



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/
INTERSTATE STREAM COMMISSION
FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT
For the Year Ended June 30, 2011**

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
TABLE OF CONTENTS
For the Year Ended June 30, 2011**

Introductory Section

Official Roster	1
-----------------	---

Financial Section

Independent Auditors' Report	2-3
------------------------------	-----

Basic Financial Statements

Page

Government-wide

Statement of Net Assets	4
-------------------------	---

Statement of Activities	5
-------------------------	---

Fund Financial Statements

Balance Sheet – Governmental Funds	6
------------------------------------	---

Reconciliation of the Governmental Funds To the Government-wide Statement of Net Assets	7
---	---

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
--	---

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	9
---	---

Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – General Fund	10
--	----

Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Irrigation Works Construction Fund	11
--	----

Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Improvement to the Rio Grande Fund	12
--	----

Statement of Fiduciary Assets and Liabilities – Agency Funds	13
---	----

Notes to Financial Statements	14-42
-------------------------------	-------

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
TABLE OF CONTENTS
For the Year Ended June 30, 2011**

<u>Supplementary Information</u>	<u>Page</u>
<u>Governmental Funds:</u>	
Combining Balance Sheet – Nonmajor Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Funds	44
Combining Balance Sheets – Nonmajor Funds	45-46
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Funds	47-48
Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Ute Dam Construction Fund	49
Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Pecos River Basin Land Management Fund	50
Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – ARRA Grant	51
Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Severance Tax Bonds Capital Outlay	52
Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – General Fund Capital Outlay	53
Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Capital Projects Fund	54
Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Multi-Year Appropriations Fund	55
Schedule of Changes in Assets and Liabilities – Agency Funds	56
Schedule of Performance Data	57
Schedule of Joint Powers Agreements, Memorandums of Understanding and Other Governmental Agreements	58-61
Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations	62-66

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
TABLE OF CONTENTS
For the Year Ended June 30, 2011

Other Information

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67-68
Schedule of Findings and Responses	69
Exit Conference	70

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
OFFICIAL ROSTER
As of June 30, 2011**

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	Director, Program Support Chief, Budget Bureau

INTERSTATE STREAM COMMISSION

Jim Dunlap	Chairman, Farmington
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

Monica Trujillo	Chief Financial Officer
-----------------	-------------------------



INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor
and
Mr. Jim Dunlap, Chairman
Estevan Lopez, Director of Interstate Stream Commission and Acting 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, and the budgetary comparisons of the general fund and major special revenue funds of the Office of the State Engineer/Interstate Stream Commission (Agency) as of and for the year ended June 30, 2011, 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 the budgetary comparisons for the major capital project funds and all nonmajor 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, 2011, 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, 2011, 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, 2011, 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, 2011, and the respective changes in financial position, and the budgetary comparisons for the major capital project 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.

As described in the Notes to the financial statements, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2011, 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 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.



Hinkle + Landers, P.C.
December 9, 2011

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
(GOVERNMENT-WIDE)
STATEMENT OF NET ASSETS (DEFICITS)
As of June 30, 2011

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 125
State General Fund Investment Pool	19,412,947
Receivables, net	728,595
Due from other state agencies	2,499,712
Due from federal government	282,423
Escrow deposits	21,929
Investments	17,575,572
Total current assets	40,521,303
Noncurrent assets	
Loans receivable, net of allowance	2,070,481
Capital assets, net of depreciation	104,575,400
Total assets	\$ 147,167,184
LIABILITIES	
Current liabilities	
Accounts payable	\$ 4,405,155
Accrued salaries and benefits payable	684,447
Due to other state agencies	27,832
Due to state General Fund	359,893
Compensated absences:	
Expected to be paid within one year	912,300
Total liabilities	6,389,627
NET ASSETS (DEFICITS)	
Restricted for:	
Expenditure in future years	2,283,335
Ute Dam operating/construction	552,338
Loans	2,070,481
Investigation and construction of water conservation projects	24,359,121
Improvement and increase of surface flow of Rio Grande River	6,343,876
Pecos River Basin land management	682,163
Unrestricted	(89,157)
Invested in capital assets	104,575,400
Total net assets	140,777,557
Total liabilities and net assets	\$ 147,167,184

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, 2011

	<u>Governmental Activities</u>
Expenses	
Agriculture, Energy and Natural Resources	
Current:	
Personal services and employee benefits	\$ 21,700,360
Contractual services	7,395,688
Other	8,949,419
Depreciation expense	<u>1,158,875</u>
Total expenses	<u>39,204,342</u>
Program revenues	
Charges for services	1,500
Operating grants and contributions	13,032,953
Capital grants and contributions	<u>30,211</u>
Total program revenues	<u>13,064,664</u>
Net program expense	<u>(26,139,678)</u>
General revenues	
General Fund appropriation	<u>17,503,900</u>
Total general revenues	<u>17,503,900</u>
Other financing sources (uses)	
Transfers in (out):	
Severance tax bond appropriations	5,727,774
Interagency transfers in	3,946,828
Reversion to the State General Fund	(27,832)
Interagency transfers out	<u>(902,855)</u>
Total other financing sources (uses)	8,743,915
Change in net assets	<u>108,137</u>
Net assets, beginning	<u>140,669,420</u>
Net assets, ending	<u><u>\$ 140,777,557</u></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, 2011

	Major Funds					Total Governmental Funds
	General Fund	326 Irrigation Works Fund	328 Improvement of the Rio Grande Fund	267 Capital Projects Fund	Other Funds	
ASSETS						
Cash	\$ 125	-	-	-	-	125
State General Fund Investment Pool	338,397	11,475,420	6,098,123	-	1,501,006	19,412,945
Receivables, net of allowance	151,140	577,456	-	-	-	728,596
Due from other funds	5,349,186	147,273	-	330,244	-	5,826,703
Due from other state agencies	-	511,912	119,611	1,826,389	41,800	2,499,712
Due from federal sources	252,212	-	-	30,211	-	282,423
Escrow deposits	-	-	-	21,929	-	21,929
Investments	-	16,302,053	1,273,519	-	-	17,575,572
Loan receivables, net of allowance	-	2,070,481	-	-	-	2,070,481
Total assets	\$ 6,091,060	31,084,595	7,491,254	2,208,773	1,542,806	48,418,488
LIABILITIES						
Accounts payable	\$ 2,485,038	17,662	-	1,627,685	274,770	4,405,155
Accrued payroll	519,828	-	-	-	-	519,828
Payroll related liabilities	164,619	-	-	-	-	164,619
Due to other funds	147,603	4,441,051	1,147,378	88,171	2,500	5,826,703
Due to other state agencies	27,832	-	-	-	-	27,832
Deferred revenue	250,501	196,280	-	-	18,493	465,274
Due to State General Fund	350,626	-	-	9,267	-	359,893
Total liabilities	3,946,047	4,654,993	1,147,378	1,725,123	295,763	11,769,303
FUND BALANCE						
Nonspendable: Long-term receivables	-	2,070,481	-	-	-	2,070,481
Restricted	45,000	-	-	-	-	45,000
Committed	2,207,300	24,359,121	6,343,876	483,651	1,265,536	34,659,484
Assigned	-	-	-	-	-	-
Unassigned	(107,287)	-	-	-	(18,493)	(125,780)
Total fund balance	2,145,013	26,429,602	6,343,876	483,651	1,247,043	36,649,185
Total liabilities and fund balance	\$ 6,091,060	31,084,595	7,491,254	2,208,773	1,542,806	48,418,488

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, 2011

Total fund balance - Governmental funds	\$	36,649,185
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.</p>		104,575,400
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p> <p style="padding-left: 20px;">Compensated absences payable</p>		(912,300)
<p>Some revenue is deferred in the funds but accrued as revenue in the government-wide statements and added to net assets</p>		465,274
Rounding		<u>(2)</u>
Net assets of governmental activities	\$	<u><u>140,777,557</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, 2011

	Major Funds					Total Governmental Funds
	General Fund	326 Irrigation Works Construction Fund	328 Improvement of the Rio Grande Fund	267 Capital Projects Fund	Other Funds	
Revenues						
Federal funds	\$ 364,218	-	-	30,211	15,961	410,390
Charges for services	-	-	-	-	1,500	1,500
Investment earnings (loss)	-	8,760,897	1,635,559	-	-	10,396,456
Interest on loans	-	54,115	-	-	-	54,115
Miscellaneous revenue	832,751	647,396	152,382	52,500	51,903	1,736,932
Total revenues	<u>1,196,969</u>	<u>9,462,408</u>	<u>1,787,941</u>	<u>82,711</u>	<u>69,364</u>	<u>12,599,393</u>
Expenditures						
Agriculture, Energy and Natural Resources						
Current:						
Personal services and benefits	21,803,282	-	-	-	-	21,803,282
Contractual services	5,993,182	-	-	1,443,017	112,134	7,548,333
Other costs	3,876,851	-	-	4,956,848	131,993	8,965,692
Capital outlay:	933,227	-	-	525,083	138,700	1,597,010
Total expenditures	<u>32,606,542</u>	<u>-</u>	<u>-</u>	<u>6,924,948</u>	<u>382,827</u>	<u>39,914,317</u>
Excess (deficiency) of revenue over expenditures	<u>(31,409,573)</u>	<u>9,462,408</u>	<u>1,787,941</u>	<u>(6,842,237)</u>	<u>(313,463)</u>	<u>(27,314,924)</u>
Other financing sources (uses)						
Sale of land	-	-	-	-	276,406	276,406
Transfers in (out):						
Severance tax bond proceeds	-	-	-	5,635,117	92,658	5,727,775
State General Fund appropriations FY11	17,503,900	-	-	-	-	17,503,900
Interfund transfers in	10,020,422	-	-	-	31,035	10,051,457
Interagency transfers in	3,946,828	-	-	-	-	3,946,828
Interfund transfers (out)	-	(8,521,317)	(1,440,742)	(89,398)	-	(10,051,457)
Interagency transfers (out)	(752,906)	-	-	(149,949)	-	(902,855)
Reversions	(27,832)	-	-	-	-	(27,832)
Total other financing sources (uses):	<u>30,690,412</u>	<u>(8,521,317)</u>	<u>(1,440,742)</u>	<u>5,395,770</u>	<u>400,099</u>	<u>26,524,222</u>
Net change in fund balance	<u>(719,161)</u>	<u>941,091</u>	<u>347,199</u>	<u>(1,446,467)</u>	<u>86,636</u>	<u>(790,702)</u>
Fund balance, beginning, as originally reported	409,089	25,488,511	5,996,677	1,930,118	1,160,407	34,984,802
Restatement - Change in Accounting Policy	2,455,085	-	-	-	-	2,455,085
Fund balance, beginning, as restated	<u>2,864,174</u>	<u>25,488,511</u>	<u>5,996,677</u>	<u>1,930,118</u>	<u>1,160,407</u>	<u>37,439,887</u>
Fund balance, ending	<u>\$ 2,145,013</u>	<u>26,429,602</u>	<u>6,343,876</u>	<u>483,651</u>	<u>1,247,043</u>	<u>36,649,185</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 STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Net change in fund balances (deficit) - total governmental funds \$ (790,702)

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	\$ 1,765,926	
Depreciation	<u>(1,158,875)</u>	607,051

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		(276,407)
------------	--	-----------

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.

		465,274
--	--	---------

These activities consist of:

Decrease in compensated absences		102,922
----------------------------------	--	---------

Rounding		<u>(1)</u>
----------	--	------------

Change in net assets of governmental activities		<u><u>\$ 108,137</u></u>
---	--	--------------------------

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 (BUDGETARY BASIS)
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Miscellaneous revenue	\$ 683,300	683,300	751,630	68,330
Federal funds	<u>476,000</u>	<u>1,131,176</u>	<u>364,218</u>	<u>(766,958)</u>
Total revenues	<u>1,159,300</u>	<u>1,814,476</u>	<u>1,115,848</u>	<u>(698,628)</u>
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	22,331,800	22,565,925	21,606,656	959,269
Contractual services	7,820,000	8,022,350	5,993,182	2,029,168
Other	<u>6,173,500</u>	<u>6,714,648</u>	<u>4,806,640</u>	<u>1,908,008</u>
Total expenditures	<u>36,325,300</u>	<u>37,302,923</u>	<u>32,406,478</u>	<u>4,896,445</u>
Excess (deficiency) of revenues over expenditures	<u>(35,166,000)</u>	<u>(35,488,447)</u>	<u>(31,290,630)</u>	<u>4,197,817</u>
Other financing sources (uses)				
General appropriations	17,503,900	17,503,900	17,503,900	-
Operating transfers in	17,662,100	18,443,396	13,967,250	(4,476,146)
Operating transfers out	<u>-</u>	<u>(752,906)</u>	<u>(752,906)</u>	<u>-</u>
Total other financing sources (uses)	<u>35,166,000</u>	<u>35,194,390</u>	<u>30,718,244</u>	<u>(4,476,146)</u>
Reversion	-	-	(27,832)	(27,832)
Change in fund balance	-	(294,057)	(600,218)	(306,161)
Fund balance, beginning of year	<u>409,089</u>	<u>409,089</u>	<u>409,089</u>	<u>-</u>
Fund balance, end of year	<u>\$ 409,089</u>	<u>115,032</u>	<u>(191,129)</u>	<u>(306,161)</u>
Federal receivables due to fund			\$ <u>250,501</u>	

Reconciliation of Budgetary Basis to Fund Financial Statement

Change in fund balance per budgetary basis	\$ (600,218)
Adjustments:	
Amounts recorded as revenues/OFS in the fund financial statements, but included in another budget (Fund 864)	81,121
Amounts recorded as expenses/OFU in the fund financial statements, but included in another budget (Fund 864)	<u>(200,063)</u>
Total GAAP basis Governmental Fund Expenditures - fiscal year ended June 30, 2011	\$ <u>(719,161)</u>

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 (BUDGETARY BASIS)
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Miscellaneous revenue	\$ 421,600	421,600	23,260	(398,340)
Investment earnings	5,292,800	5,292,800	8,760,897	3,468,097
Land rental	1,510,500	1,510,500	624,135	(886,365)
Interest on loans	49,400	49,400	54,115	4,715
Fund balance	<u>4,278,500</u>	<u>4,278,500</u>	<u>-</u>	<u>(4,278,500)</u>
Total revenues	<u>11,552,800</u>	<u>11,552,800</u>	<u>9,462,407</u>	<u>(2,090,393)</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>11,552,800</u>	<u>11,552,800</u>	<u>9,462,407</u>	<u>(2,090,393)</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(11,552,800)</u>	<u>(11,552,800)</u>	<u>(8,521,317)</u>	<u>3,031,483</u>
Total other financing sources (uses)	<u>(11,552,800)</u>	<u>(11,552,800)</u>	<u>(8,521,317)</u>	<u>3,031,483</u>
Change in fund balance	-	-	941,090	941,090
Fund balance, beginning of year	<u>25,488,511</u>	<u>25,488,511</u>	<u>25,488,511</u>	<u>-</u>
Fund balance, end of year	<u>\$ 25,488,511</u>	<u>25,488,511</u>	<u>26,429,601</u>	<u>941,090</u>

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 (BUDGETARY BASIS)
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Land rental	\$ -	-	152,381	152,381
Interest on investments	1,826,700	1,826,700	1,635,559	(191,141)
Total revenues	<u>1,826,700</u>	<u>1,826,700</u>	<u>1,787,940</u>	<u>(38,760)</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>1,826,700</u>	<u>1,826,700</u>	<u>1,787,940</u>	<u>(38,760)</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(1,826,700)</u>	<u>(1,826,700)</u>	<u>(1,440,742)</u>	<u>385,958</u>
Total other financing sources (uses)	<u>(1,826,700)</u>	<u>(1,826,700)</u>	<u>(1,440,742)</u>	<u>385,958</u>
Change in fund balance	-	-	347,199	347,199
Fund balance, beginning of year	<u>5,996,677</u>	<u>5,996,677</u>	<u>5,996,677</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,996,677</u>	<u>5,996,677</u>	<u>6,343,876</u>	<u>347,199</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, 2011

	<u>Agency Funds</u>
Assets	
Cash and investments	\$ <u>298,228</u>
Total assets	\$ <u><u>298,228</u></u>
Liabilities	
Water rights protest hearing/other deposits	\$ 29,606
Accounts payable	1,078
Deposits held in custody for others	<u>267,544</u>
Total liabilities	\$ <u><u>298,228</u></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
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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*. 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

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

requirements.

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 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 incorporate 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

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 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.

C. Basic Financial Statements – Fund Financial Statements

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 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.

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.

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.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Fiduciary Funds

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Funds are classified as major or non-major, with emphasis placed on major funds within the governmental and proprietary categories. 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, 864) 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.

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.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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.

American Recovery and Reinvestment Act (ARRA) Grant – (#890) The fund was created to account for the grant proceeds of the American Recovery and Reinvestment Act (ARRA) and the expenditures there from. The grant is passed through to the Agency from the New Mexico Department of Finance and Administration. The authority for the creation and maintenance of the fund is the requirement of the state of New Mexico. The fund balance will not revert to the state of New Mexico's general fund, as the source of revenues is the federal government.

Capital Project Funds:

Severance Tax Bond (STB) Capital Outlay Fund – (#892) The fund is used to account for Severance Tax Bond funded appropriations for the acquisition or construction of major capital facilities and water rights. This fund is also used to account for Severance Tax Bond funded capital appropriations to local governments that are administered by the agency.

General Fund (GF) Capital Outlay Fund – (#931) The fund is used to account for financial resources of State General Fund appropriations used for the acquisition or construction of major capital facilities and water rights. This fund is also used to account for State General Fund appropriations to local governments that are administered by the agency.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 COE 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.

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.

Accrual

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

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

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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. Spending Policy

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures/expenses are incurred for purposes, for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first.

F. 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 may be subject to reversion. The Agency has no encumbrances outstanding at year-end for single year appropriations.

G. 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.

H. 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, 2011. Petty cash expenditures are made from this fund and reimbursed as needed.

2. Receivables

Receivables are primarily inclusive of accrued interest receivable on notes receivable, and accounts receivable due for water master billings and other contractual agreements. Pursuant to state statute, the State Engineer may appoint a water master to a district based

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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.

3. 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, 2011 amounts have been deposited to escrow that will be applied against future purchases. If the purchase is not finalized, the amount will be refunded.

4. Due from Other State Agencies

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

5. 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. 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.

6. Due from Federal Government

The balance is comprised of reimbursements to the Agency for grant and contract-related expenditures, but not received by year-end.

7. 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.

8. Interest and 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. Accrued interest receivable comprises interest due from loan balances outstanding during the year, which generally 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.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

The Agency has established an allowance for uncollectible notes receivable and related interest receivable in order to present an accurate record of the Agency's financial status. However, as per state guidelines, the Agency is prohibited from forgiveness of debt; an amount owed to the Agency can only be compromised when a good faith dispute exists as to the actual amount of indebtedness or liability. Specifically, Article IV Section 32 of the New Mexico Constitution provides that no obligation or liability of any person, association or corporation held or owned by or owing to the state, or any municipal corporation therein, shall ever be exchanged, transferred, remitted, released, postponed or in any way diminished by the legislature, nor shall any such obligation or liability be extinguished except by the payment thereof into the proper treasury, or by proper proceeding in court. The Agency maintains permanent records and information of all amounts due, including amounts that have been deemed by management as uncollectible. The Agency utilizes all methods at its disposal to recover all balances due, including legal action, when other methods do not result in payment.

9. 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 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:

	Estimated Useful Life
Infrastructure assets	40 years
Buildings and structures	5 to 40 years
Leasehold improvements	Life of the lease
Furniture and fixtures	10 years
Machinery and equipment	5 to 7 years
Vehicles	5 years

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

10. 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.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

11. Accrued Payroll and Payroll Related Liabilities

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

12. 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. 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. 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.

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*. The current portion of the compensated absences debt is estimated based on historical trends.

13. 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. Pursuant to Section 6-5-10 NMSA, 1978, all unreserved, undesignated fund balances in reverting funds and accounts as of June 30th are required to be reverted to the State General Fund by September 30th, but the Agency may adjust the reversion within forty-five (45) days of release of the audit report. When the Agency commingles reverting with non-reverting funds, the Agency uses specific identification of the non-reverting funds to calculate the reversion.

14. 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*.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Fund Statements

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation.

15. Revenues and Expenditures

Substantially all governmental fund revenues are accrued and expenditures are recognized when the related fund liability is incurred. Program revenues consist of the following:

Charges for Services —water master services and miscellaneous reimbursements,

Operating Grants and Contributions — Federal grant and contract revenue, investment earnings, interest on loans and land lease income restricted for use in particular programs, and

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

I. 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 program 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, 2011.
8. Appropriations lapse at the end of the fiscal year except for amounts related to goods and services received by June 30th, or appropriated for expenditure in subsequent years. Except for special General Fund appropriations, the Special Revenue Funds are non-reverting.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 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 2011, the Agency did not anticipate any activity in Fund 324, and therefore, a budget was not established.

THIS PORTION OF THE PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

J. Investments in the State Treasurer General Fund Investment Pool

Investments in the State Treasurer General Fund Investment Pool (SGFIP) and bank account balances are reported at carrying amount which reasonably estimates fair 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	\$ (961,661)	-
State Treasurer	550-864	1,299,904	338,397
International Bank - Cimarron	Demand	155	-
Petty Cash	on site	125	125
Total - General Fund		<u>338,522</u>	<u>338,522</u>
Irrigation Works Construction Fund			
State Treasurer	550-326	11,475,420	11,475,420
Improvement of the Rio Grande Fund			
State Treasurer	550-328	6,098,123	6,098,123
Capital Projects Fund			
State Treasurer	550-267	-	-
Ute Dam Operating Fund			
State Treasurer	550-324	21,856	21,856
Ute Dam Construction Fund			
State Treasurer	550-325	612,614	612,614
Pecos River Basin Land Management Fund			
State Treasurer	550-686	835,501	835,501
ARRA Grant Fund			
State Treasurer	550-890	-	-
STB Capital Outlay Fund			
State Treasurer	550-892	-	-
General Fund Capital Outlay			
State Treasurer	550-931	<u>31,035</u>	<u>31,035</u>
Total governmental funds		\$ <u>19,413,072</u>	<u>19,413,072</u>
<u>Fiduciary Accounts</u>			
Irrigation Fee Suspense Fund			
State Treasurer	550-849	\$ 29,607	29,607
Ute Dam Outlets - Wells Fargo	Demand	16,487	16,487
US Army Corps of Engineers - Wells Fargo	Demand	<u>252,135</u>	<u>252,135</u>
Total fiduciary funds		\$ <u>298,228</u>	<u>298,228</u>

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,

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 or 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 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

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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.

Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The SGFIP 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.

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.

As of June 30, 2011, the Agency's fiduciary accounts were exposed to custodial risk as follows:

<u>Fund No.</u>	<u>Account Name</u>	<u>Wells Fargo</u>
1052	Ute Dam Outlets	\$ 16,487
1053	US Army Corps of Engineers	<u>252,135</u>
	Total bank balance	268,621
	Less: FDIC coverage	<u>(250,000)</u>
	Uninsured public funds	<u>\$ 18,621</u>

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 "authorized" bank accounts, such as those held by the Agency. The Agency's fiduciary funds are collateralized under the agreement with the State Treasurer's Office.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

K. 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.

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 the Agency's investments held at June 30, 2011:

	<u>Irrigation Works Construction Fund (326)</u>		<u>Improvement of the Rio Grande Fund (328)</u>	
	<u>Units</u>	<u>Market Value</u>	<u>Units</u>	<u>Market Value</u>
Large Cap Active Pool	3,650	\$ 9,440,752	239	\$ 617,955
Core Bond Pool	2,813	<u>6,861,301</u>	269	<u>655,564</u>
Total investments		\$ <u>16,302,053</u>		\$ <u>1,273,519</u>

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 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. The Agency also receives interest on overnight investments of cash balances made by the State Treasurer's Office.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

The following includes the components of investment earnings for fiscal year 2011:

	Irrigation Works Construction Fund (326)	Improvement of the Rio Grande Fund (328)
Interest and dividends on investments and cash deposits	\$ 395,853	35,002
Realized gain (loss) on sale of investments	1,197,557	86,154
Increase (decrease) in fair value of investments	1,005,250	60,767
Management fee expense	(12,804)	(835)
Interest on investments at STO	21,498	10,124
Distribution of investment earnings from LGPF	6,153,543	1,444,348
Investment earnings	\$ 8,760,897	1,635,559

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.

L. Receivables

Receivables include accounts receivable due for contractual agreements and accrued interest due for notes receivable. Management believes that all receivables due for contractual agreements are fully collectible, and therefore, no allowance has been established. However, management has established an allowance for accrued interest on notes receivable, and as of June 30, 2011, the allowance had a balance of \$15,581. This balance is a result of prior years' write-offs, and there were no additions or deletions to the allowance during fiscal year 2011.

M. Loan Receivables

As of June 30, 2011, the Agency had \$2,098,401 in notes due to the Agency from thirty-four entities. The financial statements reflect an allowance of \$27,920 for uncollectible loans. The Agency did not make any additions or deletions to the allowance accounts during the year ended June 30, 2011, in addition, no amounts previously written-off were recovered during the year.

THIS PORTION OF THE PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

N. Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	Beginning Balance 2010	Additions	Deletions	Reclass- ifications	Ending Balance 2011
Capital assets not depreciated:					
Water rights & land	\$ 75,027,229	-	(33,906)	-	74,993,323
Land held for sale	337,000	-	(242,500)	-	94,500
Construction works-in-progress	2,649,449	1,277,793	-	(2,323,419)	1,603,823
Total capital assets not depreciated	<u>78,013,677</u>	<u>1,277,793</u>	<u>(276,406)</u>	<u>(2,323,419)</u>	<u>76,691,646</u>
Capital assets depreciated:					
Infrastructure	34,578,734	363,223	-	2,323,419	37,265,375
Buildings and structures	23,099	-	-	-	23,099
Furniture and fixtures	438,885	-	-	-	438,885
Machinery and equipment	3,626,437	124,909	-	-	3,751,345
Leasehold improvement	43,184	-	-	-	43,184
Vehicles	36,463	-	-	-	36,463
Total capital assets being depreciated	<u>38,746,802</u>	<u>488,132</u>	<u>-</u>	<u>2,323,419</u>	<u>41,558,351</u>
Total capital assets	<u>116,760,480</u>	<u>1,765,925</u>	<u>(276,406)</u>	<u>-</u>	<u>118,249,997</u>
Less accumulated depreciation:					
Infrastructure	(8,753,286)	(959,518)	-	-	(9,712,805)
Buildings and structures	(19,592)	(242)	-	-	(19,834)
Furniture and fixtures	(394,156)	(26,126)	-	-	(420,282)
Machinery and equipment	(3,296,452)	(166,295)	-	-	(3,462,747)
Leasehold improvement	(21,592)	(5,398)	-	-	(26,990)
Vehicles	(30,646)	(1,293)	-	-	(31,939)
Total accumulated depreciation	<u>(12,515,724)</u>	<u>(1,158,875)</u>	<u>-</u>	<u>-</u>	<u>(13,674,597)</u>
Net capital assets	<u>\$ 104,244,758</u>	<u>607,050</u>	<u>(276,406)</u>	<u>-</u>	<u>104,575,400</u>

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 \$1,158,875 was charged to the agriculture, energy and natural resources function of governmental activities. As of June 30, 2011, Agency has idle assets of \$201,648; all idle assets are fully depreciated and are pending disposal.

During recent 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 this land, however, the water rights have been retained by the Agency. Because the land and water rights' purchases were originally 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 2011 sales price. The Agency anticipates land sales to continue in the near future.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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

	<u>Balance 2010</u>	<u>Additions</u>	<u>Reclass- ification</u>	<u>Balance 2011</u>	<u>Estimated Date of Completion / Project Cost</u>
Mimbres Metering Stations	\$ 430,818	-	-	430,818	FY12 / \$800,000
Gallinas Metering Stations	349,863	85,811	(435,674)	-	
Rio Chama Metering Stations Nambe, Pajoque, & Tesuque Metering Stations	226,095	142,528	-	368,623	FY12 / \$850,000
Los Lunas Refugium Sewer Line	1,475,079	-	(1,475,079)	-	
Atrisco Backwater & Refugia Habitat	10,539	193,423	(203,962)	-	
Lake Arthur Well Field Upgrade	157,055	51,649	(208,704)	-	
	<u>-</u>	<u>804,381</u>	<u>-</u>	<u>804,381</u>	FY12 / \$930,000
	<u>\$ 2,649,449</u>	<u>1,277,792</u>	<u>(2,323,419)</u>	<u>1,603,823</u>	

O. 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 \$1,165,401 for the year ended June 30, 2011.

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 \$231,367 for the year ended June 30, 2011.

Vehicles

The Agency leases 76 vehicles on an annual basis from the New Mexico General Services Department. Lease expenditures under the leases were \$265,240 for the year ended June 30, 2011.

Future minimum lease payments are:

<u>For the Year Ended June 30</u>	<u>Buildings & Structures</u>	<u>Machinery & Equipment</u>	<u>Total</u>
2012	\$ 1,182,555	109,797	1,292,352
2013	1,064,173	87,648	1,151,821
2014	943,898	68,985	1,012,883
2015	918,353	30,410	948,763
2016	930,827	5,223	936,050
2017-2020	<u>1,561,472</u>	<u>-</u>	<u>1,561,472</u>
Total	\$ <u>6,601,278</u>	<u>302,063</u>	<u>6,903,341</u>

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

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.

P. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>2011</u>	<u>Due Within One Year</u>
Compensated absences	\$ 1,015,222	959,197	(1,062,119)	912,300	912,300

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.

Q. Interfund Receivables/Payables and Interfund Transfers

Interfund transfers for fiscal year 2011 are as follows:

	<u>Transfers from:</u>			<u>Total</u>
<u>Transfers to:</u>	<u>267</u>	<u>326</u>	<u>328</u>	
General Fund	\$ 58,363	8,521,317	1,440,742	10,020,421
931	31,035	-	-	31,035
	\$ 89,398	8,521,317	1,440,742	10,051,457

All interfund transfers for the year ended June 30, 2011 were to transfer resources to the fund in which related expenditures were appropriated and budgeted.

Interfund receivables/payables are as follows:

	<u>Due from</u>				<u>Total</u>
<u>Due to</u>	<u>General Fund</u>	<u>267</u>	<u>326</u>	<u>328</u>	<u>686</u>
General Fund	\$ -	88,171	4,113,637	1,147,378	-
267	330	-	327,414	-	2,500
326	147,273	-	-	-	147,273
	\$ 147,604	88,171	4,441,051	1,147,378	2,500
					5,826,703

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

R. 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, 2011 are:

Transfers in or out of the Agency's General Fund are as follows:

	<u>Out</u>	<u>In</u>	
Dept of Game & Fish GPF #198	-	182,300	Ute Lake & Eagle Nest Lake
New Mexico Finance Authority	-	3,764,528	Water Projects Fund
State General Fund Appropriation #853	-	17,503,900	Appropriation
Dept of Game & Fish GPF #198	27,832	-	Reversion
Administrative Office of the Courts #512	752,906	-	Water Projects Fund
	<u>\$ 780,738</u>	<u>21,450,728</u>	

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

	<u>Out</u>	<u>In</u>	
Dept of Finance & Administration #931	\$ 149,949	-	Reauthorized
Severance Tax Bonds - proceeds	-	5,635,117	Drawdowns
	<u>\$ 149,949</u>	<u>5,635,117</u>	

Transfers in or out of the Agency (Fund #892) are as follows:

	<u>Out</u>	<u>In</u>	
Severance Tax Bonds - proceeds	\$ -	92,658	Drawdowns
	<u>\$ -</u>	<u>92,658</u>	

THIS PORTION OF THE PAGE INTENTIONALLY LEFT BLANK

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

S. Due to/from Other Agencies

The following amounts are due to/from other agencies:

Amount Due From Other Agencies		Due From	
SHARE Fund No.	Amount	SHARE Fund No.	Amount
CPF #26700	\$ <u>1,826,389</u>	DFA #56300	\$ 805,329
		DFA #96850	120,499
		DFA #960900	259,719
		DFA #11160	613,660
		DFA #10910	19,000
		DFA #22900	8,182
			\$ <u>1,826,389</u>
IRGIF #32600	\$ <u>511,912</u>	STO #80100	\$ 1,000
		SIC #60100	510,912
			\$ <u>511,912</u>
IRGIF #32800	\$ <u>119,611</u>	STO #80100	\$ 535
		SIC #60100	119,076
			\$ <u>119,611</u>
ARRA #89000	\$ <u>34,454</u>	STO #80100	\$ <u>34,454</u>
STB #89200	\$ <u>7,346</u>	DFA #10740	\$ 5,213
		DFA #40300	2,133
			\$ <u>7,346</u>
Total	\$ <u>2,499,712</u>		\$ <u>2,499,712</u>
Amount Due To Other Agencies		Due From	
SHARE Fund No.	Amount	SHARE Fund No.	Amount
Game & Fish #198	\$ <u>27,832</u>	GF #21400	\$ <u>27,832</u>

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

THIS PORTION OF THE PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

T. Due to State General Fund

The detail of amounts due to the State General Fund include:

	General Fund	Capital Projects Fund (267)	Total
Due for reversions	\$ -	9,267	9,267
State dated warrants	6,857	-	6,857
Amounts collected on behalf of the State of New Mexico	<u>343,769</u>	<u>-</u>	<u>343,769</u>
Total	<u>\$ 350,626</u>	<u>9,267</u>	<u>359,893</u>

U. Fund Balance and Net Assets

The agency's fund balances represent: 1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2011, follows:

	<u>Restricted</u>	<u>Committed</u>
General Fund (214, 864):		
Emergency Drought Water Agreement	\$ -	1,489,544
Adjudications	-	555,145
Strategic Water Reserve	-	162,611
Private grant	45,000	-
	<u>45,000</u>	<u>2,207,300</u>
Irrigation Works Construction Fund (326):		
Water conservation	-	24,359,121
	<u>-</u>	<u>24,359,121</u>
Improvement of the Rio Grande Fund (328):		
Water conservation	-	6,343,876
	<u>-</u>	<u>6,343,876</u>
Capital Project Fund (267):		
Public works	-	483,651
	<u>-</u>	<u>483,651</u>
Other funds:		
Interstate water compliance	-	682,163
Dam construction and operations	-	552,338
Public works	-	31,035
	<u>-</u>	<u>1,265,536</u>
	<u>\$ -</u>	<u>1,265,536</u>

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

The government-wide statement of net assets reports \$36,291,314 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.

Unexpended balances of appropriations that do not lapse at June 30, 2011 are presented as net assets reserved for subsequent year expenditure. Restricted net assets at June 30, 2011 are a result of the following:

Fund 686: Restricted for Pecos River Basin Land Management by statute (72-1-2-5, NMSA 1978)	\$ <u>682,163</u>
Funds 324/325: Restricted for Ute Dam Operating/Construction by statute (72-14-36 and 37, NMSA 1978)	<u>552,338</u>
Fund 326: Restricted for loans-restricted by third parties and statute (72-14-29, NMSA 1978)	<u>2,070,481</u>
Fund 326: Restricted for investigation and construction of water conservation projects-restricted by statute (72-14-23, NMSA 1978)	<u>24,359,121</u>
Fund 328: Restricted for improvement and increase of surface flow of Rio Grande River-restricted by statute (72-14-4 to 72-14-6, NMSA 1978)	<u>6,343,876</u>
Fund 931: Restricted for Capital Outlay	<u>31,035</u>
<u>Restricted for subsequent year expenditure:</u>	
Emergency Drought Water Agreement (Laws of 2011, Sec 4)	1,489,543
Adjudications (72-4A-9, NMSA 1978)	121
Adjudications (72-4A-9, NMSA 1978, Laws of 2009)	555,024
Strategic Water Reserve (72-14-3.3, NMSA 1978)	162,611
Private grant	<u>45,000</u>
	<u>\$ <u>36,291,314</u></u>

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

V. Restatements — Change in Accounting Policy

GASB Statement No. 54 clarifies the existing governmental fund type definitions and provides clearer fund balance categories and classifications. The new hierarchical fund balance classifications are based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: nonspendable, restricted, committed, assigned, and unassigned. GASB Statement No. 54 was implemented in the current fiscal year.

The governmental fund types used by the Agency were evaluated based on the provisions of GASB Statement No. 54. The Multi-Year Appropriation Fund (864) was determined to not meet the new fund type classification for special revenue funds. As a result, the fund was consolidated into the Agency's General Fund; therefore, a reclassification of \$2,455,085 was made to eliminate the beginning fund balance of the Multi-Year Appropriation Fund (864) and to increase the beginning fund balance of the General Fund. This change had no impact on governmental activities as reported on the prior year Statement of Activities.

W. Deficit Fund Balance

The Agency's American Recovery and Reinvestment Act Fund No. 890 has a deficit fund balance of \$(18,493) as of June 30, 2011. Grant revenues of this amount are due to the fund which will eliminate the deficit balance, however, the grant revenues were not recorded for the year ended June 30, 2011 because the funds did not meet revenue recognition criteria as per GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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 are required to contribute 8.92% of their gross salary. The Agency is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Agency 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, 2011, 2010 and 2009 were \$2,400,230, \$2,618,933 and \$3,029,226, respectively, and equal to the amount of the required contributions for each year.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 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.

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

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, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary.

In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
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, 2011, 2010 and 2009 were \$263,301, \$223,832 and \$234,598, 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.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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.

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.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 2011, the Agency received direct transfers of \$3,764,528 from the Water Trust Board.

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 2011 includes:

Condensed Balance Sheet (unaudited)	Condensed Statement of Activities (unaudited)
6/30/11	For the Year Ended June 30, 2011
ASSETS	REVENUES
Cash	Assessments
\$ 60,287	\$ 109,142
Total assets	Interest
<u>60,287</u>	<u>64</u>
LIABILITIES	Total revenues
Accounts payable	<u>109,206</u>
34,781	EXPENSES
<u>34,781</u>	<u>99,565</u>
Total liabilities	Change in fund balance
<u>34,781</u>	<u>9,641</u>
FUND BALANCE	Beginning fund balance
<u>25,506</u>	<u>15,865</u>
TOTAL LIABILITIES AND FUND BALANCE	Ending fund balance
\$ <u>60,287</u>	\$ <u>25,506</u>

During fiscal year 2011, John R. D'Antonio served as a Commissioner of the Compact, Monica Trujillo, CFO of the Agency, served as the Treasurer of the Compact, and Wilfred Lucero, Agency employee, served as Water Master. In fiscal year 2011, the Compact reimbursed the Agency for \$99,565 in salary plus 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
NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total Other Funds
ASSETS:			
Cash	-	-	-
State General Fund Investment Pool	1,469,971	31,035	1,501,006
Prepaid expenses	-	-	-
Receivables, net of allowance	-	-	-
Due from other funds	-	-	-
Due from other state agencies	34,454	7,346	41,800
Due from federal sources	-	-	-
Escrow deposits	-	-	-
Investments	-	-	-
Loan receivables, net of allowance	-	-	-
	<u>\$ 1,504,425</u>	<u>38,381</u>	<u>1,542,806</u>
LIABILITIES:			
Accounts payable	267,424	7,346	274,770
Accrued payroll	-	-	-
Payroll related liabilities	-	-	-
Due to other funds	2,500	-	2,500
Due to other state agencies	-	-	-
Deferred revenue	18,493	-	18,493
Due to State General Fund	-	-	-
Total liabilities	<u>288,417</u>	<u>7,346</u>	<u>295,763</u>
FUND BALANCE:			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	1,234,501	31,035	1,265,536
Assigned	-	-	-
Unassigned	(18,493)	-	(18,493)
Total fund balance	<u>1,216,008</u>	<u>31,035</u>	<u>1,247,043</u>
Total liabilities and fund balance	<u>\$ 1,504,425</u>	<u>38,381</u>	<u>1,542,806</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
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total Other Funds
Revenues:			
Federal funds	\$ 15,961	-	15,961
Charges for services	1,500	-	1,500
Investment earnings (loss)	-	-	-
Miscellaneous revenue	51,903	-	51,903
Total revenues	69,364	-	69,364
Expenditures:			
Agriculture, Energy and Natural Resources			
Current:			
Personal services and benefits	-	-	-
Contractual services	112,134	-	112,134
Other costs	39,335	92,658	131,993
Debt service:	-	-	-
Principal	-	-	-
Interest	-	-	-
Capital outlay:	138,700	-	138,700
Total expenditures	290,169	92,658	382,827
Excess (deficiency) of revenue over expenditures	(220,805)	(92,658)	(313,463)
Other financing sources (uses)			
Sale of land	276,406	-	276,406
Transfers in (out):			
General obligation bond proceeds	-	-	-
Severance tax bond proceeds	-	92,658	92,658
State General Fund appropriations FY11	-	-	-
Interfund transfers in	-	31,035	31,035
Interagency transfers in	-	-	-
Interfund transfers (out)	-	-	-
Total other financing sources (uses):	276,406	123,693	400,099
Net change in fund balance	55,601	31,035	86,636
Fund balance, beginning	1,160,407	-	1,160,407
Fund balance, ending	\$ 1,216,008	31,035	1,247,043

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 BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
As of June 30, 2011

	324 Ute Dam Operating Fund	325 Ute Dam Construction Fund	686 Pecos River Basin Land Mgmt Fund	890 ARRA Grant	Total Special Revenue Funds
ASSETS:					
Cash	-	-	-	-	-
State General Fund Investment Pool	21,856	612,614	835,501	-	1,469,971
Prepaid expenses	-	-	-	-	-
Receivables, net of allowance	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other state agencies	-	-	-	34,454	34,454
Due from federal sources	-	-	-	-	-
Escrow deposits	-	-	-	-	-
Investments	-	-	-	-	-
Loan receivables, net of allowance	-	-	-	-	-
	<u>\$ 21,856</u>	<u>612,614</u>	<u>835,501</u>	<u>34,454</u>	<u>1,504,425</u>
LIABILITIES:					
Accounts payable	-	82,132	150,838	34,454	267,424
Accrued payroll	-	-	-	-	-
Payroll related liabilities	-	-	-	-	-
Due to other funds	-	-	2,500	-	2,500
Due to other state agencies	-	-	-	-	-
Deferred revenue	-	-	-	18,493	18,493
Due to State General Fund	-	-	-	-	-
Total liabilities	<u>-</u>	<u>82,132</u>	<u>153,338</u>	<u>52,947</u>	<u>288,417</u>
FUND BALANCE:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	21,856	530,482	682,163	-	1,234,501
Assigned	-	-	-	-	-
Unassigned	-	-	-	(18,493)	(18,493)
Total fund balance	<u>21,856</u>	<u>530,482</u>	<u>682,163</u>	<u>(18,493)</u>	<u>1,216,008</u>
Total liabilities and fund balance	<u>\$ 21,856</u>	<u>612,614</u>	<u>835,501</u>	<u>34,454</u>	<u>1,504,425</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 BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUNDS
As of June 30, 2011

	892	931	Total
	STB Capital	GF Capital	Capital
	Outlay	Outlay	Projects
	Fund	Fund	Funds
ASSETS:			
Cash	\$ -	-	-
State General Fund Investment Pool	-	31,035	31,035
Prepaid expenses	-	-	-
Receivables, net of allowance	-	-	-
Due from other funds	-	-	-
Due from other state agencies	7,346	-	7,346
Due from federal sources	-	-	-
Escrow deposits	-	-	-
Investments	-	-	-
Loan receivables, net of allowance	-	-	-
	<u>\$ 7,346</u>	<u>31,035</u>	<u>38,381</u>
LIABILITIES:			
Accounts payable	\$ 7,346	-	7,346
Accrued payroll	-	-	-
Payroll related liabilities	-	-	-
Due to other funds	-	-	-
Due to other state agencies	-	-	-
Deferred revenue	-	-	-
Due to State General Fund	-	-	-
Total liabilities	<u>7,346</u>	<u>-</u>	<u>7,346</u>
FUND BALANCE:			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	31,035	31,035
Assigned	-	-	-
Unassigned	-	-	-
Total fund balance	<u>-</u>	<u>31,035</u>	<u>31,035</u>
Total liabilities and fund balance	<u>\$ 7,346</u>	<u>31,035</u>	<u>38,381</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
NON-MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2011

	324	325	686	890	Total
	Ute Dam	Ute Dam	Pecos	ARRA	Special
	Operating	Construction	River Basin	Grant	Revenue
	Fund	Fund	Land Mgmt		Funds
	Fund	Fund	Fund		Funds
Revenues:					
Federal funds	\$ -	-	-	15,961	15,961
Charges for services	-	1,500	-	-	1,500
Investment earnings (loss)	-	-	-	-	-
Miscellaneous revenue	-	51,648	255	-	51,903
Total revenues	-	53,148	255	15,961	69,364
Expenditures:					
Agriculture, Energy and Natural Resources					
Current:					
Personal services and benefits	-	-	-	-	-
Contractual services	-	82,132	27,430	2,572	112,134
Other costs	-	-	35,000	4,335	39,335
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:	-	-	111,153	27,547	138,700
Total expenditures	-	82,132	173,583	34,454	290,169
Excess (deficiency) of revenue over expenditures	-	(28,984)	(173,328)	(18,493)	(220,805)
Other financing sources (uses)					
Sale of land	-	-	276,406	-	276,406
Transfers in (out):					
General obligation bond proceeds	-	-	-	-	-
Severance tax bond proceeds	-	-	-	-	-
Interfund transfers in	-	-	-	-	-
Interfund transfers (out)	-	-	-	-	-
Total other financing sources (uses):	-	-	276,406	-	276,406
Net change in fund balance	-	(28,984)	103,078	(18,493)	55,601
Fund balance, beginning	21,856	559,466	579,085	-	1,160,407
Fund balance, ending	\$ 21,856	530,482	682,163	(18,493)	1,216,008

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
NON-MAJOR CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2011

	892	931	Total
	STB Capital	GF Capital	Capital
	Outlay	Outlay	Projects
	Fund	Fund	Funds
Revenues:			
Federal funds	\$ -	-	-
Charges for services	-	-	-
Investment earnings (loss)	-	-	-
Miscellaneous revenue	-	-	-
Total revenues	-	-	-
Expenditures:			
Agriculture, Energy and Natural Resources			
Current:			
Personal services and benefits	-	-	-
Contractual services	-	-	-
Other costs	92,658	-	92,658
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay:	-	-	-
Total expenditures	92,658	-	92,658
Excess (deficiency) of revenue over expenditures	(92,658)	-	(92,658)
Other financing sources (uses)			
Sale of land	-	-	-
Transfers in (out):			
General obligation bond proceeds	-	-	-
Severance tax bond proceeds	92,658	-	92,658
Interfund transfers in	-	31,035	31,035
Interfund transfers (out)	-	-	-
Total other financing sources (uses):	92,658	31,035	123,693
Net change in fund balance	-	31,035	31,035
Fund balance, beginning	-	-	-
Fund balance, ending	\$ -	31,035	31,035

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
UTE DAM CONSTRUCTION FUND (325)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for services	\$ -	-	1,500	1,500
Miscellaneous revenue	-	-	51,648	51,648
Total revenues	<u>-</u>	<u>-</u>	<u>53,148</u>	<u>53,148</u>
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	100,000	82,132	17,868
Other	-	20,000	-	20,000
Total expenditures	<u>-</u>	<u>120,000</u>	<u>82,132</u>	<u>37,868</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(120,000)</u>	<u>(28,984)</u>	<u>91,016</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	-	(120,000)	(28,984)	91,016
Fund balance, beginning of year	<u>559,466</u>	<u>559,466</u>	<u>559,466</u>	<u>-</u>
Fund balance, end of year	<u>\$ 559,466</u>	<u>439,466</u>	<u>530,482</u>	<u>91,016</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
PECOS RIVER BASIN LAND MANAGEMENT FUND (686)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Sale of land	\$ -	337,000	276,406	(60,594)
Miscellaneous revenue	-	-	255	
Total revenues	<u>-</u>	<u>337,000</u>	<u>276,661</u>	<u>(60,594)</u>
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	75,000	27,430	47,570
Other	-	781,421	146,153	635,268
Total expenditures	<u>-</u>	<u>856,421</u>	<u>173,583</u>	<u>682,838</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(519,421)</u>	<u>103,078</u>	<u>622,499</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	-	(519,421)	103,078	622,499
Fund balance, beginning of year	<u>579,085</u>	<u>579,085</u>	<u>579,085</u>	<u>-</u>
Fund balance, end of year	<u>\$ 579,085</u>	<u>59,664</u>	<u>682,163</u>	<u>622,499</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
ARRA GRANT (890)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Federal funds	\$ -	823,500	15,961	(807,539)
Total revenues	<u>-</u>	<u>823,500</u>	<u>15,961</u>	<u>(807,539)</u>
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	77,200	2,572	74,628
Other	-	746,300	31,882	714,418
Total expenditures	<u>-</u>	<u>823,500</u>	<u>34,454</u>	<u>789,046</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(18,493)</u>	<u>(18,493)</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	-	-	(18,493)	(18,493)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>(18,493)</u>	<u>(18,493)</u>
Federal receivables due to fund			\$ <u>18,493</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
SEVERENCE TAX BOND CAPITAL OUTLAY (892)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Bond proceeds	\$ -	4,852,309	92,658	(4,759,651)
Total revenues	<u>-</u>	<u>4,852,309</u>	<u>92,658</u>	<u>(4,759,651)</u>
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	3,342,309	-	3,342,309
Other	-	1,510,000	92,658	1,417,342
Total expenditures	<u>-</u>	<u>4,852,309</u>	<u>92,658</u>	<u>4,759,651</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</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
GENERAL FUND CAPITAL OUTLAY (931)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Miscellaneous	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	31,035	-	31,035
Total expenditures	-	31,035	-	31,035
Excess (deficiency) of revenues over expenditures	-	(31,035)	-	31,035
Other financing sources (uses)				
Operating transfers in	-	31,035	31,035	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	31,035	31,035	-
Change in fund balance	-	-	31,035	31,035
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	-	31,035	31,035

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
CAPITAL PROJECTS FUND (267)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous revenues	-	-	-	-
Federal funds	-	34,545	30,211	(4,334)
Total revenues	<u>-</u>	<u>34,545</u>	<u>30,211</u>	<u>(4,334)</u>
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	2,074,020	3,638,065	1,443,017	2,195,048
Other	14,320,989	11,560,505	5,481,929	6,078,576
Total expenditures	<u>16,395,009</u>	<u>15,198,570</u>	<u>6,924,946</u>	<u>8,273,624</u>
Excess (deficiency) of revenues over expenditures	<u>(16,395,009)</u>	<u>(15,164,025)</u>	<u>(6,894,735)</u>	<u>8,269,290</u>
Other financing sources (uses)				
Bond proceeds	14,544,356	14,544,356	5,635,117	(8,909,239)
Operating transfers in	827	200,827	-	(200,827)
Operating transfers out	-	(1,489,347)	(239,347)	1,250,000
Total other financing sources (uses)	<u>14,545,183</u>	<u>13,255,836</u>	<u>5,395,770</u>	<u>1,049,173</u>
Reversion	-	-	-	-
Change in fund balance	(1,849,826)	(1,908,189)	(1,498,967)	409,222
Fund balance, beginning of year	<u>1,930,118</u>	<u>1,930,118</u>	<u>1,930,118</u>	<u>-</u>
Fund balance, end of year	<u>\$ 80,292</u>	<u>21,929</u>	<u>431,151</u>	<u>409,222</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 (BUDGETARY BASIS)
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous revenues	\$ -	-	81,121	81,121
Total revenues	-	-	81,121	81,121
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	493,200	196,626	296,574
Contractual services	-	-	-	-
Other	-	3,437	3,437	-
Total expenditures	-	496,637	200,063	296,574
Excess (deficiency) of revenues over expenditures	-	(496,637)	(118,942)	377,695
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	(914,591)	(914,591)	-
Total other financing sources (uses)	-	(914,591)	(914,591)	-
Reversion	-	-	-	-
Change in fund balance	-	(1,411,228)	(1,033,533)	377,695
Fund balance, beginning of year	2,455,085	2,455,085	2,455,085	-
Fund balance, end of year	\$ 2,455,085	1,043,857	1,421,552	377,695

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
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
For the Year Ended June 30, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Irrigation Fees Suspense Fund (849)				
Assets				
Cash and investments	\$ 29,607	-	-	29,607
Total assets	<u>\$ 29,607</u>	<u>-</u>	<u>-</u>	<u>29,607</u>
Liabilities				
Water rights protest hearing/other deposits	\$ 29,607	-	-	29,607
Total liabilities	<u>\$ 29,607</u>	<u>-</u>	<u>-</u>	<u>29,607</u>
United States Army Corps of Engineers (1053)				
Assets				
Cash and investments	\$ 252,034	101	-	252,135
Total assets	<u>\$ 252,034</u>	<u>101</u>	<u>-</u>	<u>252,135</u>
Liabilities				
Deposits held in custody for others	\$ 251,057	101	(101)	251,057
Accounts payable	977	101	-	1,078
Total liabilities	<u>\$ 252,034</u>	<u>202</u>	<u>(101)</u>	<u>252,135</u>
Ute Dam Outlet Works Pipeline Replacement Project (1052)				
Assets				
Cash and investments	\$ 16,480	7	-	16,487
Total assets	<u>\$ 16,480</u>	<u>7</u>	<u>-</u>	<u>16,487</u>
Liabilities				
Deposits held in custody for others	\$ 16,480	7	-	16,487
Total liabilities	<u>\$ 16,480</u>	<u>7</u>	<u>-</u>	<u>16,487</u>
Total				
Assets				
Cash and investments	\$ 298,121	108	-	298,228
Total assets	<u>\$ 298,121</u>	<u>108</u>	<u>-</u>	<u>298,228</u>
Liabilities				
Water rights protest hearing/other deposits	\$ 29,607	-	-	29,606
Accounts payable	977	101	-	1,078
Deposits held in custody for others	267,537	108	(101)	267,544
Total liabilities	<u>\$ 298,121</u>	<u>209</u>	<u>(101)</u>	<u>298,228</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
SCHEDULE OF PERFORMANCE DATA
For the Year Ended June 30, 2011**

<u>Type</u>	<u>Measure</u>	<u>FY11 Target Level</u>	<u>FY11 Year-End Result</u>	<u>Met Target</u>
Water Resource & Allocation Program:				
Output	Average number of unprotected new and pending applications processed per month	65	53	No
Explanatory	Number of unprotected and unaggrieved water right applications backlogged	597	629	Yes
Outcome	Percent readiness to perform active water resource management within lower Rio Grande basin	78%	83%	Yes
Outcome	Number of transactions abstracted annually into the water administration technical engineering resource system database	22,000	20,974	No
Outcome	Percent readiness to perform active water resource management within lower Pecos River basin	79%	83%	Yes
Outcome	Percent readiness to perform active water resource management within lower San Juan river basin	100%	98%	No
Outcome	Number of dams inspected per year to establish baseline	110	111	Yes
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	99,600	Yes
Outcome	Rio Grande River Compact accumulated delivery credit or deficit at end of calendar year, in acre-feet	0	164,700	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	850	No
Outcome	Percent of all water rights that have judicial determinations	45%	51%	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, 2011

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
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 services 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

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, 2011

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
10 Maintain areas of phreatophytes	Interstate Stream 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 Vegetation Management	US Bureau of Reclamation Interstate Stream Commission	Interstate Stream Commission	Vegitation Management	10/21/2010 thru 9/30/2011	\$65,000.00	\$0.00	Both Entities	Both Entities
13 Provide Assistance to Navajo Nation/City of Gallup	NM Environment/ Interstate Stream Commission	Interstate Stream Commission	To acquire rights of way	2/3/2011 thru 6/30/2012	\$1,250,000.00	\$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 Reclamation	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
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 Rio Grande Salinity Manag Coalition	Interstate Stream Commission Environment Department	ISC	Rio Grande Salinity Manag Coalition	10/12/2010 6/30/2011	\$50,000.00	\$50,000.00	Both Entities	Both Entities
19 Watershed Study in the Gila	Interstate Stream Commission Grant Soil	ISC	Watershed Study in the Gila	2/16/2011 6/30/2011	\$20,000.00	\$20,000.00	Both Entities	Both Entities

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, 2011

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
20 Construct acequias statewide	Interstate Stream Commission Department of Finance	ISC	Construct acequias statewide	5/4/2010 6/30/2012	\$200,000.00	N/A	Both Entities	Both Entities
21 Water Soil for Southern Roswell Basin	Office of the State Engineer NM Bureau of Geology	ISC	Water Soil for Southern Roswell Basin	10/1/2010 6/30/2011	\$32,700.00	\$32,700.00	Both Entities	Both Entities
22 Sacramento Mountain Watershed	Interstate Stream Commission/NM Institute of Mining	ISC	Sacramento Mountain Watershed	10/14/2010 6/30/2011	\$10,181.60	\$10,181.60	Both Entities	Both Entities
23 Geologic and hydrogeologic services	Office of the State Engineer/NM Bureau of Geology	ISC	Geologic and hydrogeologic services	1/29/2010 6/30/2011	\$76,786.28	\$68,590.17	Both Entities	Both Entities
24 Analytical work on soil and water Roswell Basin	Office of the State Engineer/NM Bureau of Geology Irrigation Company	ISC	Analytical work on soil and water Roswell Basin	10/1/2010 6/30/2011	\$32,700.00	\$32,700.00	Both Entities	Both Entities
25 Middle Rio Grande Data Compendium	Interstate Stream Commission/US Dept. of Interior	ISC	Middle Rio Grande Data Compendium	12/1/2010 6/30/2011	\$30,000.00	\$30,000.00	Both Entities	Both Entities
26 Data Collection Mesilla	Office of the State Engineer US Dept of Interior	OSE	Data Collection Mesilla	7/1/2010 6/30/2011	\$175,783.00	\$175,783.00	Both Entities	Both Entities
27 Stratigraphy and Hydro North Central NM	Office of the State Engineer US Dept. of Interior	OSE	Stratigraphy and Hydro North Central NM	12/1/2010 9/30/2011	\$20,000.00	\$20,000.00	Both Entities	Both Entities
28 Costilla Creed Compact	Interstate Stream Commission/US Dept. of	ISC	Costilla Creed Compact	7/1/2010 6/30/2011	\$30,700.00	\$30,700.00	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 Gallinas River	Interstate Stream Commission/US Dept of Interior	ISC	Operation and Maintenance Gallinas River	7/1/2010 6/30/2011	\$8,006.00	\$8,006.00	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	7/1/2010 6/30/2011	\$23,100.00	\$23,100.00	Both Entities	Both Entities

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, 2011

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
33 Data Collection and streamflow gages	Interstate Stream Commission/US Dept of Interior	ISC	Data Collection and streamflow gages	7/1/2010 6/30/2011	\$460,465.00	\$460,465.00	Both Entities	Both Entities
34 Data Collection and Interpretive investigation	Office of the State Engineer/US Dept of Interior	OSE	Data Collection and Interpretive investigation	7/15/2010 6/30/2011	\$11,962.00	\$11,962.00	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	1/26/2011 6/30/2011	\$3,050.00	\$3,050.00	Both Entities	Both Entities
38 Plan, design and construct diversion structure	Office of the State Engineer/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
39 Burros Project	Interstate Stream Commission/Grant Soil	ISC	Burros Project	1/26/2011 6/30/2011	\$14,950.00	\$14,950.00	Both Entities	Both Entities
40 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
41 Framework of the Southeastern Colorado	Interstate Stream Commission/NM Institute	ISC	Framework of the Southeastern Colorado	1/29/2010 6/30/2011	\$76,786.28	\$76,786.28	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, 2011

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	3,720,166	-	754,220
Laws of 2007, Chapter 341, Section 264	A021448	40,000	07/01/2002-06/30/2011	39,173	-	827
Laws of 2009, Chapter 128, Section 501	A030306	25,000	07/01/2003-06/30/2011	24,830	-	170
Laws of 2009, Chapter 128, Section 252	A040546	72,154	07/01/2004-06/30/2011	72,000	-	154
Laws of 2009, Chapter 128, Section 418	A051090	10,000	07/01/2005-06/30/2011	10,000	-	-
Laws of 2009, Chapter 128, Section 421	A061037	60,000	07/01/2006-06/30/2011	45,309	-	14,691
Laws of 2009, Chapter 128, Section 498	A062271	273,762	07/01/2006-06/30/2011	260,025	-	13,737
Laws of 2007, Chapter 2, Section 25, Subsection 6	A073270	10,000	07/01/2007-06/30/2011	3,110	-	6,890
Laws of 2007, Chapter 2, Section 25, Subsection 10	A073274	20,000	07/01/2007-06/30/2011	19,935	-	65
Laws of 2011, Chapter 183, Section 78	A073277	20,000	07/01/2007-06/30/2013	13,406	-	6,594
Laws of 2007, Chapter 2, Section 25, Subsection 14	A073278	20,000	07/01/2007-06/30/2011	12,239	-	7,761
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 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	107,553	-	142,447
Laws of 2009, Chapter 128, Section 399	A074337	40,000	07/01/2009-06/30/2011	4,793	-	35,207
Laws of 2007, Chapter 42, Section 58, Subsection 5	A074401	500,000	07/01/2007-06/30/2011	470,921	-	29,079
Laws of 2007, Chapter 42, Section 58, Subsection 9	A074405	150,000	07/01/2007-06/30/2011	118,013	-	31,987
Laws of 2007, Chapter 42, Section 58, Subsection 11	A074407	832,810	07/01/2007-06/30/2011	813,307	-	19,503
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 9	A074787	70,000	07/01/2007-06/30/2011	60,618	-	9,382
Laws of 2007, Chapter 42, Section 67, Subsection 12	A074790	100,000	07/01/2007-06/30/2011	100,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 16	A074794	40,000	07/01/2007-06/30/2011	40,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 24	A074802	65,000	07/01/2007-06/30/2011	64,741	-	259
Laws of 2007, Chapter 42, Section 67, Subsection 27	A074805	200,000	07/01/2007-06/30/2011	200,000	-	-
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 33	A074811	30,000	07/01/2007-06/30/2011	5,612	-	24,389
Laws of 2007, Chapter 42, Section 67, Subsection 34	A074812	100,000	07/01/2007-06/30/2011	66,247	-	33,753
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	30,000	-	-

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, 2011

Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
Fund 267, continued						
Special, Deficiency, Specific and Capital Outlay Appropriations						
Laws of 2007, Chapter 42, Section 67, Subsection 40	A074818	30,000	07/01/2007-06/30/2011	30,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 41	A074819	80,000	07/01/2007-06/30/2011	80,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 44	A074822	40,000	07/01/2007-06/30/2011	40,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 45	A074823	50,000	07/01/2007-06/30/2011	45,881	-	4,119
Laws of 2009, Chapter 128, Section 419	A074826	20,000	07/01/2007-06/30/2011	19,754	-	246
Laws of 2007, Chapter 42, Section 67, Subsection 49	A074827	40,000	07/01/2007-06/30/2011	39,854	-	146
Laws of 2007, Chapter 42, Section 67, Subsection 52	A074830	60,000	07/01/2007-06/30/2011	59,979	-	21
Laws of 2007, Chapter 42, Section 67, Subsection 54	A074832	40,000	07/01/2007-06/30/2011	37,509	-	2,491
Laws of 2007, Chapter 42, Section 67, Subsection 61	A074839	116,000	07/01/2007-06/30/2011	116,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 64	A074842	75,000	07/01/2007-06/30/2011	75,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 67	A074845	40,000	07/01/2007-06/30/2011	38,087	-	1,913
Laws of 2009, Chapter 128, Section 502	A074846	20,000	07/01/2007-06/30/2011	20,000	-	-
Laws of 2007, Chapter 42, Section 67, Subsection 69	A074847	75,000	07/01/2007-06/30/2011	63,050	-	11,950
Laws of 2007, Chapter 42, Section 67, Subsection 78	A074856	86,500	07/01/2007-06/30/2011	86,498	-	2
Laws of 2009, Chapter 128, Section 340	A074864	35,000	07/01/2007-06/30/2011	32,788	-	2,212
Laws of 2009, Chapter 128, Section 511	A074865	25,000	07/01/2007-06/30/2011	24,901	-	99
Laws of 2009, Chapter 128, Section 205	A075777	75,000	07/01/2009-06/30/2011	74,197	-	803
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	355,676	94,324	-
Laws of 2008, Chapter 92, Section 14, Subsection 4	A083075	400,000	07/01/2008-06/30/2012	210,149	182,852	6,999
Laws of 2008, Chapter 92, Section 14, Subsection 5	A083076	500,000	07/01/2008-06/30/2012	290,433	62,853	146,714
Laws of 2008, Chapter 92, Section 14, Subsection 9	A083080	1,800,000	07/01/2008-06/30/2012	1,563,513	236,487	-
Laws of 2008, Chapter 92, Section 14, Subsection 10	A083081	3,200,000	07/01/2008-06/30/2012	138	-	3,199,862
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 7	A083809	25,000	07/01/2008-06/30/2012	22,795	2,205	-
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	48,601	07/01/2008-06/30/2012	39,124	9,478	-
Laws of 2008, Chapter 92, Section 47, Subsection 14	A083814	34,000	07/01/2008-06/30/2012	33,441	559	-
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 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	25,000	-	-

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, 2011

Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
Fund 267, continued						
Special, Deficiency, Specific and Capital Outlay Appropriations						
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 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	9,998	10,002	-
Laws of 2008, Chapter 92, Section 57, Subsection 23	A084063	25,000	07/01/2008-06/30/2012	25,000	-	-
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	25,350	23,726	924
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	47,447	2,553	-
Laws of 2008, Chapter 92, Section 57, Subsection 38	A084075	25,000	07/01/2008-06/30/2012	22,732	2,268	-
Laws of 2008, Chapter 92, Section 57, Subsection 39	A084076	15,000	07/01/2008-06/30/2012	15,000	-	-
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 47	A084083	35,000	07/01/2008-06/30/2012	34,981	19	-
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 58	A084090	10,000	07/01/2008-06/30/2012	10,000	-	-
Laws of 2009, Chapter 5, Section 2(B) Subsection 3	A093002	1,000,000	07/01/2009-06/30/2013	43,059	190,081	766,860
Laws of 2009, Chapter 19	A093112	1,500,000	07/01/2009-06/30/2013	1,500,000	-	-
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 47	A093789	750,000	07/01/2010-06/30/2013	602,992	147,008	-
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	10,669	6,401	465,680
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 64	A093803	371,122	07/01/2010-06/30/2013	348,163	14,122	8,836
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	9,920	80	-
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 108	A093842	65,427	07/01/2010-06/30/2013	14,109	51,318	-
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 109	A093843	50,000	07/01/2010-06/30/2013	4,471	37,937	7,592
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 110	A093844	15,000	07/01/2010-06/30/2013	4,804	-	10,196
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 111	A093845	90,000	07/01/2010-06/30/2013	90,000	-	-
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 112	A093846	90,762	07/01/2010-06/30/2013	90,762	-	-
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 113	A093847	8,500	07/01/2010-06/30/2013	8,500	-	-
Laws of 2009 1st S.S., Chapter 7, Section 3, Subsection 114	A093848	77,087	07/01/2010-06/30/2013	77,087	-	-

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, 2011

Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
Fund 267, continued						
Special, Deficiency, Specific and Capital Outlay Appropriations						
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
Laws of 2010, Chapter 105, Section 18(A), Subsection 9	A101116	200,000	07/01/2011-06/30/2014	23,802	4,499	171,700
Total Capital Outlay Appropriations - Fund 267		<u>22,636,860</u>		<u>13,135,061</u>	1,143,278	<u>8,358,522</u>
Total unexpended balance						\$ <u>9,501,799</u>
Reconciliation to fund balance (267)						
1) Less: Severance tax bond - revenue accrued on reimbursement basis						(8,910,767)
2) Less: Irrigation Works Construction Project - revenue accrued on reimbursement basis						(827)
3) Less: General Fund projects reauthorized to other projects in FY11						(180,984)
4) Add: Land appraisal reimbursement revenue						52,500
5) Add: Fund balance reserved for escrow deposits - not included in schedule						21,929
Fund balance after reconciling items						<u>483,651</u>
Fund balance per financial statements						<u>483,651</u>
Difference						\$ <u>-</u>
FUND 892 STB Capital Outlay						
Laws of 2011, Chapter 183, Section 33	A073717	142,447	07/01/2011-06/30/2013	-	-	142,447
Laws of 2011, Chapter 183, Section 116	A083081	3,199,862	07/01/2011-06/30/2013	-	-	3,199,862
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(a)	A101117	40,000	07/01/2011-06/30/2014	-	-	40,000
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(b)	A101118	10,000	07/01/2011-06/30/2014	-	-	10,000
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(c)	A101119	10,000	07/01/2011-06/30/2014	-	-	10,000
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(d)	A101120	20,000	07/01/2011-06/30/2014	14,179	1,413	4,408
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(e)	A101121	10,000	07/01/2011-06/30/2014	-	-	10,000
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(f)	A101122	25,000	07/01/2011-06/30/2014	-	-	25,000
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(g)	A101123	11,000	07/01/2011-06/30/2014	5,524	5,476	-
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(h)	A101124	10,000	07/01/2011-06/30/2014	-	-	10,000
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(i)	A101125	25,000	07/01/2011-06/30/2014	2,133	15,262	7,606
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(j)	A101126	100,000	07/01/2011-06/30/2014	-	100,000	-
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(k)	A101127	116,000	07/01/2011-06/30/2014	-	116,000	-

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, 2011

Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
FUND 892 STB Capital Outlay, continued						
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(l)	A101128	75,000	07/01/2011-06/30/2014	-	-	75,000
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(m)	A101129	38,000	07/01/2011-06/30/2014	38,000	-	-
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(n)	A101130	50,000	07/01/2011-06/30/2014	-	50,000	-
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(o)	A101131	10,000	07/01/2011-06/30/2014	9,124	876	-
Laws of 2010, Chapter 105, Section 18(A), Subsection 10(p)	A101132	35,000	07/01/2011-06/30/2014	23,699	11,301	-
Laws of 2010 2nd S.S., Chapter 4, Section 7	A101282	1,000,000	07/01/2011-06/30/2014	-	-	1,000,000
Total Capital Outlay Appropriations - Fund 892		<u>4,927,309</u>		<u>92,658</u>	<u>300,328</u>	<u>4,534,323</u>
Total unexpended balance						\$ 4,834,652
Reconciliation to fund balance (892)						
1) Less: Severance tax bond - revenue accrued on reimbursement basis						<u>4,834,652</u>
Difference						<u>-</u>
FUND 931 GF Capital Outlay						
Laws of 2011, Chapter 183, Section 78	A073277	6,594	07/01/2011-06/30/2013	-	-	6,594
Laws of 2011, Chapter 183, Section 80	A073278	7,761	07/01/2011-06/30/2013	-	-	7,761
Laws of 2011, Chapter 183, Section 73	A074811	24,389	07/01/2011-06/30/2013	-	-	24,389
Laws of 2011, Chapter 183, Section 74	A074812	33,753	07/01/2011-06/30/2013	-	-	33,753
Laws of 2011, Chapter 183, Section 76	A074813	16,680	07/01/2011-06/30/2013	-	-	16,680
Total Capital Outlay Appropriations - Fund 931		<u>89,177</u>		<u>-</u>	<u>-</u>	<u>89,177</u>
Total unexpended balance						89,177
Reconciliation to fund balance (931)						
Less: General Fund projects reauthorized from fund 267 but not transferred in FY11						<u>(58,142)</u>
Fund balance after reconciling items						31,035
Fund balance per financial statements						<u>31,035</u>
Difference						-



**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
Estevan Lopez, Director of Interstate Stream Commission and Acting 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, 2011, and have issued our report thereon dated December 9, 2011. 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.

December 9, 2011

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 Responses* as item: 10-01.

The Agency's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Responses*. 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.

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

Hinkle + Landers, P.C.
December 9, 2011

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2011**

SECTION II AND III- FINANCIAL STATEMENT FINDINGS

Finding	Status of Current and Prior Year Findings	Financial Statement Finding	Federal Awards Finding	State Audit Rule Finding
<u>Prior:</u>				
10-01 Timeliness of Cash Deposits	Repeated & Modified	no	no	yes
10-02 Reversion to the State General Fund	Resolved	no	no	yes
<u>Current:</u>				
None				

10-01—TIMELINESS OF CASH DEPOSITS –REPEATED & MODIFIED – Other

Condition

During our audit of receipts, we tested 10 deposits at each of the nine locations that collect receipts (N=90), and of these deposits, eighteen were not deposited within 24 hours of receipt or by the end of the next business day considering weekends and holidays. This finding is repeated from the prior fiscal year, and the auditors did note that most of the violations occurred in the early months of fiscal year 2011, prior to any changes that would have been implemented as a result of the FY10 audit finding.

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.

Agency Response

After review of the audit finding for FY10 during FY11, Program Support staff reviewed the exceptions and spoke with the staff in the District offices that collect and receipt monies. Based on these discussions, the underlying problem appears to result from vacant positions and understaffing due to the budgetary issues faced by the State. In some offices, if the person primarily responsible for making deposits is out of the office, there has been insufficient back up necessary to ensure that deposits were made in a timely manner. Program Support staff addressed this issue with appropriate staff and managers to discuss the importance of meeting the statutory requirement and their responsibility to ensure that there is sufficient backup assigned. Program Support continues to monitor this issue when auditing deposits and requests documentation detailing the reason for an exception when they are identified.

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
EXIT CONFERENCE
For the Year Ended June 30, 2011**

An exit conference was held on December 9, 2011. Present at the exit conference were:

Estevan Lopez	Director, Interstate Stream Commission Acting State Engineer
Curtis Eckhart	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.