

**STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT**

Annual Financial Report
For the Year Ended June 30, 2010
(With Independent Auditor's Report Thereon)

INTRODUCTORY SECTION

STATE OF NEW MEXICO
 INDIAN AFFAIRS DEPARTMENT
 June 30, 2010

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INDIAN AFFAIRS DEPARTMENT
June 30, 2010

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STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Official Roster
as of June 30, 2010

ADVISORY BOARD

<u>Name</u>		<u>Title</u>
Michelle Brown-Yazzie	Navajo Nation	Chairperson
Ki Tecumseh	Winnebago	Vice-Chair
June Lorenzo	Pueblo of Laguna	Secretary
William Hume	Member at Large	Treasurer
Leonard Anthony	Navajo Nation	Member
J. Michael Chavarria	Pueblo of Santa Clara	Member
Blane Sanchez	Pueblo of Isleta	Member
Wilson Ray	Navajo Nation	Member
Kurt Sandoval	Jicarilla Apache Nation	Member
Jackie Blaylock	Mescalero Apache Tribe	Member

ADMINISTRATIVE OFFICIALS

Alvin H. Warren	Cabinet Secretary
Marvis J. Aragon, Jr.	Deputy Cabinet Secretary
Lillian Brooks	ASD Director, CFO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Mr. Alvin H. Warren, Cabinet Secretary
State of New Mexico, Indian Affairs Department
and

Mr. Hector H. Balderas, State Auditor
New Mexico Office of the State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the General Fund and major special revenue funds, and the aggregate remaining fund information of the State of New Mexico, Indian Affairs Department (Department), as of and for the year ended June 30, 2010, which collectively comprise the State of New Mexico, Indian Affairs Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the State of New Mexico, Indian Affairs Department's non-major governmental funds and budgetary comparison for all non-major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the State of New Mexico, Indian Affairs Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinions. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

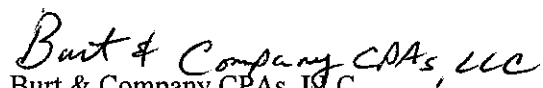
As discussed in Note 2.A., the financial statements of the State of New Mexico, Indian Affairs Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities and major fund information of the State of New Mexico that is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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico, Indian Affairs Department, as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the State of New Mexico, Indian Affairs Department as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparisons for the non-major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010 on our consideration of the State of New Mexico, Indian Affairs Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The additional schedule listed as "other supplemental information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Burt & Company CPAs, LLC

December 3, 2010

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Management's Discussion and Analysis
June 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts — management's discussion and analysis (this section), the basic financial statements, required supplementary information, and a section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Indian Affairs Department (Department).

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Department's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Department, reporting the Department's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services (the primary functions of the Department) were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provides details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

REPORTING ON THE DEPARTMENT AS A WHOLE

Government-Wide Statements

The government-wide statements report information about the Department as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Department's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Department's net assets and how they have changed. Net assets — the difference between the Department's assets and liabilities — is one way to measure the Department's financial health or position.

- Over time, increases or decreases in the Department's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Department, additional non-financial factors such as changes in the Department's funding or the addition of new programs should be considered.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Management's Discussion and Analysis (continued)
June 30, 2010

Reporting on the Department's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the Department's most significant funds. Funds are accounting devices that the Department uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law. The State Legislature also establishes other funds to control and manage money for particular purposes or to show that it is properly using certain grants or appropriations. The Department's funds are all governmental funds. The Balance Sheets and the Statements of Revenue, Expenditures and Changes in Fund Balances provide this information.

Governmental Funds — All of the Department's basic services are accounted for in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent pages that explain the relationships (or differences) between them.

The Department maintains its fund structure in the Statewide Human Resources, Accounting and Management Reporting (SHARE) System. The Department maintains the General Fund (Fund No. 04800) and six (6) special revenue funds as follows:

- Special Capital Outlay Fund (Fund No. 09900)
- Special Capital Outlay Fund (Fund No. 10000)
- Special Capital Outlay Fund (Fund No. 10100)
- Special Tribal Infrastructure Capital Projects Fund (Fund No. 42900)
- Special Capital Outlay Fund (Fund No. 53100)
- Special IAD Grant Fund (Fund No. 66700)

Financial Analysis of the Department as a Whole

Statement of Net Assets

A sharp decrease in capital appropriations statewide resulted in less funding for the Department, while expenditures/disbursements to existing projects remained constant.

The statement of net assets summarizes the Department's net assets for the fiscal year ending June 30, 2010. The following compares the current year with the prior year.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Management's Discussion and Analysis (continued)
June 30, 2010

		<u>Net Assets</u>		<u>Governmental Activities</u>	Increase
		<u>FY2010</u>	<u>FY2009</u>		<u>(Decrease)</u>
	<u>Assets</u>				
Current assets		\$ 15,363,329	39,230,500		(23,867,171)
Capital assets, net		<u>74,936</u>	<u>101,461</u>		<u>(26,525)</u>
Total assets		<u>15,438,265</u>	<u>39,331,961</u>		<u>(23,893,696)</u>
	<u>Liabilities</u>				
Current liabilities		10,191,830	9,327,631		864,199
Long-term liabilities		<u>-</u>	<u>-</u>		<u>-</u>
Total liabilities		<u>10,191,830</u>	<u>9,327,631</u>		<u>864,199</u>
	<u>Net Assets</u>				
Investment in capital assets		74,936	101,461		(26,525)
Restricted		5,171,499	29,902,869		(24,731,370)
Unrestricted (deficit)		<u>-</u>	<u>-</u>		<u>-</u>
Total net assets		<u>\$ 5,246,435</u>	<u>30,004,330</u>		<u>(24,757,895)</u>

Analysis of Financial Position (Statement of Net Assets)

Current assets decreased by \$23,867,171, or 61% from a year ago. This is mainly attributable to the decrease in cash of \$25,331,795 or 71%. The significant decrease was the result of the depletion of cash through project expenditures in fund 10000.

Current liabilities also significantly increased by \$864,199 or 9% from a year ago. This is mainly attributable to the increase in bank overdrafts in fund 10100 of (\$3,005,040). Current liabilities of \$10,191,830 consist primarily of accounts payable (\$5,562,528), Due to the State General Fund (\$1,347,625), and a bank overdraft of (\$3,005,040).

Net assets significantly decreased by \$ 24,757,895 from \$30,004,330 to \$5,246,435. This is a result of a high volume of cash expenditures for capital projects in fund 10000.

Changes in Net Assets

The statement of activities summarizes the Department's changes in net assets for the fiscal year ending June 30, 2010, and June 30, 2009.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Management's Discussion and Analysis (continued)
June 30, 2010

	<u>FY2010</u>	<u>FY2009</u>	<u>Increase (Decrease)</u>
Program revenues:			
Federal grants	\$ -	38,920	(38,920)
Private gifts and grants	<u>109,821</u>	<u>-</u>	<u>109,821</u>
Total program and revenues	<u>109,821</u>	<u>38,920</u>	<u>70,901</u>
General revenues and transfers:			
Transfers:			
State general fund appropriations (net of reversions)	3,421,000	812,269	2,608,731
Severance tax bond appropriations (net of reversions)	3,636,522	11,858,037	(8,221,515)
Other appropriations	505,000	524,800	(19,800)
Other	<u>368,400</u>	<u>(130,000)</u>	<u>498,400</u>
Total general revenues and transfers	<u>7,930,922</u>	<u>13,065,106</u>	<u>(5,134,184)</u>
Total program, general revenue and transfers	<u>8,040,743</u>	<u>13,104,026</u>	<u>(5,063,283)</u>
Expenses:			
General government	<u>32,798,635</u>	<u>31,806,081</u>	<u>992,554</u>
Changes in net assets	<u>(24,757,892)</u>	<u>(18,702,055)</u>	<u>(6,055,837)</u>
Beginning net assets, (as reported)	30,004,330	48,650,868	(18,646,538)
Restatement of net assets	<u>-</u>	<u>55,517</u>	<u>(55,517)</u>
Beginning net assets, as restated	<u>30,004,330</u>	<u>48,706,385</u>	<u>(18,702,055)</u>
Ending net assets	\$ <u>5,246,438</u>	<u>30,004,330</u>	<u>(24,757,892)</u>

The Department's governmental activities program revenue was significantly changed from a year ago, increasing by \$70,901 from \$38,920 to \$109,821.

The Department's general revenue and transfers decreased by \$5,134,187 or 39%. This is a result of passage of SB182 which required DFA to transfer unexpended or uncommitted balances of certain capital projects to the originating fund within 30 days of the effective date. SB 29, which mandated that the funding for certain capital outlay projects be "swapped" from General Fund to Severance Tax Bonds. Fifteen (15) tribal projects allocated to the IAD were affected by SB 29. *General Obligation Bonds Act* authorized the issuance of general obligation bonds for statewide capital outlay projects. Bond issues relating to Native American capital outlay projects include funding for tribal senior citizen facilities and improvements, tribal libraries acquisition and construction, a tribal wellness center and included funding for four tribal schools and institutions.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Management's Discussion and Analysis (continued)
June 30, 2010

The cost of governmental activities this year was \$32,798,635 compared to \$31,806,081 last year, or a marginal increase of \$992,554. The reason for the increase was attributable to the increase in capital project appropriations of State General Fund monies and bond sales.

In summary, net assets significantly decreased by \$24,757,895, as a result of the aforementioned items.

THE DEPARTMENT'S FUNDS

Governmental Funds

The focus of the Department's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. As mentioned previously, funds are used by the Department to keep track of specific sources of funding and spending for a particular purpose.

For the current year, the Department had seven governmental funds. Five of the Department's governmental funds are used to account for capital outlay projects of other entities funded either by State General Fund appropriations or by bond funds sold by the State Board of Finance. One of the Department's governmental funds is used to account for specific grants. The final governmental fund of the Department is its general fund.

As the Department completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$5,208,528 which is significantly lower than last year's combined fund balance of \$29,942,895. The primary reason for the decrease in fund balance of \$24,734,366 is attributable to the activity in the five capital outlay special revenue funds.

The General Fund of the Department reflects no change in fund balance from the prior year. Since the General Fund is a "reverting" fund, only balances appropriated into future fiscal years may be retained by the Department. The Department reverted \$855,049 to the State General Fund from unused State General Fund appropriations, compared to \$701,310 in the prior year. Both revenues and expenditures remained fairly constant from the year before.

General Fund Budgetary Highlights

The State Legislature makes annual appropriations to the Department. Adjustments to the budget require approval by the Budget Division of the Department of Finance and Administration. Over the course of the year, the Department revised its budget. These budget adjustments fall into two categories:

1. Within the department budget transfers of appropriations to prevent budget overruns.
2. Budget increases for funds made available during the year.

Analysis of Significant Budget Variations

The original General Fund budget was \$4,059,900. Budget adjustments were made between the other

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Management's Discussion and Analysis (continued)
June 30, 2010

costs and contractual services expenditure categories. The Department decreased the Other (Grant & Services) category as a means of reducing an unbudgeted amount by another state agency. All budget increases and budget adjustments were approved by the State Budget Division of the Department of Finance and Administration. The final operating budget for the general funding ended up at \$3,789,400, a net decrease of \$270,500.

Capital Assets and Debt Administration

Capital Assets

The Department's investments in capital assets for its governmental activities as June 30, 2010, amounts to \$101,461 (net of accumulated depreciation). This investment in capital assets consists mainly of furniture, fixtures, data processing equipment and automobiles. There was \$0 of additions and \$0 of capital asset deletions during the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

FY 2010 proved to be a very challenging year for the IAD budget. For the FY 2010 budget, in August 2009, Governor Richardson directed the IAD and other executive agencies to reduce FY 2010 general fund expenditures by 3%. The IAD was then asked to submit potential cuts at the 3, 4, and 4.5 percent levels to DFA in September. The IAD continued to respond to requests for information from DFA in October and November. Beginning on December 24, 2009, the IAD along with other agencies took measures to implement the five day furlough mandated for all state staff.

Regarding our FY 2011 budget request, the IAD ASD worked with the Cabinet Secretary and Deputy Cabinet Secretary and the various unit and division directors to compile the FY 2011 General Fund operating budget and other related budgets and appropriation requests and submitted the requests to DFA on September 1, 2009. The IAD provided testimony on our FY 2011 budget request on November 16, 2009 to the LFC and on January 21, 2010 to the HAFC.

The Executive Budget recommendation proposed to decrease the IAD General Fund Appropriations below FY 2010 operating levels, and included a decrease from the IAD operating budget and a decrease from the Tobacco Settlement Program Fund for tobacco cessation and prevention programs for Native American communities. The LFC's proposal was more drastic and sought to cut the IAD's budget by 21.5% from the enacted FY 2010 budget amount. At the HAFC hearing the IAD cabinet secretary described the significant impact the LFC's proposed cut would have on the number of IAD personnel, our ability to meet our statutory duties and the funding we provide to tribes for special projects. The HAFC Committee Chairman Saavedra directed a subcommittee of three legislators to work with the IAD, the DFA and the LFC to determine an appropriate budget. The IAD ASD and the Cabinet Secretary met with the subcommittee on January 26, which recommended approval of the Executive Recommendation including 15 FTEs. The Executive recommendation was reflected in HB 2 as enacted.

As a result, the IAD submitted its FY 2011 Operations Budget on May 3, 2010 to DFA and LFC. It reflects a cut of 17% from the FY 2010 enacted amount. Particularly challenging will be the reduction

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Management's Discussion and Analysis (continued)
June 30, 2010

of Tobacco Cessation funding. Per House Bill 2, the overall base budget amount is \$3,364,100. In Category 200, Personal Services and Employee Benefits, the approved amount is for \$1,207,300. This amount covers the salaries and benefits for 15 employees including five Governor Exempt and 10 classified positions. Under Category 300, Contractual Services, the approved amount is \$750,000. Category 400, OTHER, totaled \$1,406,800, which includes \$1,155,900 for the Grants and Services line item and \$250,900 for general operations. In FY2011 the ASD will continue working in coordination with DFA Financial Control and Budget Division to assure timely submission of the financial documents relating to the operating budget and the SHARE system reporting requirement. For FY2010, the IAD sought and was fortunate to be awarded a grant from the Kellogg Foundation in the amount of \$200,000. The grant will supplement programs and projects that provide services to tribal communities.

In accordance with the Procurement Code and 2.2.2 NMAC "Requirements for Contracting and Conducting Audits of Agencies" The IAD engaged Burt & Company, CPAs, to perform the annual financial audit. The financial report is designed to provide our citizens and taxpayers with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. The process involved the preparation of documentation such as the A611-balance sheet, the trial balance and personnel liability reports. The ASD and COU staff assisted the CPA with random selection and preparation of financial documents. The IAD received an unqualified audit for FY 2009. It is the IAD's goal to turn the current fiscal year audit in to the State Auditor's office by the December 6, 2010 deadline. Last year, this was accomplished with the assistance of the IPA and IAD ASD staff.

The Department's most significant change is the recommendation by the Executive Branch for a decrease in General Fund below FY 2010 operating levels. The recommendation includes \$400,000 from the Tobacco Settlement Program Fund to continue the tobacco cessation and prevention programs for Native American communities. The recommendation also includes continuation of \$1,679,900 in grants to tribes and pueblos.

Contacting the Department's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Department.

Indian Affairs Department
Wendell Chino Building
1220 South St. Francis Drive
Santa Fe, NM 87505

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Investment in the State Treasurer General Fund Investment Pool	\$ 10,136,009
Due from other agencies	<u>5,227,320</u>
Total current assets	<u>15,363,329</u>
Capital assets (net of accumulated depreciation)	<u>74,936</u>
Total assets	<u>\$ 15,438,265</u>
 Liabilities:	
Current liabilities:	
Accounts payable	\$ 5,562,528
Bank overdraft	3,073,261
Accrued salaries payable	21,548
Payroll taxes payable	10,611
Payroll benefits payable	14,555
Due to State General Fund	1,347,625
Due to other state agencies	34,592
Other liabilities	(98)
Deferred revenue	90,179
Compensated absences - current	<u>37,029</u>
Total current liabilities	<u>10,191,830</u>
 Net Assets:	
Invested in capital assets	74,936
Restricted for subsequent year's expenditure by enabling legislation	5,171,499
Unrestricted	<u>-</u>
Total net assets	<u>\$ 5,246,435</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Statement of Activities
For the Year Ended June 30, 2010

	<u>Governmental Activities</u>
Expenses:	
Governmental activities:	
General government	\$ 32,772,111
Depreciation	<u>26,525</u>
Total expenses	<u>32,798,636</u>
Program revenues:	
Federal grants - operating	-
Private gifts and grants	<u>109,821</u>
Total program revenues	<u>109,821</u>
Net program (expenses) revenues	<u>(32,688,815)</u>
General revenues and transfers:	
Transfers:	
State General Fund appropriation	3,421,000
Severance tax bond appropriation	17,617,100
Other appropriations - projects reauthorized	505,000
Other appropriations - tobacco settlement funds	368,400
Other financing uses	-
Reversions to State General Fund - FY 2009	<u>(13,980,580)</u>
Total general revenues and transfers	<u>7,930,920</u>
Change in net assets	(24,757,895)
Net assets, beginning	<u>30,004,330</u>
Net assets, ending	<u>\$ 5,246,435</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds				Non-Major	Total Governmental Funds
	General Fund 04800	Special Capital Outlay Fund 10000	Special Capital Outlay Fund 10100	Tribal Infra- structure Capital Fund 42900	Other Govern- mental Funds	
Assets						
Investment in the State Treasurer						
General Fund investment pool	\$ 1,498,492	7,438,036	-	1,051,167	148,314	10,136,009
Due from other funds	37,875	-	-	46,095	-	83,970
Due from other state agencies	-	87,828	4,944,056	127,215	68,221	5,227,320
Prepaid expenses	-	-	-	-	-	-
Total assets	\$ <u>1,536,367</u>	<u>7,525,864</u>	<u>4,944,056</u>	<u>1,224,477</u>	<u>216,535</u>	<u>15,447,299</u>
Liabilities						
Accounts payable	\$ 639,502	1,932,123	1,930,010	1,022,790	38,103	5,562,528
Bank overdraft	-	-	3,005,040	-	68,221	3,073,261
Accrued salaries payable	21,548	-	-	-	-	21,548
Payroll taxes payable	10,611	-	-	-	-	10,611
Payroll benefits payable	14,555	-	-	-	-	14,555
Deferred revenue	-	-	-	-	90,179	90,179
Other liabilities	(98)	-	-	-	-	(98)
Due to other funds	-	46,095	25,000	-	12,875	83,970
Due to State General Fund	850,249	485,314	-	12,062	-	1,347,625
Due to other state agencies	-	-	34,592	-	-	34,592
Total liabilities	<u>1,536,367</u>	<u>2,463,532</u>	<u>4,994,642</u>	<u>1,034,852</u>	<u>209,378</u>	<u>10,238,771</u>
Fund Balances						
Reserved for prepaid expenses	-	-	-	-	-	-
Reserved for subsequent years' expenditures	-	5,062,332	(50,586)	189,625	7,157	5,208,528
Total fund balances	-	<u>5,062,332</u>	<u>(50,586)</u>	<u>189,625</u>	<u>7,157</u>	<u>5,208,528</u>
Total liabilities and fund balances	\$ <u>1,536,367</u>	<u>7,525,864</u>	<u>4,944,056</u>	<u>1,224,477</u>	<u>216,535</u>	<u>15,447,299</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets
June 30, 2010

Total fund balance for the governmental funds (balance sheet) \$ 5,208,528
Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets and related accumulated depreciation used in
governmental activities are not current financial resources and,
therefore, are not reported in funds.

These assets consist of:

Furniture and fixtures	\$ 67,111	
Equipment and machinery	28,300	
Data processing equipment	19,279	
Automobiles	85,561	
Accumulated depreciation	<u>(125,315)</u>	74,936

Compensated absences are not due and payable in the current
period, and therefore, are not reported in the funds. (37,029)

Net assets of governmental activities (statement of net assets) \$ 5,246,435

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds				Non-Major	Total Governmental Funds
	General Fund 04800	Special	Special Capital	Tribal	Other	
		Outlay Fund 10000	Outlay Fund 10100	Infrastructure Capital Fund 42900	Govern- mental Funds	
Revenues:						
Intergovernmental:						
Federal grants - operating	\$ -	-	-	-	-	-
Private gifts and grants	-	-	-	-	109,821	109,821
	-	-	-	-	109,821	109,821
Expenditures:						
General government:						
Current:						
Personal services	1,016,763	-	-	-	1,634	1,018,397
Contractual services	648,043	-	-	-	47,274	695,317
Other costs	1,269,545	11,899,821	14,390,695	3,440,421	60,913	31,061,395
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>2,934,351</u>	<u>11,899,821</u>	<u>14,390,695</u>	<u>3,440,421</u>	<u>109,821</u>	<u>32,775,109</u>
Excess (deficiency) of revenues over expenditures	(2,934,351)	(11,899,821)	(14,390,695)	(3,440,421)	-	(32,665,288)
Other financing sources (uses):						
Transfers in (out):						
State General Fund appropriation	3,421,000	-	-	-	-	3,421,000
Severance tax bond appropriation	-	-	14,464,375	3,152,725	-	17,617,100
Other appropriations - compensation package	-	-	-	-	-	-
Other appropriations - tobacco settlement funds	368,400	-	-	-	-	368,400
Reversion to State General Fund	(855,049)	(11,039,787)	(73,680)	(2,012,062)	-	(13,980,578)
Operating transfers - (out) in	-	505,000	-	-	-	505,000
Total other financing sources (uses)	<u>2,934,351</u>	<u>(10,534,787)</u>	<u>14,390,695</u>	<u>1,140,663</u>	<u>-</u>	<u>7,930,922</u>
Net change in fund balances	-	(22,434,608)	-	(2,299,758)	-	(24,734,366)
Fund balances:						
Fund balances, beginning	-	27,496,940	(50,586)	2,489,383	7,157	29,942,894
Fund balances, ending	\$ -	<u>5,062,332</u>	<u>(50,586)</u>	<u>189,625</u>	<u>7,157</u>	<u>5,208,528</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balance - Governmental Fund
(Statement of Revenues, Expenditures and Changes in Fund Balances) \$ (24,734,366)

Amounts reported for governmental activities in the Statement of
Activities are different because:

Decrease in compensated absences 2,996

Capital outlays are reported as expenditures in governmental funds.
However, in the Statement of Activities, the cost of capital assets is
allocated over their estimated useful lives as depreciation expense.
This is the amount by which capital asset purchases exceeded
depreciation expense in the current period.

Capital asset purchases	\$ -	
Current period depreciation	<u>(26,525)</u>	<u>(26,525)</u>

Change in net assets of governmental activities (Statement of Activities) \$ (24,757,895)

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
General Fund 04800
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		(Modified Accrual) Actual Budget Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General Fund appropriation	\$ 3,621,000	3,421,000	3,421,000	-
Federal funds:				
Intra-state federal grants	38,900	-	-	-
Other funds:				
Other gifts and grants	-	-	-	-
Other financing sources-transfers	<u>400,000</u>	<u>368,400</u>	<u>368,400</u>	<u>-</u>
Total revenues	4,059,900	3,789,400	3,789,400	-
Prior-year cash	<u>-</u>	<u>-</u>		
Total revenues budgeted	\$ <u>4,059,900</u>	<u>3,789,400</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ 1,261,300	1,261,300	1,016,763	244,537
Contractual services	1,356,300	1,117,400	648,043	469,357
Other costs	<u>1,442,300</u>	<u>1,410,700</u>	<u>1,266,102</u>	<u>144,598</u>
Total expenditures	\$ <u>4,059,900</u>	<u>3,789,400</u>	<u>2,930,908</u>	<u>858,492</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 3,789,400	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			\$ <u>3,789,400</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 2,954,435	
Adjustments:				
Compensated absences			2,998	
Depreciation expense			(26,525)	
Request to pay prior year expenditures			<u>3,443</u>	
Budget basis expenditures			\$ <u>2,934,351</u>	

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis) (Multi-Year)
Major Special Revenue Fund - Special Capital Outlay Fund 10000
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Other funds:				
Other financing sources-transfers	\$ 505,000	505,000	505,000	-
Total revenues	505,000	505,000	<u>505,000</u>	<u>-</u>
Prior-year cash balance	<u>30,186,389</u>	<u>19,562,155</u>		
Total revenues budgeted	\$ <u>30,691,389</u>	<u>20,067,155</u>		
Expenditures:				
General government:				
Other costs	\$ 30,691,389	20,067,155	11,899,821	8,167,334
Total expenditures	\$ <u>30,691,389</u>	<u>20,067,155</u>	<u>11,899,821</u>	<u>8,167,334</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 505,000	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			\$ <u>505,000</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 11,899,821	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			\$ <u>11,899,821</u>	

Note: The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2009 budget.

There are 86 Special Capital Outlay Projects summarized in the statement above.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis) (Multi-Year)
Major Special Revenue Fund - Special Capital Outlay Fund 10100
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual Budget Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other funds:				
Severance tax bond appropriations	\$ 22,011,716	24,346,900	14,464,375	(9,882,525)
Total revenues	22,011,716	24,346,900	<u>14,464,375</u>	<u>(9,882,525)</u>
Prior-year fund balance	-	-		
Total revenues budgeted	\$ <u>22,011,716</u>	<u>24,346,900</u>		
Expenditures:				
General government:				
Other costs	\$ 22,011,716	24,346,900	14,390,695	9,956,205
Total expenditures	\$ <u>22,011,716</u>	<u>24,346,900</u>	<u>14,390,695</u>	<u>9,956,205</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 14,464,375	
Adjustments:				
None			-	
Budget basis revenue			<u>\$ 14,464,375</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 14,390,695	
Adjustments:				
None			-	
Budget basis expenditures			<u>\$ 14,390,695</u>	

Note: The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2009 budget.

There are 47 Special Capital Outlay Projects summarized in the statement above.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis) (Multi-Year)
Major Special Revenue Fund - Tribal Infrastructure
Capital Projects Fund 42900
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual Budget Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other funds:				
Severance tax bond appropriations	\$ 5,319,966	3,307,904	3,152,725	(155,179)
Other financing sources-transfers	-	-	-	-
Total revenues	<u>5,319,966</u>	<u>3,307,904</u>	<u>3,152,725</u>	<u>(155,179)</u>
Prior-year fund balance	<u>2,489,383</u>	<u>2,489,383</u>		
Total revenues budgeted	\$ <u>7,809,349</u>	<u>5,797,287</u>		
Expenditures:				
General government:				
Other costs	\$ <u>7,809,349</u>	<u>5,797,287</u>	<u>3,440,421</u>	<u>2,356,866</u>
Total expenditures	\$ <u>7,809,349</u>	<u>5,797,287</u>	<u>3,440,421</u>	<u>2,356,866</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 2,227,195	
Adjustments:				
None			-	
Budget basis revenue			<u>\$ 2,227,195</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 3,440,421	
Adjustments:				
None			-	
Budget basis expenditures			<u>\$ 3,440,421</u>	

Note: The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2009 budget.

There are 19 Capital Projects summarized in the statement above.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements
June 30, 2010

1. History and Functions

The Indian Affairs Department (Department) was established by the Laws of 1975 as a component unit of the State of New Mexico. The forty-sixth legislature, first session passed House Bill 585, which elevated the Office of Indian Affairs to a cabinet-level department to be led by a Secretary. The effective date of House Bill 585 was June 30, 2003. Subsequently, the Governor of the State of New Mexico issued Executive Order No. 2003-022, which among other things elevated the Office of Indian Affairs to a cabinet-level department. The Office of Indian Affairs is now known as the Indian Affairs Department, which is led by a Secretary, subject to the advice and consent of the senate. Legislation approving the executive reorganization of the Office of Indian Affairs was signed into law during the forty-sixth legislature, second session. The Department's primary function is to act as a liaison between the State of New Mexico and local tribal governments by administering state funding for various infrastructure and other projects to improve their communities.

2. Summary of Significant Accounting Policies

The financial statements of the Indian Affairs Department have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Department applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to the government-wide financial statements, unless they conflict with GASB pronouncements. The more significant of the Department's accounting policies are described below:

A. Reporting Entity

The Department is a department of the primary government, the State of New Mexico. These financial statements present the financial position and results of operations of only those *Statewide Human Resources, Accounting and Management Reporting System* (SHARE) funds over which the Indian Affairs Department has oversight responsibility. The Department does not have any component units.

The Department is a user organization of the Statewide Human Resource, Accounting, and Management Reporting System. The service organization is the Department of Finance and Administration (DFA).

B. Basic Financial Statements - Government-Wide Statements

The Department's basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. Both the government-

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

2. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements - Government-Wide Statements (continued)

wide and fund financial statements categorize primary activities as either governmental or business type. The Department is a single purpose government entity and has no business type activities. Government-wide financial statements exclude information about fiduciary funds; the Department currently has no fiduciary funds. In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Department's net assets are reported in three parts: invested in capital assets, restricted net assets, and unrestricted net assets. When applicable, the effect of inter-fund activity between two funds is removed from the Statement of Net Assets in order to avoid a grossing-up effect on the assets and liabilities within the statement.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government), which are otherwise supported by general government revenues. The Statement of Activities reduces gross expense (including depreciation expense on capital assets) by related program revenues, operating and capital grants. Program revenue must be directly associated with the function (general government). Program revenues include: 1) charges to applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The appropriation from the State General Fund not included among program revenues is reported instead as general revenue. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33. The revenue recognition policy for grants is when the eligibility requirements have been met, and costs have been incurred.

The net cost by function is normally covered by general revenue.

The government-wide focus is more on the sustainability of the Department as an entity and the change in the Department's net assets resulting from the current year's activities.

Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Department would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

2. Summary of Significant Accounting Policies (continued)

C. Basic Financial Statements - Fund Financial Statements

The fund financial statements are similar to the financial statements presented in previous years. Emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column. The Department's major funds are its general fund and three special revenue funds (capital outlay funds 10000 and 10100 and Tribal Infrastructure Capital Fund 42900).

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how the Department'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 governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The financial transactions of the Department are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. 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 GASB 34 reporting model sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The Department, at its discretion, may elect to present a fund as a major fund. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The Department uses the following fund types:

GOVERNMENTAL FUND TYPES

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

2. Summary of Significant Accounting Policies (continued)

C. Basic Financial Statements - Fund Financial Statements (continued)

a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Revenues are recognized as soon as they are both measurable and available, meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures of fund liabilities.

General Fund - The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is made up of the following SHARE fund:

General Operating (Fund 04800) - The operating account for the Department. Except for special appropriations, which may extend into subsequent fiscal years, this is a reverting fund. There were no special appropriations during the fiscal year ending June 30, 2010.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources, particularly capital projects, that are legally restricted to expenditures for specified purposes. The Department's Special Revenue Funds are as follows:

Special Capital Outlay Fund (Fund 09900) - This fund is used to account for capital outlay projects appropriated by Laws of 1999. Unexpended funds revert at the end of the authorization period.

Special Capital Outlay Fund (Fund 10000) - This fund is used to account for capital outlay projects appropriated from the state general fund from the Laws of 2004-2010. Unexpended funds revert at the end of the authorization period.

Special Capital Outlay Fund (Fund 10100) - This fund is used to account for capital outlay projects appropriated from severance tax bonds issued from the Laws of 2004-2010. Unexpended funds revert at the end of the authorization period.

Special Tribal Infrastructure Capital Projects (Fund 42900) - This fund was legislatively created by the Laws of 2005 and is used to account for capital outlay projects appropriated from the state general fund and from severance tax bonds from the Laws of 2007-2009. Unexpended funds revert at the end of the authorization period.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

2. Summary of Significant Accounting Policies (continued)

C. Basic Financial Statements - Fund Financial Statements (continued)

Special Capital Outlay Fund (Fund 53100) - This fund is used to account for capital outlay projects appropriated by Laws of 1998. Unexpended funds revert at the end of the authorization period.

Special IAD Grant Fund (Fund 66700) - This fund is used to account for private gifts and grants. Unexpended funds revert at the end of the grant term to the respective granting agency.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures 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.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated. In the Statement of Activities, internal balances have been eliminated.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. Revenues are available if collected within sixty days of the end of the fiscal year. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are accrued as current liabilities, in the government-wide financial statements. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange 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 requirement are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

2. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The State Legislature makes annual appropriations to the Department for general operating expenses which lapse at fiscal year end. Legal compliance is monitored through the establishment of a budget and a financial control system, which permits a budget-to-actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico, Department of Finance and Administration, within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are the original and final authorized amounts as legally revised during the year.

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

1. No later than September 1, the Department prepares a budget request for the subsequent fiscal year by appropriation unit to be presented to the next legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which become 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 for approval of the final budget plan.
5. Budgetary control is exercised by the Department at the appropriation unit level. Budget Adjustment Requests (BARs) are approved by the DFA Budget Division.
6. The budget for the General Fund and all special revenue funds are adopted on a modified accrual basis of accounting. Per the General Appropriations Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, the budgetary basis is modified accrual. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable require approval to pay prior year bills out of the FY2010 budget. At June 30, 2010, there was an amount of \$3,443.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

2. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

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 presentations in these financial statements are consistent with this budgeting methodology.

7. The original budgets differ from the final budgets presented in the budget comparison statements by amendments made during the fiscal year.
8. Appropriations lapse at the end of the fiscal year or at the end of the appropriation period, in the case of multi-year appropriations.

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 budgetary comparison statements for major funds have been included as part of the basic financial statements.

F. Accrued Compensated Absences

Qualified employees accumulate annual leave as follows:

Years of Service	Hours Earned Per Month	Days Earned Per Month	Days of Maximum Accrual
1-3	6.67	0.83	30
4-6	8.00	1.00	30
7-10	9.99	1.25	30
11-14	12.00	1.50	30
15th/Beyond	13.33	1.67	30

Thirty days of accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is forfeited. When employees terminate, they are compensated for accumulated annual leave as of the date of termination, up to a maximum of thirty (30) days. Accrued annual leave is recorded as a liability in the government-wide financial statements.

Employees who have over 600 hours of accumulated sick leave can receive payment for hours over 600, up to 120 hours on July 1 or January 1 of each year. However,

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

2. Summary of Significant Accounting Policies (continued)

F. Accrued Compensated Absences (continued)

sick leave is paid at fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Therefore, the only leave which has been accrued represents the hours earned at June 30, 2010, over 600 hours up to 120 hours per employee. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the government-wide financial statements.

Fair Labor Standards Act (FLSA) nonexempt employees accumulate compensatory time at the rate of 1.5 times the number of hours worked, in excess of forty hours per week, based on their regular hourly rate. Exempt and classified employees who are FLSA exempt accumulate compensatory time at the same rate as the number of hours worked. Overtime must be pre-approved by management. Payment of this liability can be made by compensated leave time or cash payment.

In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720 hours, and compensatory leave for employees, including the related employers' matching FICA and Medicare payroll taxes.

G. Reservations and Designations - Fund Balance

Reservations of fund balance in the governmental fund statements are created to either 1) satisfy legal covenants that require that a portion of the fund balance be segregated, or 2) identify the portion of the fund balance that is not appropriated for future expenditures.

Reserved for Subsequent Year's Expenditures - This reserve was created to represent appropriations made for capital projects that extend beyond the current fiscal year. This amount is also presented as a part of restricted net assets in the Statement of Net Assets. For the fiscal year ending June 30, 2010, this amount was \$5,171,499.

H. Net Assets

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investments in capital assets, restricted and unrestricted.

Investment in Capital Assets - Is intended to reflect the portion of net assets which are associated with non-liquid, capital assets, which amounted to \$74,936 for fiscal year ending June 30, 2010.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

2. Summary of Significant Accounting Policies (continued)

H. Net Assets (continued)

Restricted Assets - are liquid assets (generated from revenues and bond proceeds appropriations), which have third-party (statutory enabling legislation or granting agency) limitation on their use, and which are legally enforceable as to their use.

Unrestricted Assets - represent unrestricted liquid assets. There were no unrestricted net assets for fiscal year ending June 30, 2010.

The Department allocates expenses to restricted or unrestricted resources based on the budgeted source of funds.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Capital Assets

Capital assets of the Department include data processing equipment, furniture and fixtures, equipment and automobiles. The Department does not have any infrastructure. Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978, was amended effective June 19, 2005, changing the capitalization threshold of movable chattels and equipment from items costing more than \$1,000 to items costing more than \$5,000. The Department has adopted this change in an accounting estimate, per Accounting Principles Board (APB) 20. Old inventory items that do not meet the new capitalization threshold will remain on the inventory list and continue to be depreciated. Any items received after July 1, 2005, will be added to the inventory only if they meet the new capitalization policy. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Computer software which is purchased with data processing computer equipment is included as part of the capitalized computer equipment in accordance with 2.20.1.9 C (5). The cost of maintenance and repairs that do not add to the asset value or materially extend assets lives are not capitalized. The Department does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the capital assets. Capital assets of the Department are depreciated using zero salvage value and the straight-line method over the following estimated useful lives:

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

2. Summary of Significant Accounting Policies (continued)

J. Capital Assets (continued)

	Years
Furniture and fixtures	10
Equipment and machinery	5
Automobiles	5
Data processing equipment	3

The Department utilizes facilities and buildings that are owned by the Property Control Division of the State of New Mexico, General Services Department via a space assignment understanding. These assets and the related depreciation expense are not included in the accompanying financial statements. GASB 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc. The Department does not own any infrastructure assets.

3. Cash and Collateral

Cash accounts on deposit with the State Treasurer in the General Fund Investment Pool consist of the following:

SHARE				
Account	Account Name		Balance Per	Balance per
Number			Treasurer	Books
04800	NM Office of Indian Affairs	\$	1,498,492	1,498,492
10000	IAD Capital Projects-General Fund		7,438,036	7,438,036
53100	OIA/Capital Projects-Laws of 1998		-	-
42900	Tribal Infrastructure Fund		1,051,167	1,051,167
66700	Grants for IAD		148,314	148,314
		\$	10,136,009	10,136,009

Cash accounts on deposit with the New Mexico State Treasurer do not require collateral to be pledged because they are deposits with another governmental entity. The Department is not authorized to make investments. However, certain cash accounts 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 are held by another governmental entity, Governmental Accounting Standards Board Statement #3, "Deposit 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.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

3. Cash and Collateral (continued)

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 the operation of state government in:

- A. Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- B. Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds appropriations, 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 the 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

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

3. Cash and Collateral (continued)

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

- E. 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 held by the State Treasurer, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2010.

4. Due From/To Other State Agencies

The following are short-term amounts owed between other state agencies and are classified as follows:

	<u>Purpose</u>	<u>Due From</u>	<u>Due To</u>
<u>Fund 04800 - General Fund</u>			
DFA 36900/85300	General fund reversions	\$ -	850,249
<u>Fund 09900 - Capital Outlay Fund</u>			
DFA/BOF 34100/01900	Severance tax bond proceeds	68,221	-
<u>Fund 10000 - Special Capital Outlay Fund</u>			
DFA/BOF 34100/01900	Severance tax bond proceeds	87,828	-
DFA	Reversion of State General Fund for capital outlay projects swapped from State General Fund proceeds to severance tax bond proceeds	-	485,314

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

4. Due From/To Other State Agencies (continued)

	<u>Purpose</u>	<u>Due From</u>	<u>Due To</u>
<u>Fund 42900 - Tribal Infrastructure Fund</u>			
DFA 36900/85300	Reversion to State General Fund for expired capital outlay projects	-	12,062
DFA/BOF 34100/01900	Severance tax bond proceeds	127,215	
<u>Fund 10100 - Special Capital Outlay Fund</u>			
DFA/BOF 34100/01900	Severance tax bond proceeds	4,944,056	-
	Refund overpaid capital outlay projects from fiscal year 2007	-	34,592
		<u>\$ 5,227,320</u>	<u>1,382,217</u>

All balances due from other State Agencies are deemed to be fully collectible; no allowance for uncollectible amounts has been established.

5. Capital Assets

The capital asset activity for the governmental activities for the year ended June 30, 2010, is as follows:

	<u>Governmental Activities</u>			
	<u>Beginning Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2010</u>
Cost				
Furniture and fixtures	\$ 67,111	-	-	67,111
Equipment and machinery	28,300	-	-	28,300
Data processing equipment	19,279	-	-	19,279
Automobiles	<u>85,561</u>	-	-	<u>85,561</u>
Total capital assets	<u>200,251</u>	-	-	<u>200,251</u>
Accumulated depreciation				
Furniture and fixtures	(23,443)	(6,312)	-	(29,755)
Equipment and machinery	(8,642)	(8,103)	-	(16,745)
Data processing equipment	(19,280)	-	-	(19,280)
Automobiles	<u>(47,425)</u>	<u>(12,110)</u>	-	<u>(59,535)</u>
Total accumulated depreciation	<u>(98,790)</u>	<u>(26,525)</u>	-	<u>(125,315)</u>
Net assets	<u>\$ 101,461</u>	<u>(26,525)</u>	-	<u>74,936</u>

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

5. Capital Assets (continued)

The Department does not have any debt related to capital assets. Depreciation expense for the year was \$26,525.

6. Compensated Absences Payable

Employees are entitled to accumulate annual leave at a graduated rate based on years of service. In addition, employees may accumulate sick leave and compensatory leave. A maximum of 240 hours (30 days of annual leave) can be carried forward at calendar year end. The Department has recognized a liability of \$37,029 in the Statement of Net Assets for compensated absences based on current pay rates and hours accumulated at June 30, 2010.

A summary of changes in the compensated absences payable for the year ended June 30, 2010, is as follows:

	Balance June			Balance June	
	30, 2009	Additions	Deletions	30, 2010	Current
					Portion
Current compensated absences payable	\$ 40,026	36,248	(39,246)	37,029	37,029

Compensated absences are usually paid with state general fund appropriations out of the General Fund, SHARE Fund 04800. The Department considers the compensated absence balances to be a current liability on the statement of net assets.

7. Reversions - Due to State General Fund

Unexpended cash balances at year end of State General Fund monies appropriated to the Department are reverted to the State General Fund, unless otherwise specified in the appropriation language.

The General Fund 04800 receives a State General Fund appropriation annually. Any unexpended funds at the end of the year revert to the State General Fund. In 2010, the Department was appropriated \$368,400 from the tobacco settlement fund in addition to the general fund appropriation of \$3,421,000. The Indian Affairs Department did not receive a Compensation Package in FY2010. The Department also, did not receive special appropriations in FY2010. Any other revenue received in the fund, which is not specifically appropriated by the legislature, also reverts to the State General Fund.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

7. Reversions - Due to State General Fund (continued)

	<u>General Fund</u>
Cash on deposit, June 30, 2010	\$ 1,498,492
Add: due from other funds	37,875
Add: due from other state agencies (DFA Central Payroll)	-
Less: accounts payable	(639,502)
Less: accrued salaries payable	(21,548)
Less: payroll taxes payable	(10,611)
Less: payroll benefits payable	(14,555)
Less: other liabilities	98
Due to State General Fund	\$ 850,249

Source of reversions amounts to budget fiscal year are as follows:

Budget fiscal year ended:	
June 30, 2010	\$ <u>850,249</u>
	\$ <u>850,249</u>

The Department intends to revert the funds within the 45 day period after the audit to remain in compliance with statutory requirements.

8. Restricted Net Assets/Fund Balances

The government-wide statement of net assets reports \$5,171,499 of restricted net assets, all of which is restricted by enabling legislation.

During FY 2009, the department reauthorized a General Fund project from fund 10100 and reverted funds from a General fund project, both of which were established in this fund before it was converted to accounting strictly for severance tax bond projects. Thus, the fund shows a negative fund balance of (\$50,585). Under normal circumstances, a severance tax bond fund should not reflect a fund balance.

9. Accrued Salaries Payable

A portion of payroll expenditures pertaining to the year ended June 30, 2010, was paid on July 2, 2010. Since the disbursements did not occur until subsequent to June 30, 2010, accrued salaries payable totaling \$21,548 has been reflected in the statement of net assets.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

10. Pension Plan - Public Employees Retirement Association

Plan Description - Substantially all of the Department's full-time employees participate in a Public employee retirement system authorized under the Public Employee Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy - Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Department's are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2010, 2009, and 2008 were \$118,072, \$144,329, and \$123,993, respectively, which equal the amount of the required contributions for each fiscal year.

11. Post Employment Benefits - State Retiree Health Care Plan

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care

STATE OF NEW MEXICO
 INDIAN AFFAIRS DEPARTMENT
 Notes to Financial Statements (continued)
 June 30, 2010

11. Post Employment Benefits - State Retiree Health Care Plan (continued)

Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

Also, employers joining the program after January 1, 1998 are required to make a surplus amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Department's contributions to the RHCA for the years ended June 30, 2010, 2009, and 2008 were \$10,139, \$11,310, and \$9,554, respectively, which equal the required contributions for each year.

12. Risk Management

The Department obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance, and state unemployment.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

12. Risk Management (continued)

These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Department are covered by blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2009, through June 30, 2010.

13. Transfer To/From Other Agencies

From Agency/Fund		To Agency/Fund		Purpose	Amount
36900/85300	DFA	60900/04800	IAD	State General Fund Appropriation	\$ 3,421,000
				Other funds - Tobacco Settlement Funds	400,000
34100/62000	IAD	60900/04800	DFA	Partial reversion of Tobacco Settlement funds	(31,600)
34100/62000	IAD	60900/04800	DFA	Reversion to State General Fund	(855,049)
60900/10000	IAD	36900/85300	DFA	Reversion to State General Fund	(11,039,787)
36900/85300	DFA	60900/10000	IAD	State General Fund Appropriation - Capital Projects	505,000
34100/01900	DFA/BOF	60900/10100	IAD	Bond Proceeds Appropriation - Severance Tax Bonds Project	14,464,375
60900/10100	IAD	36900/85300	DFA	Reversion to State General Fund	(73,680)
60900/42900	IAD	36900/85300	DFA	Reversion to State General Fund	(2,012,062)
34100/01900	DFA/BOF	60900/42900	IAD	Bond Proceeds Appropriation - Severance Tax Bonds Project	3,152,725

14. Inter-fund Receivables and Payables

	Purpose	Due From	Due To
<u>Fund 04800 - General Fund</u>			
Due from Fund 10100	Expenditure paid out of wrong fund	\$ 25,000	-
Due from Fund 66700	Expenditure paid out of wrong fund	12,875	-
<u>Fund 10000 - Special Capital Outlay Fund</u>			
Due to Fund 42900	Unused State General Fund capital project monies due to Tribal Infrastructure Fund per state statute	-	46,095
<u>Fund 42900 - Tribal Infrastructure Fund</u>			
Due from Fund 10000	Unused State General Fund capital project monies due from Special Capital Outlay Fund per state statute	46,095	-

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

14. Inter-fund Receivables and Payables (continued)

		Due From	Due To
Purpose			
<u>Fund 10100 - Special Capital Outlay Fund</u>			
Due to Fund 04800	Expenditure paid out of wrong fund	-	25,000
<u>Fund 66700 - IAD Grant Fund</u>			
Due to Fund 04800	Expenditure paid out of wrong fund	-	12,875
		\$ 83,970	83,970

Due from and due to other funds represent interfund receivables and payables arising from interdepartmental transactions. These amounts have been eliminated on the government-wide statement. All balances are expected to be paid within one year from the date of the financial statements.

15. Intergovernmental Agreements

The Department has entered into an Intergovernmental Agreement with each entity who has been awarded funding for capital projects. The Schedule of Capital Projects – Severance Tax Appropriations and General Fund Appropriations provides a schedule of capital projects and the entity’s name. All unexpended balances of capital outlay appropriations are reported in the fund statements as reserved for subsequent years’ expenditures.

16. New Accounting Pronouncement

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The provisions are effective for the Department for periods beginning after June 15, 2010. Management does not expect implementation of this Statement to have a material effect on the financial statements.

17. Commitments and Contingencies

Capital Project Funding – The Department has future commitments to fund projects through June 30, 2014. These future project commitments are listed in detail in the Schedule of Capital Projects – Severance Tax Appropriations and State General Fund Appropriations.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Notes to Financial Statements (continued)
June 30, 2010

17. Commitments and Contingencies (continued)

Legal Proceedings – The Department is involved in legal proceedings pertaining to a \$337,500 Professional Services Contract awarded to and paid to a film production company to create an educational documentary film regarding the contribution of the Navajo Code Talkers in World War II. The production company has disputed the State’s ownership of the product. The Department intends to contest the case and feels there is a high likelihood of a favorable outcome, which would result in the Department maintaining ownership of the rights of the documentary film. In the event that the outcome is not in the Department’s favor, any settlement would be covered under the Risk Management agreement with the General Services Department (see Note 12).

18. Subsequent Events

The Department has evaluated subsequent events through December 3, 2010, the date which the financial statements were available to be issued.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Combining Balance Sheet – Non-Major Funds
Governmental Funds
June 30, 2010

	Special Revenue Funds			
	Special Capital Outlay Fund 09900	IAD Grant Fund 66700	Special Capital Outlay Fund 53100	Total
Assets				
Investments in the State Treasurer General				
Fund investment pool	\$ -	148,314	-	148,314
Due from other state agencies	<u>68,221</u>	<u>-</u>	<u>-</u>	<u>68,221</u>
Total assets	<u>\$ 68,221</u>	<u>148,314</u>	<u>-</u>	<u>216,535</u>
Liabilities				
Accounts payable	\$ -	38,103	-	38,103
Bank overdraft	68,221	-	-	68,221
Deferred revenue	-	90,179	-	90,179
Due to other funds	-	12,875	-	12,875
Due to other state agencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>68,221</u>	<u>141,157</u>	<u>-</u>	<u>209,378</u>
Fund Balances/Net Assets				
Fund balance:				
Reserved	<u>-</u>	<u>7,157</u>	<u>-</u>	<u>7,157</u>
Total fund balances	<u>-</u>	<u>7,157</u>	<u>-</u>	<u>7,157</u>
Total liabilities and fund balances	<u>\$ 68,221</u>	<u>148,314</u>	<u>-</u>	<u>216,535</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Non-Major Funds
Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds			
	Special Capital Outlay Fund 09900	IAD Grant Fund 66700	Special Capital Outlay Fund 53100	Non- Major Governm- ental Funds
Expenditures:				
General government:				
Personal services	\$ -	1,634	-	1,634
Contractual services	-	47,274	-	47,274
Other costs	-	60,913	-	60,913
Total expenditures	-	109,821	-	109,821
Excess (deficiency) of revenues over expenditures	-	-	-	109,821
Other financing sources (uses):				
Private grants		109,821		
Bond proceeds appropriations	-	-	-	-
Total other financing sources (uses)	-	109,821	-	109,821
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	7,157	-	7,157
Fund balance, ending	\$ -	7,157	-	7,157

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Statement of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Non-Major Special Revenue Fund - IAD Grant Fund 66700
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual Budget Basis	Variance Favorable (Unfavor- able)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other funds:				
Private gifts and grants	\$ 200,000	200,000	109,821	90,179
Total revenues	200,000	200,000	<u>109,821</u>	<u>90,179</u>
Prior-year cash	<u>20,032</u>	<u>20,032</u>		
Total revenues budgeted	\$ <u>220,032</u>	<u>220,032</u>		
Expenditures:				
General government:				
Personal services	\$ 130,000	1,634	1,634	-
Contractual services	15,000	121,900	47,274	74,626
Other costs	<u>75,032</u>	<u>96,498</u>	<u>60,913</u>	<u>35,585</u>
Total expenditures	\$ <u>220,032</u>	<u>220,032</u>	<u>109,821</u>	<u>110,211</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 109,821	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			\$ <u>109,821</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 109,821	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			\$ <u>109,821</u>	

Note: The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Statement of Revenues and Expenditures –
Budget and Actual (Budgetary Basis) (Multi-Year)
Non-Major Special Revenue Fund - Special Capital Outlay Fund 53100
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final	Budget Basis	Favorable (Unfavorable)
Revenues:				
Other funds:				
Severance tax bond appropriations	\$ -	-	-	-
Total revenues	-	-	-	-
Prior-year fund balance	-	-		
Total revenues budgeted	\$ -	-		
Expenditures:				
General government:				
Other costs	\$ -	-	-	-
Total expenditures	\$ -	-	-	-
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ -	
Adjustments:				
None			-	
Budget basis revenue			\$ -	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ -	
Adjustments:				
None			-	
Budget basis expenditures			\$ -	

Note: The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

There is 1 Capital Project summarized in the statement above.

The accompanying notes are an integral part of the financial statements.

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Schedule of Capital Projects - Severance Tax Appropriations and State General Fund Appropriations
June 30, 2010

#	Fund Code	Org. Code	BOF/CPD Proj. #	Description	Tribal Govt.	Funding Source	Appr. End Date	Amount	Amount	Unexpended/ Uncommitted
								Appropriated or Reauthorized	Expended	Balance
1	100	073442	07-3442	Tohatchi Ch. p/d/c/r/e skateboard park	Navajo Nat.	GF/09 R	6/30/2011	\$ 210,000	-	210,000
2	100	075098	07-5098	Pueblo of Pojoaque wellness center	19 Pueblos	GF/09 R	6/30/2010	245,000	-	245,000
3	100	084350	08-4350	Baahaali Ch. purchase and equip vehicles	Navajo Nat.	GF/09 R	6/30/2011	50,000	-	50,000
4	100	0668	04-0668	Breadsprings Ch. Parking Lot Improv. Proj.	Navajo Nat.	CapProj/09 R	6/30/2011	50,000	-	50,000
5	100	0677	04-0677	Twin Lakes Ch. Govt. Off. Complex Plan/Design	Navajo Nat.	CapProj/09 R	6/30/2011	50,000	-	50,000
6	100	0682	04-0682	Mexican Springs Ch. Multipurpose Facility expand	Navajo Nat.	CapProj/07R	6/30/2011	50,000	49,002	998
7	100	0928	05-0928	Burnham Ch. Veteran's Multiplex Bldg.	Navajo Nat.	GF/07	6/30/2011	265,000	-	265,000
8	100	2107	04-2107	White Horse Lake Chapter Water Line	Navajo Nat.	CapProj/09 R	6/30/2011	86,900	9,360	77,540
9	100	5229	05-1229	Acoma Pueblo Sky City Veterans' Memorial	19 Pueblos	GF/09 R	6/30/2011	150,000	105,900	44,100
10	100	061336	06-1336	Zuni Pueblo Visitors Center Building Purchase	19 Pueblos	GF/09 R	6/30/2011	125,000	65,000	60,000
11	100	061349	06-1349	Littlewater Chp Head Start Fac expand modular bld	Navajo Nat.	GF/07 R	6/30/2011	150,000	-	150,000
12	100	061367	06-1367	Ohkay Owingeh First Capital Heritage	19 Pueblos	GF/07 R	6/30/2011	99,967	89,906	10,061
13	100	061390	06-1390	Santo Domingo Pue construct EMS & Fire Sta Fac	19 Pueblos	GF/06	6/30/2011	200,000	190,635	9,365
14	100	061402	06-1402	Cochiti Pueblo Health Clinic Improv	19 Pueblos	GF/06	6/30/2010	150,000	105,055	44,945
15	100	073255	07-3255	Breadsprings Ch. Design & construct bathroom additions	Navajo Nat.	GF/07	6/30/2011	40,000	18,129	21,871
16	100	073258	07-3258	Isleta Pueblo landscape & improve little league field	19 Pueblos	GF/07	6/30/2011	61,009	52,093	8,916
17	100	073260	07-3260	Cochiti Pueblo powerback up & fire truck equipment	19 Pueblos	GF/07	6/30/2011	35,579	-	35,579
18	100	074631	07-4631	Isleta Pueblo p/d/c library education center	19 Pueblos	GF/07	6/30/2011	700,000	272,674	427,326
19	100	074633	07-4633	Isleta Pueblo construct a Mousetown neighborhood Park	19 Pueblos	GF/07	6/30/2011	71,896	68,901	2,995
20	100	074637	07-4637	Acoma Pueblo p/d/c & renovate cmplx/boy's & girls club	19 Pueblos	GF/07	6/30/2011	250,000	209,376	40,624
21	100	074639	07-4639	Acoma Pueblo p/d/c & renovate skyline lagoon system	19 Pueblos	GF/07	6/30/2011	50,000	-	50,000
22	100	074640	07-4640	Acoma Pueblo p/d/c wastewater treatment facility	19 Pueblos	GF/07	6/30/2011	75,000	71,673	3,327
23	100	074641	07-4641	Laguna Pueblo purchase, install & equip health center	19 Pueblos	GF/07	6/30/2011	75,000	-	75,000
24	100	074651	07-4651	Ramah Ch. Powerlines in unit 5 area	Navajo Nat.	GF/07	6/30/2011	25,000	1,500	23,500
25	100	074653	07-4653	Fort Defiance Ch. Construct bathroom additions	Navajo Nat.	GF/07	6/30/2011	38,750	5,547	33,203
26	100	074654	07-4654	Navajo Nation p/d/c/e transportation building	Navajo Nat.	GF/07	6/30/2011	500,000	216,765	283,235
27	100	074655	07-4655	Baca Ch. p/d/c purchase & install bathroom additions	Navajo Nat.	GF/07	6/30/2011	50,000	30,339	19,661
28	100	074656	07-4656	Becenti Ch. p/d/c bathroom additions	Navajo Nat.	GF/07	6/30/2011	50,000	49,313	687
29	100	074657	07-4657	Baahaali Ch (Breadsprings Ch.) d/c bathroom additions	Navajo Nat.	GF/07	6/30/2011	29,000	-	29,000
30	100	074665	07-4665	Church Rock Ch. Plan & design tourism complex	Navajo Nat.	GF/07	6/30/2011	50,000	14,795	35,205
31	100	074669	07-4669	Crownpoint Wellness Center Construct	Navajo Nat.	GF/07	6/30/2011	450,000	69,883	380,117
32	100	074672	07-4672	Littlewater Ch bathroom additions	Navajo Nat.	GF/07	6/30/2011	50,000	41,172	8,828
33	100	074674	07-4674	Crownpoint Ch. p/d/c/e/f eastern Navajo admin complex	Navajo Nat.	GF/07	6/30/2011	100,000	44,360	55,640
34	100	074680	07-4680	Littlewater Ch. p/d/c/p/i/e & furnish Head Start Facility	Navajo Nat.	GF/07	6/30/2011	70,000	-	70,000
35	100	074686	07-4686	Red Rock Ch. Construct bathroom additions	Navajo Nat.	GF/07	6/30/2011	25,000	20,256	4,744
36	100	074687	07-4687	Red Rock Ch. Modular office bldg. pur/install/equip/fur	Navajo Nat.	GF/07	6/30/2011	50,000	-	50,000
37	100	074689	07-4689	Red Rock Ch. Pur/install/equip/fur modular building	Navajo Nat.	GF/07	6/30/2011	50,000	42,049	7,951

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Schedule of Capital Projects - Severance Tax Appropriations and State General Fund Appropriations
June 30, 2010

#	Fund Code	Org. Code	BOF/CPD Proj. #	Description	Tribal Govt.	Funding Source	Appr. End Date	Amount	Amount	Unexpended/ Uncommitted
								Appropriated or Reauthorized	Expended	Balance
38	100	074694	07-4694	Tohatchi Ch. Chapter house kitchen plumbing system	Navajo Nat.	GF/07	6/30/2011	50,000	17,791	32,209
39	100	074697	07-4697	Twin Lakes Ch. Construct Government office complex	Navajo Nat.	GF/07	6/30/2011	200,000	28,274	171,726
40	100	074703	07-4703	Zuni Pueblo p/d/c wastewater treatment cells	19 Pueblos	GF/07	6/30/2011	125,000	-	125,000
41	100	074710	07-4710	Jicarilla Apache Nation p/d/c & furnish agriculture bldg	Apache Nat.	GF/07	6/30/2011	99,500	90,000	9,500
42	100	074714	07-4714	Ohkay Owingeh Head Start Renovate	19 Pueblos	GF/07	6/30/2011	46,986	-	46,986
43	100	074715	07-4715	Ohkay Owingeh Library Renovate	19 Pueblos	GF/07	6/30/2011	100,000	45,000	55,000
44	100	074722	07-4722	Lake Valley Ch. p/d/c rodeo grounds	Navajo Nat.	GF/07	6/30/2011	50,000	48,400	1,600
45	100	074723	07-4723	Nageezi Ch. purchase office furniture & equipment	Navajo Nat.	GF/08 R	6/30/2011	50,000	2,375	47,625
46	100	074725	07-4725	Nenahnezad Ch. Design & construct w/water system	Navajo Nat.	GF/07	6/30/2011	200,000	141,346	58,654
47	100	074726	07-4726	Newcomb Ch. p/d/c addition chapter house	Navajo Nat.	GF/07	6/30/2011	191,000	-	191,000
48	100	074728	07-4728	Sanostee Ch. Purchase vehicle/Heavy equipment & equip	Navajo Nat.	GF/09 R	6/30/2011	124,500	81,032	43,468
49	100	074733	07-4733	Shiprock Ch. p/d/c electric power trunk lines	Navajo Nat.	GF/07	6/30/2011	200,000	-	200,000
50	100	074734	07-4734	Shiprock Ch. Judicial & Public safety complex	Navajo Nat.	GF/07	6/30/2011	86,560	74,803	11,757
51	100	074738	07-4738	White Rock Ch. p/d/c powerline home sites	Navajo Nat.	GF/07	6/30/2011	50,000	-	50,000
52	100	074741	07-4741	Jemez Pueblo p/d/c head start building	19 Pueblos	GF/07	6/30/2011	62,500	32,000	30,500
53	100	074756	07-4756	Nambe Pueblo renovate & equip admin building #1	19 Pueblos	GF/07	6/30/2011	90,000	88,201	1,799
54	100	074758	07-4758	Nambe Pueblo p/d/c water & wastewater system	19 Pueblos	GF/07	6/30/2011	140,000	138,500	1,500
55	100	074766	07-4766	San Ildefonso Pueblo p/d/c water system	19 Pueblos	GF/07	6/30/2011	264,000	161,773	102,227
56	100	074774	07-4774	Alamo Ch. p/d/c sewage treatment plant	Navajo Nat.	GF/07	6/30/2011	200,000	62,806	137,194
57	100	083962	08-3962	Indian Pueblo Cultural Center p/d/c cultural center	Other	GF/08	6/30/2012	66,262	52,735	13,527
58	100	083963	08-3963	To'hajiilee Ch. p/d/c magistrate courthouse	Navajo Nat.	GF/08	6/30/2012	34,000	-	34,000
59	100	083965	08-3965	Acoma Pueblo design & renovate boy's & girl's club	19 Pueblos	GF/08	6/30/2012	25,000	-	25,000
60	100	083967	08-3967	Acoma Pueblo p/d/c/e wastewater treatment facility	19 Pueblos	GF/08	6/30/2012	50,000	-	50,000
61	100	083969	08-3969	Laguna Pueblo plan & design swimming pool	19 Pueblos	GF/08	6/30/2012	25,000	-	25,000
62	100	083970	08-3970	Laguna Pueblo p/d/c water, WW & infrastructure	19 Pueblos	GF/08	6/30/2012	40,000	-	40,000
63	100	083971	08-3971	Ramah Ch. p/d/c bathroom additions to homes	Navajo Nat.	GF/08	6/30/2012	55,000	50,573	4,427
64	100	083973	08-3973	Fort Defiance Ch. p/d/c water lines & bathroom additions	Navajo Nat.	GF/08	6/30/2012	30,000	20,011	9,989
65	100	083975	08-3975	Baahaali Ch. p/d/c parking lot	Navajo Nat.	GF/08	6/30/2012	85,000	-	85,000
66	100	083977	08-3977	Baahaali Ch. purchase & equip vehicles	Navajo Nat.	GF/09 R	6/30/2010	10,000	-	10,000
67	100	083978	08-3978	Baca-Prewitt Ch. p/d/c bathroom additions renovations	Navajo Nat.	GF/08	6/30/2012	35,000	9,165	25,835
68	100	083979	08-3979	Becenti Ch. p/d/c bathroom additions to homes	Navajo Nat.	GF/08	6/30/2012	85,000	84,610	390
69	100	083984	08-3984	Crowinpoint Navajo Nation Local Goverance p/d/c/e mod office	Navajo Nat.	GF/08	6/30/2012	50,000	9,351	40,649
70	100	083986	08-3986	Manuelito Ch. p/d/c/e replace improvements to ch. house	Navajo Nat.	GF/08	6/30/2012	25,000	24,901	99
71	100	083988	08-3988	Mexican Springs p/d/c/e/f playground	Navajo Nat.	GF/08	6/30/2012	75,000	70,361	4,639
72	100	083991	08-3991	Pinedale Ch. p/d/c wiring & powerline	Navajo Nat.	GF/08	6/30/2012	35,000	-	35,000
73	100	083997	08-3997	Tohatchi Ch. purchase & install fencing at cemetry	Navajo Nat.	GF/08	6/30/2012	10,000	7,718	2,282
74	100	083999	08-3999	Twin Lakes Ch. Construct Government office complex	Navajo Nat.	GF/08	6/30/2012	35,000	-	35,000

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Schedule of Capital Projects - Severance Tax Appropriations and State General Fund Appropriations
June 30, 2010

#	Fund Code	Org. Code	BOF/CPD Proj. #	Description	Tribal Govt.	Funding Source	Appr. End Date	Amount		Unexpended/ Uncommitted Balance	
								Appropriated or Reauthorized	Amount Expended		
75	100	084001	08-4001	Zuni Pueblo p/d/c utility fencing	19 Pueblos	GF/08	6/30/2012	85,000	62,320	22,680	
76	100	084002	08-4002	Zuni Pueblo p/d/c wastewater sys & treatment facilities	19 Pueblos	GF/08	6/30/2012	35,000	34,822	178	
77	100	084003	08-4003	Zuni Pueblo construct wastewater treatment cells	19 Pueblos	GF/08	6/30/2012	50,000	19,000	31,000	
78	100	084006	08-4006	Isleta Pueblo p/d/c veterans' center	19 Pueblos	GF/08	6/30/2012	25,000	4,600	20,400	
79	100	084007	08-4007	Sandia Pueblo p/d/c/r/e health center	19 Pueblos	GF/08	6/30/2012	120,000	89,437	30,563	
80	100	084013	08-4013	Santa Clara Pueblo p/d/c/e water & water sewer systems	19 Pueblos	GF/08	6/30/2012	150,000	108,847	41,153	
81	100	084016	08-4016	Lake Valley Ch. construct a powerline	Navajo Nat.	GF/08	6/30/2012	40,000	-	40,000	
82	100	084018	08-4018	Little Water Ch. Head Start Facility	Navajo Nat.	GF/09 R	6/30/2012	10,000	-	10,000	
83	100	084019	08-4019	Nageezi Ch. p/d/c bathroom additions	Navajo Nat.	GF/08	6/30/2012	35,000	27,880	7,120	
84	100	084020	08-4020	Newcomb Ch. p/d/c an addition	Navajo Nat.	GF/08	6/30/2012	25,000	15,312	9,688	
85	100	084030	08-4030	Jemez Pueblo construct tribal admin comm serv bldg	19 Pueblos	GF/08	6/30/2012	150,000	-	150,000	
86	100	084040	08-4040	San Ildefonso Pueblo Wellness Center	19 Pueblos	GF/08	6/30/2012	50,000	48,902	1,098	
Total projects fund 100								\$	8,653,408	3,596,528	5,056,880
1	101	083160	083160	Pinedale Ch. p/d/c & renovate bthrm additions	Navajo Nat.	STB/08	6/30/2012	\$ 210,000	168,881	41,119	
2	101	074713	09-3008	Ohkay Owingeh p/d/c airport improvements	19 Pueblos	STB/09	6/30/2013	779,472	535,001	244,470	
3	101	083155	08-3155	Indian Pueblo Cultural Center p/d/c & engineer park lot	Other	STB/08	6/30/2012	264,000	223,744	40,256	
4	101	083156	08-3156	Acoma Pueblo p/d/c water & wastewater system improv	19 Pueblos	STB/08	6/30/2012	200,000	81,497	118,503	
5	101	083162	08-3162	Isleta Pueblo p/d/c/e/f educational complex	19 Pueblos	STB/08	6/30/2012	551,000	-	551,000	
6	101	083166	08-3166	Red Valley Ch. p/d/c powerline extensions to homes	Navajo Nat.	STB/08	6/30/2012	200,000	-	200,000	
7	101	083168	08-3168	Dine College p/d/c library	Other	STB/08	6/30/2012	5,000,000	2,363,729	2,636,271	
8	101	083169	08-3169	T'iistoh Sikaad Ch (Burnham) d/c/e veterans center	Navajo Nat.	STB/08	6/30/2012	325,000	-	325,000	
9	101	083170	08-3170	Cochiti Pueblo p/d/c/e/f multiuse fac & cultural ctr	19 Pueblos	STB/08	6/30/2012	100,000	34,245	65,755	
10	101	083171	08-3171	Jemez Pueblo p/d/c improv to dams, waterways & culverts	19 Pueblos	STB/08	6/30/2012	200,000	3,465	196,535	
11	101	083172	08-3172	Santa Ana Pueblo p/d/c/e effluent storage pond	19 Pueblos	STB/08	6/30/2012	200,000	83,134	116,866	
12	101	083173	08-3173	Santa Ana Pueblo p/d/c/e/f fire & emergency medical facility	19 Pueblos	STB/08	6/30/2012	365,000	238,085	126,915	
13	101	083175	08-3175	Santo Domingo Pueblo p/d/c fire emerg serv & saftey cmplx	19 Pueblos	STB/08	6/30/2012	435,000	-	435,000	
14	101	083184	08-3184	Taos Pueblo p/d/c drainage & irrigation system	19 Pueblos	STB/08	6/30/2012	200,000	199,856	144	
15	101	073742	07-3742	Taos Pueblo drainage & infrastructure p/d/c & repair	19 Pueblos	STB/07	6/30/2011	200,000	197,000	3,000	
16	101	084936	08-4936	Santa Fe Indian School Regional Wellness Center	Other	STB/08 GOB	6/30/2012	3,000,000	2,970,000	30,000	
17	101	0002	00-0222	Laguna Pueblo-Juvenile/Adult Detention Ctr.	19 Pueblos	STB/07 R	6/30/2011	100,000	-	100,000	
18	101	0207	02-0337	Little Water Chapter Head Start Fac expand mod bldg	Navajo Nat.	STB/07 R	6/30/2011	25,000	-	25,000	
19	101	0213	02-0343	Red Lake Chapter Steel office bldg p/d/c	Navajo Nat.	STB/07 R	6/30/2011	138,810	98,028	40,782	
20	101	0220	02-0350	Naschitti powerline ext & elec house wiring	Navajo Nat.	STB/06 R	6/30/2010	152,103	-	152,103	
21	101	0234	02-0364	Laguna Pueblo Training Center	19 Pueblos	STB/07 R	6/30/2011	50,000	34,943	15,057	
22	101	0236	02-0366	Pine Hill Community Bathroom Additions	Navajo Nat.	STB/07 R	6/30/2011	65,000	60,872	4,128	

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STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Schedule of Capital Projects - Severance Tax Appropriations and State General Fund Appropriations
June 30, 2010

#	Fund Code	Org. Code	BOF/CPD Proj. #	Description	Tribal Govt.	Funding Source	Appr. End Date	Amount		Unexpended/ Uncommitted Balance	
								Appropriated or Reauthorized	Amount Expended		
23	101	0243	02-0373	Shiprock Home for Women & Children	Navajo Nat.	STB/09 R	6/30/2011	50,000	-	50,000	
24	101	0246	02-0376	Zuni Pueblo Renovate Visitor's Center	19 Pueblos	STB/09 R	6/30/2011	45,000	28,217	16,783	
25	101	0414	04-0414	Shiprock Home for Women & Children	Navajo Nat.	STB/09 R	6/30/2011	200,000	-	200,000	
26	101	1579	04-1579	Tohatchi Chapter Powerline Extension	Navajo Nat.	STB/09 R	6/30/2011	80,000	56,000	24,000	
27	101	1581	04-1581	Shiprock Home for Women & Children	Navajo Nat.	STB/09 R	6/30/2011	45,000	-	45,000	
28	101	1582	04-1582	Nageezi Chapter Powerline Extensions	Navajo Nat.	STB/07 R	6/30/2011	50,000	-	50,000	
29	101	1583	04-1583	Hogback Chapter Powerline Construction to expand purpose	Navajo Nat.	STB/09 R	6/30/2011	500,000	62,054	437,946	
30	101	1595	04-1595	White Horse Lake Chapter Water Line	Navajo Nat.	STB/09 R	6/30/2011	256,000	71,276	184,724	
31	101	5162	05-0162	Little Water Ch. Head Start Facility	Navajo Nat.	STB/09 R	6/30/2011	50,000	-	50,000	
32	101	5171	05-0171	Santa Clara Pueblo Infrastructure Projects expand purpose	19 Pueblos	STB/09 R	6/30/2011	200,000	132,616	67,384	
33	101	060249	06-0249	Chichiltah Mckinley Co Fire Station Construct Expand	Navajo Nat.	STB/09 R	6/30/2011	50,000	39,043	10,957	
34	101	073768C	07-3768C	Pueblo of Pojoaque wellness center	19 Pueblos	STB/09 R	6/30/2011	150,000	-	150,000	
35	101	0080	98-0172	Laguna Pueblo-Juvenile/Adult Detention Ctr.	19 Pueblos	STB/07 R	6/30/2011	100,000	9,898	90,102	
36	101	0076	98B-335	Rock Springs-Comm. Infrastructure	Navajo Nat.	STB/07 R	6/30/2011	25,000	-	25,000	
37	101	5170	05-0170	San Juan Pueblo Airport Imprv. Infrastrc.	19 Pueblos	STB/05	6/30/2010	2,000,000	1,843,971	156,029	
38	101	2107	09-3473	White Horse Lake Chapter Water Line	Navajo Nat.	CapProj/09 R	6/30/2011	257,100	-	257,100	
39	101	061326	10-1111	Crownpoint Chp Wellness Ctr. Construction	Navajo Nat.	GF/06/STB10	6/30/2014	97,565	3,296	94,269	
40	101	074667	09-3827	Coyote Canyon Ch. Renovate & expand ch. House	Navajo Nat.	GF/07/STB09	6/30/2011	100,000	-	100,000	
41	101	074668	09-3828	Crownpoint Inst. Of Tech. Internet to Hogan	Other	GF/07/STB09	6/30/2011	466,957	-	466,957	
42	101	074671	09-3829	Navajo Technical College p/d/c/e/f Internet to Hogans	Other	GF/07/STB09	6/30/2011	550,000	-	550,000	
43	101	074731	10-1112	Shiprock Home for Women & Children	Navajo Nat.	GF/09R/STB10	6/30/2011	600,000	-	600,000	
44	101	074752	09-3838	Torreon-Star Lake Ch. p/d/c police substation	Navajo Nat.	GF/07/STB09	6/30/2011	82,000	13,519	68,481	
45	101	084004	09-3830	Torreon & Ojo Encino Ch. p/d/c water line extensions bthrms	Navajo Nat.	GF/08/STB09	6/30/2012	46,554	6,835	39,719	
46	101	084010	09-3831	Mescalero Apache Tribe d/c/r/e fish hatchery & ponds	Other	GF/08/STB09	6/30/2012	152,251	-	152,251	
47	101	084031	09-3835	San Felipe Pueblo purchase & equip bus for head start	19 Pueblos	GF/08/STB09	6/30/2010	56,436	-	56,436	
Total projects fund 101								\$	18,970,248	9,559,208	9,411,040
1	42900	9002	08-9002	San Ildefonso Pueblo Mesa Vista Affordable Housing Develop	19 Pueblos	GF/08/STB09R	6/30/2011	\$ 574,023	74,709	499,314	
2	42900	9004	08-9004	Mexican Springs Chapter Road Improvement Project	Navajo Nat.	GF/08/STB09R	6/30/2011	100,000	-	100,000	
3	42900	9007	08-9007	Isleta Pueblo Village Proper Water Main Replacement	19 Pueblos	GF/08/STB09R	6/30/2011	750,000	70,621	679,379	
4	42900	9010	08-9010	Shiprock Youth Home	Navajo Nat.	GF/08/STB09R	6/30/2011	50,000	-	50,000	
5	42900	9011	08-9011	Crownpoint Judicial & Public Safety Complex	Navajo Nat.	GF/08/STB09R	6/30/2011	50,000	-	50,000	
6	42900	9012	08-9012	Tohatchi Chapter Community Warehouse	Navajo Nat.	GF/08/STB09R	6/30/2011	50,000	-	50,000	
7	42900	9013	08-9013	Baahaali Chapter Pinehaven Development Site	Navajo Nat.	GF/08/STB09R	6/30/2011	50,000	-	50,000	
8	42900	9016	08-9016	Lake Valley Chapter Powerline Project	Navajo Nat.	GF/08/STB09R	6/30/2011	50,000	-	50,000	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Schedule of Capital Projects - Severance Tax Appropriations and State General Fund Appropriations
June 30, 2010

#	Fund Code	Org. Code	BOF/CPD Proj. #	Description	Tribal Govt.	Funding Source	Appr. End Date	Amount Appropriated or Reauthorized	Amount Expended	Unexpended/ Uncommitted Balance	
9	42900	099001	09-9001	Chichiltah Ch. County Road 6 Improvement Project	Navajo Nat.	STB/09	6/30/2012	650,000	-	650,000	
10	42900	099002	09-9002	Crownpoint Ch. Tsin Ya Nal Kidi Bathroom Addition	Navajo Nat.	STB/09	6/30/2012	294,397	150,406	143,991	
11	42900	099004	09-9004	Thoreau Ch. County Rd 27 improve Project-Phase II	Navajo Nat.	STB/09	6/30/2012	400,612	-	400,612	
12	42900	099005	09-9005	Coyote Canyon Ch House Renovation	Navajo Nat.	STB/09	6/30/2012	300,000	115,313	184,688	
13	42900	099007	09-9007	Ojo Encino Ch powerline ext. franciscan Lake area	Navajo Nat.	STB/09	6/30/2012	269,288	-	269,288	
14	42900	099009	09-9009	Alamo Ch Water Improvement Project	Navajo Nat.	STB/09	6/30/2012	500,000	-	500,000	
15	42900	099010	09-9010	Acoma Pue Planning & Assessment Project	19 Pueblos	STB/09	6/30/2012	50,000	-	50,000	
16	42900	099011	09-9011	Cochiti Pue Kasha Katuwe Tent Rocks Visitor Center	19 Pueblos	STB/09	6/30/2012	50,000	32,952	17,048	
17	42900	099012	09-9012	Isleta Pueblo Long Term Elder Care Facility	19 Pueblos	STB/09	6/30/2012	50,000	2,450	47,550	
18	42900	099015	09-9015	Ramah Ch. p/d road & water lines	Navajo Nat.	STB/09	6/30/2012	50,000	-	50,000	
Total projects fund 429								\$	<u>4,288,320</u>	<u>446,451</u>	<u>3,841,869</u>
1	531	9806	98B-319	Laguna Pue-Juvenile/Adult De Ctr/Police headquqters	19 Pueblos	STB/07 R	6/30/2011	\$ 50,000	22,919	27,081	
Total projects fund 531								\$	<u>50,000</u>	<u>22,919</u>	<u>27,081</u>

The accompanying notes are an integral part of these financial statements.



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. Alvin H. Warren, Cabinet Secretary
State of New Mexico, Indian Affairs Department
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual non-major governmental funds and related budgetary comparisons presented as supplemental information of the State of New Mexico, Indian Affairs Department (Department), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2009-01 and 2010-2, to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2010-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of New Mexico, Indian Affairs Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as finding 2010-3.

The agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the agency's responses and, accordingly, we express no opinion on them.

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


Burt & Company CPAs, LLC

December 3, 2010

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Schedule of Findings and Responses
June 30, 2010

I. Prior-Year Audit Findings

- A. Finding #2009-1 – Severance Tax Bond Fund Not Reconciled - Repeated
- B. Finding #2009-2 – Fund Balances Not Reconciled to Projects - Resolved
- C. Finding #2009-3 – Compensated Absence Schedule Not Complete - Resolved
- D. Finding #2009-4 – Documentation for Disbursement Not Complete - Resolved
- E. Finding #2009-5 – Cash Reconciliation - Resolved
- F. Finding #2009-6 – Disposition of Tangible Personal Property - Resolved

II. Current-Year Findings Pertaining to the Financial Statements

A. Finding #2009-1 – Severance Tax Bond Fund Not Reconciled

Condition: Severance tax bond fund 10100 was not reconciled to amounts due from Board of Finance.

Criteria: Amounts that have been reimbursed to project recipients should be reconciled to draw downs received by the Board of Finance to balance the revenues with the expenditures.

Cause: Periodic monitoring of projects was not sufficient to detect amounts paid but not received created circumstances as described in the response section below.

Effect: A material adjustment was required to balance the fund.

Recommendation: Monthly monitoring to identify discrepancies should be performed as well as preparing a year end accrual and/or reconciliation.

Response: As of the date of this report a monthly reconciliation of all severance tax bonds in fund 10100 is being conducted by the capital outlay accountant/auditor and reviewed and approved by the capital outlay manager. FY 2010 imposed unprecedented workload challenges on the department due to the Executive capital outlay freeze which affected all of IAD's capital outlay projects and implementation of Senate Bill (SB) 29 and SB 182 which de-authorized hundreds of capital outlay projects and voided general fund projects authorized in previous years but authorized replacing the funding with proceeds from long-term or short-term senior severance tax bonds for viable general fund projects. Also, the Capital Outlay Unit (COU) lost 75% of its Capital Outlay staff in those last two quarters of FY 2010 and the state's hiring freeze delayed re-filling some of those positions. The COU continues to lack 25% of its original staff. These factors affected the department's capacity to reconcile the Severance Tax Bond Fund.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Schedule of Findings and Responses (continued)
June 30, 2010

II. Current-Year Findings Pertaining to the Financial Statements (continued)

B. Finding #2010-1 – Segregation of Duties

Condition: No segregation of duties related to approval of capital projects invoices and transactions existed for several months during the fiscal year.

Criteria: Strong internal controls require proper segregation of duties.

Cause: Three employees with institutional knowledge of the capital projects and who previously reviewed invoices resigned in the last two quarters of FY 2010.

Effect: Increased possibility of fraud and/or error.

Recommendations: All invoices that are paid by the Department should be reviewed by someone other than the person who processed the reimbursement request.

Response: In the current fiscal year, a new Capital Outlay Manager and Contract Analyst have been hired and are fully trained to perform departmental functions resulting in the segregation of duties. Due to the unprecedented conditions with SB182 and SB 29 along with the staffing situation stated above, which resulted in having essentially one employee in the Capital Outlay Unit for a significant period of time until new staff could be hired, IAD was challenged in segregating duties. Currently the process in place is for the COU manager to review the project file on all invoices confirming the legislative intent is met on all invoices. After the review of the file and invoice have been completed, the COU manager signs off on the invoice and then submits it for payment to the accountant. The same process is in place for STB draw requests, this process has been in place since July 2010.

C. Finding #2010-2 – Timeliness of Drawdown Requests

Condition: Drawdown requests for reimbursements not done in a timely manner.

Criteria: Per New Mexico Department of Finance and Administration Model Accounting Practices (2010), state agencies must not make payments of state monies if the issuing fund does not have a positive cash balance.

Cause: A consistent methodology for recording and processing transactions has not been implemented.

Effect: Reimbursement requests from the Board of Finance are being submitted in periods subsequent to the period in which the expenditure occurred, causing deficit cash balances.

Recommendations: The agency should implement a process to submit drawdown requests more timely as well as a monitoring system to follow up timely on drawdown status.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Schedule of Findings and Responses (continued)
June 30, 2010

II. Current-Year Findings Pertaining to the Financial Statements (continued)

C. Finding #2010-2 – Timeliness of Drawdown Requests (continued)

Response: In the current fiscal year, the agency has implemented a new process to submit drawdown requests, see below. This spreadsheet is updated weekly, reviewed and approved by the Capital Outlay Manager. To best serve constituent requests for prompt payment, IAD requested guidance from NM Board of Finance and was allowed to proceed with reimbursements prior to receiving the posted copy of the operating transfer. As of the date of this audit, IAD is no longer processing payment to the entities until the posted copy of the operating transfer has been delivered to IAD by the State Board of Finance.

Once IAD receives an invoice, the Capital Outlay Accountant/Auditor will process a drawdown request in the amount of the invoice and then it is submitted to the Board of Finance to draw the monies down on an Operating Transfer, when the Operating Transfer is posted by BOF/DFA a copy is forwarded to IAD, Capital Outlay Unit, Accountant/Auditor then process a payment voucher and is submitted to DFA for payment. NOTE: BOF processes draw requests on the 10th & 20th of every month.

III. Current Year Findings in Accordance with N.M.A.C.2.2.2

A. Finding #2010-3 – Timeliness of Audit Report

Condition: The June 30, 2010, fiscal year audit report for the State of New Mexico, Indian Affairs Department was not submitted to the State Auditor's Office by the required due date of December 6, 2010. The audit report was submitted January 12, 2011.

Criteria: Subsection A of 2.2.2.9 (2.2.2 NMAC), Requirements for Contracting and Conducting audits of Agencies, and the audit contract requires that audit reports for state agencies are due no later than 60 days after the Financial Control Division of the Department of Finance and Administration provides the State Auditor with notice that the agency's books and records are ready and available for audit; however, the deadline cannot extend beyond December 15th.

Cause: The audit report was rejected by the State Auditor's Office.

Effect: Since the audit report was not accepted by the State Auditor's Office by December 6, 2010, the Authority was out of compliance with State Audit Rule 2.2.2.9A and the provisions of the audit contract.

Recommendations: We recommend that future audit reports be delivered to the State Auditor's Office by the contracted delivery date in full compliance with the State Auditor's Rule 2.2.2.9A and the provision of the audit contract.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
Schedule of Findings and Responses (continued)
June 30, 2010

Response: The Indian Affairs Department in conjunction with the IPA will deliver all future audit reports to the State Auditor's Office by the contract delivery date in order to be in full compliance with the State Auditor Rule 2.2.2.9A and the provision of the audit contract.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
June 30, 2010

Financial Statement Preparation

The financial statements were substantially prepared by the auditor with the assistance of the Department. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.

Exit Conference

An exit conference was held on December 3, 2010, to discuss the audit. The following individuals were in attendance:

State of New Mexico, Indian Affairs Department

Alvin H. Warren, Cabinet Secretary
Marvis J. Aragon, Jr., Deputy Cabinet Secretary
Lillian Brooks, Administrative Services Director, Chief Financial Officer
Lynnette Cruz, Capital Projects

Independent Auditor – Burt & Company CPAs, LLC

Ronald E. Schranz, CPA
Robert M. Santiago, CPA (via telephone)