



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

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

FINANCIAL STATEMENTS

For The Year Ended June 30, 2015

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
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**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
OFFICIAL ROSTER
As of June 30, 2015**

OFFICE OF THE STATE ENGINEER

<u>Name</u>	<u>Title</u>
Tom Blaine, PE	State Engineer
Deborah Dixon	Director, Interstate Stream Commission Compact Compliance Program
Greg Ridgley	Director, Litigation & Adjudication Program
Curtis Eckhart	Director, Program Support
Vacant	Director, Water Resource Allocation Program

INTERSTATE STREAM COMMISSION

Jim Dunlap	Chairman, Farmington
Tom Blaine	Secretary, Santa Fe
Phelps Anderson	Member, Roswell
Caleb Chandler	Member, Clovis
Buford Harris	Member, Mesilla
Blane Sanchez	Member, Isleta
Mark Sanchez	Member, Albuquerque
Topper Thorpe	Member, Cliff
James Wilcox	Member, Carlsbad

ADMINISTRATION

Monica Trujillo	Chief Financial Officer
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INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller, State Auditor
and
Mr. Jim Dunlap, Chairman
Tom Blaine, State Engineer
Office of the State Engineer/Interstate Stream Commission
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying 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 of the Office of the State Engineer/Interstate Stream Commission (Agency), as of and for the year ended June 30, 2015, and the related notes to the financial statements 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, fiduciary funds, and the budgetary comparisons for the major capital project funds and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance 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 fund and fiduciary fund of the Agency as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the major capital project funds, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Agency's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules, listed as "other supplemental information (audited)" in the table of contents, required by 2.2.2.NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules, listed as "other supplemental information (audited)" in the table of contents, required by 2.2.2 NMAC, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other schedules, listed as "other supplemental information (audited)" in the table of contents, required by 2.2.2 NMAC, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information, listed as "other supplemental information (unaudited)" in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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 an audit performed in accordance with *Government Auditing Standards* and in considering the Agency's internal control over financial reporting and compliance.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
December 1, 2015

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

MANAGEMENT DISCUSSION AND ANALYSIS

The New Mexico Office of the State Engineer /Interstate Stream Commission (the Agency) offers the following Management Discussion and Analysis (MD&A) to highlight the Agency's current financial position. Further, the discussion and analysis of the Agency's financial performance, introduces the basic financial statements and provides an analytical overview of the Agency's financial activities for the fiscal year ended June 30, 2015. The report provides an analysis of the Agency's overall financial position and results of operations, information on changes in the Agency's financial position, and a discussion of significant changes in assets and liabilities. The MD&A is designed to focus on the current year activities, resulting changes and currently known facts, and consequently, should be read in conjunction with the Agency's financial statements.

AGENCY OVERVIEW

The Office of the State Engineer is statutorily charged with supervising the state's water resources through the measurement, appropriation, and distribution of all ground and surface water in New Mexico, including streams and rivers that cross state boundaries. The State Engineer, appointed by the Governor and confirmed by the state Senate, serves as the Secretary of the Interstate Stream Commission.

The Interstate Stream Commission Director serves as the deputy state engineer. The Legislature created the Interstate Stream Commission in 1935 and gave it broad powers to investigate, protect, conserve and develop the state's water supplies. Its separate duties include protecting New Mexico's right to water under eight interstate stream compacts and ensuring the state complies with each of those compacts, as well as, developing and promoting regional and statewide water planning.

Although separate under state law, the Interstate Stream Commission staff members function as a program within the Office of the State Engineer. Consequently, "the Agency" will be used to reference both entities of the combined Agency within the MD&A.

PROGRAM HIGHLIGHTS

Water Resource Allocation Program

The Water Resources Allocation Program is responsible for processing water rights applications, conducting the scientific research for making those water rights decisions, maintaining water rights records, and enforcing any conditions or restrictions on water use. Water masters in the program measure stream flow, allocate the water within a stream system based on state water law, and regulate and control diversions. Staff also inventory water resources, monitor water use, and cooperate with the U.S. Geologic Survey in monitoring groundwater levels throughout the state. Additional duties are licensing all well drillers, maintaining and updating the rules and regulations of the State Engineer, inspecting non-federal dams, reviewing pre-construction plans for jurisdictional dams, evaluating subdivision water-supply plans submitted by counties, and promoting water conservation.

Interstate Stream Compact Compliance and Water Development Program

Through the State's performance based budgeting initiative under the Accountability in Government Act, the New Mexico Interstate Stream Commission (the Commission) was designated as the Interstate Stream Compact Compliance and Water Development Program of the Office of the State Engineer. The New Mexico Interstate Stream Commission has broad powers to investigate, protect, conserve and develop New Mexico's waters, including both interstate and intrastate stream systems.

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For the Year Ended June 30, 2015**

The Commission's authority under state law includes negotiating with other states to settle interstate stream controversies. New Mexico is signatory to eight interstate stream compacts; specifically: the Colorado River; Upper Colorado River Basin; La Plata River; Animas-La Plata Project; Rio Grande; Costilla Creek; Pecos River; and Canadian River compacts. The Commission is also responsible for compliance with provisions of the U.S. Supreme Court's decisions governing water allocation on the Pecos, Canadian and Gila rivers. To assure compact compliance, staff analyzes, reviews, and implements projects in New Mexico, and evaluates potential water-supply impacts in New Mexico of projects in other states. Staff also analyzes stream flow, reservoir level, snowpack and other data on stream systems in New Mexico and neighboring states.

Litigation and Adjudication Program

The Litigation and Adjudication Program is primarily responsible for overseeing the legal aspects of the administration of the State's water resources. This includes providing legal advice and counsel to the State Engineer and other programs of the Agency on various matters regarding the administration of water rights; providing the State of New Mexico with the legal and technical representation needed to prosecute the multiple comprehensive water rights adjudications that are ongoing in state and federal courts; and providing the Agency with the legal and technical representation needed in appeals of permitting decisions in administrative hearings and district court proceedings. The Litigation and Adjudication Program employs engineering staff to perform hydrographic surveys of all water rights as required by law, using the most advanced digital imagery techniques, GIS software, and database management tools.

Program Support

Program Support is a separate program within the Office of the State Engineer and provides administrative and management support services to all programs within the Office of the State Engineer. Primary functions performed by Program Support include accounting and financial services, budget administration, human resources administration and information technology management and support. For budgetary purposes, the State Engineer and staff that report directly to him also fall within Program Support. This includes the Native American Water Liaison, Public Information/Public Outreach staff, and the Hearing Unit. The Hearing Unit holds administrative hearings and provides mediation services for the State Engineer on protested and aggrieved water rights applications and on disputed enforcement actions.

DISCUSSION OF FINANCIAL STATEMENTS

The Agency's Basic Financial Statements are presented in four parts: 1) Government-wide Financial Statements, 2) Fund Financial Statements, 3) Budgetary Comparison Statements, and 4) Notes to the Basic Financial Statements.

Government-wide Financial Statements

The government-wide financial statements include a statement of net position and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. The statements exclude fiduciary activities whose resources are not available to fund the governments programs. Most of the Agency's basic services are included in the governmental activities. State appropriations and funds from federal sources finance most of these activities.

Fund Financial Statements

Fund financial statements consist of a series of statements that report on the financial position and changes in financial position of the individual funds administered by the Agency. Funds are separate accounting entities used to segregate transactions according to the sources of funding

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MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

and to demonstrate legal compliance with the restrictions that may be imposed on those funds. The focus of the fund financial statements is on information about the major governmental funds. Fund financial statements also report information about a government's fiduciary funds.

Budgetary Comparisons

GASB 34 requires budgetary comparison schedules for the general fund, and each major special revenue fund that has a legally adopted annual budget, to be presented. The budgetary comparison schedules should present both the original and final appropriated budgets for the reporting period as well as the actual inflows, outflows, and balances, stated on the government's budgetary basis.

As required by the Office of the State Auditor under NMAC 2.2, Statements of Revenues and Expenditures – Budget and Actual, are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

The General Fund is the primary operating fund for the Agency. The fund had favorable expenditures variances resulting from lower than anticipated payroll expenses as a result of a high vacancy rate. In addition, lower than projected expenditures occurred for acequia improvement activities. These activities are primarily funded through inter-fund transfers from the Irrigation Works Construction Fund, administered by the Agency, and primarily accounts for most of the unfavorable variance of operating transfer into the General Fund.

Notes to Financial Statements

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

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**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

ANALYSIS OF AGENCY'S FINANCIAL STATEMENTS

Agency Net Position

The Statement of Net Position shows the difference between total assets and total liabilities. The table below provides a summary comparison the Statement of Net Position for fiscal years ending June 30, 2014 and 2015.

**Table A-1
The Agency's Net Position**

	<u>2015</u>	<u>2014</u>	<u>Amount Change</u>
Assets			
Current assets	\$ 88,892,441	\$ 79,744,616	\$ 9,147,825
Capital and other non- Current Assets	<u>138,978,073</u>	<u>145,090,374</u>	<u>(6,112,301)</u>
Total Assets	\$ <u>227,870,514</u>	\$ <u>224,834,990</u>	\$ <u>3,035,524</u>
Liabilities			
Current liabilities	\$ 7,511,912	\$ 5,207,130	\$ 2,304,782
Non-Current Liabilities	<u>79,429,052</u>	<u>102,356,160</u>	<u>(22,927,108)</u>
Total Liabilities	<u>86,940,964</u>	<u>107,563,290</u>	<u>(20,622,326)</u>
Net Position			
Investment in Capital Assets	102,591,567	102,623,662	(32,095)
Restricted	63,804,772	67,971,215	(4,166,443)
Unrestricted	<u>(25,466,789)</u>	<u>(53,323,177)</u>	<u>27,856,388</u>
Total Net Position	<u>140,929,550</u>	<u>117,271,700</u>	<u>23,657,850</u>
Total Liabilities and Net Position	\$ <u>227,870,514</u>	\$ <u>224,834,990</u>	\$ <u>3,035,524</u>

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For the Year Ended June 30, 2015

The Agency had total assets of \$227,870,514 and total liabilities of \$86,940,964 for fiscal year 2015. The Agency's net position for fiscal year 2015 was \$140,929,550, an increase of \$23,657,850 relative to fiscal year 2014. This increase is attributable to the reduction of the remaining share of the State's participation in three major Indian water rights settlements resulting from increased settlement expenditures and due to a reduction in the estimate of the total indexed cost of construction under the Aamodt Pueblo settlement. These settlements are discussed further within the Notes to Financial Statements.

Changes in Net Position

The Statement of Activities presents the detail changes in net position. The table below provides a summary comparison of the Statement of Activities for fiscal years ending June 30, 2014 and 2015.

	<u>2015</u>	<u>2014</u>	<u>Amount Change</u>
Expenses			
Agriculture, Energy and Natural Resources	\$ 85,315,521	\$ 40,116,736	\$ 45,198,785
Program revenues	<u>29,174,886</u>	<u>5,953,100</u>	<u>23,221,786</u>
Net program expense	<u>(56,140,635)</u>	<u>(34,163,636)</u>	<u>68,420,571</u>
General revenues			
General Fund appropriation	18,300,200	15,846,400	2,453,800
Investment income	8,536,304	10,437,476	(1,901,172)
Gain (loss) on disposal of asset, net	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>26,836,504</u>	<u>26,283,876</u>	<u>552,628</u>
Other financing sources (uses) & special items			
Net Transfers	26,939,493	(1,727,094)	28,666,587
Special items	<u>26,022,488</u>	<u>(23,703,100)</u>	<u>49,725,588</u>
Total other financing sources (uses) & special items	52,961,981	(25,430,194)	78,392,175
Change in net position	<u>23,657,850</u>	<u>(33,309,954)</u>	<u>56,967,804</u>
Net assets, beginning	117,271,700	150,581,654	(33,309,954)
Net assets, ending	<u>\$ 140,929,550</u>	<u>\$ 117,271,700</u>	<u>\$ 23,657,850</u>

For fiscal year 2015, the Agency's net position amounted to \$140,929,550, an increase of \$23,657,850 from fiscal year 2014. Below is a discussion of the primary components of the Agency's Statement of Activities:

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MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Revenue - The Agency's program revenues consist mainly of earnings on investments and other miscellaneous revenue. Program revenues of \$29,174,886 was recognized in fiscal year 2015, a net increase of \$23,221,786. The general revenues of the Agency, consisting primarily of general fund appropriations and investment income, amounted to \$26,836,504. This was an increase of \$552,628 from fiscal year 2014.

Expenses - The Agency's expenses consist of personal services and employee benefits, contractual services, other expenses, and depreciation expenses. Expenditures for fiscal year 2015 were \$45,198,785 above fiscal year 2014. Most of this increase occurred in contractual services and other costs due to higher expenditure activity related to the Indian water rights settlements.

Net Transfers - The Agency had net transfers in of \$26,939,493. This consisted of severance tax bond proceeds transfers in for reimbursement of capital outlay expenditures and amounting to \$16,303,943. In addition, the Agency had interagency transfers in of \$9,810,175. Offsetting these transfers in were reversions of revenue to other state agencies totaling \$383,305, as well as transfers to other agencies of appropriations in support of water related litigation activities totaling \$739,000.

Special Items - Special items include adjustments to the State's share of the three major Indian water rights settlements \$23,195,108, interest earned and accrued to the State for its' participation in the Arizona Water Rights Settlement \$3,095,380, and contingent liability expense (\$268,000). The net effect of these items is an increase to the net position of \$26,022,488.

Governmental Funds

The governmental funds of the Agency reported a combined balance of \$72,587,475 which is an increase of \$4,859,873 over fiscal year 2014. This increase is primarily attributable to revenue received for special appropriations.

Capital Assets

The Agency's capital assets, net of depreciation, total \$102,591,567. This includes land and water rights valued at \$74,833,773, and infrastructure, comprised of the Ute Lake Dam as well as water measurement and metering infrastructure. A total of \$1,262,735 was added in fiscal year 2015, including construction works-in-progress of \$373,306, infrastructure of \$732,367, furniture and fixtures of \$168,824, and machinery and equipment of \$88,238. The Agency had deletions of \$197,843 from dispositions of machinery and equipment and the sale of land.

Performance Measures

The Agency collects data to measure success in meeting performance measure targets to address the requirements for the Accountability in Government Act (AGA), Sections 6-3A-1 through 6-3A-8 NMSA 1978. Performance measures outlined in the General Appropriation's Act, Laws of 2004 for the year ended June 30, 2015 were as follows:

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MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

<u>Type</u>	<u>Measure</u>	<u>FY15 Target Level</u>	<u>FY15 Year-End Result</u>	<u>Met Target</u>
Water Resource & Allocation Program:				
Explanatory	Average number of unprotested new and pending applications processed per month	65	108	Yes
Explanatory	Number of unprotested and unaggrieved water right applications backlogged	650	1,219	No
Outcome	Number of dams inspected per year and notices delivered to owners notifying of potential problems	100	101	Yes
Outcome	Percent readiness to perform active water resource management within lower San Juan river basin	100%	98%	No
Outcome	Percent readiness to perform active water resource management within lower Pecos river basin	100%	87%	No
Outcome	Number of transactions abstracted annually into the water administration technical engineering resource system database	23,000	22,792	No
Outcome	Percent readiness to perform active water resource management within lower Rio Grande river basin	88%	91%	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	95,700	Yes
Outcome	Cumulative state-line delivery credit per the Rio Grande river compact and amended decree at the end of calendar year, in acre feet	≥ 0	0	Yes
Litigation and Adjudication Program:				
Outcome	Number of offers to defendants in adjudications	600	594	No
Outcome	Percent of all water rights that have judicial determinations	54%	62%	Yes

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

In overseeing the State's water resources and administering the interstate stream compacts, there are several variables which can have a significant effect on the Agency's financial position. Drought conditions, which the majority of the State is currently experiencing, can significantly draw on available Agency resources. In addition, much of the Agency's activities in relation to litigation and adjudication of water rights are intertwined with the judicial system, and consequently, future decisions of the courts can have a significant impact on Agency operations and the financial position of the Agency.

In addition, appropriations from the Irrigation Works Construction Fund (#326) to support the operations of the Agency have increased significantly over the past few years in lieu of General Fund appropriations. In fiscal year 2015, expenditures and transfers from the fund exceeded revenue and transfers into the fund by close to \$2.6 million. This difference could increase to close to \$6.2 million in fiscal year 2016. Unless steps are taken to decrease the proportion of Irrigation Works Construction Fund used to support Agency operations, the fund will be fully depleted before the end of fiscal year 2018. Consequently, the Agency could be faced with significant budget reductions, drastically impacting both the Agency's operations and its' ability to carry out the mission and statutory mandates.

REQUESTS FOR INFORMATION

The following staff of the New Mexico Office of the State Engineer/Interstate Stream Commission may be contacted in connection with this analysis:

Curtis Eckhart, Director, Program Support

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Office of the State Engineer/Interstate Stream Commission

P.O. Box 25102

Santa Fe, NM 87504-5102

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
(GOVERNMENT-WIDE)
STATEMENT OF NET POSITION (DEFICIT)
As of June 30, 2015

ASSETS	<u>Governmental Activities</u>
Current assets	
Petty cash	\$ 125
State General Fund Investment Pool	55,462,553
Receivables, net	466,757
Prepaid expenses	227,600
Due from other state agencies	3,498,026
Due from federal government	992,438
Investments	19,204,942
Settlement due from federal government, current portion	9,040,000
Total current assets	<u>88,892,441</u>
Noncurrent assets	
Loans receivable, net of allowance	1,211,028
Settlement due from federal government	35,175,478
Capital assets, net of depreciation	102,591,567
Total assets	<u>\$ 227,870,514</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 5,050,753
Accrued salaries and benefits payable	629,154
Due to other state agencies	144,487
Due to state General Fund	532,035
Compensated absences:	
Expected to be paid within one year	1,155,483
Indian Water Rights Settlement:	
Expected to be paid within one year	-
Total current liabilities	<u>7,511,912</u>
Noncurrent liabilities	
Indian Water Rights Settlement, long-term portion	79,161,052
Contingent liabilities	268,000
Total noncurrent liabilities	<u>79,429,052</u>
Total liabilities	<u>86,940,964</u>
NET POSITION (DEFICITS)	
Restricted for:	
Expenditure in future years	9,010,686
Ute Dam operating/construction	573,638
Loans	1,211,028
Investigation and construction of water conservation projects	13,995,977
Improvement and increase of surface flow of Rio Grande River	6,502,229
Water projects in the Gila region	31,292,109
Indian water rights settlement	640,360
Pecos River Basin land management	578,745
Unrestricted	(25,466,789)
Net investment in capital assets	102,591,567
Total net position	<u>140,929,550</u>
Total liabilities and net position	<u>\$ 227,870,514</u>

See independent auditor's 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, 2015

	<u>Governmental Activities</u>
Expenses	
Agriculture, Energy and Natural Resources	
Current:	
Personal services and employee benefits	\$ 23,437,803
Contractual services	24,542,073
Other	36,072,815
Depreciation expense	<u>1,262,830</u>
Total expenses	<u>85,315,521</u>
Program revenues	
Charges for services	7,586
Operating grants and contributions	29,167,300
Capital grants and contributions	<u>-</u>
Total program revenues	<u>29,174,886</u>
Net program expense	<u>(56,140,635)</u>
General revenues	
General Fund appropriation	18,300,200
Investment income	8,536,304
Gain (loss) on disposal of asset, net	<u>-</u>
Total general revenues	<u>26,836,504</u>
Other financing sources (uses) & special items	
Transfers in (out):	
Severance tax bond appropriations	18,251,623
Interagency transfers in	9,810,175
Reversion to the State General Fund FY15	(383,305)
Interagency transfers out	(739,000)
Special items:	
Adjustment to Indian Water Rights Settlement	23,195,108
Arizona Water Settlement	3,095,380
Contingent Liability expense	<u>(268,000)</u>
Total other financing sources (uses) & special items	<u>52,961,981</u>
Change in net position	<u>23,657,850</u>
Net position, beginning	<u>117,271,700</u>
Net position, ending	<u><u>\$ 140,929,550</u></u>

See independent auditor's 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, 2015

	Major Funds						Total Governmental Funds
	214/864 General Fund	267 Capital Projects Fund	326 Irrigation Works Construction Fund	3081 New Mexico Unit Fund	892 STB Capital Outlay Fund	Other Funds	
ASSETS							
Petty Cash	\$ 125	-	-	-	-	-	125
State General Fund Investment Pool	3,374,439	8,962,140	651,576	31,710,732	4,173,401	6,590,265	55,462,553
Receivables, net of allowance	160,800	-	305,757	-	-	200	466,757
Due from other funds	5,097,980	-	50	-	-	-	5,098,030
Due from other state agencies	8,196	-	508,620	2,239	2,864,619	114,352	3,498,026
Due from federal sources	992,438	-	-	-	-	-	992,438
Prepaid expense	227,600	-	-	-	-	-	227,600
Investments	-	-	17,453,201	-	-	1,751,741	19,204,942
Loan receivables, net of allowance	-	-	1,211,028	-	-	-	1,211,028
Total assets	9,861,578	8,962,140	20,130,232	31,712,971	7,038,020	8,456,558	86,161,499
DEFERRED OUTFLOW OF RESOURCES							
Total assets and deferred outflow of resources	9,861,578	8,962,140	20,130,232	75,928,449	7,038,020	8,456,558	130,376,977
LIABILITIES							
Accounts payable	\$ 2,583,033	7,677	33,098	374,616	2,052,328	-	5,050,752
Accrued payroll	282,610	-	-	-	-	-	282,610
Payroll related liabilities	346,545	-	-	-	-	-	346,545
Due to other funds	69	-	4,890,129	46,246	-	161,586	5,098,030
Due to other state agencies	144,487	-	-	-	-	-	144,487
Unearned revenue	-	-	-	-	-	-	-
Due to State General Fund	532,035	-	-	-	-	-	532,035
Total liabilities	3,888,779	7,677	4,923,227	420,862	2,052,328	161,586	11,454,459
DEFERRED INFLOW OF RESOURCES							
Total liabilities and deferred inflow of resources	4,060,664	7,677	4,923,227	44,636,340	4,000,008	161,586	57,789,502
FUND BALANCE							
Nonspendable: Prepaid expense	227,600	-	-	-	-	-	227,600
Nonspendable: Long-term receivables	-	-	1,211,028	-	-	-	1,211,028
Restricted	5,669,144	-	13,995,977	31,292,109	3,038,012	8,294,972	62,290,214
Committed	75,930	8,954,463	-	-	-	-	9,030,393
Assigned	-	-	-	-	-	-	-
Unassigned: Petty cash	125	-	-	-	-	-	125
Unassigned	(171,885)	-	-	-	-	-	(171,885)
Total fund balance	5,800,914	8,954,463	15,207,005	31,292,109	3,038,012	8,294,972	72,587,475
Total liabilities and fund balance	9,861,578	8,962,140	20,130,232	75,928,449	7,038,020	8,456,558	130,376,977

See independent auditor's 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 FUND BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
As of June 30, 2015**

Total fund balance - Governmental funds	\$	72,587,475
<p>Amounts reported for governmental activities in the Statement of Net Position 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>		102,591,567
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Indian Water Rights Settlement		(79,161,052)
Contigent liabilities		(268,000)
Compensated absences payable		(1,155,483)
<p>Some revenue is deferred in the funds but accrued as revenue in the government-wide statements and added to net position</p>		46,335,043
Rounding		-
		-
Net position of governmental activities	\$	140,929,550

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, 2015

	Major Funds						Total Governmental Funds
	General Fund	267 Capital Projects Fund	326 Irrigation Works Construction Fund	3081 New Mexico Unit Fund	892 STB Capital Outlay Fund	Other Funds	
Revenues							
Federal funds	\$ 216,252	-	-	-	-	-	216,252
Charges for services	-	-	-	-	-	7,586	7,586
Investment earnings (loss)	-	-	6,997,351	22,270	-	1,482,838	8,502,459
Interest on loans	-	-	33,843	-	-	-	33,843
Miscellaneous revenue	5,228,308	-	458,539	-	-	140,946	5,827,793
Total revenues	<u>5,444,560</u>	<u>-</u>	<u>7,489,733</u>	<u>22,270</u>	<u>-</u>	<u>1,631,370</u>	<u>14,587,933</u>
Expenditures							
Agriculture, Energy and Natural Resources							
Current:							
Personal services and benefits	23,409,555	-	-	-	-	-	23,409,555
Contractual services	6,827,814	45,537	-	1,336,405	1,301,366	18,896	9,530,018
Other costs	6,575,912	-	-	6,385	6,928,495	29,544	13,540,336
Capital outlay:	29,294	-	-	-	21,762	-	51,056
Total expenditures	<u>36,842,575</u>	<u>45,537</u>	<u>-</u>	<u>1,342,790</u>	<u>8,251,623</u>	<u>48,440</u>	<u>46,530,965</u>
Excess (deficiency) of revenue over expenditures	<u>(31,398,015)</u>	<u>(45,537)</u>	<u>7,489,733</u>	<u>(1,320,520)</u>	<u>(8,251,623)</u>	<u>1,582,930</u>	<u>(31,943,032)</u>
Other financing sources (uses)							
Sale of land	-	-	-	-	-	32,000	32,000
Transfers in (out):							
General obligation bond proceeds	-	-	-	-	-	-	-
Severance tax bond proceeds	-	-	-	-	16,303,943	-	16,303,943
State General Fund appropriations FY15	18,300,200	-	-	-	-	-	18,300,200
Interfund transfers in	12,219,329	-	-	-	-	-	12,219,329
Interagency transfers in	810,175	9,000,000	-	-	-	-	9,810,175
Interfund transfers (out)	(383,711)	-	(10,057,468)	(400,451)	-	(1,377,699)	(12,219,329)
Interagency transfers (out)	(739,000)	-	-	-	-	-	(739,000)
Reversions FY15	(383,305)	-	-	-	-	-	(383,305)
Special items:							
Indian Water Rights Settlement	-	-	-	-	(15,012,058)	(549,050)	(15,561,108)
Arizona Water Settlement	-	-	-	9,040,000	-	-	9,040,000
Total other financing sources (uses) & Special items	<u>29,823,688</u>	<u>9,000,000</u>	<u>(10,057,468)</u>	<u>8,639,549</u>	<u>1,291,885</u>	<u>(1,894,749)</u>	<u>36,802,905</u>
Net change in fund balance	<u>(1,574,327)</u>	<u>8,954,463</u>	<u>(2,567,735)</u>	<u>7,319,029</u>	<u>(6,959,738)</u>	<u>(311,819)</u>	<u>4,859,873</u>
Fund balance, beginning, as originally reported	7,375,241	-	17,774,740	23,973,080	9,997,750	8,606,791	67,727,602
Fund balance, ending	<u>\$ 5,800,914</u>	<u>8,954,463</u>	<u>15,207,005</u>	<u>31,292,109</u>	<u>3,038,012</u>	<u>8,294,972</u>	<u>72,587,475</u>

See independent auditor's 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, 2015

Net change in fund balances (deficit) - total governmental funds \$ 4,859,873

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	\$ 1,262,735	
Depreciation	<u>(1,262,830)</u>	(95)

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 position differs from the change in fund balance by the cost of land sold.

Land sales		(32,000)
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Some items reported in the Statement of Activities are not sources or uses of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds.

Change in deferred revenues		(4,068,793)
Change in estimate of Indian Water Rights revenue		7,634,000
Gain on disposal of assets		-
Change in compensated absences		(28,249)
Contingent liability expense		(268,000)
Indian Water Rights Settlement expense		15,561,108
Rounding		<u>6</u>

Change in net position of governmental activities		\$ <u>23,657,850</u>
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STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
GENERAL FUND (214) – MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues				
Miscellaneous revenue	\$ 3,859,300	3,859,300	4,429,508	570,208
Federal funds	123,500	341,994	216,252	(125,742)
Other financing sources	-	-	-	-
Total revenues	3,982,800	4,201,294	4,645,760	444,466
Fund Balance Budgeted	1,766,096	1,766,096		
Total	5,748,896	5,967,390		
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	25,810,300	25,837,300	23,409,555	2,427,745
Contractual services	9,387,675	9,642,676	6,827,814	2,814,862
Other	5,836,100	6,731,593	6,660,611	70,982
Total expenditures	41,034,075	42,211,569	36,897,980	5,313,589
Excess (deficiency) of revenues over expenditures	(35,285,179)	(36,244,179)	(32,252,220)	3,991,959
Other financing sources (uses)				
General appropriations	18,300,200	18,300,200	18,300,200	-
Operating transfers in	17,723,979	18,693,979	13,029,504	5,664,475
Operating transfers out	(739,000)	(750,000)	(739,000)	11,000
Total other financing sources (uses)	35,285,179	36,244,179	30,590,704	5,675,475
Reversion	-	-	(383,305)	(383,305)
Change in fund balance	-	-	(2,044,821)	
Fund balance, beginning of year			5,070,190	
Fund balance, end of year			\$ 3,025,369	

Reconciliation of Budgetary Basis to Fund Financial Statement

Change in fund balance per budgetary basis	\$ (2,044,821)
Adjustments:	
Current year accounts payable that required a request to pay current-year bills out of the FY 2016 budget	-
Prior year accounts payable paid out of FY 2015 budget	55,405
Amounts recorded as revenues/OFS in the fund financial statements, but included in another budget (Fund 864)	798,800
Amounts recorded as expenses/OFU in the fund financial statements, but included in another budget (Fund 864)	(383,711)
Total GAAP basis net change in fund balance - fiscal year ended June 30, 2015	\$ (1,574,327)

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 BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues				
Miscellaneous revenue	\$ 100,000	100,000	-	(100,000)
Investment earnings	6,175,000	6,175,000	6,997,351	822,351
Land rental	1,400,000	1,400,000	458,539	(941,461)
Interest on loans	55,000	55,000	33,843	(21,157)
Total revenues	7,730,000	7,730,000	7,489,733	(240,267)
Fund Balance Budgeted	6,588,020	7,413,020		
Total	14,318,020	15,143,020		
 Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	20	20	-	20
Other	-	-	-	-
	20	20	-	20
Total expenditures	20	20	-	20
Excess (deficiency) of revenues over expenditures	14,318,000	15,143,000	7,489,733	(7,653,267)
 Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(14,318,000)	(15,143,000)	(10,057,468)	5,085,532
Total other financing sources (uses)	(14,318,000)	(15,143,000)	(10,057,468)	5,085,532
Change in fund balance	-	-	(2,567,735)	
Fund balance, beginning of year			17,774,740	
Fund balance, end of year			\$ 15,207,005	

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

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NEW MEXICO UNIT FUND (3081) – MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues				
Miscellaneous revenue	\$ -	-	9,040,000	9,040,000
Interest on investments	-	-	22,270	22,270
Total revenues	-	-	9,062,270	22,270
Fund Balance Budgeted	5,559,969	5,559,969		
Total	\$ 5,559,969	5,559,969		
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	4,856,169	4,856,169	1,336,405	3,519,764
Other	300,000	300,000	228	299,772
	5,156,169	5,156,169	1,336,633	3,819,536
Total expenditures	5,156,169	5,156,169	1,336,633	3,819,536
Excess (deficiency) of revenues over expenditures	403,800	403,800	7,725,637	7,321,837
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(403,800)	(403,800)	(400,451)	3,349
Total other financing sources (uses)	(403,800)	(403,800)	(400,451)	3,349
Change in fund balance	-	-	7,325,186	
Fund balance, beginning of year			23,973,081	
Fund balance, end of year			\$ 31,298,267	

Reconciliation of Budgetary Basis to Fund Financial Statement

Change in fund balance per budgetary basis		\$ 7,325,186
Adjustments:		
Current year accounts payable that required a request to pay current-year bills out of the FY 2016 budget		-
Prior year accounts payable paid out of FY 2015 budget		(6,157)
Total GAAP basis net change in fund balance - fiscal year ended June 30, 2015		\$ 7,319,029

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS
As of June 30, 2015

	<u>Agency Funds</u>
Assets	
Cash and investments	\$ <u>298,737</u>
Total assets	\$ <u><u>298,737</u></u>
Liabilities	
Water rights protest hearing/other deposits	\$ 29,607
Deposits held in custody for others	<u>267,951</u>
Total liabilities	\$ <u><u>298,737</u></u>

See independent auditor's 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, 2015

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 requirements.

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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.

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 Position, the governmental activities are presented using the *economic resources measurement focus* and the *accrual basis of accounting*, which incorporate long-term assets, receivables, and deferred outflows of resources as well as, long-term debt, obligations, and deferred inflows of resources. The Agency's net position are reported in three parts – net investment in capital assets, restricted net position and unrestricted net position.

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

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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, deferred outflows, liabilities, deferred inflows, 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.

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, deferred outflows of resources, liabilities, deferred inflows or resources,

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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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 typically recorded in the general fund because this is where the Legislature appropriated the funds for expenditure; however, appropriations may still result in current year expenditures in this fund.

New Mexico Unit Fund – (#3081) This fund consists of money distributed to the state pursuant to Paragraphs (2)(D)(i) and (ii) of Section 403(f) of the federal Colorado River Basin Project Act of 1968, as amended by Section 107(a) of the federal Arizona Water Settlements Act, Public Law 108-451, December 10, 2004, and other money made available to the fund pursuant to Section 212 of the federal Arizona Water Settlements Act, Public Law 108-451, December 10, 2004, in addition to appropriations, grants, and donations or bequests to the fund. The provisions of federal law establish that the purpose of money in the fund is to pay the costs of the New Mexico unit or other water utilization alternatives to meet water supply demands in the southwest water planning region of New Mexico, as determined by the Interstate Stream Commission in consultation with the southwest New Mexico water study group or its successor, including costs associated with planning and environmental compliance activities and environmental mitigation and restoration. Any unexpended or unencumbered balance remaining in the fund at the end of a fiscal year shall not revert to the general fund. Money in the fund shall not be transferred, other than through an intra-agency transfer, to any other fund.

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.

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.

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Non-major Funds

Special Revenue Funds:

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

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

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.

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.

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

The Agency has one Agency fund and is also the fiduciary for three 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 - (#1053) – 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

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authority to withdraw funds from the account. Interest on the account is credited to Irrigation Works Construction Fund (#326). The Agency does not have authority to issue warrants.

Ute Dam Outlet Works Pipeline Replacement Project – (#1052)– 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. The Agency has authority to issue warrants through this fund.

Rio Grande Floodway Escrow (#1178) – This fund was established to account for the activity in the Rio Grande Floodway escrow account per the Memorandum of Agreement between the Agency and the U.S. Army Corps of Engineers. The project includes the design, construction, and construction management of the Rio Grande Floodway, San Acacia to Bosque del Apache Unit. The fund is authorized by Section 72-14-28. NMSA, 1978 Compilation. The Agency has authority to issue warrants through this fund.

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 position, 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 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.

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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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 Position, "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, 2015. 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 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. 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.

4. 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 Position. Interfund receivable and payables are presented at net amounts for each fund.

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5. Due from Federal Government

With the exception of the amounts recorded in Fund 3081, the New Mexico Unit, the balance due from federal sources is comprised of reimbursements to the Agency for grant and contract-related expenditures, but not received by year-end.

6. 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.

7. 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.

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.

8. 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

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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.

9. 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.

10. 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.

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

12. 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.

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13. Equity Classifications

Government-wide Statements

Equity is classified as net position. Net position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position investment in capital assets represents the historical cost of assets or fair value on date of receipt less accumulated depreciation on those assets. Net position is 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 position is all other net position that do not meet the definition of restricted or investment in capital assets.

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.

14. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized until then.

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 both state and federal governments for capital projects.

I. Unearned Special Appropriations

The Agency received special appropriations for various capital projects. The funds are typically received entirely in the year of the appropriation, but the capital projects may take several years to complete. Special appropriations revenue is recognized in the year appropriated as it is measurable, available and has no eligibility requirements. Severance tax and general obligation bond proceed appropriations are generally recognized as revenue when the funds are expended as this is when the applicable eligibility requirements are met however the OSE considers the receipt of special appropriations as meeting the eligibility

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requirements and therefore recognizes the revenue upon receipt. If not spent during the year received, the appropriations are then restricted and included as part of non-reverting fund balance.

J. 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, 2015.
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.
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

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fiscal year 2015, the Agency did not anticipate any activity in Fund 324, and therefore, a budget was not established.

K. 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	\$ 1,454,441	-
State Treasurer	550-864	1,919,997	3,374,438
International Bank - Cimarron	Demand	-	-
Petty Cash	on site	125	125
Total - General Fund		<u>3,374,563</u>	<u>3,374,563</u>
Irrigation Works Construction Fund			
State Treasurer	550-326	651,576	651,576
Improvement of the Rio Grande Fund			
State Treasurer	550-328	4,797,722	4,797,722
Capital Projects Fund			
State Treasurer	550-267	8,962,140	8,962,140
Ute Dam Operating Fund			
State Treasurer	550-324	21,856	21,856
Ute Dam Construction Fund			
State Treasurer	550-325	551,582	551,582
Pecos River Basin Land Management Fund			
State Treasurer	550-686	578,745	578,745
STB Capital Outlay Fund			
State Treasurer	550-892	4,173,401	4,173,401
Arizona Settlement Fund			
State Treasurer	550-3081	31,710,732	31,710,732
Indian Water Rights Settlement Fund			
State Treasurer	550-2017	640,360	640,360
General Fund Capital Outlay			
State Treasurer	550-931	-	-
Total governmental funds		<u>\$ 55,462,677</u>	<u>55,462,677</u>
Fiduciary Accounts			
Irrigation Fee Suspense Fund			
State Treasurer	550-849	\$ 29,607	29,607
Ute Dam Outlets - Wells Fargo*	Demand	16,511	16,511
US Army Corps of Engineers - Wells Fargo*	Demand	252,508	252,508
US Army Corps of Engineers - Wells Fargo*	Demand	111	111
Total fiduciary funds		<u>\$ 298,737</u>	<u>298,737</u>

* Interest bearing account

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

- (a) Securities issued by the United States (U.S.) government or by its departments or

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- 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 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

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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. Cash/investment accounts on deposit with the New Mexico State Treasurer (STO) do not require collateral to be pledged because they are deposits with another governmental entity. Certain cash accounts held by the STO are authorized to earn interest and are deposited by DFA into the New Mexico State Treasurer's Office Interest Bearing Pool. The pool invests in repurchase agreements secured at 102% by U. S. Treasury notes and bills, certificates of deposit, and other interest bearing instruments. Because all monies held by another governmental entity, GASB Statement #3, "Deposits with Financial Institutions Investments (Including Repurchase Agreements), and Reverse Purchase Agreements" is not applicable. Deposits do not have to be classified according to custodial credit risk. Financial statements for the State Treasurer are separately issued.

Beginning January 1, 2013, noninterest-bearing transaction accounts will no longer be insured separately from depositors’ other accounts at the same FDIC-insured depository institutions (IDI) instead, noninterest-bearing transaction accounts will be added to any of a depositors’ other accounts in the applicable ownership category and the aggregate balance insured up to at least the Standard Maximum Deposit Insurance Amount of \$250,000 per depositor, at each separately chartered IDI. See the FDIC website at www.fdic.gov/deposit/deposits/unlimited_expiration.html, for more information. As of June 30, 2015, 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	\$ 16,511
1053	US Army Corps of Engineers	252,508
1178	US Army Corps of Engineers	111
	Total bank balance	269,130
	Less: FDIC coverage	(250,000)
	Uninsured public funds	\$ 19,130

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.

The Financial Control Division of the Department of Finance and Administration (DFA) permits the Department to override into a negative cash portion in its Capital Projects

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Funds, since reimbursement is often received for expenditures from either a federal government agency or DFA itself from severance tax bonds proceeds.

General Fund Investment Pool Not Reconciled

In June 2012 an independent diagnostic report revealed that the State of New Mexico's General Fund Investment Pool has not been reconciled since the implementation of the Statewide Human resources, Accounting, and management REporting system (SHARE) in July of 2006. The Department of Finance and Administration (DFA) has commissioned two reports that address statewide cash reconciliation issues. They are (1) *Current State of Diagnostic of Cash Controls*, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) *Cash Management Plan and Business Processes*, dated October 11, 2012, also prepared by Deloitte Consulting, LLP. The Diagnostic reports are available in the Resources section of the Cash Control page of the NM DFA's website : nmdfa.state.nm.us/Cash_Control.aspx.

DFA has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert. The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

Per the directive issued by the Office of the State Auditor on October 31, 2012, a note disclosure relating to this issue is required for all State of New Mexico state agencies for financial statements issued for fiscal year ended June 30, 2015.

That directive instructed agencies to do the following:

1. Explain to the Agency's IPA what policies and procedures the Agency has in place to ensure that the Agency's cash balances in SHARE are correct; and
2. Disclose to the IPA any communications with DFA Cash Control Bureau regarding monthly cash reconciliation issues including unreconciled items, errors and corrections submitted; and
3. Disclose in the Agency notes to the financial statements the facts about the statewide cash reconciliation at the end of the fiscal year, and what the Agency's policies and procedures were during the fiscal year ended 2015 to mitigate the risk that the Agency's cash balances would be misstated as of June 30, 2015.

The Agency has provided copies of the referenced diagnostic reports to the IPA. The Agency has also explained and provided copies to the IPA what policies and procedures are in place that ensures that the cash balances in SHARE are correct to the extent that the Agency has control (i.e. collection, depositing, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receipts and transfers to the state general fund and other state agencies pursuant to state statute.

To the extent possible the Agency does informally reconcile all deposits and transfers that come into its possession. The cash transactions processed by the Agency flow through the state general fund investment pool. Since SHARE was implemented, the Agency recognized potential

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concerns related to the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Agency. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly reconciliation procedures throughout the Fiscal Year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities by fund, and review of outstanding warrants of the Agency. This monthly internal reconciliation of cash receipts and disbursements flowing through the Agency's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Agency reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Agency's share in the State General Fund Investment Pool account are accurate.

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been successfully applied to fiscal year-end 2014 and the months from January 2015 through June 2015. While work remains, the results are encouraging and the following assertions can be made:

1. The difference between statewide agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims has remained within a relatively narrow range over the periods in which the reconciliation process has been used;
2. Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

L. 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

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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, 2015:

	Irrigation Works Construction Fund (326)		Improvement of the Rio Grande Fund (328)	
	Units	Market Value	Units	Market Value
Large Cap Active Pool	2,281	\$ 9,153,332	239	\$ 958,729
Core Bond Pool	2,813	8,299,869	269	793,012
Total investments		\$ 17,453,201		\$ 1,751,741

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. The following includes the components of investment earnings for fiscal year 2015:

	Irrigation Works Construction Fund (326)	Improvement of the Rio Grande Fund (328)	New Mexico Unit Fund (3081)
Interest and dividends on investments and cash deposits	\$ 442,119	43,052	-
Realized gain (loss) on sale of investments	1,228,318	123,864	-
Increase (decrease) in fair value of investments	(802,154)	(71,405)	-
Management fee expense	(56,023)	(5,705)	-
Interest on investments at STO	-	4,306	22,270
Distribution of investment earnings from LGPF	6,185,092	1,388,727	-
Investment earnings	\$ 6,997,352	1,482,839	22,270

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.

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M. Prepaid Expenses

The Agency is implementing a new Water Rights Business Process Management System, and the prepaid amount of \$227,600 as of June 30, 2015, represents approximately 40% of the total cost of the software licenses and training for this program. This cost will be expensed over a 60 month period.

N. 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, 2015, the allowance had a balance of \$27,314. This balance increased by \$847 during the fiscal year ended June 30, 2015, and no amounts previously written-off were recovered during the year.

O. Loan Receivables

As of June 30, 2015, the Agency had \$1,238,948 in notes due to the Agency from fifty-five 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, 2015.

P. Settlement Due from Federal Government

Special item - The Arizona Water Settlement

The State of New Mexico entered into the Arizona Water Settlement with the federal government. Under the terms of the agreement, the federal government will pay the State of New Mexico a total of \$66 million in 2004 dollars adjusted for inflation, in 10 annual installments. The inflation adjusted amount is estimated at \$90,400,000. The installment of \$9.04 million was received by the Agency during the fiscal year ended June 30, 2015, and the Agency recorded a receivable of \$44,215,478 to account for the remaining amount due. This receivable will be reduced as payments are received from the federal government according to the settlement agreement. In addition, the actual amounts received may require adjustment relative to the receivable recorded, due to indexing.

The amounts expected by year, as of June 30, 2015, assuming imputed interest of approximately 6.17%, are as follows:

<u>Year(s)</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Receivable Balance</u>
				\$ 44,215,478
2016	\$ 9,040,000	6,311,463	2,728,537	37,904,015
2017	9,040,000	6,700,943	2,339,057	31,203,072
2018	9,040,000	7,114,458	1,925,542	24,088,614
2019	9,040,000	7,553,492	1,486,508	16,535,122
2020	9,040,000	8,019,618	1,020,385	8,515,504
2021	9,040,000	8,515,504	525,492	-
	\$ <u>54,240,000</u>	<u>44,215,478</u>	<u>10,025,521</u>	

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The amounts received by the Agency under this settlement agreement are restricted to costs of a New Mexico Unit that would develop all or some of the water provided to New Mexico in the Arizona Water Settlement Act, for water utilization alternatives that meet a water supply demand, planning, environmental restoration, or mitigation.

Q. Capital Assets

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

	<u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass- ifications</u>	<u>2015</u>
Capital assets not depreciated:					
Water rights & land	\$ 74,865,773	-	(32,000)	-	74,833,773
Land held for sale	60,000	-	-	-	60,000
Construction works-in-progress	<u>1,714,716</u>	<u>373,306</u>	<u>-</u>	<u>(2,088,022)</u>	<u>-</u>
Total capital assets not depreciated	<u>76,640,489</u>	<u>373,306</u>	<u>(32,000)</u>	<u>(2,088,022)</u>	<u>74,893,773</u>
Capital assets depreciated:					
Infrastructure	38,140,632	732,367	-	2,088,022	40,961,021
Buildings and structures	23,099	-	-	-	23,099
Furniture and fixtures	779,122	68,824	-	-	847,946
Machinery and equipment	3,762,806	88,238	(165,843)	-	3,685,201
Leasehold improvement	43,184	-	-	-	43,184
Vehicles	<u>36,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,463</u>
Total capital assets being depreciated	<u>42,785,306</u>	<u>889,429</u>	<u>(165,843)</u>	<u>2,088,022</u>	<u>45,596,914</u>
Total capital assets	<u>119,425,795</u>	<u>1,262,735</u>	<u>(197,843)</u>	<u>-</u>	<u>120,490,687</u>
Less accumulated depreciation:					
Infrastructure	(12,798,654)	(1,088,810)	-	-	(13,887,464)
Buildings and structures	(20,488)	(99)	-	-	(20,587)
Furniture and fixtures	(492,334)	(54,822)	-	-	(547,156)
Machinery and equipment	(3,411,656)	(118,453)	165,843	-	(3,364,266)
Leasehold improvement	(43,184)	-	-	-	(43,184)
Vehicles	<u>(35,817)</u>	<u>(646)</u>	<u>-</u>	<u>-</u>	<u>(36,463)</u>
Total accumulated depreciation	<u>(16,802,133)</u>	<u>(1,262,830)</u>	<u>165,843</u>	<u>-</u>	<u>(17,899,120)</u>
Net capital assets	<u>\$ 102,623,662</u>	<u>(95)</u>	<u>(32,000)</u>	<u>-</u>	<u>102,591,567</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 \$1,262,830 was charged to the agriculture, energy and natural resources function of governmental activities. Deletions during the year include fully depreciated equipment that was idle in prior years.

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.

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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 2015 sales price. The Agency anticipates land sales to continue in the near future.

R. Commitments

The Agency completed several projects previously under construction in 2015. Below is a summary list of completed projects:

	<u>Balance</u> <u>2014</u>	<u>Additions</u>	<u>Reclass- ification</u>	<u>Balance</u> <u>2015</u>
Mimbres Metering Stations	\$ 430,818	172,420	(603,238)	-
Rio Chama Metering Stations	557,927	200,886	(758,813)	-
Seven Rivers Electric Upgrade & Water Level Measurement System	554,008	-	(554,008)	-
Lake Arthur Well Field Upgrade 2013	171,963	-	(171,963)	-
	<u>\$ 1,714,716</u>	<u>373,306</u>	<u>(2,088,022)</u>	<u>-</u>

No projects or contracts were entered into during 2015.

S. Lease Commitments

Buildings and Structures

The Agency leases office space at six 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 \$916,709 for the year ended June 30, 2015.

Machinery & Equipment

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

All leases contain fiscal funding clauses. Lease expenditures, including maintenance charges of the equipment, were \$161,492 for the year ended June 30, 2015.

Vehicles

The Agency leases 66 vehicles on an annual basis from the New Mexico General Services Department. Lease expenditures under the leases were \$189,036 for the year ended June 30, 2015.

Rio Grande Water Rights

The Agency entered into a ten year lease for surface water rights necessary to fulfill a statutory mandate. Lease expenditures under this agreement were \$79,971 for the year ended June 30, 2015. Future lease payments will fluctuate and are dependent on the number of water rights leased and amounts adjusted for inflation.

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Future minimum lease payments are:

For the Year Ended June 30,		Building & Structures	Machinery Equipment	Rio Grande Water Rights	Total
2016	\$	848,323	49,452	80,851	978,625
2017		719,181	32,864	81,740	833,785
2018		720,219	11,246	82,639	814,104
2019		712,244	-	83,548	795,792
2020		357,686	-	84,468	442,154
2021		120,330	-	-	120,330
Total	\$	<u>3,477,982</u>	<u>93,561</u>	<u>413,247</u>	<u>3,984,791</u>

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

T. Long-Term Liabilities

Compensated Absences

Long-term liability activity related to compensated absences for the year ended June 30, 2015 was as follows:

	2014	Additions	Deletions	2015	Due Within One Year
Compensated absences	\$ 1,127,234	<u>880,216</u>	<u>(851,967)</u>	<u>1,155,483</u>	<u>1,155,483</u>

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

Special Item - Indian Water Rights Settlements

The Indian Water Rights Settlement Fund (§72-1-12 NMSA 1978) requires the State Engineer and the Interstate Stream Commission to report to legislative authorities regarding settlements involving Indian water rights and the State of New Mexico's monetary obligations under these settlements. §72-1-11. The Agency's fund #2017, Indian Water Rights Settlement, was created to receive and distribute State of New Mexico funds for the State's share of the costs of these settlements. The Agency also takes charge in requesting appropriations to the legislature to fund Indian water rights settlements.

New Mexico currently has three Indian water rights settlements pending implementation: the Navajo Nation Settlement in the San Juan River adjudication, the Settlement Agreement with the Pueblos of Nambe, Pojoaque, Tesuque, and San Ildefonso in the Aamodt adjudication, and the Taos Pueblo Settlement in the Rio Pueblo de Taos/Rio Hondo adjudication. For each of these three settlements, a settlement agreement was executed in 2005 or 2006 by the tribe or Pueblos and the State of New Mexico. The Aamodt and Taos Pueblo settlement agreements also were executed by other water right owning parties. Subsequent to the passage of federal legislation authorizing each of the settlements in 2009 and 2010, the Secretary of the US Department of Interior signed all three settlement agreements on behalf of the United States. Copies of the three fully-executed settlement agreements and related documents can be found at:

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www.ose.state.nm.us/legal_ose_proposed_settlements.html.

1. Navajo Nation Settlement (Navajo-Gallup Water Supply)

The cost share contribution by the State of New Mexico under this settlement is capped at \$50 million (if fully paid by March 2017, otherwise inflation indexing applies) plus an additional \$10 million for non-Indian ditch improvements. However, the settlement agreement allows the state to receive credits toward its cost share for projects already completed, or other future projects that would be determined by the US Department of Interior, Bureau of Reclamation (BOR), to meet the terms of the agreement. The Agency is working with other state agencies to determine respective responsibilities and to coordinate efforts related to funds expended by the state that may meet settlement guidelines.

2. Aamodt Pueblo Settlement

In May 2006, the State of New Mexico, the Pueblos of Nambe, Tesuque, Pojoaque, and San Ildefonso, the County of Santa Fe and the City of Santa Fe executed a Settlement Agreement designed to resolve the claims of the four Pueblos to the use of waters in the Nambe-Pojoaque-Tesuque (N-P-T), a tributary of the Rio Grande stream system in north central New Mexico. Federal legislation approving the Settlement Agreement was enacted into law in December 2010, when President Barack Obama signed the Claims Resolution Act of 2010. The Aamodt Settlement Act authorized the Secretary of Interior to execute, on behalf of the United States, a revised settlement agreement consistent with the Act (“conformed Settlement Agreement”) with the State of New Mexico and other settlement parties. The conformed Settlement Agreement was executed by the parties in March 2013. The Cost Sharing and System Integration Agreement has also been conformed to be consistent with the Aamodt Settlement Act, and was executed by the settlement parties in March, 2013. The Cost Sharing Agreement sets out the funding obligations of the governmental parties to the settlement and establishes the fundamental operational agreements among the parties that will be operating the regional system.

3. Taos Pueblo Settlement

In May 2006, the State of New Mexico, the Taos Pueblo and several Taos-area water right-owning parties executed a Settlement Agreement to resolve the claims of the Taos Pueblo to the use of waters in the Rio Pueblo de Taos and Rio Hondo stream systems in north central New Mexico. Federal legislation approving the Settlement Agreement was enacted into law in December 2010. The Taos Settlement Act authorized the Secretary of Interior to execute, on behalf of the United States, a revised settlement agreement consistent with the Act (“conformed Settlement Agreement”) which was executed by all the settlement parties in January 2013.

The value of infrastructure and mutual benefits projects contemplated in the three pending settlements are estimated at more than \$1.7 billion as of June 30, 2015. The State of New Mexico will not own the infrastructure once completed; the infrastructure and projects will be owned by tribal and local governments. Costs are expected to be borne as noted:

Federal government	\$ 1,519,564,000
Local governments	83,428,000
State of New Mexico	<u>149,850,000</u>
Total estimated costs	<u>\$ 1,752,842,000</u>

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The Agency estimates that the State of New Mexico will receive a credit towards its cost share of about \$30.4 million. A portion of the State's share includes \$10 million on non-mandatory expenditures for ditch rehabilitation under the Navajo Settlement. Net of these items, the State's obligation under the three settlements will require total expenditures of close to \$108.5 million.

As of the fiscal year ended June 30, 2015, the Agency expended \$29.4 million of the total of \$35 million in state funding received to-date restricted for the Indian Water Rights Settlement agreements, with \$5.6 million unexpended as of June 30, 2015. The Agency was appropriated an additional \$12.7 million during the fiscal year, but the funds had not been received prior to the end of the fiscal year.

The Agency has recorded, as a special item, the estimated settlement expense in the government-wide financial statements, of \$79.2 million, as of June 30, 2015. This reflects adjustments reflecting revised estimates for the State's cost share under the Aamodt Settlement Agreement as well as a credit received for prior expenditures related to the settlement. Detail of activity for this long-term liability for the year ended June 30, 2015 is as follows:

	<u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>2015</u>
Indian Water Rights Settlement	\$ 102,356,160	-	(15,561,108)	(7,634,000)	79,161,052

Actual amounts recorded may require future adjustments that could increase or decrease the liability due to the on-going nature of the settlement negotiations and the credit provisions in the settlements. Due to the fact that negotiations related to the timing of the payments are still continuing among the affected parties, the Agency is unable to estimate the amount due for these settlements during the next five, as well as, subsequent years. Likewise, interest expense related to these settlements cannot be imputed at this time.

U. Interfund Receivables/Payables and Interfund Transfers

Interfund transfers for fiscal year 2015 are as follows:

	<u>Transfers from:</u>				<u>Total</u>
Transfers to:	30810	32600	32800	86400	
General Fund	\$ <u>400,451</u>	<u>10,057,468</u>	<u>1,377,699</u>	<u>383,711</u>	<u>12,219,329</u>

The purposes for the transfers are as follows:

<u>Amount</u>	<u>Fund</u>		<u>Purpose</u>
	<u>From:</u>	<u>To:</u>	
\$ 383,711	86400	General Fund	Transfer to fund where expenditures budgeted
400,451	30810	General Fund	Transfer to fund where expenditures budgeted
10,057,468	32600	General Fund	Transfer to fund where expenditures budgeted
1,377,699	32800	General Fund	Transfer to fund where expenditures budgeted
<u>\$ 12,219,329</u>			

Interfund receivables/payables are as follows:

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						Total
Due to:	21400	32600	32800	30810	86400	
General Fund \$	-	4,890,129	161,586	46,246	19	5,097,980
32600	50	-	-	-	-	50
\$	<u>50</u>	<u>4,890,129</u>	<u>161,586</u>	<u>46,246</u>	<u>19</u>	<u>5,098,030</u>

V. 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, 2015 are:

General Fund Transfers	Out	In	Reason
Department of Game & Fish GPF #198	\$ -	182,300	Ute Lake & Eagle Nest Lake MOU
State General Fund Appropriation #853	223,610	18,300,200	General and Special Appropriations
Department of Finance & Administration #620	-	407,300	General Fund Compensation
Office of the Attorney General #170	-	212,379	Transfer Water Litigation Funding
Environment Department #064	129,000	8,196	Transfer Water Litigation Funding
Administrative Office of the Courts #512	649,426	-	Water Project Funds 72-4A-9 NMSA 1978
Department of Game & Fish GPF #198	120,269	-	Reversion of appropriation balance
	<u>\$ 1,122,305</u>	<u>19,110,375</u>	
Fund 26700 Transfers	Out	In	Reason
Office of the Attorney General #512	\$ -	9,000,000	Drawdowns
Fund 89200 Transfers	Out	In	Reason
Severance Tax Bonds - proceeds	\$ -	16,303,943	Drawdowns

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W. 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
NMUF #30810	\$ 2,239	STO #80100	\$ 2,239
IWCF #32600	\$ 508,620	SIC #60100	\$ 508,620
IRGIF #32800	\$ 114,352	STO #80100	\$ 339
		SIC #60100	114,013
			\$ 114,352
GF #21400	\$ 8,195	NMED #06400	\$ 8,195
STB #89200	\$ 2,864,619	DFA #10910	\$ 169,561
		DFA #10920	10,989
		DFA #11160	150,000
		DFA #11580	801,916
		DFA #11720	580,160
		DFA #11910	75,774
		DFA #20610	1,071,034
		DFA #20620	5,186
			\$ 2,864,620
Total	\$ 3,498,025		\$ 3,498,026

Amount Due To Other Agencies		Due From	
SHARE Fund No.	Amount	SHARE Fund No.	Amount
Game & Fish #198	\$ 120,269	GF #21400	\$ 120,269
DoH #06105	\$ 24,218		\$ 24,218
Total	\$ 144,487		\$ 144,487

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

X. Due to State General Fund

Detail of amounts due to the State General Fund include:

	General Fund
Due for reversions	\$ 223,610
Stale dated warrants	-
Amounts collected on behalf of the State of New Mexico	<u>308,425</u>
Total	\$ <u>532,035</u>

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Y. Fund Balance and Net Position

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, 2015, follows:

General Fund (214, 864):	Restricted	Committed	Total
Emergency Drought Water Agreement	\$ 4,573,337	-	4,573,337
Adjudications	74,501	-	74,501
Conservation Water Agreement	1	-	1
Strategic Water Reserve	1,006,305	-	1,006,305
Develop a plan for modernizing the litigation and adjudication business systems	-	75,930	75,930
Private grant	15,000	-	15,000
	<u>5,669,144</u>	<u>75,930</u>	<u>5,745,074</u>
Capital Projects Fund (267)			
Capital Outlay Projects	-	8,954,463	8,954,463
Irrigation Works Construction Fund (326):			
Water conservation	13,995,977	-	13,995,977
Improvement of the Rio Grande Fund (328):			
Water conservation	6,502,229	-	6,502,229
Indian Water Rights Settlement Fund (2017):			
Public works - Indian Water Rights Settlement	640,360	-	640,360
New Mexico Unit Fund (3081):			
Public works - Arizona Water Settlement	31,292,109	-	31,292,109
STB Capital Outlay Fund (892):			
Public works - Indian Water Rights Settlement	3,038,012	-	3,038,012
Other funds:			
Land Management	578,745	-	578,745
Dam construction and operations	573,638	-	573,638
	<u>\$ 1,152,383</u>	<u>-</u>	<u>1,152,383</u>

The government-wide statement of net position reports \$63,804,772 of restricted net position, 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

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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, 2015 are presented as net position reserved for subsequent year expenditure. Restricted net position at June 30, 2015 is a result of the following:

Fund 686: Restricted for Pecos River Basin Land Management by statute (72-1-2-5, NMSA 1978)	\$ <u>578,745</u>
Funds 324/325: Restricted for Ute Dam Operating/Construction by statute (72-14-36 and 37, NMSA 1978)	<u>573,638</u>
Fund 326: Restricted for loans-restricted by third parties and statute (72-14-29, NMSA 1978)	<u>1,211,028</u>
Fund 326: Restricted for investigation and construction of water conservation projects-restricted by statute (72-14-23, NMSA 1978)	<u>13,995,977</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>6,502,229</u>
Fund 3081: Restricted for AZ Water Settlement - Gila Region	<u>31,292,109</u>
Fund 2017: Restricted for Indian Water Rights Settlement	<u>640,360</u>
<u>Restricted for subsequent year expenditures:</u>	
Fund 892: Restricted for Capital Outlay/ Indian Water Rights	3,038,013
Prepaid expense	227,600
Emergency Drought Water Agreement (Laws of 2012, Ch. 19, Sect. 4)	4,573,337
Adjudications (72-4A-9, NMSA 1978)	74,501
Strategic Water Reserve (72-14-3.3, NMSA 1978)	1,006,305
Develop a plan for modernizing the litigation and adjudication business systems	75,930
Private grant	<u>15,000</u>
Total restricted net position	\$ <u><u>63,804,772</u></u>

Z. Deferred Inflows/Outflows of Resources

The balance in deferred inflows/outflows of resources at year end is composed of the following elements:

<u>Deferred Inflows of Resources</u>	
General Fund - Receivables recorded/revenue is not available	\$ 171,885
Fund 892 - Receivables recorded/revenue is not available	1,947,680
Fund 3081 - Settlement due from federal gov./revenue is not available	<u>44,215,478</u>
	\$ <u><u>46,335,043</u></u>
<u>Deferred Outflows of Resources</u>	
Fund 3081 - Deferred settlement revenue/revenue is not available	\$ <u><u>44,215,478</u></u>

AA. Deficit Unassigned Fund Balance

The General Fund shows a deficit unassigned fund balance as of June 30, 2015. The deficit is reconciled as follows:

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<u>General fund (21400 & 86400)</u>		
Unassigned fund balance	\$	(171,885)
Adjustment made for deferred inflow of grant revenue		<u>171,885</u>
	\$	<u><u>-</u></u>

BB. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. No funds that maintained a deficit fund balance as of June 30, 2015 except as identified in Note AA.
- B. No funds exceeded approved budgetary authority for the year ended June 30, 2015.

CC. Concentrations

The Agency depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the Agency is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

DD. Evaluation of Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Agency recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Agency's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The Agency has evaluated subsequent events through December 1, 2015, which is the date the financial statements were available to be issued.

Support of Operations

Appropriations from the Irrigation Works Construction Fund (#326) to support the operations of the Agency have increased significantly over the past few years in lieu of General Fund appropriations. In fiscal year 2015, expenditures and transfers from the fund exceeded revenue and transfers into the fund by close to \$2.5 million. This difference is projected to increase close to \$7 million in fiscal year 2016. Unless steps are taken to decrease the proportion of Irrigation Works Construction Fund used to support Agency operations, the fund will be fully depleted after fiscal year 2017. Consequently, the Agency could be faced with significant budget reductions, drastically impacting both the Agency's operations and its' ability to carry out the mission and statutory mandates.

4. Other Notes

A. PERA Pension Plan

Plan Description

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015.

The Agency, as part of the primary government of the State of New Mexico, is a

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contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the next pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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 – State Retiree Health Care Plan

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

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between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Agency's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$329,594, \$316,852 and \$299,723, respectively, which equal the required contributions for each year.

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D. Risk Management

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

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

E. Contingencies

Grant Programs

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.

Litigation

The Agency is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements include an accrual for loss contingencies that resulted from these proceedings (see following paragraph). 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.

Contingent Liability

In the subsequent year, a state district judge ruled that the Interstate Stream Commission violated the Open Meetings when approving two contracts involving a diversion project in southern part of the state. As a result of the ruling, the Agency became exposed to a liability of \$268,000 as the plaintiff is seeking reimbursement of legal costs. Because the liability has a high probability of being awarded and is estimable, an expense, classified as a 'special item', was recorded for the fiscal year ended June 30, 2015. The liability will be paid out of fund 3081.

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

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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.

On September 23, 2003, New Mexico voters approved Constitutional Amendment No. 2 that changed the LGPF distributions. Beginning with the October 2003 distribution, the annual distributions from the LGPF are five percent (5.0 percent) of the average of the year-end market values of the LGPF for the immediately preceding five calendar years. In addition to the five percent (5.0 percent) annual distribution made, an additional annual distribution shall be made pursuant to the following schedule: in fiscal years 2005 through 2012, an amount equal to eight-tenths percent (0.8 percent) of the average of the year-end market values of the LGPF for the immediately preceding five calendar years; and in fiscal years 2013 through 2016, an amount equal to one-half percent (0.5 percent) of the average of the year-end market values of the LGPF for the immediately preceding five calendar years.

The legislature, by a three-fifths vote of the members elected to each house, may suspend any additional distributions noted above. No additional distribution shall be made in any fiscal year if the average of the year-end market values of the LGPF for the immediately preceding five calendar years is less than five billion eight hundred million dollars (\$5,800,000,000).

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

G. Related Parties

1. Inter & Intra-state Commissions

State Engineer, Tom Blaine, 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. Tom Blaine, State Engineer, serves as Chair of the Water Trust Board. During fiscal year 2015, the Agency received direct transfers of \$3,247,128 from the Water Trust Board for water rights adjudications as provided for in 72-4A-9 NMSA 1978.

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3. Costilla Creek Compact

Several employees of the Office of the State Engineer/Interstate Stream Commission have responsibilities for the administration of the Costilla Creek Compact (the Compact). The Compact, approved by the Legislature by the Laws of 1945, Chapter 51, and amended on September 30, 1945, provides for the equitable division and apportionment of the use of the waters of Costilla Creek. The Compact is comprised of the officials in both New Mexico and Colorado who are charged with the duty of administering public water supplies. The salaries and expenses of the members of the Compact are paid by each respective state. The Compact may employ assistance as deemed reasonably necessary, and to the extent that it is not borne by the United States, the costs are assumed equally by the two states. A summary of the Compact's financial status for fiscal year 2015 includes:

Condensed Balance Sheet (unaudited) As of June 30, 2015	Condensed Statement of Activities (unaudited) For the Year Ended June 30, 2015
Assets	Revenues
Cash	Assessments
\$ 56,343	\$ 107,934
Total Assets	Interest
<u>56,343</u>	<u>14</u>
Liabilities	Total Revenues
Accounts payable	<u>107,948</u>
37,222	Expenses
Total Liabilities	<u>109,500</u>
<u>37,222</u>	Change in fund balance
Fund Balance	<u>(1,552)</u>
<u>19,121</u>	Beginning fund balance
Total Liabilities and Fund Balance	<u>20,673</u>
<u>\$ 56,343</u>	Ending fund balance
	<u>\$ 19,121</u>

During fiscal year 2015, Tom Blaine 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 2015, the Compact reimbursed the Agency for \$109,500 in salary plus benefit costs for personal services costs and contractual expenses; no other financial transactions occurred between the Agency and the Compact.

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COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2015**

	Special Revenue Funds	Total Other Funds
ASSETS:		
Cash	\$ -	-
State General Fund Investment Pool	6,590,265	6,590,265
Prepaid expenses	-	-
Receivables, net of allowance	200	200
Due from other funds	-	-
Due from other state agencies	114,352	114,352
Due from federal sources	-	-
Escrow deposits	-	-
Investments	1,751,741	1,751,741
Loan receivables, net of allowance	-	-
	<u>\$ 8,456,558</u>	<u>8,456,558</u>
LIABILITIES:		
Accounts payable	\$ -	-
Accrued pay roll	-	-
Payroll related liabilities	-	-
Due to other funds	161,586	161,586
Due to other state agencies	-	-
Deferred revenue	-	-
Due to State General Fund	-	-
Total liabilities	<u>161,586</u>	<u>161,586</u>
FUND BALANCE:		
Nonspendable	-	-
Restricted	8,294,972	8,294,972
Committed	-	-
Assigned	-	-
Unassigned	-	-
Total fund balance	<u>8,294,972</u>	<u>8,294,972</u>
Total liabilities and fund balance	<u>\$ 8,456,558</u>	<u>8,456,558</u>

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Special Revenue Funds	Total Other Funds
Revenues:		
Federal funds	\$ -	-
Charges for services	7,586	7,586
Investment earnings (loss)	1,482,838	1,482,838
Miscellaneous revenue	140,946	140,946
Total revenues	1,631,370	1,631,370
Expenditures:		
Agriculture, Energy and Natural Resources		
Current:		
Personal services and benefits	-	-
Contractual services	18,896	18,896
Other costs	29,544	29,544
Debt service:		
Principal	-	-
Interest	-	-
Capital outlay:	-	-
Total expenditures	48,440	48,440
Excess (deficiency) of revenue over expenditures	1,582,930	1,582,930
Other financing sources (uses)		
Sale of land	32,000	32,000
Transfers in (out):		
General obligation bond proceeds	-	-
Severance tax bond proceeds	-	-
State General Fund appropriations FY15	-	-
Interfund transfers in	-	-
Interagency transfers in	-	-
Interfund transfers (out)	(1,377,699)	(1,377,699)
Interagency transfers (out)	-	-
Reversions	-	-
Special items:		
Indian Water Rights Settlement	(549,050)	(549,050)
Arizona Water Settlement	-	-
Total other financing sources (uses) & Special items:	(1,894,749)	(1,894,749)
Net change in fund balance	(311,819)	(311,819)
Fund balance, beginning	8,606,791	8,606,791
Fund balance, ending	\$ 8,294,972	8,294,972

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COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2015**

	324	325	328	686	2017	Total
	Ute Dam	Ute Dam	Improvement	Pecos	Indian	Special
	Operating	Construction	of the	River Basin	Water Rights	Revenue
	Fund	Fund	Rio Grande	Land Mgmt	Settlement	Funds
	Fund	Fund	Fund	Fund	Fund	Funds
ASSETS:						
Cash and cash equivalents	\$ -	-	-	-	-	-
State General Fund Investment Pool	21,856	551,582	4,797,722	578,745	640,360	6,590,265
Receivables, net of allowance	-	200	-	-	-	200
Due from other funds	-	-	-	-	-	-
Due from other state agencies	-	-	114,352	-	-	114,352
Due from federal sources	-	-	-	-	-	-
Escrow deposits	-	-	-	-	-	-
Investments	-	-	1,751,741	-	-	1,751,741
Loan receivables, net of allowance	-	-	-	-	-	-
	<u>\$ 21,856</u>	<u>551,782</u>	<u>6,663,815</u>	<u>578,745</u>	<u>640,360</u>	<u>8,456,558</u>
LIABILITIES:						
Accounts payable	\$ -	-	-	-	-	-
Accrued payroll	-	-	-	-	-	-
Payroll related liabilities	-	-	-	-	-	-
Due to other funds	-	-	161,586	-	-	161,586
Due to other state agencies	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Due to State General Fund	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>161,586</u>	<u>-</u>	<u>-</u>	<u>161,586</u>
FUND BALANCE:						
Nonspendable	-	-	-	-	-	-
Restricted	21,856	551,782	6,502,229	578,745	640,360	8,294,972
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>21,856</u>	<u>551,782</u>	<u>6,502,229</u>	<u>578,745</u>	<u>640,360</u>	<u>8,294,972</u>
Total liabilities and fund balance	<u>\$ 21,856</u>	<u>551,782</u>	<u>6,663,815</u>	<u>578,745</u>	<u>640,360</u>	<u>8,456,558</u>

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, 2015

	324	325	328	686	2017	Total
	Ute Dam	Ute Dam	Improvement	Pecos	Indian	Special
	Operating	Construction	of the	River Basin	Water Rights	Revenue
	Fund	Fund	Rio Grande	Land Mgmt	Settlement	Funds
	Fund	Fund	Fund	Fund	Fund	Funds
Revenues:						
Federal funds	\$ -	-	-	-	-	-
Charges for services	-	7,586	-	-	-	7,586
Investment earnings (loss)	-	-	1,482,838	-	-	1,482,838
Interest on loans	-	-	-	-	-	-
Sale of land	-	-	-	-	-	-
Miscellaneous revenue	-	52,437	88,509	-	-	140,946
Total revenues	-	60,023	1,571,347	-	-	1,631,370
Expenditures:						
Agriculture, Energy and Natural Resources						
Current:						
Personal services and benefits	-	-	-	-	-	-
Contractual services	-	18,896	-	-	-	18,896
Other costs	-	29,544	-	-	-	29,544
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
	-	-	-	-	-	-
Total expenditures	-	48,440	-	-	-	48,440
Excess (deficiency) of revenue over expendit	-	11,583	1,571,347	-	-	1,582,930
Other financing sources (uses)						
Sale of land	-	32,000	-	-	-	32,000
Transfers in (out):						
General obligation bond proceeds	-	-	-	-	-	-
Severance tax bond proceeds	-	-	-	-	-	-
State General Fund appropriations FY15	-	-	-	-	-	-
Interfund transfers in	-	-	-	-	-	-
Interagency transfers in	-	-	-	-	-	-
Interfund transfers (out)	-	-	(1,377,699)	-	-	(1,377,699)
Interagency transfers (out)	-	-	-	-	-	-
Reversions	-	-	-	-	-	-
Special items:						
Indian Water Rights Settlement	-	-	-	-	(549,050)	(549,050)
Arizona Water Settlement	-	-	-	-	-	-
Total other financing sources (uses) & Special Items	-	32,000	(1,377,699)	-	(549,050)	(1,894,749)
Net change in fund balance	-	43,583	193,648	-	(549,050)	(311,819)
Fund balance, beginning	21,856	508,199	6,308,581	578,745	1,189,410	8,606,791
Fund balance, ending	\$ 21,856	551,782	6,502,229	578,745	640,360	8,294,972

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, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues				
Bond proceeds	\$ -	-	-	-
Miscellaneous revenues	-	-	-	-
Federal funds	-	-	-	-
Total revenues	-	-	-	-
Fund Balance Budgeted	-	-		
Total	-	-		
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	1,000,000	1,000,000	45,537	954,463
Other	8,000,000	8,000,000	-	8,000,000
Total expenditures	9,000,000	9,000,000	45,537	8,954,463
Excess (deficiency) of revenues over expenditures	(9,000,000)	(9,000,000)	(45,537)	8,954,463
Other financing sources (uses)				
Bond proceeds	-	-	-	-
Operating transfers in	9,000,000	9,000,000	9,000,000	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	9,000,000	9,000,000	9,000,000	-
Reversion	-	-	-	
Change in fund balance	-	-	8,954,463	
Fund balance, beginning of year			-	
Fund balance, end of year			\$ 8,954,463	

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for services	\$ -	-	7,586	7,586
Miscellaneous	-	-	52,437	52,437
Total revenues	<u>-</u>	<u>-</u>	<u>60,023</u>	<u>60,023</u>
Fund Balance Budgeted	<u>-</u>	<u>250,000</u>		
Total	<u>-</u>	<u>250,000</u>		
 Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	100,000	18,896	81,104
Other	-	150,000	29,544	120,456
Total expenditures	<u>-</u>	<u>250,000</u>	<u>48,440</u>	<u>201,560</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>11,583</u>	<u>11,583</u>
Other financing sources (uses)				
Sale of land	-	-	32,000	32,000
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>32,000</u>
Reversion	-	-	-	-
Change in fund balance	-	-	43,583	
Fund balance, beginning of year			<u>508,199</u>	
Fund balance, end of year			<u>\$ 551,782</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Land rental	\$ 58,700	191,100	88,509	(102,591)
Interest on investments	<u>1,550,000</u>	<u>1,635,600</u>	<u>1,482,838</u>	<u>(152,762)</u>
Total revenues	1,608,700	1,826,700	1,571,347	(255,353)
Fund Balance Budgeted	<u>347,900</u>	<u>129,900</u>		
Total	1,956,600	1,956,600		
 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>1,956,600</u>	<u>1,956,600</u>	<u>1,571,347</u>	<u>(385,253)</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(1,956,600)</u>	<u>(1,956,600)</u>	<u>(1,377,699)</u>	<u>578,901</u>
Total other financing sources (uses)	<u>(1,956,600)</u>	<u>(1,956,600)</u>	<u>(1,377,699)</u>	<u>578,901</u>
Change in fund balance	-	-	193,648	
Fund balance, beginning of year			<u>6,308,582</u>	
Fund balance, end of year			<u>\$ 6,502,230</u>	

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Sale of land	\$ -	-	-	-
Miscellaneous revenue	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Budgeted	<u>578,744</u>	<u>578,744</u>		
Total	<u>578,744</u>	<u>578,744</u>		
 Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	304,825	304,825	-	304,825
Other	<u>273,919</u>	<u>273,919</u>	<u>-</u>	<u>273,919</u>
Total expenditures	<u>578,744</u>	<u>578,744</u>	<u>-</u>	<u>578,744</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>578,744</u>	
Fund balance, end of year			<u>\$ 578,744</u>	

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SEVERANCE TAX BOND CAPITAL OUTLAY FUND (892)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues				
Bond proceeds	\$ 33,979,887	33,979,887	16,303,943	(17,675,944)
Total revenues	33,979,887	33,979,887	16,303,943	(17,675,944)
Fund Balance Budgeted				
Total	9,997,750	9,997,750		
	43,977,637	43,977,637		
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	11,762,099	16,915,848	16,313,425	602,423
Other	32,193,776	27,040,027	6,928,494	20,111,533
Capital outlay	21,762	21,762	21,762	-
Total expenditures	43,977,637	43,977,637	23,263,681	20,713,956
Excess (deficiency) of revenues over expenditures	-	-	(6,959,738)	(6,959,738)
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balance	-	-	(6,959,738)	
Fund balance, beginning of year			9,997,750	
Fund balance, end of year			\$ 3,038,012	

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
INDIAN WATER RIGHTS SETTLEMENT FUND (2017)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Bond proceeds	\$ -	-	-	-
Total revenues	-	-	-	-
Fund Balance Budgeted	<u>1,189,410</u>	<u>1,189,410</u>		
Total	1,189,410	1,189,410		
Expenditures				
Agricultural, Energy and Natural Resources				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	<u>1,189,410</u>	<u>1,189,410</u>	<u>549,050</u>	<u>640,360</u>
Total expenditures	<u>1,189,410</u>	<u>1,189,410</u>	<u>549,050</u>	<u>640,360</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>(549,050)</u>	<u>549,050</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balance	-	-	(549,050)	
Fund balance, beginning of year			<u>1,189,410</u>	
Fund balance, end of year			\$ <u><u>640,360</u></u>	

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Miscellaneous	\$ -	-	798,800	798,800
Total revenues	-	-	798,800	798,800
Fund Balance Budgeted	<u>243,600</u>	<u>388,600</u>		
Total	243,600	388,600		
 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>243,600</u>	<u>388,600</u>	<u>798,800</u>	<u>(410,200)</u>
 Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(243,600)</u>	<u>(388,600)</u>	<u>(383,711)</u>	<u>4,889</u>
Total other financing sources (uses)	<u>(243,600)</u>	<u>(388,600)</u>	<u>(383,711)</u>	<u>4,889</u>
 Reversion	-	-	-	-
 Change in fund balance	-	-	415,089	
 Fund balance, beginning of year			<u>2,305,048</u>	
 Fund balance, end of year			<u>\$ 2,720,137</u>	

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, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Irrigation Fees Suspense Fund (849)				
Assets				
Cash and investments	\$ 29,607	-	-	29,607
Total assets	\$ 29,607	-	-	29,607
Liabilities				
Water rights protest hearing/other dep	\$ 29,607	-	-	29,607
Total liabilities	\$ 29,607	-	-	29,607
United States Army Corps of Engineers (1053)				
Assets				
Cash and investments	\$ 252,432	76	-	252,508
Total assets	\$ 252,432	76	-	252,508
Liabilities				
Deposits held in custody for others	\$ 251,253	76	-	251,329
Accounts payable	1,179	-	-	1,179
Total liabilities	\$ 252,432	76	-	252,508
Ute Dam Outlet Works Pipeline Replacement Project (1052)				
Assets				
Cash and investments	\$ 16,506	5	-	16,511
Total assets	\$ 16,506	5	-	16,511
Liabilities				
Deposits held in custody for others	\$ 16,506	5	-	16,511
Total liabilities	\$ 16,506	5	-	16,511
Rio Grande Floodway Fund (1178)				
Assets				
Cash and investments	\$ 600,096	-	(599,985)	111
Total assets	\$ 600,096	-	(599,985)	111
Liabilities				
Deposits held in custody for others	\$ 600,096	-	(599,985)	111
Total liabilities	\$ 600,096	-	(599,985)	111
Total				
Assets				
Cash and investments	\$ 898,641	81	(599,985)	298,737
Total assets	\$ 898,641	81	(599,985)	298,737
Liabilities				
Water rights protest hearing/other dep	\$ 29,607	-	-	29,607
Accounts payable	1,179	-	-	1,179
Deposits held in custody for others	867,855	81	(599,985)	267,951
Total liabilities	\$ 898,641	81	(599,985)	298,737

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDUM OF UNDERSTANDING
AND OTHER GOVERNMENTAL AGREEMENTS
For the Year Ended June 30, 2015**

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 & 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	\$927,280.00	COMPLETE	Both Entities	Both Entities
3 Water litigation with the State of Texas	Interstate Stream Commission/ Office of the Attorney General of NM	Interstate Stream Commission	Prepare for anticipated water litigation with the State of Texas	3/11/2002 thru completion	\$3,669,000.00	\$1,424,000.00	Both Entities	Both Entities
4 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
5 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	\$11,200.00 to be provided by San Miguel for water master expenses)	N/A	ISC	Both Entities
6 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	\$45,000.00	NONE	Both Entities	Both Entities
7 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	\$45,000.00	NONE	Both Entities	Both Entities
8 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
9 Constructing Ecosystem Revitalization Route 66	US Army Corp/ Interstate Stream Commission	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
10 Vegetation Management	Interstate Stream Commission US Bureau of Reclamation	Interstate Stream Commission	Vegetation Management at Caballo and Elephant Butte	10/1/2011 9/30/2016	\$75,000.00	\$75,000.00	Both Entities	Both Entities
11 Water Resource Investigations	UNM Interstate Stream Commission	Interstate Stream Commission	Water Resource Investigations	3/5/2014 6/30/2015	\$25,000.00	\$11,120.00	Both Entities	Both Entities
12 Vegetation Management	Interstate Stream Commission US Bureau of Reclamation	Interstate Stream Commission	Vegetation Mgmt. At Caballo Elephant Butte	10/1/2011 9/30/2016	\$65,000.00	\$65,000.00	Both Entities	Both Entities

STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDUM OF UNDERSTANDING
AND OTHER GOVERNMENTAL AGREEMENTS
For the Year Ended June 30, 2015

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 & responsible reporting entity
13 Water Litigation	Interstate Stream Commission Attorney General of NM	Interstate Stream Commission	Water Litigation	4/18/2013 6/30/2015	\$3,000,000.00	\$0.00	Both Entities	Both Entities
14 Reduce energy & optimize operations Seven Rivers	Cal Poly Corp. Interstate Stream Commission	Interstate Stream Commission	Reduce energy & optimize operations Seven Rivers	9/23/2013 6/30/2015	\$65,000.00	\$65,000.00	Both Entities	Both Entities
15 Tower/Weather Data	Office of the State Engineer Regents of NM State	OSE/WRAP	Tower/Weather Data	12/18/2012 6/30/2015	\$44,245.00	\$44,245.00	Both Entities	Both Entities
16 Water Modification Program	Interstate Stream Commission	Interstate Stream Commission	Water Modification Program	1/14/2013 9/30/2017	\$15,000.00	\$15,000.00	Both Entities	Both Entities
17 Water and Soil Analysis	NM Institute of Mining, NM Bureau of Geology/ Interstate Stream Commission	Interstate Stream Commission	Water and Soil Analysis	7/30/2014 6/30/2015	\$31,820.00	\$31,820.00	Both Entities	Both Entities
18 Operation & Maintenance of stream gaging stations	US Dept of Interior/Costilla Compact Commission	Costilla Compact	Operation & Maintenance of streamgaging stations	7/1/2014 6/30/2015	\$30,700.00	\$30,700.00	Both Entities	Both Entities
19 Operation & Maintenance of stream flow gages	US Dept of Interior/ISC	Interstate Stream Commission	Operation & Maintenance stream flow gages	7/1/2014 6/30/2015	\$498,893.00	\$498,893.00	Both Entities	Both Entities
20 Study of Lower Rio Grande Salinity in Shallow Alluvium	US Dept of Interior/OSE	OSE	Study of Lower Rio Grande Salinty in Shallow Alluvium	7/1/2014 6/30/2015	\$46,535.00	\$46,535.00	Both Entities	Both Entities
21 Operation & Maintenance of stream flow gages	US Dept of Interior/OSE	OSE	Operation & Maintenance stream flow gages	7/1/2014 6/30/2015	\$11,680.00	\$11,680.00	Both Entities	Both Entities
22 Data Collection and Investigation	US Dept of Interior/OSE	OSE	Data Collection and Investigation	7/1/2014 6/30/2015	\$195,500.00	\$195,500.00	Both Entities	Both Entities
23 Water Resource Investigations	US Dept of Interior/ISC	Interstate Stream Commission	Water Resource Investigation	3/15/2015 9/30/2015	\$52,200.00	\$52,200.00	Both Entities	Both Entities
24 Analytical work on soil and water	NM Institute of Mining/ISC	Interstate Stream Commission	Analytical work on soil and water	7/30/2014 6/30/2015	\$31,700.00	\$31,700.00	Both Entities	Both Entities
25 Operation & Maintenance stream gaging	US Dept of Interior/ISC	Interstate Stream Commission	Operation & Maint	7/1/2014 6/30/2015	\$30,700.00	\$30,700.00	Both Entities	Both Entities
26 Study of Lower Rio Grande Salinity	US Dept of Interior/OSE	OSE	Study of Lower Rio Grande	7/1/2014 6/30/2015	\$66,161.00	\$66,161.00	Both Entities	Both Entities
27 Operation & Maintenance Streamflow gages	US Dept of Interior/ISC	Interstate Stream Commission	Operation & Maint. Stream	7/1/2014 6/30/2015	\$879,692.00	\$879,692.00	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, 2015

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 2014, Chapter 66, Section 37, Subsection 1	A142155	1,000,000	03/11/2014-06/30/2018	-	-	1,000,000
Laws of 2014, Chapter 66, Section 37, Subsection 2	A142156	2,000,000	03/11/2014-06/30/2018	34,396	1,492	1,964,112
Laws of 2014, Chapter 66, Section 37, Subsection 3	A142157	2,000,000	03/11/2014-06/30/2018	11,141	-	1,988,859
Laws of 2014, Chapter 66, Section 38	A142158	4,000,000	03/11/2014-06/30/2018	-	4,000,000	-
Total Capital Outlay Appropriations - Fund 267		<u>9,000,000</u>		<u>45,537</u>	<u>4,001,492</u>	<u>4,952,971</u>
Total unexpended balance						\$ <u>8,954,463</u>
FUND 892 STB Capital Outlay						
Laws of 2013, Chapter 202, Section 9	A093122	3,993,070	06/01/2012-06/30/2015	3,993,070	-	-
Laws of 2015, Chapter 147, Section 74	A093790	571,468	07/01/2013-06/30/2017	289,364	33,175	248,929
Laws of 2011, Chapter 5, Section 16	A111303	15,000,000	07/01/2011-06/30/2016	10,014,308	35,692	4,950,000
Laws of 2012, Chapter 64, Section 10, Subsection 3	A121334	100,000.00	06/01/2012-06/30/2016	100,000	-	-
Laws of 2012, Chapter 64, Section 15, Subsection 1	A121394	50,000.00	06/01/2012-06/30/2016	50,000	-	-
Laws of 2012, Chapter 64, Section 15, Subsection 2	A121395	60,000.00	06/01/2012-06/30/2016	-	-	60,000
Laws of 2012, Chapter 64, Section 15, Subsection 3	A121396	30,000.00	06/01/2012-06/30/2016	30,000	-	-
Laws of 2012, Chapter 64, Section 15, Subsection 6	A121397	30,000.00	06/01/2012-06/30/2016	22,437	7,563	-
Laws of 2012, Chapter 64, Section 15, Subsection 8	A121398	9,000.00	06/01/2012-06/30/2016	8,100	900	-
Laws of 2012, Chapter 64, Section 15, Subsection 9	A121399	10,000.00	06/01/2012-06/30/2016	-	10,000	-
Laws of 2012, Chapter 64, Section 15, Subsection 10	A121400	100,000.00	06/01/2012-06/30/2016	-	-	100,000
Laws of 2013, Chapter 202, Section 33	A121401	15,000.00	06/01/2013-06/30/2016	-	-	15,000
Laws of 2012, Chapter 64, Section 15, Subsection 12	A121402	60,000.00	06/01/2012-06/30/2016	55,800	4,200	-
Laws of 2012, Chapter 64, Section 15, Subsection 13	A121403	33,000.00	06/01/2012-06/30/2016	13,868	19,132	-
Laws of 2012, Chapter 64, Section 15, Subsection 16	A121404	20,000.00	06/01/2012-06/30/2016	18,778	1,222	-
Laws of 2012, Chapter 64, Section 15, Subsection 20	A121405	100,000.00	06/01/2012-06/30/2016	99,917	83	-
Laws of 2012, Chapter 64, Section 15, Subsection 25	A121407	50,000.00	06/01/2012-06/30/2016	50,000	-	-
Laws of 2012, Chapter 226, Section 21, Subsection 1	A131420	125,000.00	06/01/2013-06/30/2017	31,223	93,777	-
Laws of 2012, Chapter 226, Section 21, Subsection 2	A131421	2,700,000.00	06/01/2013-06/30/2017	421,589	1,197,841	1,080,570
Laws of 2012, Chapter 226, Section 21, Subsection 3	A131422	20,000.00	06/01/2013-06/30/2017	-	20,000	-
Laws of 2012, Chapter 226, Section 21, Subsection 3	A131423	100,000.00	06/01/2013-06/30/2017	100,000	-	-
Laws of 2012, Chapter 226, Section 21, Subsection 5	A131424	1,800,000.00	06/01/2013-06/30/2017	1,422,208	-	377,792
Laws of 2012, Chapter 226, Section 21, Subsection 6	A131425	255,000.00	06/01/2013-06/30/2017	255,000	-	-
Laws of 2012, Chapter 226, Section 21, Subsection 7	A131426	265,000.00	06/01/2013-06/30/2017	99,894	164,718	388

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Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
Laws of 2012, Chapter 226, Section 21, Subsection 8	A131427	82,000.00	06/01/2013-06/30/2017	-	-	82,000
Laws of 2012, Chapter 226, Section 21, Subsection 9	A131428	50,000.00	06/01/2013-06/30/2017	-	50,000	-
Laws of 2012, Chapter 226, Section 21, Subsection 10	A131429	50,000.00	06/01/2013-06/30/2017	-	-	50,000
Laws of 2012, Chapter 226, Section 21, Subsection 11	A131430	25,000.00	06/01/2013-06/30/2017	-	25,000	-
Laws of 2012, Chapter 226, Section 21, Subsection 12	A131431	425,000.00	06/01/2013-06/30/2017	-	425,000	-
Laws of 2012, Chapter 226, Section 22	A131432	10,000,000.00	06/01/2013-06/30/2017	10,000,000	-	-
Laws of 2012, Chapter 226, Section 29, Subsection 2	A131570	30,000.00	06/01/2013-06/30/2017	-	-	30,000
Laws of 2012, Chapter 226, Section 29, Subsection 3	A131571	60,000.00	06/01/2013-06/30/2017	-	-	60,000
Laws of 2012, Chapter 226, Section 29, Subsection 5	A131572	30,000.00	06/01/2013-06/30/2017	30,000	-	-
Laws of 2012, Chapter 226, Section 29, Subsection 6	A131573	50,000.00	06/01/2013-06/30/2017	-	-	50,000
Laws of 2012, Chapter 226, Section 29, Subsection 7	A131574	45,000.00	06/01/2013-06/30/2017	5,920	30,934	8,146
Laws of 2012, Chapter 226, Section 29, Subsection 8	A131575	41,850.00	06/01/2013-06/30/2017	-	41,850	-
Laws of 2012, Chapter 226, Section 29, Subsection 9	A131576	50,000.00	06/01/2013-06/30/2017	-	50,000	-
Laws of 2012, Chapter 226, Section 29, Subsection 10	A131577	100,000.00	06/01/2013-06/30/2017	-	-	100,000
Laws of 2012, Chapter 226, Section 29, Subsection 11	A131578	20,000.00	06/01/2013-06/30/2017	-	20,000	-
Laws of 2012, Chapter 226, Section 29, Subsection 12	A131579	80,000.00	06/01/2013-06/30/2017	-	80,000	-
Laws of 2012, Chapter 226, Section 29, Subsection 13	A131580	72,000.00	06/01/2013-06/30/2017	-	39,708	32,292
Laws of 2012, Chapter 226, Section 29, Subsection 14	A131581	12,000.00	06/01/2013-06/30/2017	11,038	-	962
Laws of 2012, Chapter 226, Section 29, Subsection 15	A131582	30,400.00	06/01/2013-06/30/2017	20,000	10,400	-
Laws of 2012, Chapter 226, Section 29, Subsection 16	A131583	15,000.00	06/01/2013-06/30/2017	-	15,000	-
Laws of 2012, Chapter 226, Section 29, Subsection 17	A131584	25,000.00	06/01/2013-06/30/2017	-	-	25,000
Laws of 2012, Chapter 226, Section 29, Subsection 18	A131585	25,000.00	06/01/2013-06/30/2017	25,000	-	-
Laws of 2015, Chapter 147, Section 53	A131586	6,000.00	06/01/2013-06/30/2017	-	-	6,000
Laws of 2012, Chapter 226, Section 29, Subsection 20	A131587	25,000.00	06/01/2013-06/30/2017	-	-	25,000
Laws of 2012, Chapter 226, Section 29, Subsection 21	A131588	40,000.00	06/01/2013-06/30/2017	-	40,000	-
Laws of 2012, Chapter 226, Section 29, Subsection 22	A131589	25,000.00	06/01/2013-06/30/2017	25,000	-	-
Laws of 2012, Chapter 226, Section 29, Subsection 23	A131590	30,000.00	06/01/2013-06/30/2017	-	9,383	20,617
Laws of 2012, Chapter 226, Section 29, Subsection 24	A131591	20,000.00	06/01/2013-06/30/2017	-	-	20,000
Laws of 2012, Chapter 226, Section 29, Subsection 25	A131592	46,750.00	06/01/2013-06/30/2017	-	46,750	-
Laws of 2012, Chapter 226, Section 29, Subsection 26	A131593	40,000.00	06/01/2013-06/30/2017	-	40,000	-
Laws of 2012, Chapter 226, Section 29, Subsection 27	A131594	50,000.00	06/01/2013-06/30/2017	50,000	-	-
Laws of 2012, Chapter 226, Section 29, Subsection 28	A131595	4,800.00	06/01/2013-06/30/2017	-	-	4,800
Laws of 2015, Chapter 147, Section 53	A131596	16,000.00	06/01/2013-06/30/2017	-	-	16,000

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Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
Laws of 2012, Chapter 226, Section 29, Subsection 31	A131598	82,667.00	06/01/2013-06/30/2017	-	-	82,667
Laws of 2012, Chapter 226, Section 29, Subsection 32	A131599	50,386.00	06/01/2013-06/30/2017	-	-	50,386
Laws of 2012, Chapter 226, Section 29, Subsection 33	A131600	94,000.00	06/01/2013-06/30/2017	83,309	10,691	-
Laws of 2012, Chapter 226, Section 29, Subsection 34	A131601	25,000.00	06/01/2013-06/30/2017	-	-	25,000
Laws of 2012, Chapter 226, Section 29, Subsection 35	A131602	34,000.00	06/01/2013-06/30/2017	23,410	2,590	8,000
Laws of 2012, Chapter 226, Section 29, Subsection 36	A131603	9,500.00	06/01/2013-06/30/2017	-	9,500	-
Laws of 2012, Chapter 226, Section 29, Subsection 37	A131604	15,000.00	06/01/2013-06/30/2017	-	15,000	-
Laws of 2012, Chapter 226, Section 29, Subsection 38	A131605	25,000.00	06/01/2013-06/30/2017	-	25,000	-
Laws of 2014, Chapter 64, Section 59	A131606	16,000.00	03/11/2014-06/30/2017	-	16,000	-
Laws of 2012, Chapter 226, Section 29, Subsection 40	A131607	16,400.00	06/01/2013-06/30/2017	16,400	-	-
Laws of 2012, Chapter 226, Section 29, Subsection 41	A131608	25,000.00	06/01/2013-06/30/2017	4,584	18,313	2,103
Laws of 2014, Chapter 66, Section 15, Subsection 1	A141585	30,000.00	03/11/2014-06/30/2018	21,373	8,627	-
Laws of 2014, Chapter 66, Section 15, Subsection 2	A141586	50,000.00	03/11/2014-06/30/2018	49,985	-	15
Laws of 2014, Chapter 66, Section 15, Subsection 3	A141587	6,000,000.00	03/11/2014-06/30/2018	779,035	5,204,967	15,998
Laws of 2014, Chapter 66, Section 15, Subsection 4	A141588	2,100,000.00	03/11/2014-06/30/2018	101,821	164,340	1,833,839
Laws of 2014, Chapter 66, Section 15, Subsection 5	A141589	1,000,000.00	03/11/2014-06/30/2018	1,000,000	-	-
Laws of 2014, Chapter 66, Section 15, Subsection 6	A141590	800,000.00	03/11/2014-06/30/2018	-	-	800,000
Laws of 2014, Chapter 66, Section 15, Subsection 7	A141591	400,000.00	03/11/2014-06/30/2018	-	-	400,000
Laws of 2014, Chapter 66, Section 15, Subsection 8	A141592	300,000.00	03/11/2014-06/30/2018	-	300,000	-
Laws of 2014, Chapter 66, Section 15, Subsection 9	A141593	300,000.00	03/11/2014-06/30/2018	-	300,000	-
Laws of 2014, Chapter 66, Section 15, Subsection 10	A141594	300,000.00	03/11/2014-06/30/2018	-	300,000	-
Laws of 2014, Chapter 66, Section 21, Subsection 1	A141792	40,000.00	03/11/2014-06/30/2018	-	-	40,000
Laws of 2014, Chapter 66, Section 21, Subsection 2	A141793	45,000.00	03/11/2014-06/30/2018	-	-	45,000
Laws of 2014, Chapter 66, Section 21, Subsection 3	A141794	25,000.00	03/11/2014-06/30/2018	18,493	6,507	-
Laws of 2014, Chapter 66, Section 21, Subsection 4	A141795	50,000.00	03/11/2014-06/30/2018	-	-	50,000
Laws of 2014, Chapter 66, Section 21, Subsection 5	A141796	53,000.00	03/11/2014-06/30/2018	-	-	53,000
Laws of 2014, Chapter 66, Section 21, Subsection 6	A141797	100,000.00	03/11/2014-06/30/2018	100,000	-	-
Laws of 2014, Chapter 66, Section 21, Subsection 7	A141798	60,000.00	03/11/2014-06/30/2018	-	-	60,000
Laws of 2014, Chapter 66, Section 21, Subsection 8	A141799	60,000.00	03/11/2014-06/30/2018	-	-	60,000
Laws of 2014, Chapter 66, Section 21, Subsection 9	A141800	35,000.00	03/11/2014-06/30/2018	10,513	24,487	-
Laws of 2014, Chapter 66, Section 21, Subsection 10	A141801	25,000.00	03/11/2014-06/30/2018	-	25,000	-
Laws of 2014, Chapter 66, Section 21, Subsection 11	A141802	15,000.00	03/11/2014-06/30/2018	-	-	15,000
Laws of 2014, Chapter 66, Section 21, Subsection 12	A141803	100,000.00	03/11/2014-06/30/2018	5,186	94,814	-
Laws of 2014, Chapter 66, Section 21, Subsection 13	A141804	45,000.00	03/11/2014-06/30/2018	-	45,000	-
Laws of 2014, Chapter 66, Section 21, Subsection 14	A141805	20,000.00	03/11/2014-06/30/2018	-	-	20,000

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Laws of 2015, Chapter 147, Section 59	A141806	25,000.00	03/11/2014-06/30/2018	-	-	25,000
Laws of 2014, Chapter 66, Section 21, Subsection 16	A141807	20,000.00	03/11/2014-06/30/2018	840	19,160	-
Laws of 2014, Chapter 66, Section 21, Subsection 17	A141808	50,000.00	03/11/2014-06/30/2018	20,916	29,084	-
Laws of 2014, Chapter 66, Section 21, Subsection 18	A141809	34,000.00	03/11/2014-06/30/2018	-	-	34,000
Laws of 2014, Chapter 66, Section 21, Subsection 19	A141810	50,000.00	03/11/2014-06/30/2018	-	50,000	-
Laws of 2014, Chapter 66, Section 21, Subsection 20	A141811	80,000.00	03/11/2014-06/30/2018	-	-	80,000
Laws of 2014, Chapter 66, Section 21, Subsection 21	A141812	25,000.00	03/11/2014-06/30/2018	-	-	25,000
Laws of 2014, Chapter 66, Section 21, Subsection 22	A141813	30,000.00	03/11/2014-06/30/2018	-	30,000	-
Laws of 2014, Chapter 66, Section 21, Subsection 23	A141814	71,000.00	03/11/2014-06/30/2018	8,097	62,903	-
Laws of 2014, Chapter 66, Section 21, Subsection 24	A141815	20,000.00	03/11/2014-06/30/2018	-	-	20,000
Laws of 2014, Chapter 66, Section 21, Subsection 25	A141816	75,000.00	03/11/2014-06/30/2018	-	-	75,000
Laws of 2014, Chapter 66, Section 21, Subsection 26	A141817	25,000.00	03/11/2014-06/30/2018	-	-	25,000
Laws of 2014, Chapter 66, Section 21, Subsection 27	A141818	75,000.00	03/11/2014-06/30/2018	-	-	75,000
Laws of 2014, Chapter 66, Section 21, Subsection 28	A141819	67,000.00	03/11/2014-06/30/2018	67,000	-	0
Laws of 2014, Chapter 66, Section 21, Subsection 29	A141820	50,000.00	03/11/2014-06/30/2018	-	50,000	-
Laws of 2014, Chapter 66, Section 21, Subsection 30	A141821	15,000.00	03/11/2014-06/30/2018	-	-	15,000
Laws of 2014, Chapter 66, Section 21, Subsection 31	A141822	15,000.00	03/11/2014-06/30/2018	-	-	15,000
Laws of 2014, Chapter 66, Section 21, Subsection 32	A141823	25,000.00	03/11/2014-06/30/2018	-	-	25,000
Laws of 2014, Chapter 66, Section 21, Subsection 33	A141824	50,000.00	03/11/2014-06/30/2018	5,683	4,956	39,361
Laws of 2014, Chapter 66, Section 21, Subsection 34	A141825	900,000.00	03/11/2014-06/30/2018	148,443	-	751,557
Laws of 2014, Chapter 66, Section 21, Subsection 35	A141826	450,000.00	03/11/2014-06/30/2018	114,324	49,418	286,257
Laws of 2015 1st SS, Chapter 3, Section 18, Subsection 1	A150483	300,000.00	06/17/2015-06/30/2019	-	-	300,000
Laws of 2015 1st SS, Chapter 3, Section 18, Subsection 2	A150484	400,000.00	06/17/2015-06/30/2019	-	-	400,000
Laws of 2015 1st SS, Chapter 3, Section 18, Subsection 3	A150485	35,000.00	06/17/2015-06/30/2019	-	-	35,000
Laws of 2015 1st SS, Chapter 3, Section 18, Subsection 4	A150486	375,000.00	06/17/2015-06/30/2019	-	-	375,000
Laws of 2015 1st SS, Chapter 3, Section 18, Subsection 5	A150487	375,000.00	06/17/2015-06/30/2019	-	-	375,000
Laws of 2015 1st SS, Chapter 3, Section 18, Subsection 6	A150488	150,000.00	06/17/2015-06/30/2019	-	-	150,000
Laws of 2015 1st SS, Chapter 3, Section 19	A150489	8,200,000.00	06/17/2015-06/30/2019	-	-	8,200,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 1	A150630	40,000.00	06/17/2015-06/30/2019	-	-	40,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 2	A150631	30,000.00	06/17/2015-06/30/2019	-	-	30,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 3	A150632	30,000.00	06/17/2015-06/30/2019	-	-	30,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 5	A150633	15,000.00	06/17/2015-06/30/2019	-	-	15,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 6	A150634	20,000.00	06/17/2015-06/30/2019	-	-	20,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 7	A150635	100,000.00	06/17/2015-06/30/2019	-	-	100,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 8	A150636	30,000.00	06/17/2015-06/30/2019	-	-	30,000

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Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 9	A150637	10,000.00	06/17/2015-06/30/2019	-	-	10,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 10	A150638	15,000.00	06/17/2015-06/30/2019	-	-	15,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 11	A150639	65,000.00	06/17/2015-06/30/2019	-	-	65,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 12	A150640	10,000.00	06/17/2015-06/30/2019	-	-	10,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 13	A150641	10,000.00	06/17/2015-06/30/2019	-	-	10,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 14	A150642	30,000.00	06/17/2015-06/30/2019	-	-	30,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 15	A150643	25,000.00	06/17/2015-06/30/2019	-	-	25,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 16	A150644	25,000.00	06/17/2015-06/30/2019	-	-	25,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 17	A150645	40,050.00	06/17/2015-06/30/2019	-	-	40,050
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 18	A150646	10,000.00	06/17/2015-06/30/2019	-	-	10,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 19	A150647	40,000.00	06/17/2015-06/30/2019	-	-	40,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 20	A150648	50,000.00	06/17/2015-06/30/2019	-	-	50,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 21	A150649	65,000.00	06/17/2015-06/30/2019	-	-	65,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 22	A150650	100,000.00	06/17/2015-06/30/2019	-	-	100,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 23	A150651	80,000.00	06/17/2015-06/30/2019	-	-	80,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 24	A150652	30,000.00	06/17/2015-06/30/2019	-	-	30,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 25	A150653	65,000.00	06/17/2015-06/30/2019	-	-	65,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 26	A150654	39,000.00	06/17/2015-06/30/2019	-	-	39,000
Laws of 2015 1st SS, Chapter 3, Section 27, Subsection 27	A150655	50,000.00	06/17/2015-06/30/2019	-	-	50,000
Total Capital Outlay Appropriations - Fund 892		62,475,341		29,821,926	9,378,685	23,274,730
Total unexpended balance						\$ 32,653,415
Reconciliation to fund balance (892)						
Less: Severance tax bond - revenue accrued on reimbursement basis						(27,667,723)
Fund Balance after reconciling items						\$ 4,985,692
Fund balance per financial statements						3,038,012
Deferred inflows (AJE for 60 day rule)						1,947,680
Difference						\$ -

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FUND 214 OSE General Fund						
Laws of 2014, Chapter 63, Section 5, Subsection 58	Z30544	6,500,000	04/05/2013-06/30/2015	6,385,882	-	114,118
Laws of 2014, Chapter 63, Section 5, Subsection 57	Z40557	250,000	03/11/2014-06/30/2015	250,000	-	-
Laws of 2014, Chapter 63, Section 5, Subsection 59	Z40559	75,000	03/11/2014-06/30/2015	17,254	-	57,746
Laws of 2014, Chapter 63, Section 7, Subsection 16	Z40716	100,000	03/11/2014-06/30/2016	24,070	-	75,930
Total Special Appropriations - Fund 214		\$ 6,925,000		\$ 6,677,207	\$ -	\$ 247,793
FUND 2017 Indian Water Rights Settlement						
Laws of 2009, Chapter 5, Section 2, Subsection B (11)	A093009	\$ 10,000,000		\$ 9,359,640	\$ -	\$ 640,360
FUND 326 Irrigation Works Construction Fund						
Laws of 2013, Chapter 227, Section 7, Subsection 45	Z30715	\$ 400,000	04/05/2013-06/30/2015	\$ 399,980	\$ -	\$ 20
Expired appropriations that have been designated for reversion as of the fiscal year end are as follows:						
Laws of 2014, Chapter 63, Section 5, Subsection 58	Z30544	6,500,000	04/05/2013-06/30/2015	6,385,882	-	\$ 122,314
Laws of 2014, Chapter 63, Section 5, Subsection 59	Z40559	75,000	03/11/2014-06/30/2015	17,254	-	57,746
Total						\$ 180,060

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF VENDOR INFORMATION
For the Year Ended June 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
2015-01-OSE	RFP	Tom Morrison	\$ 400,000		1468 Miracerros Loop North Albuquerque, NM 87505	N	N/A	Provide professional water resource services including, but not limited to, water rights administration, hydrology, and water use and conservation for the Water Resource Allocation Program and other Agency programs.
		Glorieta Geoscience, Inc.	\$ 300,000		P.O. Box 5727 Santa Fe, NM 87502	N	N/A	
		Balleau Groundwater, Inc.	\$ 400,000		901 Rio Grande Blvd. NW, Suite F-242, Albuquerque, NM 87104	Y	N/A	
		Moore Hydrology, LLC	\$ 200,000		404 Luna Blvd. NW Albuquerque, NM 87102	N	N/A	
		Amy C. Lewis	\$ 200,000	Amended term	7 Seaton Plaza Santa Fe, NM 87508	N	N/A	
		High Country Hydrology	\$ 50,000		825 South Broadway, Suite 10 Boulder, CO 80305	N	N/A	
		K Babuska Consulting	\$ 100,000		11900 Persimmon Ave. NE Albuquerque, NM 87111	N	N/A	
		Golder Associates, Inc.	\$ 250,000		5200 Pasadena Ave, Ste C Albuquerque, NM 87113	Y	N/A	
		Spronk Water Engineers	\$ 250,000		1000 Logan Street Denver, CO 80203-3011	N	N/A	
		Daniel B Stephens & Associates, Inc.	\$ 250,000		6020 Academy Rd NE, Ste 100, Albuquerque, NM 87109-3315	N	N/A	
		Davids Engineering	\$ 250,000		1772 Picasso Ave., Suite A Davis, CA 95618-0550	N	N/A	
		Fronzoy Consulting	\$ 400,000		8141 W. Gelding Dr. Peoria, AZ 85381	N	N/A	
		Global Hydrological Solutions, LLC	\$ 200,000		P.O. Box 367 Sandia Park, NM 87047	N	N/A	
Sites Southwest	\$ 100,000		121 Tijeras NE, Suite 3100 Albuquerque, NM 87102	Y	N/A			

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF VENDOR INFORMATION
For the Year Ended June 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
2015-01-OSE	RFP	Samani Global, Inc.	\$ 250,000		2705 Claude Dove Drive Las Cruces, NM 88011	N	N/A	Provide professional water resource services including, but not limited to, water rights administration, hydrology, and water use and conservation for the Water Resource Allocation Program and other Agency programs.
		Schultz Communications	\$ 150,000		4 Camerada Road Santa Fe, NM 87508	N	N/A	
		S.S. Papadopoulos & Associates	\$ 250,000		203 Boulder, CO 80303-1050	N	N/A	
		Hydros Consulting	\$ 250,000		1731 15th Street, Suite 103 Boulder, CO 80302	N	N/A	
		INTERA	\$ 450,000		8000 Uptown Blvd., Suite 220 Albuquerque, NM 87110	Y	N/A	
		Susan Sheldon	\$ 100,000		2301 Las Casitas Santa Fe, NM 87505-3029	N	N/A	
2015-02-OSE	RFP	Bohannon Huston, Inc.	\$ 1,200,000		7500 Jefferson St. NE, Courtyard 1, Albuquerque, NM 87109-4335	Y	N	Provide professional engineering services to address the planning, investigations, design and construction of new dams or modification, repair, removal of existing dams in New Mexico for the Water Resource Allocation Program/Dam Safety Bureau and other Agency Programs.
		GEI Consultants	\$ 1,200,000		2868 Prospect Park Drive, Suite 400, Rancho Cordova, CA 95670	N	N/A	
		Golder Associates	\$ 1,200,000		5200 Pasadena Ave. NE, Suite C, Albuquerque, NM 87113	N	N/A	
		Pacheco A&E Consultants, Inc.	\$ 300,000		113 Calle Paisano Santa Fe, NM 87505	N	N/A	
		Riverbend Engineering, LLC	\$ 300,000		5929 Pauline St. NW Albuquerque, NM 87107	N	N/A	
		RJH Consultants, Inc.	\$ 1,200,000		9800 Mt. Pyramid Court, Ste. 330, Englewood, CO 80112	N	N/A	
		URS Corporation	\$ 1,200,000		8181 E. Tufts Ave. Denver, CO 80237	N	N/A	
		Wilson & Company	\$ 1,200,000		4900 Lang Avenue NE, Albuquerque, NM 87109	Y	N	

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF VENDOR INFORMATION
For the Year Ended June 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
2015-03-ISC	RFP	The Suazo Legal Group	Not Awarded		1735 Man O War St. SE Albuquerque, NM 87123	N	N/A	Provide comprehensive legal advice and counsel in the areas of water rights administration, water, environmental, and general civil law including, but not limited to, litigation support and representation of the Agency before state administrative and federal courts and before the Office of the State Engineer.
		Keitha Leonard	\$ 250,000		P.O. Box 522 Tesuque, NM 87574	N	N/A	
		Keleher & McLeod	Not Awarded		P.O. Box AA Albuquerque, NM 87102	Y	N/A	
		Sheehan & Sheehan	\$ 250,000		40 First Plaza NW, Suite 740, Albuquerque, NM 87103-0271	N	N/A	

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF VENDOR INFORMATION
For the Year Ended June 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
2015-04-ISC	RFP	Balleau Groundwater, Inc.	\$ 200,000		901 Rio Grande Blvd. NW - Suite F-242 Albuquerque, New Mexico 87108	Y	N/A	The categories of professional water resources to be provided include; surface water hydrology, fluvial geomorphology, geohydrology, biology/ecology, water resource planning and other necessary studies and analysis.
		Bohannan Huston, Inc.	\$ 200,000		7500 Jefferson Street NE Albuquerque, New Mexico 87109	Y	N/A	
		ERO	Not Awarded		1842 Clarkson Street Denver, Colorado 80218	N	N/A	
		GeoSystems Analysis, Inc.	\$ 200,000		3150 Carlisle Blvd., Suite 203, Albuquerque, NM 87110	N	N/A	
		Golder Associates, Inc.	\$ 500,000		5200 Pasadena Avenue NE, Suite C Albuquerque, NM 87113-2208	Y	N/A	
		Global Hydrologic Solutions	\$ 250,000		PO Box 367 Sandia Park, New Mexico 87047	Y	N/A	
		HDR Engineering, Inc.	\$ 500,000		2155 Louisiana Blvd. NE, Suite 9500 Albuquerque, NM 87110	Y	N/A	
		Huitt Zollars, Inc.	\$ 200,000		500 W. 7th Street - Suite 300 Fort Worth, Texas 76102	Y	N/A	
		HydroResolutions, LLC	\$ 100,000		PO Box 659 Carlsbad, NM 88221	N	N/A	
		Intera Incorporated	\$ 700,000		6000 Uptown Blvd. NE, Suite 220 Albuquerque, NM 87110	Y	N/A	
		Lucy Moore Associates	\$ 200,000		5 Seton Plaza Santa Fe, NM 87508	N	N/A	
		Moore Hydrology, LLC	\$ 200,000		404 Luna Blvd., NW Albuquerque, NM 87102	N	N/A	
		Portage, Inc.	Not Awarded		200 DP Road - Suite 200 Los Alamos, New Mexico 87544	N	N/A	

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF VENDOR INFORMATION
For the Year Ended June 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
2015-04-ISC	RFP	Poster Enterprises	\$ 200,000		4398 Launching Crow Lane Santa Fe, NM 87507	N	N/A	The categories of professional water resources to be provided include; surface water hydrology, fluvial geomorphology, geohydrology, biology/ecology, water resource planning and other necessary studies and analysis.
		S.S. Papadopoulos and Associates, Inc.	\$ 200,000		3100 Arapahoe Avenue, Suite 200 Boulder, CO 80303	N	N/A	
		Souder, Miller & Associates	\$ 200,000		401 N. Seventeenth Street, Suite 4, Las Cruces, NM 88005	Y	N/A	
		Daniel B. Stephens & Associates, Inc.	\$ 800,000		6020 Academy Road NE, Suite 100 Albuquerque, NM 87109	Y	N/A	
		John Shomaker & Associates, Inc.	\$ 200,000		2611 Broadbent Parkway NE Albuquerque, New Mexico 87107	Y	N/A	
		SWCA Environmental Consultants	\$ 700,000		5647 Jefferson Street NE, Albuquerque, NM 87109	Y	N/A	
		Terra Planning, LLC	\$ 100,000		PO Box 6242 Santa Fe, NM 87502	N	N/A	
		Tetra Tech	\$ 500,000		6121 Indian School Road NE - Suite 205 Albuquerque, NM 87110	Y	N/A	
		Michael Wallace & Associates	Not Awarded		801 University Blvd., SE, Suite 100 Albuquerque, NM 87106	N	N/A	
		West Consultants, Inc.	\$ 300,000		8950 S. 52nd Street Suite 210 Tempe, AZ 85284	N	N/A	
		John Whipple	\$ 100,000		7261 Assisi Hills Road NE Rio Rancho, New Mexico 87144	N	N/A	
		Glorieta Geoscience, Inc.	\$ 400,000		PO Box 5727 Santa Fe, NM 87502	N	N/A	
		Rosemary Romero Consulting,	\$ 200,000		1350 San Juan Drive Santa Fe, NM 87505	N	N/A	
		JE Fuller Hydrology & Geomorphology	Not Awarded		2340 US Hwy 180 #130 Silver City, New Mexico 88061	N	N/A	

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF VENDOR INFORMATION
For the Year Ended June 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
2015-04-ISC	RFP	GL Environmental	Not Awarded		P.O. Box 1746 Las Vegas, NM 87701	N	N/A	The categories of professional water resources to be provided include; surface water hydrology, fluvial geomorphology, geohydrology, biology/ecology, water resource planning and other necessary studies and analysis.
		Biohabitats, Inc.	\$ 200,000		2081 Clipper Park Road Baltimore, MD 21211	Y	N/A	

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF VENDOR INFORMATION
For the Year Ended June 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
50-000-14-00035	RFP	IC Tech, Inc.	Price Agreement		P.O. Box 92224 Albuquerque, NM 87199	N	N/A	Establish a price agreement contract for remote water data transmitting and receiving equipment, including radio based stream gauge meters, antenna assemblies, and batteries, as well as associated products and professional services including software, installation and support services to acquire, transmit and receive water measurement data at a central receiving location.
50-550-14-00636	RFP	Wild Earth Guardians	\$ 82,000		516 Alto Street Santa Fe, NM 87501	N	N/A	Planning, design and construction services for the Galisteo river restoration project located in Santa Fe County in the area of the Village of Galisteo.



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

Mr. Tim Keller, State Auditor
and
Mr. Jim Dunlap, Chairman
Tom Blaine, State Engineer
Office of the State Engineer/Interstate Stream Commission
Santa Fe, New Mexico

We have audited, in accordance with the 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, 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, of the Office of the State Engineer / Interstate Stream Commission (the Agency), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Agency, presented as supplementary information, and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-001.

The Agency's Responses to Findings

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, P.C.
Albuquerque, NM
December 1, 2015

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015**

SECTION II AND III- FINANCIAL STATEMENT FINDINGS

<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>	<u>Type of Finding*</u>
<u>Prior:</u>		
None	N/A	N/A
<u>Current:</u>		
2015-001-VIOLATION OF OPEN MEETINGS ACT	Current	G

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Compliance with State Audit Rule

2015-001-VIOLATION OF OPEN MEETINGS ACT

Statement of Condition

A New Mexico District Court Judge ruled that the Interstate Stream Commission violated the Open Meetings Act when approving two contracts involving a diversion project on the Gila River in southwestern New Mexico, as the contracts were not approved by the Commission at a public meeting.

Criteria

The “Open Meetings Act” NMSA 1978, Chapter 10, Article 15, Seventh Edition (2010) states under the following sections:

- A. One of the Exceptions to Open Meetings or convening closed meetings regarding purchases cited under 10-15-1 (H)(6) Certain Purchases states, the type of purchases that can be addressed in closed session as:

“That portion of meetings at which a decision concerning purchases in an amount exceeding two thousand five hundred dollars (\$2,500) that can be made only from one source and that portion of meetings at which the contents of competitive sealed proposals solicited pursuant to the Procurement Code are discussed during the contract negotiation process. The actual approval of purchase of the item or final action regarding the selection of a contractor shall be made in an open meeting.”

- B. **10-15-1. Formation of Public Policy D Notice Requirements:**

“Any meetings at which the discussion or adoption of any proposed resolution, rule, regulation or formal action occurs and at which a majority or quorum of the body is in attendance, and any closed meetings, shall be held only after reasonable notice to the public...” (underline not included in the original text). Also, “No public meeting once convened that is otherwise required to be open pursuant to the Open Meetings Act

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015**

shall be closed or dissolved into small groups or committees for the purpose of permitting the closing of the meeting.”

Effect

The judge ruled that with respect to two contracts, the ISC violated the Open Meetings Act. Consequently, the two contracts in question were retroactively approved by the Commission at its November 10, 2015 meeting.

Cause

The Open Meetings Act was not properly adhered to.

Recommendation

We recommend that the Open Meetings Act be reviewed by the responsible officials conducting meetings for the OSE/ISC.

Management Response

On November 10, 2015, at a regular meeting of the Commission, the Commission retroactively ratified the two contracts in accordance with the October 13, 2015, Court Order. The New Mexico Interstate Stream Commission will continue to comply with the Open Meetings Act in all respects. **This item is considered resolved as of November 10, 2015.**

**STATE OF NEW MEXICO
OFFICE OF THE STATE ENGINEER/INTERSTATE STREAM COMMISSION
EXIT CONFERENCE
For the Year Ended June 30, 2015**

An exit conference was held on December 1, 2015. Present at the exit conference were:

Tom Blaine	State Engineer
Deborah Dixon	ISC Director, Assistant State Engineer
Kim Abeyta-Martinez	Program Manager, Interstate Stream Commission
Curtis Eckhart	Director, Program Support
Monica Trujillo	Chief Financial Officer
Farley Vener, CPA, CFE	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 auditor; however, the financial statements are the responsibility of management.