to sell parcels of these land purchases, however, the water rights have been retained by the Agency. Because the land and water rights' purchases were originally

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negotiated as one purchase, the Agency is estimating the value of the retained water rights as the difference between the original purchase price and the fiscal year 2010 sales price. In addition, the Agency anticipates land sales to continue in the near future, and as of June 30, 2010, the Agency reclassified \$337,000 of the land in the Pecos Valley River Basin to “held for sale.”

Current year activity in the construction works in progress category includes the following:

	Balance 2009	Additions	Adjust- ments	Reclass- ification	Balance 2010	Estimated Date of Completion / Project Cost
Mimbres Metering Stations	\$ 540,861	183,231	(293,274)	-	430,818	FY12 / \$1,055,000
Gallinas Metering Stations	69,253	299,042	(18,432)	-	349,863	FY11 / \$450,000
Rio Chama Metering Stations	152,503	73,592	-	-	226,095	FY11 / \$750,000
Nambe, Pajoque, & Tesuque Metering Stations	1,618,282	580,582	(723,785)	-	1,475,079	FY11 / \$1,500,000
Los Lunas Refugium Sewer Line	-	10,539	-	-	10,539	FY11 / \$150,000
Atrisco Backwater & Refugia Habitat	-	157,055	-	-	157,055	FY11 / \$220,000
	<u>\$ 2,380,898</u>	<u>1,304,041</u>	<u>(1,035,491)</u>	<u>-</u>	<u>2,649,448</u>	

5. Due to State General Fund

Amounts due to the State General Fund are a result of amounts collected by the Agency on behalf of the State General Fund, and amounts that revert to the State General Fund. When the Agency commingles reverting with non-reverting funds, the Agency uses specific identification of the non-reverting funds to calculate the reversion. The current year reversions to the State General Fund are as follows:

	Fund #214	Fund #864	Fund #267	Total
Due for reversions	\$ 2,133,188	2,226	211,851	2,347,265
Stale dated warrants	6,857	-	-	6,857
Amounts collected on behalf of the State of New Mexico	<u>660,144</u>	<u>-</u>	<u>-</u>	<u>660,144</u>
Total	<u>\$ 2,800,189</u>	<u>2,226</u>	<u>211,851</u>	<u>3,014,266</u>

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Fiscal year 2010 reversion determinations and reverted amounts by fund include:

General Fund (214)

Cash/investment balance, June 30, 2010	\$	3,587,181
Additions:		
Receivables, 6/30/10	165,748	
Prepaid assets, 6/30/10	479	
Due from other agencies, 6/30/10	80,576	
Due from other funds, 6/30/10	2,118,017	
Due from Federal sources, 6/30/10	<u>241,740</u>	<u>2,606,560</u>
Deductions:		
Accounts payable, 6/30/10	(1,758,948)	
Accrued payroll, 6/30/10	(537,087)	
Payroll related liabilities, 6/30/10	(605,356)	
Due to other funds, 6/30/10	(53,521)	
Due to other agencies, 6/30/10	(29,548)	
Due to State General Fund*, 6/30/10	(667,001)	
Petty cash, 6/30/10	(125)	
Prepaid assets, 6/30/10	(479)	
Designated fund balance:		
Reserved for future purposes (FY07)	(45,000)	
Reserved for future purposes (FY09)	<u>(363,485)</u>	<u>(4,060,550)</u>
Due to State General Fund for reversion, 06/30/10	\$	<u><u>2,133,189</u></u>
Reversion identified by fiscal year appropriation:		
Fiscal year 2009	\$ <u>332,258</u>	
Fiscal year 2010	\$ <u><u>1,800,930</u></u>	

* Does not include amounts due for reversion

Multi-Year Appropriation Fund (864)

Cash/investment balance, June 30, 2010	\$	2,535,051
Additions:		
Due from other funds, 6/30/10	<u>34,175</u>	<u>34,175</u>
Deductions:		
Accounts payable, 6/30/10	(101,548)	
Accrued payroll, 6/30/10	(3,726)	
Payroll related liabilities, 6/30/10	(3,409)	
Due to other funds, 6/30/10	(3,233)	
Designated fund balance:		
Reserved for future purposes*	<u>(2,455,085)</u>	<u>(2,567,000)</u>
Due to State General Fund, 06/30/10	\$	<u><u>2,226</u></u>
FY10 reversions identified by fiscal year appropriation:		
Fiscal year 2010	\$ <u><u>2,226</u></u>	

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Capital Projects Fund (267)

Cash/investment balance, June 30, 2010	\$	2,182,056
Additions:		
Due from other funds, 6/30/10	345,259	
Due from other agencies, 6/30/10	1,523,033	
Due from Federal sources, 6/30/10	327,422	
Escrow deposits, 6/30/10	21,929	2,217,643
Deductions:		
Accounts payable, 6/30/10	(2,257,731)	
Escrow deposits, 6/30/10	(21,929)	
Designated fund balance:		
Reserved for future purposes (FY08)		
Reserved for future purposes (FY09)		
Reserved for future purposes (FY10)	(1,908,189)	(4,187,849)
Due to State General Fund, 06/30/10	\$	211,851
FY10 reversions identified by fiscal year appropriation:		
Fiscal year 2010	\$	211,851

6. Interfund Receivables/Payables and Interfund Transfers

Interfund transfers for fiscal year 2010 are as follows:

Transfers	Transfers from:			Total
	to:	325	326	328
214	\$ 44,475	9,636,951	540,940	10,222,365
267	-	67,723	-	67,723
328	-	4,536	-	4,536
	\$ 44,475	9,709,210	540,940	10,294,625

Transfers to/from other funds at June 30, 2010 were due to the following:

Amount	Fund		Purpose
	From:	To:	
\$ 44,475	325	214	Expenditures budgeted in GF
9,636,951	326	214	Expenditures budgeted in GF
4,536	326	328	To correct deposit
67,723	326	267	Expenditures budgeted in CPF
540,940	328	214	Expenditures budgeted in GF
\$ 10,294,625			

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Interfund receivables/payables are as follows:

Due to	Due from						Total
	214	325	326	328	686	864	
214 \$	-	44,475	1,836,108	234,201	-	3,233	2,118,016
267	15,345	-	327,414	-	2,500	-	345,259
326	4,000	-	-	-	-	-	4,000
864	34,175	-	-	-	-	-	34,175
\$	<u>53,521</u>	<u>44,475</u>	<u>2,163,522</u>	<u>234,201</u>	<u>2,500</u>	<u>3,233</u>	<u>2,501,451</u>

7. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows:

	2009	Additions	Deletions	2010	Due Within One Year
Compensated absences	\$ 1,034,395	1,043,483	(1,062,656)	1,015,222	1,015,222
	<u>\$ 1,034,395</u>	<u>1,043,483</u>	<u>(1,062,656)</u>	<u>1,015,222</u>	<u>1,015,222</u>

The current portion of compensated absences payable has been estimated based on historical trends. In prior years, the general fund has been used to liquidate compensated absences payable.

K. Lease Commitments

Buildings and Structures

The Agency leases office space at ten locations throughout the State and occupies office space owned by the New Mexico General Services Department in three other locations. The terms of the leases run from two to ten years.

Certain leases contain escalation clauses and renewal options. All leases contain fiscal funding clauses. Lease expenditures under the leases were \$1,103,826 for the year ended June 30, 2010.

Machinery & Equipment

The Agency leases thirty-eight copy machines, various servers and postage machines. The terms of the leases run from two to five years. The leases on the copy machines also provide for maintenance and copy charges.

All leases contain fiscal funding clauses. Lease expenditures under the leases were \$253,517 for the year ended June 30, 2010.

Vehicles

The Agency leases 76 vehicles on an annual basis from the New Mexico General Services Department. Lease expenditures under the leases were \$261,148 for the year ended June 30, 2010.

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Future minimum lease payments are:

		<u>Buildings & Structures</u>	<u>Machinery & Equipment</u>	<u>Total</u>
<u>For the Year Ended June 30</u>				
2011	\$	1,144,998	182,202	1,327,200
2012		929,148	93,365	1,022,513
2013		940,653	46,681	987,334
2014		943,898	23,370	967,268
2015		918,353	4,988	923,341
2016-2020		<u>2,293,264</u>	-	<u>2,293,264</u>
Total	\$	<u>7,170,314</u>	<u>350,606</u>	<u>7,520,920</u>

All leases may be terminated at any time with sixty days notice if the New Mexico Legislature does not grant sufficient appropriation for the lease or if the Agency decides that termination is necessary to protect the best interests of the State of New Mexico.

L. Due to/from Other Agencies

The following amounts are due to/from other agencies:

<u>Amount Due From Other Agencies</u>		<u>Due From</u>	
<u>SHARE Fund No.</u>	<u>Amount</u>	<u>SHARE Fund No.</u>	<u>Amount</u>
GF #21400	\$ <u>80,576</u>	DFA #62000	\$ <u>80,576</u>
CPF #26700	\$ <u>1,523,033</u>	DFA #56300	\$ 31,454
		DFA #10910	2,709
		DFA #40300	23,925
		DFA #22900	605
		BOF (STB draw-down)	1,311,334
		BOF (GOB draw-down)	149,703
		DFA #01900	2,641
		DFA #66400	<u>662</u>
			<u>\$ 1,523,033</u>
IWCF #32600	\$ 2,051	STO #80100	\$ 2,051
	<u>504,535</u>	SIC #60100	<u>504,535</u>
	<u>\$ 506,586</u>		<u>\$ 506,586</u>
IRGIF #32800	\$ 837	STO #80100	\$ 837
	<u>119,791</u>	SIC #60100	<u>119,791</u>
	<u>120,628</u>		<u>\$ 120,628</u>
Total	\$ <u>2,230,823</u>		\$ <u>2,230,823</u>

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Amount Due To Other Agencies		Due From	
SHARE Fund No.	Amount	SHARE Fund No.	Amount
Game & Fish #198	\$ 29,548	GF #21400	\$ 29,548

All interagency balances represent routine transactions and are consistent with the general characteristics of the Agency's transactions.

M. Interagency Transfers

All interagency transfers made during the year were considered routine and were consistent with the general characteristics of the Agency's transfers. Interagency transfers as of June 30, 2010 are:

Transfers in or out of the Agency (Fund #214) are as follows:

	Out	In	
Dept of Finance and Administration #620	\$ -	195,576	Arizona Water Settlement
Dept of Game & Fish GPF #198	-	182,475	Ute Lake & Eagle Nest Lake
New Mexico Finance Authority	-	3,378,887	Water Projects Fund
State General Fund Appropriation #853	-	22,141,500	Appropriation
Dept of Game & Fish GPF #198	29,548	-	Reversion
State General Fund Appropriation #853	1,800,930	-	Reversion
	\$ 1,830,478	25,898,438	

Transfers in or out of the Agency (Fund #267) are as follows:

	Out	In	
Dept of Finance & Administration #581	\$ -	153,604	Water Innovation Fund
Dept of Transportation # 10070	-	125,000	Reauthorized
Public Education Dept #818	-	50,000	Reauthorized
Severance Tax & General Obligation Bonds	-	4,205,165	Drawdowns (STBs & GOBs)
Public Education Dept #818	250,000	-	Reauthorized
Dept of Finance & Administration #529	1,370,000	-	Reauthorized
Economic Development Dept #024	934,562	-	Reauthorized
Environment Dept #1035	20,000	-	Reauthorized
Dept of Transportation # 10070	135,000	-	Reauthorized
Dept of Finance & Administration #853	8,425,646	-	Reversion
	\$ 11,135,208	4,533,769	

Transfers in or out of the Agency (Fund #864) are as follows:

	Out	In	
Administrative Office of the Courts #512	\$ 851,367	-	Water Projects Fund
New Mexico Finance Authority	-	877,948	Water Projects Fund
State General Fund Appropriation #853	2,226	-	Reversion
	\$ 853,593	877,948	

Transfers in or out of the Agency (Fund #326) are as follows:

	Out	In	
General Services Department #35505	\$ -	25	Reversion from GSD

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N. Restatements

Prior period adjustments affecting the Government-wide financial statements are as follows:

		Government- Wide
Net assets, June 30, 2009, as previously reported	\$	154,691,977
To correct capital asset construction-works-in-progress balance		(1,035,491)
Net assets, June 30, 2009, restated	\$	153,656,486

O. Net Assets and Fund Balance

The government-wide statement of net assets reports \$33,936,648 of restricted net assets, all of which is considered restricted by enabling legislation. The enabling legislation has been determined to be legally enforceable.

Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

Restricted net assets at June 30, 2010 are a result of the following:

Restricted for Pecos River Basin Land Management by statute (72-1-2.5, NMSA 1978)	\$	579,085
Restricted for Ute Dam Operating/Construction by statute (72-14-36 and 37, NMSA 1978)		581,322
Restricted for loans-restricted by third parties and statute (72-14-29, NMSA 1978)		2,463,390
Restricted for investigation and construction of water conservation projects-restricted by statute (72-14-23, NMSA 1978)		23,025,121
Restricted for improvement and increase of surface flow of Rio Grande River-restricted by statute (72-14-4 to 72-14-6, NMSA 1978)		5,996,677
Restricted for subsequent year expenditure		4,794,289
Total Restricted Net Assets	\$	37,439,884

Unexpended balances of appropriations that do not lapse at June 30, 2010 are presented as fund

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balance reserved for subsequent year expenditure. In addition, the Legislature has appropriated certain cash balances for expenditure in subsequent years. Those balances are also presented as fund balance reserved for subsequent year expenditure. Annually, funds are appropriated from the Irrigation Works Construction Fund and the Improvement of the Rio Grande Fund for expenditure by the General Fund, the Capital Projects Fund and the Multi-Year Appropriations Fund. The Agency has also requested additional appropriations to augment the funds.

3. Other Notes

A. PERA Pension Plan

Plan Description

Substantially all of the Agency'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, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members contributed 7.42% of their gross salary, through July 10, 2009, and 8.92% effective July 11, 2009. The Agency contributed 16.59% of the gross covered salary through July 10, 2009; the employer contribution decreased to 15.09% effective July 11, 2009. The contribution requirements of plan members are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the Legislature. The Agency's contributions to PERA for the years ending June 30, 2010, 2009 and 2008 were \$2,618,933, \$3,029,226 and \$2,862,409, respectively, and equal to the amount of the required contributions for each year.

B. Deferred Compensation Plan

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all State employees and those local government and school district employees whose employers have elected participation in the plan which permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997, with provision for existing plans to make the required changes by January 1, 1999. PERA has approved plan amendments and has amended contracts with providers to comply with this amendment. Accordingly, plan assets are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose. There are employees who are making contributions to a Deferred Compensation Plan. Neither the Agency nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants' salaries by the

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Agency have been paid to the New Mexico Public Employees' Retirement Association, which administers the plan.

C. Post-Employment Benefits

Plan Description

The Agency contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make 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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary.

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In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY11	1.666%	0.833%
FY12	1.834%	0.917%
FY13	2.000%	1.000%

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Agency's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$223,832, \$223,631 and \$222,949, respectively, which equal the required contributions for each year.

D. Risk Management

State statute requires the Risk Management Division of the General Services Department to be responsible for the acquisition and administration of all insurance purchased by the State. Since 1977 various statutes have been passed which allows Risk Management Division to insure, self-insure or use a combination of both in all areas of coverage. The Agency participates in the risk pool managed by Risk Management Division and annually pays insurance premiums.

The primary areas of coverage are: liability and civil rights protection for claims made by others against the State, coverage to protect the State's property and assets, and fringe benefit coverages for the States' employees. The primary area where the Agency may retain the risk of loss is liability for breach of contract. The Agency has not experienced any losses for breach of contract.

E. Contingencies

The Agency receives funding pursuant to various grant programs. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant that, if not met, could require the Agency to refund amounts received to the granting agency. The Agency carefully monitors grant requirements and believes it has met all such conditions.

The Agency is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the proceedings cannot be predicted, the Agency believes that any potential liability would be covered through insurance, supplemental appropriation or would be immaterial to the financial statements.

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F. Land Grant Permanent Fund

The Ferguson Act of 1898 and the Enabling Act of 1910 granted certain lands held by the federal government to the territory of New Mexico. Under the terms of these grants, it was stipulated that such lands, totaling 13.4 million acres, were to be held in trust for the benefit of the public schools and other specific public institutions.

Royalties and principal from land sales are transferred by the New Mexico State Land Office to the New Mexico State Investment Council that adds these amounts to the corpus of the Land Grant Permanent Fund. The income received on the Land Grant Permanent Fund is distributed by the New Mexico State Investment Council to the beneficiaries.

Gains and losses on investment transactions are credited or charged to the corpus and do not directly impact distributions to beneficiaries. On November 5, 1996, New Mexico voters approved Constitutional Amendment No. 1 which, among other things, provides that annual distributions from the Land Grant Permanent Fund shall be one hundred two percent (102%) of the amount distributed in the immediately preceding fiscal year until the annual distributions equal four and seven-tenths percent (4.70%) of the average of the year-end market values of the fund for the immediately preceding five years.

Thereafter, the amount of the annual distributions shall be four and seven-tenths percent (4.70%) of the average of the year-end market values of the fund for the immediately preceding five years. The amendment became effective when it was passed by the U.S. Congress and signed by the President of the United States in August 1997.

Two Land Grant Permanent Fund beneficiaries are the Improvement of the Rio Grande Fund and the Water Reservoirs Income Fund. In 1955, the Legislature created the Irrigation Works Construction Fund to consist of the income creditable to the Water Reservoirs Income Fund and other monies that might be appropriated by the Legislature.

G. Related Parties

1. Inter & Intra-state Commissions

State Engineer, John D'Antonio, is the Secretary of the Interstate Stream Commission, and also serves as the New Mexico Commissioner to the Rio Grande River Compact and the Upper Colorado River Compact. (See Note A for information related to the administration of the Office of the State Engineer and the Interstate Stream Commission.)

2. Water Trust Board

The Water Trust Board is a 15-member Board that recommends to the Legislature projects to fund via the Water Project Fund, a fund created by the Legislature in 2001 and administered by the New Mexico Finance Authority. John D'Antonio serves as Co-Chair of the Water Trust Board. During fiscal year 2010, the Agency received project grants totaling \$292,964 and direct transfers of \$4,256,835 from the Water Trust Board.

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3. Costilla Creek Compact

Several employees of the Office of the State Engineer/Interstate Stream Commission have responsibilities for the administration of the Costilla Creek Compact (the Compact). The Compact, approved by the Legislature by the Laws of 1945, Chapter 51, and amended on September 30, 1945, provides for the equitable division and apportionment of the use of the waters of Costilla Creek. The Compact is comprised of the officials in both New Mexico and Colorado who are charged with the duty of administering public water supplies. The salaries and expenses of the members of the Compact are paid by each respective state. The Compact may employ assistance as deemed reasonably necessary, and to the extent that it is not borne by the United States, the costs are assumed equally by the two states.

A summary of the Compact's financial status for fiscal year 2010 includes:

Condensed	Condensed		
Balance Sheet (unaudited)	Statement of Activities (unaudited)		
6/30/10	For the Year Ended June 30, 2010		
ASSETS	REVENUES		
Cash	Assessments	\$ 53,105	\$ 103,936
Total assets	Interest	<u>\$ 53,105</u>	<u>75</u>
LIABILITIES	Total revenues		<u>104,011</u>
Accounts payable	EXPENSES	\$ 37,240	<u>125,905</u>
Total liabilities	Change in fund balance	<u>37,240</u>	<u>(21,894)</u>
FUND BALANCE	Beginning fund balance	<u>15,865</u>	<u>37,759</u>
TOTAL LIABILITIES	Ending fund balance		<u>\$ 15,865</u>
AND FUND BALANCE		<u>\$ 53,105</u>	

During fiscal year 2010, John R. D'Antonio served as a Commissioner of the Compact, Monica Trujillo, Chief Financial Officer of the Agency, served as the Treasurer of the Compact, and Wilfred Lucero, Agency employee, served as Water Master.

In fiscal year 2010, the Compact reimbursed the Agency for \$125,905 in salary plus applicable benefit costs for the Water Master's salary; no other financial transactions occurred between the Agency and the Compact.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
COMBINING BALANCE SHEET - OTHER FUNDS
AS OF JUNE 30, 2010

	Special Revenue Funds					Total Other Funds
	324 Ute Dam Operating Fund	325 Ute Dam Construction Fund	686 Pecos River Basin Land Mgmt Fund	657 Hydrographic Bond Income Fund	705 Debt Service Fund	
ASSETS:						
Cash	-	-	-	-	-	-
State General Fund Investment Pool	21,856	603,941	611,111	-	-	1,236,908
Prepaid expenses	-	-	-	-	-	-
Receivables, net of allowance	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other state agencies	-	-	-	-	-	-
Due from federal sources	-	-	-	-	-	-
Escrow deposits	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Loan receivables, net of allowance	-	-	-	-	-	-
	<u>\$ 21,856</u>	<u>603,941</u>	<u>611,111</u>	<u>-</u>	<u>-</u>	<u>1,236,908</u>
LIABILITIES:						
Accounts payable	-	-	29,526	-	-	29,526
Accrued payroll	-	-	-	-	-	-
Payroll related liabilities	-	-	-	-	-	-
Due to other funds	-	44,475	2,500	-	-	46,975
Due to other state agencies	-	-	-	-	-	-
Due to State General Fund	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>44,475</u>	<u>32,026</u>	<u>-</u>	<u>-</u>	<u>76,501</u>
FUND BALANCE:						
Reserved for:						
Loans receivable	-	-	-	-	-	-
Subsequent year expenditure	-	-	-	-	-	-
Unreserved/undesignated reported in:						
Special revenue fund	21,856	559,466	579,085	-	-	1,160,407
Capital projects fund	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-
Total fund balance	<u>21,856</u>	<u>559,466</u>	<u>579,085</u>	<u>-</u>	<u>-</u>	<u>1,160,407</u>
Total liabilities and fund balance	<u>\$ 21,856</u>	<u>603,941</u>	<u>611,111</u>	<u>-</u>	<u>-</u>	<u>1,236,908</u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - OTHER FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds					Total Other Funds
	324 Ute Dam Operating Fund	325 Ute Dam Construction Fund	686 Pecos River Basin Land Mgmt Fund	657 Hydrographic Bond Income Fund	705 Debt Service Fund	
Revenues:						
Charges for services	\$ -	41,397	-	-	-	41,397
Investment earnings (loss)	-	-	-	-	-	-
Miscellaneous revenue	-	62,611	-	-	-	62,611
Total revenues	-	104,008	-	-	-	104,008
Expenditures:						
Agriculture, Energy and Natural Resources						
Current:						
Personal services and benefits	-	-	-	-	-	-
Contractual services	-	-	73,073	-	-	73,073
Other costs	-	-	50,983	-	-	50,983
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:	-	-	27,378	-	-	27,378
Total expenditures	-	-	151,434	-	-	151,434
Excess (deficiency) of revenue over expenditures	-	104,008	(151,434)	-	-	(47,426)
Other financing sources (uses)						
Sale of land	-	6,600	625,706	-	-	632,306
Transfers in (out):						
Interfund transfers in	-	-	-	-	-	-
Interfund transfers (out)	-	(44,475)	-	-	-	(44,475)
Total other financing sources (uses):	-	(37,875)	625,706	-	-	587,831
Net change in fund balance	-	66,133	474,272	-	-	540,405
Fund balance, beginning, as originally reported	21,856	493,333	104,813	-	-	620,002
Prior period adjustments	-	-	-	-	-	-
Fund balance, beginning, as restated	21,856	493,333	104,813	-	-	620,002
Fund balance, ending	\$ 21,856	559,466	579,085	-	-	1,160,407

See independent auditors' report
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**UTE DAM CONSTRUCTION FUND (325)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (Non-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Other state funds				
Charges for services	\$ -	-	41,397	41,397
Miscellaneous revenue	-	-	69,211	69,211
Fund balance	-	120,000	-	(120,000)
Total revenues	-	120,000	110,608	(9,392)
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	120,000	110,608	(9,392)
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	(120,000)	(44,475)	75,525
Total other financing sources (uses)	-	(120,000)	(44,475)	75,525
Change in fund balance	-	-	66,133	66,133
Fund balance, beginning of year	493,333	493,333	493,333	-
Fund balance, end of year	\$ 493,333	493,333	559,466	66,133

See independent auditors' report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
PECOS RIVER BASIN LAND MANAGEMENT FUND (686)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (Non-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Other state funds				
Sale of land	\$ -	234,794	625,706	390,912
Fund balance	-	104,812	-	(104,812)
	<u>-</u>	<u>339,606</u>	<u>625,706</u>	<u>286,100</u>
Total revenues	<u>-</u>	<u>339,606</u>	<u>625,706</u>	<u>286,100</u>
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	88,838	73,073	15,765
Other	-	250,768	78,361	172,407
	<u>-</u>	<u>339,606</u>	<u>151,435</u>	<u>188,171</u>
Total expenditures	<u>-</u>	<u>339,606</u>	<u>151,435</u>	<u>188,171</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>474,271</u>	<u>474,271</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	-	-	474,272	474,272
Fund balance, beginning of year	<u>104,813</u>	<u>104,813</u>	<u>104,813</u>	<u>-</u>
Fund balance, end of year	<u>\$ 104,813</u>	<u>104,813</u>	<u>579,085</u>	<u>474,272</u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements

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**CAPITAL PROJECTS FUND (267)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (Non-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
Revenues				
Miscellaneous revenues	-	-	322,964	322,964
Federal funds	-	1,095,674	1,060,932	(34,742)
Fund balance budgeted	17,801,246	9,699,785	-	(9,699,785)
Total revenues	<u>17,801,246</u>	<u>10,795,459</u>	<u>1,383,896</u>	<u>(9,411,563)</u>
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	5,746,258	5,873,528	4,057,684	1,815,844
Other	29,391,269	21,627,219	6,767,120	14,860,099
Total expenditures	<u>35,137,527</u>	<u>27,500,747</u>	<u>10,824,804</u>	<u>16,675,943</u>
Excess (deficiency) of revenues over expenditures	<u>(17,336,281)</u>	<u>(16,705,288)</u>	<u>(9,440,908)</u>	<u>7,264,380</u>
Other financing sources (uses)				
Bond proceeds	19,756,819	19,105,827	4,205,166	(14,900,661)
Operating transfers in	309,024	309,024	396,327	87,303
Operating transfers out	(2,729,562)	(2,709,562)	(2,709,562)	-
Total other financing sources (uses)	<u>17,336,281</u>	<u>16,705,289</u>	<u>1,891,931</u>	<u>87,303</u>
Reversion	-	-	(8,425,646)	(8,425,646)
Change in fund balance	-	-	(15,974,623)	(15,974,623)
Fund balance, beginning of year	<u>17,904,742</u>	<u>17,904,742</u>	<u>17,904,742</u>	<u>-</u>
Fund balance, end of year	<u>\$ 17,904,742</u>	<u>17,904,742</u>	<u>1,930,118</u>	<u>(15,974,624)</u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
MULTI-YEAR APPROPRIATIONS FUND (864)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (Non-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>(Unfavorable)</u>
Revenues				
Miscellaneous revenues	\$ -	-	-	-
Fund balance budgeted	-	2,443,058	-	(2,443,058)
Total revenues	-	2,443,058	-	(2,443,058)
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	327,035	275,222	51,813
Contractual services	-	1,416,118	493,795	922,323
Other	-	699,905	197,241	502,664
Total expenditures	-	2,443,058	966,258	1,476,800
Excess (deficiency) of revenues over expenditures	-	-	(966,258)	(966,258)
Other financing sources (uses)				
Operating transfers in	-	851,367	877,948	26,581
Operating transfers out	-	(851,367)	(851,367)	-
Total other financing sources (uses)	-	-	26,581	26,581
Reversion	-	-	(2,226)	(2,226)
Change in fund balance	-	-	(941,903)	(941,903)
Fund balance, beginning of year	3,400,016	3,400,016	3,400,016	-
Fund balance, end of year	\$ -	3,400,016	2,455,887	(944,129)
Reconciliation of Budgetary Basis to Fund Financial Statement				
Total Budget Basis Expenditures - fiscal year 2010			\$ 966,258	
Adjustments:				
Amounts expensed in prior year financial statements and paid from FY10 budget				3,029
Amounts expensed in current year financial statements and paid from FY11 budget				-
Total GAAP basis Governmental Fund Expenditures - fiscal year ended June 30, 2010			\$ 969,286	

See independent auditors' report
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**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION**

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Irrigation Fees Suspense Fund (849)				
Assets				
Cash and investments	\$ 29,607	-	-	29,607
Total assets	\$ 29,607	-	-	29,607
Liabilities				
Water rights protest hearing/other deposits	\$ 29,607	-	-	29,607
Total liabilities	\$ 29,607	-	-	29,607
United States Army Corps of Engineers (1053)				
Assets				
Cash and investments	\$ 251,933	101	-	252,034
Total assets	\$ 251,933	101	-	252,034
Liabilities				
Deposits held in custody for others	\$ 251,057	101	(101)	251,057
Accounts payable	876	101	-	977
Total liabilities	\$ 251,933	101	(101)	252,034
Ute Dam Outlet Works Pipeline Replacement Project (1052)				
Assets				
Cash and investments	\$ 16,473	7	-	16,480
Total assets	\$ 16,473	7	-	16,480
Liabilities				
Deposits held in custody for others	\$ 16,473	7	-	16,480
Total liabilities	\$ 16,473	7	-	16,480
Total				
Assets				
Cash and investments	\$ 298,013	108	-	298,121
Total assets	\$ 298,013	108	-	298,121
Liabilities				
Water rights protest hearing/other deposits	\$ 29,607	-	-	29,607
Accounts payable	876	101	-	977
Deposits held in custody for others	267,530	108	(101)	267,537
Total liabilities	\$ 298,013	209	(101)	298,121

See independent auditors' report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEERING/INTERSTATE STREAM COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass-Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through/ Grantor No.</u>	<u>Grant Award Expended</u>
U.S. Department of Interior			
Bureau of Reclamation			
Phase 2: Albuquerque Reach Riverline Restoration and Habitat Improvement	*	15.000	06-FG-40-2549
			\$ 841,547
Phase 1: Isleta Reach Riverline & Habitat Improvement		15.000	07-FG-40-2708
			30,580
Phase 2: Isleta Reach Riverline & Habitat Improvement		15.000	07-FG-40-2832
			173,740
Monitoring for Albuquerque Reach Riverline Landscape DVD Series		15.000	07-FG-40-2704
			7,370
Water Conservation		15.000	07-FG-40-2619
			15,000
Operations & Maintenance - Los Lunas Silvery Minnow Refugium		15.000	2009-RC-55-0013
			38,622
Pecos Land & Water Rights Acquisition		15.000	08-FG-40-2803
			228,000
			15,064
			<u>1,349,923</u>
U.S. Department of Homeland Security			
Federal Emergency Management Agency			
Dam Safety & Security		97.041	2009-RC-55-0013
			24,933
National Dam Safety		97.041	EMW-2008-GR-0661
			25,447
			<u>50,380</u>
Total federal awards expended			<u>\$ 1,400,303</u>

Note 1. Basis for Presentation

The accompanying schedule of federal awards is presented on the GAAP basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

There were no federal awards expended in the form of non-cash assistance, insurance in effect or loans or loan guarantees outstanding at year-end.

*Major Program

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
Schedule of Performance Data
FOR THE YEAR ENDED JUNE 30, 2010

<u>Type</u>	<u>Measure</u>	<u>FY10 Target Level</u>	<u>FY10 Year-End Result</u>	<u>Met Target</u>
Water Resource & Allocation Program:				
Output	Average number of unprotested new and pending applications processed per month	80	66	No
Explanatory	Number of unprotested and unaggrieved water right applications backlogged	630	435	Yes
Outcome	Percent readiness to perform active water resource management within lower Rio Grande basin	77%	79.0%	Yes
Outcome	Number of transactions abstracted annually into the water administration technical engineering resource system database	22,000	25,707	Yes
Outcome	Percent readiness to perform active water resource management within lower Pecos river basin	75%	80%	Yes
Outcome	Percent readiness to perform active water resource management within lower San Juan river basin	100%	97%	No
Outcome	Number of dams inspected per year to establish baseline	110	101	No
Interstate Stream Compact Compliance and Water Development Program:				
Outcome	Cumulative state-line delivery credit per the Pecos River Compact and amended decree at the end of calendar year, in acre-feet	0	100,100	Yes
Outcome	Rio Grande River Compact accumulated delivery credit or deficit at end of calendar year, in acre-feet	0	100,500	Yes
Outcome	Number of acres purchased to complete implementation phase of Pecos settlement	12,000	11,986	No
Outcome	Acre-foot capacity of augmentation well fields constructed to complete implementation phase of Pecos settlement	15,750	15,750	Yes
Litigation and Adjudication Program:				
Outcome	Number of offers to defendants in adjudications	1,000	1,071	Yes
Outcome	Percent of all water rights that have judicial determinations	45%	48%	Yes
Program support:				
Output	Percent of department contracts that include performance measures	100%	100%	Yes

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER / INTERSTATE STREAM COMMISSION
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDAS OF UNDERSTANDING AND OTHER GOVERNMENTAL AGREEMENTS
For The Year Ended June 30, 2010

Agreements	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Agency	Amount contributed current fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
1 Investments of certain ISC monies	Interstate Stream Commission/ NM State Investment Council	Interstate Stream Commission	Invests certain moneys belonging to the ISC	3/3/1994 thru Indefinite	N/A	N/A	Both Entities	Both Entities
2 Modification of outlet works at Ute Dam	Office of the State Engineer/US Army Corp	Office of the State Engineer	Modification of outlet works at Ute Dam	5/15/1997 thru completion	\$927,280	COMPLETE	Both Entities	Both Entities
3 Silvery Minnow facility	Interstate Stream Commission/City of Albuquerque	Interstate Stream Commission	Design, construct, operate and maintain a nature rearing and breeding facility for the Silvery Minnow	10/5/2001 thru 10/5/2011	\$1,905,000	COMPLETE	Both entities	Both Entities
4 Water litigation with the State of Texas	Interstate Stream Commission/ Office of the Attorney General of New Mexico	Interstate Stream Commission	Prepare for anticipated water litigation with the State of Texas	3/11/2002 thru completion	\$3,669,000	\$1,424,000.00	Both Entities	Both Entities
5 Operation, maintenance and development of a park and recreation area for Eagle Nest Lake	Office of the State Engineer, Interstate Stream Commission, Energy Minerals and Natural Resources and Game and Fish Dept.	Interstate Stream Commission	Operation, maintenance and development of a park and recreation area for Eagle Nest Lake	10/25/2005 thru 6/30/2027	As Budgeted per each Department	As Budgeted per each Department	All Entities	Both Entities
6 Establishing a water leasing market for the Mimbres River	Office of the State Engineer, Sandia National Laboratories	Office of the State Engineer	Establishing a water leasing market for the Mimbres River	12/8/2009 10/8/2010	\$170,000	\$163,048.23	Both Entities	Both Entities
7 Administer the water rights in the district	Office of the State Engineer, Interstate Stream Commission/San Miguel County	Interstate Stream Commission	Administer the water rights in the district	11/16/2004 thru Indefinite	\$11,200 (amount to be provided by San Miguel for water master expenses	N/A	ISC	Both Entities

OFFICE OF THE STATE ENGINEER / INTERSTATE STREAM COMMISSION
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDAS OF UNDERSTANDING AND OTHER GOVERNMENTAL AGREEMENTS
For The Year Ended June 30, 2010

Agreements	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Agency	Amount contributed current fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
8 Technical services in support of water quality sampling on the Canadian River	Office of the State Engineer, Interstate Stream Commission, NM Environment Dept	Interstate Stream Commission	Technical serives in support of water quality sampling on the Canadian River	4/20/2006 thru Indefinite	\$45,000	NONE	Both Entities	Both Entities
9 Technical services in support of water quality sampling on the Gila Water Shed	Office of the State Engineer, Interstate Stream Commission, NM Environment Dept	Interstate Stream Commission	Technical services in support of water quality sampling on the Gila Water Shed	4/20/2006 thru Indefinite	\$45,000	NONE	Both Entities	Both Entities
10 Maintain areas of phreatophytes	Interstate Stram Commission/Bureau of Reclamation	Interstate Stream Commission	Maintain area of phreatophytes against regrowth	1/14/2008 thru 6/30/2012	\$150,000.00 per fiscal year	\$150,000.00	Both Entities	Both Entities
11 Coordinate activities for Tamarisk Management in the Colorado River Basin	Central Arizona, Southern Nevada, Colorado Water, Utah Division, Wyoming State Engineers, ISC	All listed	Coordinate activities for Tamarisk Management in the Colorado River Basin	4/25/2008 thru Indefinite	As Budgeted per each Department	As Budgeted per each Department	All Entities	All Entities
12 Acquisition of water/ water rights	NM Environment/ Interstate Stream Commission	Interstate Stream Commission	Acquisition of water/ water rights	4/8/2008 thru 6/30/2010	\$4,280.00	\$0.00	Both Entities	Both Entities
13 Planning for interstate water settlements	NM Environment/ Interstate Stream Commission	Interstate Stream Commission	Planning for interstate water settlements	10/12/2008 thru 6/30/2010	\$1,000,000.00	\$0.00	Both Entities	Both Entities
14 Continued Development of the Upper Rio Grande Water Operations Model	US Army Corp, US Bureau of Reclamation, Interstate Stream Commission	US Army Corp, US Bureau of Reclamation, Interstate Stream Commission	Continued Development of the Upper Rio Grande Water Operations Model	10/12/2007 thru 10/12/2012	\$50,000.00 annually	NONE	US Army Corp/US Bureau of Reclamaition	Both Entities
15 Constructing Ecosystem Revitalization Route 66	US Army Corp/ Interstate Stream Commission	US Army Corp/ Interstate Stream Commission	Constructing Ecosystem Revitalization Route 66	6/12/2008 thru 6/12/2018	\$100.00 acre foot	N/A	Both Entities	Both Entities

OFFICE OF THE STATE ENGINEER / INTERSTATE STREAM COMMISSION
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDAS OF UNDERSTANDING AND OTHER GOVERNMENTAL AGREEMENTS
For The Year Ended June 30, 2010

Agreements	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Agency	Amount contributed current fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
16 Plan, design and construct a second diversion point and a reservoir Bloomfield	Office of the State Engineer, City of Bloomfield	Office of the State Engineer	Plan, design and construct a second diversion point and a reservoir Bloomfield	9/3/2009 6/30/2011	\$500,000.00	\$500,000.00	Both Entities	Both Entities
17 Pipeline extension in the Bluewater Village	Office of the State Engineer/ Bluewater-Toltec Irrigation	OSE	Pipeline extension in the Bluewater Village	1/29/2009 6/30/2011	\$38,000.00	NONE	Both Entities	Both Entities
18 Water Conservation Measurers	Interstate Stream Commission Bureau of Reclamation	ISC	Water Conservation Measurers	6/13/2008 9/30/2009	\$2,380,000.00	\$900,000.00	Both Entities	Both Entities
19 Vegetation Management	Interstate Stream Commission Bureau of Reclamation	ISC	Vegetation Management	12/16/2008 9/30/2009	\$75,000.00	\$75,000.00	Both Entities	Both Entities
20 Collaborative work habitat development	Interstate Stream Commission City of Albuquerque	ISC	Collaborative work habitat development	3/19/2009 6/30/2010	\$145,000.00	\$145,000.00	Both Entities	Both Entities
21 Quantifying Leaks with Acoustic Loggers	Office of the State Engineer Department of Finance	OSE	Quantifying Leaks with Acoustic Loggers	2/4/2009 6/30/2010	\$345,000.00	N/A	Both Entities	Both Entities
22 Calibration of the Gila-San Francisco Decision	Interstate Stream Commission/Sandia National	ISC	Calibration of the Gila-San Francisco Decision	6/30/2009 2/28/2010	\$80,000.00	\$80,000.00	Both Entities	Both Entities
23 LRG Litigation	Office of the State Engineer/Attorney General	OSE	LRG Litigation	1/7/2010 6/30/2010	\$100,000.00	\$100,000.00	Both Entities	Both Entities
24 Repair and Improve Cabresto Lake Dam	Office of the State Engineer/Cabresto Lake Irrigation Company	OSE	Repair and Improve Cabresto Lake Dam	7/21/2009 6/30/2010	\$104,500.00	\$104,500.00	Both Entities	Both Entities
25 Operate and Maintain Pipeline Pecos River	Interstate Stream Commission/Cibola Ranch	ISC	Operate and Maintain Pipeline Pecos River	7/30/2009 6/30/2010	\$40,000.00	\$40,000.00	Both Entities	Both Entities
26 Meter wells located in Virden Valley	Office of the State Engineer Hidalgo County Soil	OSE	Meter wells located in Virden Valley	11/25/2008 6/30/2010	\$65,696.00	\$65,696.00	Both Entities	Both Entities
27 Water Quality data collection	Interstate Stream Commission/US Dept. of Interior	ISC	Water Quality data collection	8/25/2009 6/30/2010	\$89,310.00	\$89,310.00	Both Entities	Both Entities

OFFICE OF THE STATE ENGINEER / INTERSTATE STREAM COMMISSION
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDAS OF UNDERSTANDING AND OTHER GOVERNMENTAL AGREEMENTS
For The Year Ended June 30, 2010

Agreements	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Agency	Amount contributed current fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
28 Streamlining Design and Maintenance	Interstate Stream Commission/US Dept. of	ISC	Streamlining Design and Maintenance	7/1/2009 6/30/2010	\$72,750.00	\$72,750.00	Both Entities	Both Entities
29 Acquire rights of way and construct pipeline Navajo Nation	Office of the State Engineer NM Environment Dept.	NM Environment Dept.	Acquire rights of way and construct pipeline Navajo Nation	3/17/2009 6/30/2012	\$1,250,000.00	None	Both Entities	Both Entities
30 Construct diversion point Bloomfield	Office of the State Engineer NM Environment Dept.	NM Environment Dept.	Construct diversion point Bloomfield	3/17/2009 6/30/2011	\$500,000.00	None	Both Entities	Both Entities
31 Operation and Maintenance of streamflow gages	Interstate Stream Commission/US Dept of Interior	ISC	Operation and Maintenance of streamflow gages	7/1/2009 6/30/2010	\$452,000.00	\$452,000.00	Both Entities	Both Entities
32 Monitoring network of ground water flow	Interstate Stream Commission/US Dept of Interior	ISC	Monitoring network of ground water flow	7/1/2009 6/30/2010	\$23,100.00	\$23,100.00	Both Entities	Both Entities
33 Data Collection and interpretive investigation	Office of the State Engineer/US Dept of Interior	OSE	Data Collection and interpretive investigation	7/1/2009 6/30/2010	\$204,160.00	\$204,160.00	Both Entities	Both Entities
34 Modifying a collection of digital aerial photography	Interstate Stream Commission/University of New Mexico	ISC	Modifying a collection of digital aerial photography	6/4/2010 6/30/2010	\$1,500.00	\$1,500.00	Both Entities	Both Entities
35 Quantifying Leaks with Acoustic Loggers	Office of the State Engineer/NM Rural Water	OSE	Quantifying Leaks with Acoustic Loggers	6/2/2010 6/30/2011	\$0.00	\$0.00		
36 Functioning water leasing market	Office of the State Engineer/University of New Mexico	OSE	Functioning water leasing market	2/23/2010 9/30/2011	\$100,000.71	\$75,626.17	Both Entities	Both Entities
37 Paired Watershed Study	Interstate Stream Commission/Grant Soil	ISC	Paired Watershed Study	10/15/2009 6/30/2010	\$3,050.00	\$3,050.00	Both Entities	Both Entities
38 Plan, design and construct diversion structure	Office of the State Enginner/City of Las Vegas	OSE	Plan, design and construct diversion structure	10/5/2009 6/30/2012	\$500,000.00	\$0.00	Both Entities	Both Entities

OFFICE OF THE STATE ENGINEER / INTERSTATE STREAM COMMISSION
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDAS OF UNDERSTANDING AND OTHER GOVERNMENTAL AGREEMENTS
For The Year Ended June 30, 2010

Agreements	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Agency	Amount contributed current fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
39 Burros Project	Interstate Stream Commission/Grant Soil	ISC	Burros Project	10/15/2009 6/30/2010	\$14,950.00	\$14,950.00	Both Entities	Both Entities
40 Cooperative Program for Water Conservation Rio Grande	Interstate Stream Commission/US Dept of Interior	ISC	Cooperative Program for Water Conservation Rio Grande	10/22/2009 9/30/2010	\$720,000.00	\$720,000.00	Both Entities	Both Entities
41 Vegetation Management at Caballo and Elephant Butte	Interstate Stream Commission/US Dept of Interior	ISC	Vegetation Management at Caballo and Elephant Butte	12/2/2009 9/30/2010	\$186,994.78	\$164,000.00	Both Entities	Both Entities
42 Framework of the Southeastern Colorado	Interstate Stream Commission/NM Institute of Mining	ISC	Framework of the Southeastern Colorado	1/29/2010 6/30/2011	\$76,786.28	\$76,786.28	Both Entities	Both Entities
43 Geologic mapping in the San Agustin Plains	Office of the State Engineer/NM Institute of Mining	OSE	Geologic mapping in the San Agustin Plains	2/12/2010 6/30/2010	\$18,577.50	\$18,577.50	Both Entities	Both Entities

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER / INTERSTATE STREAM COMMISSION
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS
For The Year Ended June 30, 2010

Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
Fund 267						
Special, Deficiency, Specific and Capital Outlay Appropriations						
Laws of 2007, Chapter 341, Section 268	A020069	\$ 80,000	07/01/2002-06/30/2011	-	-	80,000
Laws of 2007, Chapter 341, Section 337	A021410	4,474,386	07/01/2002-06/30/2011	894,253	198,051	3,382,082
Laws of 2007, Chapter 341, Section 264	A021448	40,000	07/01/2002-06/30/2011	39,173	-	827
Laws of 2007, Chapter 341, Section 282	A021695	96,459	07/01/2002-06/30/2010	96,289	-	170
Laws of 2007, Chapter 341, Section 309	A021696	956,397	07/01/2002-06/30/2010	610,087	-	346,310
Laws of 2008, Chapter 83, Section 407	A030287	24,892	07/01/2003-06/30/2010	24,825	-	67
Laws of 2007, Chapter 341, Section 247	A030289	50,000	07/01/2003-06/30/2011	50,000	-	-
Laws of 2007, Chapter 341, Section 249	A030294	100,000	07/01/2003-06/30/2011	99,999	1	-
Laws of 2008, Chapter 83, Section 320	A030298	10,000	07/01/2003-06/30/2010	10,000	-	-
Laws of 2008, Chapter 83, Section 416	A030305	10,000	07/01/2003-06/30/2010	10,000	-	-
Laws of 2009, Chapter 128, Section 501	A030306	25,000	07/01/2003-06/30/2010	-	170	24,830
Laws of 2009, Chapter 128, Section 173	A040543	10,000	07/01/2004-06/30/2011	-	-	10,000
Laws of 2009, Chapter 128, Section 174	A040544	10,000	07/01/2004-06/30/2011	-	-	10,000
Laws of 2009, Chapter 128, Section 252	A040546	72,154	07/01/2004-06/30/2011	72,000	-	154
Laws of 2005, Chapter 347, Section 9, Subsection 4	A050051	45,000	07/01/2005-06/30/2010	45,000	-	-
Laws of 2007, Chapter 341, Section 115	A050056	50,000	07/01/2005-06/30/2010	49,995	-	5
Laws of 2005, Chapter 347, Section 9, Subsection 10	A050057	50,000	07/01/2005-06/30/2010	50,000	-	-
Laws of 2005, Chapter 347, Section 9, Subsection 11	A050058	50,000	07/01/2005-06/30/2010	21,049	-	28,951
Laws of 2005, Chapter 347, Section 10, Subsection 3	A050061	50,000	07/01/2005-06/30/2010	50,000	-	-
Laws of 2005, Chapter 347, Section 34, Subsection 1	A051052	350,000	07/01/2005-06/30/2010	10,078	-	339,922
Laws of 2005, Chapter 347, Section 34, Subsection 2	A051053	75,000	07/01/2005-06/30/2010	75,000	-	-
Laws of 2005, Chapter 347, Section 34, Subsection 3	A051054	60,000	07/01/2005-06/30/2010	30,374	-	29,626
Laws of 2005, Chapter 347, Section 34, Subsection 4	A051055	90,000	07/01/2005-06/30/2010	-	-	90,000
Laws of 2008, Chapter 83, Section 224	A051056	10,000	07/01/2005-06/30/2010	5,504	-	4,496
Laws of 2005, Chapter 347, Section 34, Subsection 6	A051057	1,000,000	07/01/2005-06/30/2010	974,249	-	25,751
Laws of 2005, Chapter 347, Section 34, Subsection 14	A051065	25,000	07/01/2005-06/30/2010	-	-	25,000
Laws of 2005, Chapter 347, Section 34, Subsection 16	A051067	50,000	07/01/2005-06/30/2010	50,000	-	-
Laws of 2005, Chapter 347, Section 34, Subsection 18	A051069	45,000	07/01/2005-06/30/2010	27,858	-	17,142
Laws of 2005, Chapter 347, Section 35, Subsection 3	A051072	15,000	07/01/2005-06/30/2010	15,000	-	-
Laws of 2005, Chapter 347, Section 35, Subsection 5	A051074	5,000	07/01/2005-06/30/2010	4,095	-	905
Laws of 2005, Chapter 347, Section 35, Subsection 6	A051075	15,000	07/01/2005-06/30/2010	15,000	-	-

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER / INTERSTATE STREAM COMMISSION
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS
For The Year Ended June 30, 2010

Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
Fund 267						
Special, Deficiency, Specific and Capital Outlay Appropriations						
Laws of 2005, Chapter 347, Section 35, Subsection 9	A051078	40,000	07/01/2005-06/30/2010	40,000	-	-
Laws of 2005, Chapter 347, Section 35, Subsection 10	A051079	25,000	07/01/2005-06/30/2010	25,000	-	-
Laws of 2005, Chapter 347, Section 35, Subsection 11	A051080	5,000	07/01/2005-06/30/2010	4,053	-	947
Laws of 2005, Chapter 347, Section 35, Subsection 13	A051082	25,000	07/01/2005-06/30/2010	25,000	-	0
Laws of 2009, Chapter 128, Section 418	A051090	10,000	07/01/2005-06/30/2011	-	543	9,457
Laws of 2009, Chapter 128, Section 322	A051091	5,130	07/01/2005-06/30/2011	-	-	5,130
Laws of 2007, Chapter 341, Section 349	A051406	30,000	07/01/2007-06/30/2010	-	-	30,000
Laws of 2006, Chapter 111, Section 11, Subsection 3	A060136	250,000	07/01/2006-06/30/2010	80,831	-	169,169
Laws of 2006, Chapter 111, Section 11, Subsection 5	A060138	100,000	07/01/2006-06/30/2010	59,499	-	40,501
Laws of 2006, Chapter 111, Section 11, Subsection 7	A060140	200,000	07/01/2006-06/30/2010	200,000	-	-
Laws of 2006, Chapter 111, Section 11, Subsection 8	A060141	9,000,000	07/01/2006-06/30/2010	8,962,508	-	37,492
Laws of 2006, Chapter 111, Section 11, Subsection 9	A060142	500,000	07/01/2006-06/30/2010	320,064	-	179,936
Laws of 2006, Chapter 111, Section 12, Subsection 3	A060145	75,000	07/01/2006-06/30/2010	68,505	-	6,495
Laws of 2006, Chapter 111, Section 12, Subsection 4	A060146	50,000	07/01/2006-06/30/2010	50,000	-	-
Laws of 2006, Chapter 111, Section 12, Subsection 5	A060147	200,000	07/01/2006-06/30/2010	200,000	-	-
Laws of 2006, Chapter 111, Section 12, Subsection 6	A060148	150,000	07/01/2006-06/30/2010	150,000	-	-
Laws of 2006, Chapter 111, Section 42, Subsection 2	A061013	25,000	07/01/2006-06/30/2010	-	-	25,000
Laws of 2006, Chapter 111, Section 42, Subsection 3	A061014	114,000	07/01/2006-06/30/2010	104,000	-	10,000
Laws of 2006, Chapter 111, Section 42, Subsection 4	A061015	60,000	07/01/2006-06/30/2010	-	-	60,000
Laws of 2006, Chapter 111, Section 42, Subsection 5	A061016	200,000	07/01/2006-06/30/2010	171,539	-	28,461
Laws of 2006, Chapter 111, Section 42, Subsection 6	A061017	50,000	07/01/2006-06/30/2010	-	-	50,000
Laws of 2006, Chapter 111, Section 42, Subsection 9	A061020	60,000	07/01/2006-06/30/2010	60,000	-	-
Laws of 2008, Chapter 83, Section 346	A061023	20,000	07/01/2006-06/30/2010	20,000	-	-
Laws of 2006, Chapter 111, Section 42, Subsection 17	A061026	300,000	07/01/2006-06/30/2010	261,349	-	38,651
Laws of 2006, Chapter 111, Section 42, Subsection 18	A061027	2,000,000	07/01/2006-06/30/2010	1,065,438	-	934,562
Laws of 2006, Chapter 111, Section 42, Subsection 20	A061029	1,800,000	07/01/2006-06/30/2010	294,161	-	1,505,839
Laws of 2006, Chapter 111, Section 42, Subsection 21	A061030	70,000	07/01/2006-06/30/2010	-	-	70,000
Laws of 2006, Chapter 111, Section 43, Subsection 1	A061031	31,250	07/01/2006-06/30/2010	-	-	31,250
Laws of 2006, Chapter 111, Section 43, Subsection 5	A061033	30,000	07/01/2006-06/30/2010	29,301	-	699
Laws of 2006, Chapter 111, Section 43, Subsection 8	A061036	80,000	07/01/2006-06/30/2010	-	-	80,000
Laws of 2009, Chapter 128, Section 421	A061037	60,000	07/01/2006-06/30/2011	45,309	14,691	-

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Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
Fund 267						
Special, Deficiency, Specific and Capital Outlay Appropriations						
Laws of 2006, Chapter 111, Section 43, Subsection 10	A061038	40,000	07/01/2006-06/30/2010	40,000	-	(0)
Laws of 2006, Chapter 111, Section 43, Subsection 11	A061039	50,000	07/01/2006-06/30/2010	50,000	-	-
Laws of 2009, Chapter 128, Section 400	A061040	38,000	07/01/2006-06/30/2011	-	-	38,000
Laws of 2006, Chapter 111, Section 43, Subsection 13	A061041	25,000	07/01/2006-06/30/2010	24,882	-	118
Laws of 2006, Chapter 111, Section 43, Subsection 14	A061042	15,000	07/01/2006-06/30/2010	14,969	-	31
Laws of 2006, Chapter 111, Section 43, Subsection 15	A061043	30,000	07/01/2006-06/30/2010	30,000	-	-
Laws of 2006, Chapter 111, Section 43, Subsection 16	A061044	25,000	07/01/2006-06/30/2010	25,000	-	-
Laws of 2006, Chapter 111, Section 43, Subsection 18	A061045	60,000	07/01/2006-06/30/2010	59,990	-	10
Laws of 2006, Chapter 111, Section 43, Subsection 20	A061047	25,000	07/01/2006-06/30/2010	23,350	-	1,650
Laws of 2006, Chapter 111, Section 43, Subsection 21	A061048	15,000	07/01/2006-06/30/2010	14,460	-	540
Laws of 2006, Chapter 111, Section 43, Subsection 24	A061051	28,000	07/01/2006-06/30/2010	-	-	28,000
Laws of 2006, Chapter 111, Section 43, Subsection 26	A061052	100,000	07/01/2006-06/30/2010	99,250	-	750
Laws of 2006, Chapter 111, Section 43, Subsection 27	A061053	25,000	07/01/2006-06/30/2010	25,000	-	-
Laws of 2006, Chapter 111, Section 43, Subsection 29	A061055	150,000	07/01/2006-06/30/2010	150,000	-	-
Laws of 2006, Chapter 111, Section 43, Subsection 32	A061057	8,000	07/01/2006-06/30/2010	-	-	8,000
Laws of 2006, Chapter 111, Section 43, Subsection 33	A061058	10,000	07/01/2006-06/30/2010	10,000	-	-
Laws of 2009, Chapter 128, Section 401	A061059	35,000	07/01/2006-06/30/2011	-	-	35,000
Laws of 2006, Chapter 111, Section 43, Subsection 38	A061061	40,000	07/01/2006-06/30/2010	40,000	-	-
Laws of 2006, Chapter 111, Section 43, Subsection 39	A061062	10,000	07/01/2006-06/30/2010	9,999	-	2
Laws of 2006, Chapter 111, Section 43, Subsection 40	A061063	10,000	07/01/2006-06/30/2010	10,000	-	-
Laws of 2006, Chapter 111, Section 43, Subsection 41	A061064	50,000	07/01/2006-06/30/2010	50,000	-	-
Laws of 2006, Chapter 111, Section 43, Subsection 42	A061065	10,000	07/01/2006-06/30/2010	10,000	-	-
Laws of 2006, Chapter 111, Section 43, Subsection 43	A061066	50,000	07/01/2006-06/30/2010	10,253	-	39,747
Laws of 2006, Chapter 111, Section 43, Subsection 44	A061067	25,000	07/01/2006-06/30/2010	25,000	-	0
Laws of 2006, Chapter 111, Section 43, Subsection 48	A061071	30,000	07/01/2006-06/30/2010	27,543	-	2,457
Laws of 2006, Chapter 111, Section 43, Subsection 49	A061072	30,000	07/01/2006-06/30/2010	27,712	-	2,288
Laws of 2006, Chapter 111, Section 43, Subsection 53	A061076	40,000	07/01/2006-06/30/2010	40,000	-	0
Laws of 2006, Chapter 111, Section 43, Subsection 55	A061078	50,000	07/01/2006-06/30/2010	18,476	-	31,524
Laws of 2006, Chapter 111, Section 45, Subsection 52	A061127	400,000	07/01/2006-06/30/2010	137,145	-	262,855
Laws of 2006, Chapter 111, Section 45, Subsection 100	A061173	200,000	07/01/2006-06/30/2010	10,150	-	189,850
Laws of 2006, Chapter 111, Section 45, Subsection 177	A061247	75,000	07/01/2006-06/30/2010	62,887	-	12,113

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Fund 267						
Special, Deficiency, Specific and Capital Outlay Appropriations						
Laws of 2009, Chapter 128, Section 498	A062271	273,762	07/01/2006-06/30/2011	108,043	77,039	88,680
Laws of 2007, Chapter 2, Section 20, Subsection 3	A073218	48,000	07/01/2007-06/30/2011	-	-	48,000
Laws of 2007, Chapter 2, Section 20, Subsection 4	A073219	25,000	07/01/2007-06/30/2011	-	-	25,000
Laws of 2007, Chapter 2, Section 20, Subsection 5	A073220	1,000,000	07/01/2007-06/30/2011	150,000	-	850,000
Laws of 2007, Chapter 2, Section 20, Subsection 6	A073221	1,000,000	07/01/2007-06/30/2011	17,250	-	982,750
Laws of 2007, Chapter 2, Section 20, Subsection 7	A073222	10,000	07/01/2007-06/30/2011	-	-	10,000
Laws of 2007, Chapter 2, Section 21, Subsection 14	A073236	1,000,000	07/01/2007-06/30/2011	628,878	-	371,122
Laws of 2009, Chapter 128, Section 115	A073265	75,000	07/01/2007-06/30/2011	-	-	75,000
Laws of 2007, Chapter 2, Section 25, Subsection 3	A073267	20,000	07/01/2007-06/30/2011	-	-	20,000
Laws of 2007, Chapter 2, Section 25, Subsection 4	A073268	28,000	07/01/2007-06/30/2011	28,000	-	-
Laws of 2007, Chapter 2, Section 25, Subsection 5	A073269	10,000	07/01/2007-06/30/2011	-	-	10,000
Laws of 2007, Chapter 2, Section 25, Subsection 6	A073270	10,000	07/01/2007-06/30/2011	-	10,000	-
Laws of 2007, Chapter 2, Section 25, Subsection 7	A073271	25,000	07/01/2007-06/30/2011	25,000	-	-
Laws of 2007, Chapter 2, Section 25, Subsection 8	A073272	66,000	07/01/2007-06/30/2011	573	-	65,427
Laws of 2007, Chapter 2, Section 25, Subsection 9	A073273	15,000	07/01/2007-06/30/2011	15,000	-	-
Laws of 2007, Chapter 2, Section 25, Subsection 10	A073274	20,000	07/01/2007-06/30/2011	13,822	65	6,114
Laws of 2007, Chapter 2, Section 25, Subsection 11	A073275	15,000	07/01/2007-06/30/2011	-	-	15,000
Laws of 2007, Chapter 2, Section 25, Subsection 12	A073276	50,000	07/01/2007-06/30/2011	49,726	-	274
Laws of 2007, Chapter 2, Section 25, Subsection 13	A073277	20,000	07/01/2007-06/30/2011	12,330	6,594	1,075
Laws of 2007, Chapter 2, Section 25, Subsection 14	A073278	20,000	07/01/2007-06/30/2011	9,891	9,699	411
Laws of 2007, Chapter 2, Section 25, Subsection 15	A073279	23,800	07/01/2007-06/30/2011	23,800	-	-
Laws of 2007, Chapter 2, Section 25, Subsection 19	A073283	30,000	07/01/2007-06/30/2011	16,097	13,903	-
Laws of 2007, Chapter 2, Section 25, Subsection 22	A073286	23,800	07/01/2007-06/30/2011	-	-	23,800
Laws of 2007, Chapter 2, Section 25, Subsection 23	A073287	23,000	07/01/2007-06/30/2011	9,344	-	13,656
Laws of 2007, Chapter 2, Section 25, Subsection 24	A073288	25,000	07/01/2007-06/30/2011	-	25,000	-
Laws of 2007, Chapter 42, Section 15, Subsection 1	A073717	250,000	07/01/2007-06/30/2011	104,193	9,205	136,602
Laws of 2009, Chapter 128, Section 399	A074337	40,000	07/01/2009-06/30/2011	-	-	40,000
Laws of 2007, Chapter 42, Section 58, Subsection 1	A074397	145,000	07/01/2007-06/30/2011	145,000	-	-
Laws of 2007, Chapter 42, Section 58, Subsection 2	A074398	100,000	07/01/2007-06/30/2011	-	-	100,000
Laws of 2007, Chapter 42, Section 58, Subsection 3	A074399	91,900	07/01/2007-06/30/2011	-	-	91,900
Laws of 2007, Chapter 42, Section 58, Subsection 4	A074400	50,000	07/01/2007-06/30/2011	50,000	-	(0)

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Fund 267						
Special, Deficiency, Specific and Capital Outlay Appropriations						
Laws of 2007, Chapter 42, Section 58, Subsection 5	A074401	500,000	07/01/2007-06/30/2011	432,219	67,781	-
Laws of 2007, Chapter 42, Section 58, Subsection 6	A074402	750,000	07/01/2007-06/30/2011	-	-	750,000
Laws of 2007, Chapter 42, Section 58, Subsection 8	A074404	1,500,000	07/01/2007-06/30/2011	230,750	-	1,269,250
Laws of 2007, Chapter 42, Section 58, Subsection 9	A074405	1,000,000	07/01/2007-06/30/2011	-	-	1,000,000
Laws of 2007, Chapter 42, Section 58, Subsection 10	A074406	500,000	07/01/2007-06/30/2011	-	-	500,000
Laws of 2007, Chapter 42, Section 58, Subsection 11	A074407	1,000,000	07/01/2007-06/30/2011	737,468	92,008	170,524
Laws of 2007, Chapter 42, Section 67, Subsection 1	A074779	10,000	07/01/2007-06/30/2011	-	-	10,000
Laws of 2007, Chapter 42, Section 67, Subsection 2	A074780	10,000	07/01/2007-06/30/2011	-	-	10,000
Laws of 2007, Chapter 42, Section 67, Subsection 3	A074781	55,000	07/01/2007-06/30/2011	-	-	55,000
Laws of 2007, Chapter 42, Section 67, Subsection 4	A074782	10,000	07/01/2007-06/30/2011	-	-	10,000
Laws of 2007, Chapter 42, Section 67, Subsection 5	A074783	20,000	07/01/2007-06/30/2011	-	-	20,000
Laws of 2007, Chapter 42, Section 67, Subsection 6	A074784	40,000	07/01/2007-06/30/2011	-	-	40,000
Laws of 2007, Chapter 42, Section 67, Subsection 7	A074785	48,000	07/01/2007-06/30/2011	-	-	48,000
Laws of 2007, Chapter 42, Section 67, Subsection 8	A074786	75,000	07/01/2007-06/30/2011	75,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 9	A074787	70,000	07/01/2007-06/30/2011	60,618	9,382	-
Laws of 2007, Chapter 42, Section 67, Subsection 11	A074789	50,000	07/01/2007-06/30/2011	50,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 12	A074790	100,000	07/01/2007-06/30/2011	64,396	35,604	-
Laws of 2007, Chapter 42, Section 67, Subsection 13	A074791	10,000	07/01/2007-06/30/2011	-	-	10,000
Laws of 2007, Chapter 42, Section 67, Subsection 14	A074792	20,000	07/01/2007-06/30/2011	19,826	-	174
Laws of 2007, Chapter 42, Section 67, Subsection 15	A074793	35,000	07/01/2007-06/30/2011	-	-	35,000
Laws of 2007, Chapter 42, Section 67, Subsection 16	A074794	40,000	07/01/2007-06/30/2011	4,419	35,581	-
Laws of 2007, Chapter 42, Section 67, Subsection 17	A074795	10,000	07/01/2007-06/30/2011	-	-	10,000
Laws of 2007, Chapter 42, Section 67, Subsection 18	A074796	30,000	07/01/2007-06/30/2011	-	-	30,000
Laws of 2007, Chapter 42, Section 67, Subsection 19	A074797	10,000	07/01/2007-06/30/2011	10,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 20	A074798	20,000	07/01/2007-06/30/2011	-	-	20,000
Laws of 2007, Chapter 42, Section 67, Subsection 21	A074799	30,000	07/01/2007-06/30/2011	-	-	30,000
Laws of 2007, Chapter 42, Section 67, Subsection 22	A074800	10,000	07/01/2007-06/30/2011	-	-	10,000
Laws of 2007, Chapter 42, Section 67, Subsection 23	A074801	10,000	07/01/2007-06/30/2011	-	-	10,000
Laws of 2007, Chapter 42, Section 67, Subsection 24	A074802	65,000	07/01/2007-06/30/2011	33,981	31,019	-
Laws of 2007, Chapter 42, Section 67, Subsection 26	A074804	25,000	07/01/2007-06/30/2011	25,000	-	(0)
Laws of 2007, Chapter 42, Section 67, Subsection 27	A074805	200,000	07/01/2007-06/30/2011	62,068	98,427	39,505

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Fund 267						
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Laws of 2007, Chapter 42, Section 67, Subsection 28	A074806	10,000	07/01/2007-06/30/2011	10,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 29	A074807	50,000	07/01/2007-06/30/2011	-	-	50,000
Laws of 2007, Chapter 42, Section 67, Subsection 30	A074808	15,000	07/01/2007-06/30/2011	15,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 31	A074809	200,000	07/01/2007-06/30/2011	50,051	149,949	-
Laws of 2007, Chapter 42, Section 67, Subsection 32	A074810	90,000	07/01/2007-06/30/2011	-	-	90,000
Laws of 2007, Chapter 42, Section 67, Subsection 33	A074811	30,000	07/01/2007-06/30/2011	337	29,663	-
Laws of 2007, Chapter 42, Section 67, Subsection 34	A074812	100,000	07/01/2007-06/30/2011	48,100	51,900	-
Laws of 2007, Chapter 42, Section 67, Subsection 35	A074813	20,000	07/01/2007-06/30/2011	3,320	16,680	-
Laws of 2007, Chapter 42, Section 67, Subsection 36	A074814	30,000	07/01/2007-06/30/2011	19,000	6,977	4,023
Laws of 2007, Chapter 42, Section 67, Subsection 37	A074815	15,000	07/01/2007-06/30/2011	15,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 38	A074816	100,000	07/01/2007-06/30/2011	9,238	-	90,762
Laws of 2007, Chapter 42, Section 67, Subsection 40	A074818	30,000	07/01/2007-06/30/2011	600	29,400	-
Laws of 2007, Chapter 42, Section 67, Subsection 41	A074819	80,000	07/01/2007-06/30/2011	72,987	3,013	4,000
Laws of 2007, Chapter 42, Section 67, Subsection 42	A074820	400,000	07/01/2007-06/30/2011	-	-	400,000
Laws of 2007, Chapter 42, Section 67, Subsection 43	A074821	10,000	07/01/2007-06/30/2011	1,500	-	8,500
Laws of 2007, Chapter 42, Section 67, Subsection 44	A074822	40,000	07/01/2007-06/30/2011	20,484	19,516	-
Laws of 2007, Chapter 42, Section 67, Subsection 45	A074823	50,000	07/01/2007-06/30/2011	45,881	4,119	-
Laws of 2007, Chapter 42, Section 67, Subsection 46	A074824	10,000	07/01/2007-06/30/2011	10,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 47	A074825	10,000	07/01/2007-06/30/2011	9,999	-	1
Laws of 2009, Chapter 128, Section 419	A074826	20,000	07/01/2007-06/30/2011	-	20,000	-
Laws of 2007, Chapter 42, Section 67, Subsection 49	A074827	40,000	07/01/2007-06/30/2011	37,854	146	2,000
Laws of 2007, Chapter 42, Section 67, Subsection 50	A074828	10,000	07/01/2007-06/30/2011	-	-	10,000
Laws of 2007, Chapter 42, Section 67, Subsection 51	A074829	35,000	07/01/2007-06/30/2011	19,715	-	15,285
Laws of 2007, Chapter 42, Section 67, Subsection 52	A074830	60,000	07/01/2007-06/30/2011	48,534	11,466	-
Laws of 2007, Chapter 42, Section 67, Subsection 53	A074831	80,000	07/01/2007-06/30/2011	2,913	-	77,087
Laws of 2007, Chapter 42, Section 67, Subsection 54	A074832	40,000	07/01/2007-06/30/2011	-	-	40,000
Laws of 2007, Chapter 42, Section 67, Subsection 55	A074833	40,000	07/01/2007-06/30/2011	39,980	-	20
Laws of 2007, Chapter 42, Section 67, Subsection 56	A074834	60,000	07/01/2007-06/30/2011	60,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 57	A074835	20,000	07/01/2007-06/30/2011	20,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 58	A074836	5,000	07/01/2007-06/30/2011	5,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 59	A074837	25,000	07/01/2007-06/30/2011	-	-	25,000

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Fund 267						
Special, Deficiency, Specific and Capital Outlay Appropriations						
Laws of 2008, Chapter 83, Section 355	A074838	100,000	07/01/2007-06/30/2011	-	-	100,000
Laws of 2007, Chapter 42, Section 67, Subsection 61	A074839	116,000	07/01/2007-06/30/2011	87,412	12,688	15,900
Laws of 2008, Chapter 83, Section 356	A074840	116,000	07/01/2007-06/30/2011	-	-	116,000
Laws of 2007, Chapter 42, Section 67, Subsection 63	A074841	25,000	07/01/2007-06/30/2011	-	-	25,000
Laws of 2007, Chapter 42, Section 67, Subsection 64	A074842	75,000	07/01/2007-06/30/2011	29,965	41,766	3,269
Laws of 2007, Chapter 42, Section 67, Subsection 67	A074845	40,000	07/01/2007-06/30/2011	24,322	9,557	6,121
Laws of 2009, Chapter 128, Section 502	A074846	20,000	07/01/2007-06/30/2011	-	3,812	16,188
Laws of 2007, Chapter 42, Section 67, Subsection 69	A074847	75,000	07/01/2007-06/30/2011	52,750	22,250	-
Laws of 2007, Chapter 42, Section 67, Subsection 70	A074848	75,000	07/01/2007-06/30/2011	-	-	75,000
Laws of 2007, Chapter 42, Section 67, Subsection 71	A074849	10,000	07/01/2007-06/30/2011	10,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 75	A074853	65,000	07/01/2007-06/30/2011	65,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 76	A074854	25,000	07/01/2007-06/30/2011	19,193	-	5,808
Laws of 2007, Chapter 42, Section 67, Subsection 78	A074856	86,500	07/01/2007-06/30/2011	86,498	2	0
Laws of 2007, Chapter 42, Section 67, Subsection 79	A074857	15,000	07/01/2007-06/30/2011	15,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 80	A074858	30,000	07/01/2007-06/30/2011	30,000	-	0
Laws of 2007, Chapter 42, Section 67, Subsection 81	A074859	25,000	07/01/2007-06/30/2011	25,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 82	A074860	2,000	07/01/2007-06/30/2011	-	-	2,000
Laws of 2007, Chapter 42, Section 67, Subsection 84	A074862	65,000	07/01/2007-06/30/2011	65,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 85	A074863	60,000	07/01/2007-06/30/2011	60,000	-	-
Laws of 2009, Chapter 128, Section 340	A074864	35,000	07/01/2007-06/30/2011	19,013	9,082	6,905
Laws of 2009, Chapter 128, Section 511	A074865	25,000	07/01/2007-06/30/2011	13,126	11,874	-
Laws of 2007, Chapter 42, Section 67, Subsection 91	A074869	50,000	07/01/2007-06/30/2011	50,000	-	-
Laws of 2009, Chapter 128, Section 205	A075777	75,000	07/01/2009-06/30/2011	-	-	75,000
Laws of 2008, Chapter 92, Section 14, Subsection 1	A083072	1,250,000	07/01/2008-06/30/2012	-	-	1,250,000
Laws of 2008, Chapter 92, Section 14, Subsection 2	A083073	450,000	07/01/2008-06/30/2012	117,433	125,413	207,154
Laws of 2008, Chapter 92, Section 14, Subsection 3	A083074	230,000	07/01/2008-06/30/2012	230,000	-	-
Laws of 2008, Chapter 92, Section 14, Subsection 4	A083075	400,000	07/01/2008-06/30/2012	68,689	43,254	288,057
Laws of 2008, Chapter 92, Section 14, Subsection 5	A083076	500,000	07/01/2008-06/30/2012	-	-	500,000
Laws of 2008, Chapter 92, Section 14, Subsection 6	A083077	1,000,000	07/01/2008-06/30/2012	999,973	-	27
Laws of 2008, Chapter 92, Section 14, Subsection 9	A083080	1,800,000	07/01/2008-06/30/2012	1,303,795	351	495,854
Laws of 2008, Chapter 92, Section 14, Subsection 10	A083081	3,200,000	07/01/2008-06/30/2012	-	-	3,200,000

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER / INTERSTATE STREAM COMMISSION
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS
For The Year Ended June 30, 2010

Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
Fund 267						
Special, Deficiency, Specific and Capital Outlay Appropriations						
Laws of 2009, Chapter 128, Section 503	A083770	10,000	07/01/2009-06/30/2012	-	10,000	-
Laws of 2008, Chapter 92, Section 47, Subsection 2	A083805	135,000	07/01/2008-06/30/2012	-	-	135,000
Laws of 2008, Chapter 92, Section 47, Subsection 3	A083806	85,000	07/01/2008-06/30/2012	-	-	85,000
Laws of 2008, Chapter 92, Section 47, Subsection 4	A083807	165,000	07/01/2008-06/30/2012	-	-	165,000
Laws of 2008, Chapter 92, Section 47, Subsection 5	A083808	20,000	07/01/2008-06/30/2012	-	-	20,000
Laws of 2008, Chapter 92, Section 47, Subsection 7	A083809	25,000	07/01/2008-06/30/2012	-	25,000	-
Laws of 2008, Chapter 92, Section 47, Subsection 8	A083810	67,000	07/01/2008-06/30/2012	-	-	67,000
Laws of 2008, Chapter 92, Section 47, Subsection 9	A083811	100,000	07/01/2008-06/30/2012	-	-	100,000
Laws of 2008, Chapter 92, Section 47, Subsection 11	A083812	10,000	07/01/2008-06/30/2012	-	10,000	-
Laws of 2008, Chapter 92, Section 47, Subsection 13	A083813	50,000	07/01/2008-06/30/2012	39,124	9,478	1,399
Laws of 2008, Chapter 92, Section 47, Subsection 14	A083814	34,000	07/01/2008-06/30/2012	33,441	559	0
Laws of 2008, Chapter 92, Section 47, Subsection 16	A083816	50,000	07/01/2008-06/30/2012	50,000	-	-
Laws of 2008, Chapter 92, Section 57, Subsection 2	A084047	70,000	07/01/2008-06/30/2012	59,994	10,006	-
Laws of 2008, Chapter 92, Section 57, Subsection 3	A084048	40,000	07/01/2008-06/30/2012	-	-	40,000
Laws of 2008, Chapter 92, Section 57, Subsection 4	A084049	10,000	07/01/2008-06/30/2012	-	-	10,000
Laws of 2008, Chapter 92, Section 57, Subsection 5	A084050	78,000	07/01/2008-06/30/2012	-	-	78,000
Laws of 2008, Chapter 92, Section 57, Subsection 6	A084051	25,000	07/01/2008-06/30/2012	20,028	-	4,972
Laws of 2008, Chapter 92, Section 57, Subsection 7	A084052	15,000	07/01/2008-06/30/2012	14,760	240	-
Laws of 2008, Chapter 92, Section 57, Subsection 10	A084053	10,000	07/01/2008-06/30/2012	-	-	10,000
Laws of 2008, Chapter 92, Section 57, Subsection 12	A084054	10,000	07/01/2008-06/30/2012	10,000	-	-
Laws of 2008, Chapter 92, Section 57, Subsection 14	A084055	10,000	07/01/2008-06/30/2012	-	-	10,000
Laws of 2008, Chapter 92, Section 57, Subsection 15	A084056	20,000	07/01/2008-06/30/2012	-	-	20,000
Laws of 2008, Chapter 92, Section 57, Subsection 16	A084057	75,000	07/01/2008-06/30/2012	75,000	-	-
Laws of 2008, Chapter 92, Section 57, Subsection 17	A084058	10,000	07/01/2008-06/30/2012	4,339	5,661	-
Laws of 2008, Chapter 92, Section 57, Subsection 18	A084059	20,000	07/01/2008-06/30/2012	-	20,000	-
Laws of 2008, Chapter 92, Section 57, Subsection 19	A084060	10,000	07/01/2008-06/30/2012	-	-	10,000
Laws of 2008, Chapter 92, Section 57, Subsection 20	A084061	25,000	07/01/2008-06/30/2012	-	-	25,000
Laws of 2008, Chapter 92, Section 57, Subsection 22	A084062	15,000	07/01/2008-06/30/2012	15,000	-	-
Laws of 2008, Chapter 92, Section 57, Subsection 23	A084063	25,000	07/01/2008-06/30/2012	13,361	-	11,639
Laws of 2008, Chapter 92, Section 57, Subsection 24	A084064	11,000	07/01/2008-06/30/2012	-	-	11,000
Laws of 2008, Chapter 92, Section 57, Subsection 25	A084065	10,000	07/01/2008-06/30/2012	-	-	10,000

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER / INTERSTATE STREAM COMMISSION
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS
For The Year Ended June 30, 2010

Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
Fund 267						
Special, Deficiency, Specific and Capital Outlay Appropriations						
Laws of 2008, Chapter 92, Section 57, Subsection 27	A084066	40,000	07/01/2008-06/30/2012	40,000	-	-
Laws of 2008, Chapter 92, Section 57, Subsection 31	A084068	30,000	07/01/2008-06/30/2012	2,491	-	27,509
Laws of 2008, Chapter 92, Section 57, Subsection 32	A084069	10,000	07/01/2008-06/30/2012	-	10,000	-
Laws of 2008, Chapter 92, Section 57, Subsection 33	A084070	10,000	07/01/2008-06/30/2012	9,616	384	-
Laws of 2008, Chapter 92, Section 57, Subsection 34	A084071	50,000	07/01/2008-06/30/2012	15,559	26,346	8,095
Laws of 2008, Chapter 92, Section 57, Subsection 35	A084072	15,000	07/01/2008-06/30/2012	15,000	-	-
Laws of 2008, Chapter 92, Section 57, Subsection 36	A084073	20,000	07/01/2008-06/30/2012	16,784	3,216	-
Laws of 2008, Chapter 92, Section 57, Subsection 37	A084074	50,000	07/01/2008-06/30/2012	28,526	2,553	18,921
Laws of 2008, Chapter 92, Section 57, Subsection 38	A084075	25,000	07/01/2008-06/30/2012	22,124	2,876	-
Laws of 2008, Chapter 92, Section 57, Subsection 39	A084076	15,000	07/01/2008-06/30/2012	2,890	12,110	-
Laws of 2008, Chapter 92, Section 57, Subsection 41	A084077	35,000	07/01/2008-06/30/2012	33,231	-	1,769
Laws of 2008, Chapter 92, Section 57, Subsection 42	A084078	20,000	07/01/2008-06/30/2012	15,631	-	4,369
Laws of 2008, Chapter 92, Section 57, Subsection 43	A084079	25,000	07/01/2008-06/30/2012	-	25,000	-
Laws of 2008, Chapter 92, Section 57, Subsection 44	A084080	10,000	07/01/2008-06/30/2012	8,829	-	1,171
Laws of 2008, Chapter 92, Section 57, Subsection 45	A084081	35,000	07/01/2008-06/30/2012	31,456	-	3,544
Laws of 2008, Chapter 92, Section 57, Subsection 46	A084082	25,000	07/01/2008-06/30/2012	-	-	25,000
Laws of 2008, Chapter 92, Section 57, Subsection 47	A084083	35,000	07/01/2008-06/30/2012	29,019	5,981	-
Laws of 2008, Chapter 92, Section 57, Subsection 50	A084084	10,000	07/01/2008-06/30/2012	10,000	-	-
Laws of 2008, Chapter 92, Section 57, Subsection 51	A084085	20,000	07/01/2008-06/30/2012	20,000	-	-
Laws of 2008, Chapter 92, Section 57, Subsection 52	A084086	10,000	07/01/2008-06/30/2012	-	-	10,000
Laws of 2008, Chapter 92, Section 57, Subsection 55	A084087	20,000	07/01/2008-06/30/2012	20,000	-	-
Laws of 2008, Chapter 92, Section 57, Subsection 56	A084088	45,000	07/01/2008-06/30/2012	45,000	-	-
Laws of 2008, Chapter 92, Section 57, Subsection 57	A084089	10,000	07/01/2008-06/30/2012	-	-	10,000
Laws of 2008, Chapter 92, Section 57, Subsection 58	A084090	10,000	07/01/2008-06/30/2012	2,049	-	7,951
Laws of 2008, Chapter 92, Section 57, Subsection 59	A084091	25,000	07/01/2008-06/30/2012	25,000	-	-
Laws of 2008, Chapter 92, Section 57, Subsection 60	A084092	50,000	07/01/2008-06/30/2012	-	-	50,000
Laws of 2009, Chapter 128, Section 420	A084679	50,000	07/01/2009-06/30/2012	-	-	50,000
Laws of 2009, Chapter 5, Section 2(B) Subsection 3	A093002	1,000,000	07/01/2009-06/30/2013	-	-	1,000,000
Laws of 2009, Chapter 5, Section 2(B) Subsection 11	A093009	10,000,000	07/01/2009-06/30/2013	-	-	10,000,000
Laws of 2009, Chapter 19	A093112	1,500,000	07/01/2009-06/30/2013	557,536	101,774	840,690
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 47	A093789	750,000	07/01/2010-06/30/2013	-	-	750,000

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER / INTERSTATE STREAM COMMISSION
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS
For The Year Ended June 30, 2010

Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
Fund 267						
Special, Deficiency, Specific and Capital Outlay Appropriations						
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 48	A093790	850,000	07/01/2010-06/30/2013	-	-	850,000
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 49	A093791	482,750	07/01/2010-06/30/2013	-	-	482,750
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 64	A093803	371,122	07/01/2010-06/30/2013	329,163	-	41,959
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 106	A093840	10,000	07/01/2010-06/30/2013	-	-	10,000
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 107	A093841	10,000	07/01/2010-06/30/2013	-	-	10,000
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 108	A093842	65,427	07/01/2010-06/30/2013	11,439	53,988	-
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 109	A093843	50,000	07/01/2010-06/30/2013	-	-	50,000
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 110	A093844	15,000	07/01/2010-06/30/2013	-	-	15,000
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 111	A093845	90,000	07/01/2010-06/30/2013	15,324	67,903	6,773
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 112	A093846	90,762	07/01/2010-06/30/2013	82,916	4,920	2,925
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 113	A093847	10,000	07/01/2010-06/30/2013	-	-	10,000
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 114	A093848	80,000	07/01/2010-06/30/2013	70,937	-	9,063
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 115	A093849	25,000	07/01/2010-06/30/2013	-	-	25,000
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 116	A093850	75,000	07/01/2010-06/30/2013	-	-	75,000
Total Capital Outlay Appropriations		\$ 65,175,490		25,558,369	1,765,635	37,851,486
Total unexpended balance						\$ 39,617,121
Reconciliation to fund balance (267)						
1) Less: Severance tax bonds - revenue accrued on reimbursement basis						(25,157,894)
2) Less: Irrigation Works Construction Project - revenue accrued on reimbursement basis						(827)
3) Less: Reversions to State General Fund during or prior to FY10						(9,899,013)
4) Less: General Fund projects reauthorized to other state agencies in FY10						(2,709,562)
5) Add: Strategic Water Reserve designated fund balance - not included in schedule because revenues were not a special, deficiency, specific or capital outlay appropriation						58,362
6) Add: Fund balance reserved for escrow deposits - not included in schedule						21,929
Fund balance after reconciling items						<u>1,930,118</u>
Fund balance per financial statements						<u>1,930,118</u>
Difference						<u>\$ 0</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS ON BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Mr. Jim Dunlap, Chairman
John R. D'Antonio, Jr., P.E., State Engineer
Office of the State Engineer/Interstate Stream Commission
Santa Fe, New Mexico
and
Mr. Hector H. Balderas, State Auditor

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds, the fiduciary funds, and the combining and individual funds and budgetary comparisons presented as supplementary information of the Office of the State Engineer / Interstate Stream Commission (the Agency) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items: *10-01 and 10-02*.

The Agency’s response to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the Agency’s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, flowing script.

Hinkle & Landers, P.C.
December 14, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Jim Dunlap, Chairman
John R. D'Antonio, Jr., P.E., State Engineer
Office of the State Engineer/Interstate Stream Commission
Santa Fe, New Mexico
and
Mr. Hector H. Balderas, State Auditor

Compliance

We have audited the compliance of the Office of the State Engineer / Interstate Stream Commission (the Agency) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

The Agency's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the Agency's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, others within the Agency, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Hinkle & Landers, P.C.". The signature is written in a cursive, flowing style.

Hinkle & Landers, P.C.
December 14, 2010

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

1. Type of auditors’ report issued Unqualified

Internal control over financial reporting:

- 1. Material weakness(es) identified No
- 2. Significant deficienc(ies) identified No
- 3. Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- 1. Material weakness(es) identified No
- 2. Significant deficienc(ies) identified No

Type of auditor’s report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

<u>CFDA Numbers</u> <u>Funding Source</u>	<u>Name of Federal Programs</u>	<u>Funding Source</u>
15.000	ABQ Reach Riverline Restoration & Habitat Improvement: Phase 2	US Department of Interior, Bureau of Reclamation

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk Auditee No

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION II AND III- FINANCIAL STATEMENT FINDINGS

Finding	Status of Current and Prior Year Findings	Financial Statement Finding	Federal Awards Finding	State Auditor Finding
<u>Prior:</u>				
07-02 Controls Over Maintaining the General Ledger	Resolved	yes	no	no
<u>Current:</u>				
10-01 Timeliness of Cash Deposits	Current	no	no	yes
10-02 Reversion to State General Fund	Current	no	no	yes

10-01—TIMELINESS OF CASH DEPOSITS

Condition

During our audit of receipts, we tested 10 to 12 deposits at each of the nine locations that collect receipts (N=92), and of these deposits, twenty were not deposited within 24 hours of receipt or by the end of the next business day considering weekends and holidays. The majority of the late deposits were from the Santa Fe and Hearing Unit offices.

Criteria

Section 6-10-3 NMSA 1978 requires that all funds received be deposited within 24 hours of receipt or by the end of the next business day considering weekends and holidays.

Effect

The Agency is in violation of statute. Untimely deposits increase the likelihood that receipts could be lost or stolen.

Cause

The cause appears to be an oversight of Agency personnel.

Recommendation

We recommend that all funds received be deposited within 24 hours of receipt or by the end of the next business day, as required.

Management Response

Finance Bureau staff has always ensured that all receipts provided to them are deposited with 24 hours. However, this finding has resulted from the time lag between the when the receipts are received by the initial program unit or bureau and the time they are provided to Finance Bureau staff. The current process will be reviewed and modified to ensure that all deposits are made within 24 hours of the initial receipt by the agency.

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

10-02—TIMELINESS OF REVERSION

Condition

As of June 30, 2010, the Agency’s balance in “Due to the State General Fund” in Fund 214 (General Fund) was \$2,800,189. This amount was composed of:

Stale dated warrants	\$	6,857
Reversions		
	FY09	349,353
	FY10	1,783,835
Collections on behalf of New Mexico state government		
	FY09	303,997
	FY10	<u>356,147</u>
	\$	<u><u>2,800,189</u></u>

The FY09 amounts were not transferred to the State General Fund as per statute. In addition, FY10 amounts collected on behalf of the State were not transferred when required.

Criteria

The General Appropriations Act of 2008, Laws 2008, Chapter 28, Section 3 (General Provisions), requires any unencumbered balances in agency accounts remaining at the end of the fiscal year to revert to the State General Fund by September 30th. In addition, Section 6-5-10 NMSA 1978 requires that all unreserved and undesignated fund balances in reverting funds and accounts as reflected in the central reporting and accounting system as of June 30, as adjusted, shall revert to the State General Fund within forty-five days of the release of the audit report for that fiscal year.

Effect

The Agency is in violation of the General Provisions of the Appropriations Act and Section 6-5-10 NMSA 1978. Funds required to be reverted and returned to the State General Fund were not available to be appropriated by the Legislature.

Cause

While the Agency established the liability for the amount due to the State General Fund, the Agency did not fully understand the process for actually remitting the cash to the State General Fund.

Recommendation

We recommend that the Agency obtain further understanding of the reversion process in order to ensure the reversions are made timely and in accordance with state statute.

Management Response

Agency Finance staff was under the impression that all amounts had been reverted. This oversight is largely believed to have resulted from turnover of personnel responsible for ensuring that reversions were completed in a timely manner. All remaining balances due to the State General Fund will be reverted and transferred immediately.

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2010**

An exit conference was held on December 14, 2010. Present at the exit conference were:

John D'Antonio, PE	State Engineer Secretary, Interstate Stream Commission
Curtis Eckhart	Acting Director, Program Support Chief, Budget Bureau
Monica Trujillo	Chief Financial Officer
Farley Vener, CPA, CFE	Independent auditor, Hinkle & Landers, P.C.
Shannon Gilliland, CPA, CGFM	Independent auditor, Hinkle & Landers, P.C.

PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Agency have been prepared by Hinkle & Landers, P.C., the organization's independent public auditors, however, the financial statements are the responsibility of management.