

**STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
June 30, 2015**

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INDIAN AFFAIRS DEPARTMENT
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INDIAN AFFAIRS DEPARTMENT
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**STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT**

OFFICIAL ROSTER

June 30, 2015

ADMINISTRATIVE OFFICIALS

Kelly Zunie	Cabinet Secretary
Suzette Shije	Deputy Cabinet Secretary
Joann Lapington	Chief Financial Officer
Moses Winston	General Counsel

INDEPENDENT AUDITORS' REPORT

Kelly Zunie, Cabinet Secretary
State of New Mexico Indian Affairs Department
and
Honorable Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund, of the State of New Mexico Indian Affairs Department (Department), a component unit of the State of New Mexico, as of and for the year ended June 30, 2015, and the related notes the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds, and the budgetary comparisons for all non-major funds presented as supplemental information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2015, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund and major STB Reauthorization fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major fund of the Department as of June 30, 2015, and the respective changes in financial position thereof, and the respective budgetary comparison for all non-major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Department's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Capital Projects – Severance Tax Appropriations and State General Fund Appropriations and Schedule of Vendors are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Capital Projects – Severance Tax Appropriations and General Fund Appropriations and the Schedule of Vendors are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Capital Projects – Severance Tax Appropriations and State General Fund Appropriations and Schedule of Vendors are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico
December 1, 2015

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2015

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 or IAD).

- 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 Position 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 position and how they have changed. Net position — 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.

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.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2015

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 State of New Mexico's Statewide Human Resources, Accounting and Management Reporting (SHARE) System. The Department maintains the General Fund (Fund No. 04800) and eight (8) 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)
- STB Reauthorization Fund (Fund No. 89200)
- GF Reauthorization Fund (Fund No. 93100)

Financial Analysis of the Department as a Whole

Statement of Net Position

An increase in the amount of active capital appropriations statewide resulted in more funding for the Department, while expenditures/disbursements to existing projects increased proportionately.

The statement of net assets summarizes the Department's net position for the fiscal year ending June 30, 2015. The following compares the current year with the prior year.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2015

Condensed Statements of Net Position

Governmental Activities

	<u>FY2015</u>	<u>FY2014</u>	<u>Change</u>
Assets			
Current assets	\$ 9,844,773	\$ 6,807,443	\$ 3,037,330
Capital assets, net	9,754	13,621	(3,867)
Total assets	<u>\$ 9,854,527</u>	<u>\$ 6,821,064</u>	<u>\$ 3,033,463</u>
Liabilities			
Current liabilities	\$ 9,588,571	\$ 6,526,635	\$ 3,061,936
Long-term liabilities	-	-	-
Total liabilities	<u>\$ 9,588,571</u>	<u>\$ 6,526,635</u>	<u>\$ 3,061,936</u>
Net Position			
Investment in capital assets	\$ 9,754	\$ 13,621	\$ (3,867)
Restricted	249,675	249,675	-
Unrestricted	6,527	31,133	(24,606)
Total net position	<u>\$ 265,956</u>	<u>\$ 294,429</u>	<u>\$ (28,473)</u>

Analysis of Financial Position (Statement of Net Position)

Current assets increased by \$3,033,463, or 44.5% from a year ago. This is mainly attributable to the increase in cash received from the Board of Finance due to an increase in Severance Tax Bond fund projects and the establishment of cash through project expenditures in fund 89200.

Current liabilities increased by \$3,061,936 or 46.9% from a year ago. This is primarily due to an increase in payables related to capital projects. Current liabilities of \$9,588,571 consist primarily of accounts payable \$8,230,900, and due to State General Fund of \$812,395.

Net position decreased by \$28,473 from \$294,429 to \$265,956. This is mostly due to an increase in accrued compensated absences of \$24,606.

Changes in Net Position

The statement of activities summarizes the Department's changes in net position for the fiscal year ending June 30, 2015 and June 30, 2014.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2015

Condensed Statements of Activities

Governmental Activities

	<u>FY2015</u>	<u>FY2014</u>	<u>Change</u>
Program revenues:			
Federal grants	\$ -	\$ -	\$ -
Private gifts and grants	-	-	-
Total program and revenues	<u>-</u>	<u>-</u>	<u>-</u>
General revenues and transfers:			
State general fund appropriations	2,685,800	2,413,600	272,200
Severance tax bond appropriations (net of reversions)	14,893,656	8,297,605	6,596,051
Other appropriations - tobacco settlement funds	264,600	258,200	6,400
Reversions to State General Fund - FY2014	(767,642)	(438,851)	(328,791)
Total general revenues and transfers	<u>17,076,414</u>	<u>10,530,554</u>	<u>6,545,860</u>
Total program, general revenue and transfers	<u>17,076,414</u>	<u>10,530,554</u>	<u>6,545,860</u>
Expenses:			
General government	<u>17,104,887</u>	<u>10,526,698</u>	<u>6,578,189</u>
Changes in net position	(28,473)	3,856	(32,329)
Net position, beginning of year	<u>294,429</u>	<u>290,573</u>	<u>3,856</u>
Net position, end of year	<u>\$ 265,956</u>	<u>\$ 294,429</u>	<u>\$ (28,473)</u>

The Department has no governmental activities program revenues in FY 2015.

The Department's general revenue and transfers improved by an increased amount of \$6,545,860 or 62.2%. The reason for the increase in amount is attributed to an increase in Severance Tax Bond sales and a flat general operating budget. The cost of governmental activities this year was \$17,104,887 compared to \$10,530,554 last year resulting in an increase in the amount of \$6,578,189. This is a result of activity in funds 04800, 89200 and 93100 and the closing of various capital outlay and Tribal Infrastructure Fund projects during the fiscal year.

Overall net position decreased by \$28,473 as a result of an increase in compensated absences payable at June 30, 2015 and depreciation expense for the year.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2015

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 nine governmental funds. Seven of the Department's governmental funds are used to account for the capital outlay projects and the Tribal Infrastructure fund projects for 22 Native American Tribes and Pueblos of the State of New Mexico funded by the State Legislature, the Severance Tax bonds and the General Obligation Bonds. One of the Department's governmental funds is used to account for specific private gifts and grants. The final governmental fund of the Department is its General Operating fund.

As the Department completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance amount of \$293,739 which had no change from the prior year.

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 \$767,642 to the State General Fund from unused State General Fund appropriations, compared to \$438,851 in the prior year. The reversion was due to Personnel Salaries high vacancy rate and entities not spending the full amount of the grant they were awarded.

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. During the fiscal year 2015, the Department did not require a budget revision or an adjustment.

Analysis of Significant Budget Variations

The original General Fund budget was \$2,950,400. There were no budget increases and budget adjustments were not necessary. The final operating budget for the general funding remained at \$2,950,400.

Capital Assets and Debt Administration

Capital Assets

The Department's investments in capital assets for its governmental activities as of June 30, 2015 amounted to \$9,754 (net of accumulated depreciation). This investment in capital assets consists mainly of furniture, fixtures, and data processing equipment. There were no additions of capital assets during the fiscal year.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Regarding the FY 2017 Appropriation Budget Request, the Chief Financial Officer (CFO) for IAD worked with the Cabinet Secretary and with various staff to compile the FY 2017 General Fund operating budget including the supplemental request. The proposed budget appropriations request was submitted to DFA – State Budget Division and to the Legislative Finance Committee on September 1, 2015. The Department's Cabinet Secretary and General Counsel and staff provided testimony on the FY 2017 budget request on October 29, 2015 to the Legislative Finance Committee.

The Executive Budget proposal request was equivalent to the FY 2017 operating budget. The appropriation amount for the Tobacco Settlement Program Fund regarding the tobacco cessation and prevention programs for Native American communities will remain consistent to the amount in the prior year.

In accordance with the State Procurement Code and 2.2.2 NMAC "Requirements for Contracting and Conducting Audits of Agencies" the Department engaged James L. Hartogensis, CPA, CGFM to perform the annual financial audit for FY 2015. The financial audit report is designed to provide citizens and taxpayers of New Mexico with a general overview of the Department's revenues and expenditures to demonstrate the Department's accountability for the money it receives and expends. The audit process involved the preparation of supporting documentation such as the A611 – trial balance and several accounting records from the fiscal year. The CFO and Department's staff assisted the CPA with providing random selection testing information and preparation of financial documents. The Department received a unqualified Opinion for their FY 2014 financial audit report. It is the Department's responsibility to submit the current fiscal year audit to the State Auditor's office by the due date of December 1, 2015.

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

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
ASSETS	
Current Assets:	
Investment in State Treasurer General Fund Investment Pool	\$ 1,674,570
Due from other agencies	8,169,727
Prepaid expenses	476
Total current assets	9,844,773
Non-current assets	
Capital assets, net of accumulated depreciation	9,754
Total assets	\$ 9,854,527
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 8,230,900
Due to State Treasurer	
General Fund Investment Pool	470,126
Accrued salaries payable	12,326
Payroll taxes payable	5,177
Payroll benefits payable	9,298
Due to State General Fund	812,395
Other liabilities	10,812
Current portion of compensated absences	37,537
Total current liabilities	9,588,571
NET POSITION	
Investment in capital assets	9,754
Restricted	249,675
Unrestricted	6,527
Total net position	\$ 265,956

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
STATEMENT OF ACTIVITIES
Year ended June 30, 2015

	Governmental Activities
EXPENSES:	
Governmental activities:	
General government	\$ 17,101,020
Depreciation	3,867
Total expenses	<u>17,104,887</u>
 PROGRAM REVENUES:	
Private gifts and grants	<u>-</u>
 Net program revenues (expenses)	<u>(17,104,887)</u>
 GENERAL REVENUES AND TRANSFERS:	
Transfers:	
State General Fund appropriation	2,685,800
Severance tax bond appropriation	14,893,656
Other appropriations - tobacco settlement funds	264,600
Reversions to State General Fund - FY 2015	(767,642)
Other income (loss)	<u>-</u>
Total general revenues and transfers	17,076,414
 Change in net position	<u>(28,473)</u>
 Net position, beginning of year	<u>294,429</u>
 Net position, end of year	<u><u>\$ 265,956</u></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, 2015

	<u>General Fund 04800</u>	<u>STB Reauthor- ization Fund 89200</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
ASSETS				
Investment in State Treasurer				
General Fund Investment Pool	\$ 1,262,152	\$ -	\$ 412,418	\$ 1,674,570
Due from other funds	-	-	29,666	29,666
Due from other agencies	-	8,169,727	-	8,169,727
Prepaid expenses	476	-	-	476
Total assets	<u>\$ 1,262,628</u>	<u>\$ 8,169,727</u>	<u>\$ 442,084</u>	<u>\$ 9,874,439</u>
LIABILITIES				
Accounts payable	\$ 531,299	\$ 7,699,601	\$ -	\$ 8,230,900
Due to State Treasurer				
General Fund Investment Pool	-	470,126	-	470,126
Accrued salaries payable	12,326	-	-	12,326
Payroll taxes payable	5,177	-	-	5,177
Payroll benefits payable	9,298	-	-	9,298
Other liabilities	10,812	-	-	10,812
Due to other funds	-	-	29,666	29,666
Due to State General Fund	693,716	-	118,679	812,395
Total liabilities	<u>1,262,628</u>	<u>8,169,727</u>	<u>148,345</u>	<u>9,580,700</u>
FUND BALANCES				
Restricted	-	-	249,675	249,675
Assigned	-	-	44,064	44,064
Total fund balances	<u>-</u>	<u>-</u>	<u>293,739</u>	<u>293,739</u>
Total liabilities and fund balances	<u>\$ 1,262,628</u>	<u>\$ 8,169,727</u>	<u>\$ 442,084</u>	<u>\$ 9,874,439</u>

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
June 30, 2015

Total fund balance - governmental funds		\$ 293,739
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and related accumulated depreciation used in governmental activities are not current financial resources and, therefore, are not reported in the funds		
Capital assets	\$ 70,793	
Accumulated depreciation	<u>(61,039)</u>	
Net capital assets		9,754
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds		
		<u>(37,537)</u>
Net position of governmental activities		<u><u>\$ 265,956</u></u>

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
Year ended June 30, 2015

	General Fund 04800	STB Reauthor- ization Fund 89200	Other Govern- mental Funds	Total Govern- mental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES:				
Intergovernmental:				
Private gifts and grants	\$ -	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES:				
General government:				
Current:				
Personal services	978,965	-	-	978,965
Contractual services	627,898	-	-	627,898
Other costs	575,895	14,893,656	-	15,469,551
Capital outlay	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>2,182,758</u>	<u>14,893,656</u>	<u>-</u>	<u>17,076,414</u>
Excess (deficiency) of revenues over expenditures	<u>(2,182,758)</u>	<u>(14,893,656)</u>	<u>-</u>	<u>(17,076,414)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out):				
State General Fund appropriation	2,685,800	-	-	2,685,800
Severance tax bond appropriations	-	14,893,656	-	14,893,656
Other appropriations - tobacco settlement funds	264,600	-	-	264,600
Reversion to State General Fund FY 2015	<u>(767,642)</u>	<u>-</u>	<u>-</u>	<u>(767,642)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>2,182,758</u>	<u>14,893,656</u>	<u>-</u>	<u>17,076,414</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>293,739</u>	<u>293,739</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 293,739</u></u>	<u><u>\$ 293,739</u></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 - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
June 30, 2015

Net change in fund balances - governmental funds	\$ -
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p style="padding-left: 40px;">Changes in accrued compensated absences are not recorded in the current year in the governmental funds, however the corresponding amount is recorded in the government-wide statement of activities:</p>	
(Increase) decrease in compensated absences	(24,606)
Loss on disposal of capital assets	-
<p style="padding-left: 40px;">Capital outlays are reported as expenditures in the governmental funds. However, in the government-wide statement of activities, the cost of capital assets is allocated over their useful estimated lives as depreciation expense.</p>	
Capital outlay	-
Depreciation	<u>(3,867)</u>
Change in net position of governmental activities	<u>\$ (28,473)</u>

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)
GENERAL FUND
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amount Budgetary Basis	Favorable (Unfavorable)
REVENUES:				
State General Fund appropriation	\$ 2,685,800	\$ 2,685,800	\$ 2,685,800	\$ -
Tobacco settlement appropriation	264,600	264,600	264,600	-
	<u>2,950,400</u>	<u>2,950,400</u>	<u>2,950,400</u>	<u>-</u>
Total revenues	<u>\$ 2,950,400</u>	<u>\$ 2,950,400</u>	<u>\$ 2,950,400</u>	<u>\$ -</u>
EXPENDITURES:				
General government:				
Personal services	1,222,700	1,222,700	\$ 978,965	243,735
Contractual services	764,600	764,600	627,898	136,702
Other costs	963,100	963,100	575,895	387,205
	<u>2,950,400</u>	<u>2,950,400</u>	<u>2,182,758</u>	<u>767,642</u>
Total expenditures	<u>\$ 2,950,400</u>	<u>\$ 2,950,400</u>	<u>\$ 2,182,758</u>	<u>\$ 767,642</u>
Reconciliation of GAAP basis to budgetary basis:				
GAAP basis revenues, page 14			\$ 2,950,400	
Adjustments			<u>-</u>	
Budget basis revenues			<u>\$ 2,950,400</u>	
GAAP basis expenditures, page 14			\$ 2,182,758	
Adjustments			<u>-</u>	
Budget basis expenditures			<u>\$ 2,182,758</u>	

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) (MULTI-YEAR)
MAJOR SPECIAL REVENUE FUND – STB REAUTHORIZATION FUND 89200
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Severance tax bond appropriations	\$ 52,002,891	\$ 17,638,175	\$ 12,636,513	\$ (5,001,662)
Total revenues	<u>\$ 52,002,891</u>	<u>\$ 17,638,175</u>	<u>\$ 12,636,513</u>	<u>\$ (5,001,662)</u>
EXPENDITURES:				
General government:				
Other costs	\$ 52,002,891	\$ 17,638,175	\$ 12,636,513	\$ 5,001,662
Total expenditures	<u>\$ 52,002,891</u>	<u>\$ 17,638,175</u>	<u>\$ 12,636,513</u>	<u>\$ 5,001,662</u>
Reconciliation of GAAP basis to budgetary basis:				
GAAP basis revenues, page 14			\$ 14,893,656	
Adjustments			<u>(2,257,143)</u>	
Budget basis revenues			<u>\$ 12,636,513</u>	
GAAP basis expenditures, page 14			\$ 14,893,656	
Adjustments			<u>(2,257,143)</u>	
Budget basis expenditures			<u>\$ 12,636,513</u>	

Note: The budget basis expenditures did not include a request to pay prior year invoices in the amount of \$2,257,143.

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – HISTORY AND FUNCTION

The Commission on Indian Affairs was created by statute in 1953 by the New Mexico State Legislature. The statute established a state agency, the Office of Indian Affairs (OIA), which would serve as a vehicle between the State's governor and legislature to the twenty-two separate and distinct tribal groups of New Mexico and from the tribal governments to state government. Executive Order No. 2003-022 was signed on June 20, 2003, elevating the OIA to the Indian Affairs Department (IAD), a cabinet-level department. In 2004, House Bill 39 was passed, establishing the Indian Affairs Department (Department) by legislative statute, to be led by a Cabinet Secretary appointed by the Governor with consent of the Senate. The department is the lead coordinating agency for intergovernmental and interagency programs concerning tribal governments and the state.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Indian Affairs Department (Department) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant 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 State of New Mexico Statewide Human Resource, Accounting, and Management Reporting System (SHARE). The service organization is the Department of Finance and Administration (DFA).

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

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Basic Financial Statements (continued)

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 and 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 occurs 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 position resulting from the current year's activities.

Restricted net position are those assets 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 position are available.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis is on the major funds of the governmental agency. Non-major funds are summarized into a single column. The Department's major funds are the general fund and one special revenue fund (STB Reauthorization Fund 89200).

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. 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 activities 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.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Basic Financial Statements (continued)

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 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. 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.

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:

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, 2015.

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. There was no activity in this fund during the fiscal year ended June 30, 2015; this fund is pending a formal closure as there will be no activity going forward.

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 2004-2011. Unexpended funds revert at the end of the authorization period. There was no activity in this fund during the fiscal year ended June 30, 2015.

Special Capital Outlay Fund (Fund 10100) - This fund is used to account for capital outlay projects appropriated for severance tax bonds issued from the Laws of 2004-2011. Unexpended funds revert at the end of the authorization period. There was no activity in this fund during the fiscal year ended June 30, 2015.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Basic Financial Statements (continued)

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 (STB) from the Laws of 2007-2011, as well as projects reauthorized from other funds or state agencies. Unexpended funds revert at the end of the authorization period. During fiscal year 2014, all projects were transferred to Fund 89200, STB Reauthorization Fund.

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. All projects associated with this fund were closed in fiscal year 2011. There was no activity in this fund in fiscal year 2015 and there are no balances to report. For these reasons, SHARE Fund 53100 is not presented in this report.

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, unless otherwise authorized, in accordance with the respective granting agency provisions.

STB Reauthorization Fund (Fund 89200) - This fund was established in fiscal year 2011 by Senate bill 373 to administer projects funded by severance tax bonds. Unexpended funds revert at the end of the appropriation period.

General Fund Reauthorization (Fund 93100) - This fund was established in fiscal year 2011 by Senate bill 373 to administer projects funded by general fund appropriations. Unexpended funds revert at the end of the appropriation period.

C. 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.

The government-wide financial statements are presented on an accrual basis of accounting using an economic resources measurement focus. The governmental funds in the fund financial statements are presented on a modified accrual basis using a current financial resources measurement focus. Internal activity and balances between funds is eliminated in the government-wide presentation.

Under the modified accrual 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. Available is defined as soon enough after year end to pay liabilities of the current period.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Basis of Accounting (continued)

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.

D. 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 program level. Budgeted appropriation program 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 and are presented under the modified accrual basis.

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.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Budgets and Budgetary Accounting (continued)

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 FY 2015 budget. At June 30, 2015, there were payables of \$2,257,143 that were paid subsequent to the statutory deadline.

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.

Budgetary comparison statements for the major funds are included with the basic financial statements.

E. Capital Assets

Capital assets of the Department include data processing equipment, furniture and fixtures, equipment and automobiles. Capital assets are defined in Section 12-6-10 NMSA 1978. Per Section 12-6-10 NMSA 1978, items costing more than \$5,000 are capitalized. 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. 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:

	<u>Years</u>
Furniture and fixtures	10
Equipment and machinery	5
Data processing equipment	3

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Capital Assets (continued)

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.

F. Compensated Absences

Qualified employees accumulate annual leave as follows:

Years of Service	Hours Earned Per Month	Days Earned Per Month	Maximum Days of Accrual
1-3	6.16	0.83	30
4-6	7.38	1.00	30
7-10	9.22	1.25	30
11-14	11.08	1.50	30
15th/beyond	12.3	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 days (240 hours). 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, 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, 2015, 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.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. Fund Balance Classifications

Fund balances in the governmental fund statements are classified as follows:

Restricted - amounts that have constraints placed on the use of the resources either by external sources such as creditors, grantors, contributors, laws or regulations, or by enabling legislation.

Committed - amounts that have constraints placed on the use of the resources by formal action of the government's highest level of decision making authority, which is the Advisory Board. The board does not actively exercise the authority to make internal commitments.

Assigned - amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed; these assignments would be exercised by the Advisory Board if there was need to do so.

Unassigned - represents amounts that do not meet the definition of restricted, committed, or assigned.

The agency has not developed an internal policy to determine whether amounts expended are considered to have been spent from committed, assigned, or unassigned fund balances when amounts from any of these fund balance types are available.

H. Net Position

The government-wide financial statements utilize a net position presentation. Net position is 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 \$9,754 as of June 30, 2015.

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. Restricted net position amounted to \$249,675 as of June 30, 2015.

Unrestricted Assets - represent unrestricted liquid assets. The remaining net position is reported as unrestricted net position as of June 30, 2015.

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

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

NOTE 3 – INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL

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

SHARE Account Number	Account Name	Balance Per Treasurer	Balance Per Books
04800	General Fund	\$ 1,262,152	\$ 1,262,152
09900	Special Capital Outlay Fund	-	-
10000	Special Capital Outlay Fund	36,166	36,166
10100	Special Capital Outlay Fund	-	-
42900	Tribal Infrastructure Fund	99,903	99,903
66700	IAD Grant Fund	44,064	44,064
89200	STB Reauthorization Fund	(470,126)	(470,126)
93100	General Fund Reauthorization Fund	232,285	232,285
		<u>\$ 1,204,444</u>	<u>\$ 1,204,444</u>

Cash is reported in the statement of net position, page 10 and the balance sheet, page 12 as follows:

Investment in State Treasurer General Fund Investment Pool	\$ 1,674,570
Due to State Treasurer General Fund Investment Pool	<u>(470,126)</u>
	<u>\$ 1,204,444</u>

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, 2015

NOTE 3 – INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL – 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 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 company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or
- F. Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 3 – INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL – CONTINUED

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.

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2015.

NOTE 4 – DUE FROM/TO OTHER STATE AGENCIES

The following are short-term amounts due from/to other state agencies:

	<u>Purpose</u>	<u>Due From</u>	<u>Due To</u>
<u>Fund 89200 - STB Reauthorization Fund</u>			
DFA/BOF 34100/01900	Severance tax bond proceeds	<u>\$ 8,169,727</u>	<u>\$ -</u>
		<u>\$ 8,169,727</u>	<u>\$ -</u>

Management has determined that all balances due from other state agencies are fully collectible.

NOTE 5 – DUE FROM/TO OTHER FUNDS

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 statements.

	<u>Purpose</u>	<u>Due From</u>	<u>Due To</u>
<u>Fund 10000 - Special Capital Outlay Fund</u>			
Due to Fund 93100	Expenditure paid out of wrong fund	\$ -	\$ 29,666
<u>Fund 93100 - GF Reauthorization Fund</u>			
Due from Fund 10000	Expenditure paid out of wrong fund	<u>29,666</u>	<u>-</u>
		<u>\$ 29,666</u>	<u>\$ 29,666</u>

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 6 – CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2015 is as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Cost				
Furniture and fixtures	\$ 49,272	\$ -	\$ (5,177)	\$ 44,095
Equipment and machinery	9,982	-	-	9,982
Data processing equipment	16,716	-	-	16,716
Total capital assets	<u>75,970</u>	<u>-</u>	<u>(5,177)</u>	<u>70,793</u>
Accumulated depreciation				
Furniture and fixtures	(35,651)	(3,867)	5,177	(34,341)
Equipment and machinery	(9,982)	-	-	(9,982)
Data processing equipment	(16,716)	-	-	(16,716)
Total accumulated depreciation	<u>(62,349)</u>	<u>(3,867)</u>	<u>5,177</u>	<u>(61,039)</u>
Net capital assets	<u>\$ 13,621</u>	<u>\$ (3,867)</u>	<u>\$ -</u>	<u>\$ 9,754</u>

The Department does not have any debt related to capital assets. Depreciation expense for the year ended June 30, 2015 was \$3,867.

NOTE 7 – COMPENSATED ABSENCES PAYABLE

A summary of changes in compensated absences payable for the year ended June 30, 2015, is as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>
Current compensated absences payable	<u>\$ 12,931</u>	<u>\$ 37,537</u>	<u>\$ (12,931)</u>	<u>\$ 37,537</u>	<u>\$ 37,537</u>

Historically, all compensated absences have been paid out of the general fund.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 8 – 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 2015, the Department was appropriated \$264,600 from the tobacco settlement fund in addition to the general fund appropriation of \$2,685,800. The Indian Affairs Department did not receive a Compensation Package in FY2015. The Department also did not receive any special appropriations in FY2015. Any other revenue received in the fund, which is not specifically appropriated by the legislature, also reverts to the State General Fund. General Fund Reauthorization Fund 93100 was established in fiscal year 2011 by Senate bill 373 to administer projects funded by general fund appropriations. Unexpended funds revert at the end of the appropriation period.

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

Budget fiscal year ended:

June 30, 2015	\$ 767,642
Over-reverted June 30, 2013	(37,025)
Over-reverted FY 12 and prior	(37,875)
Stale warrants	<u>974</u>
 Subtotal Fund 04800	 693,716
Fund 10000 GF projects	6,500
Fund 42900 FY13 and prior	99,903
Fund 93100 FY13 and prior	<u>12,276</u>
 Total due to State General Fund	 <u><u>\$ 812,395</u></u>

NOTE 9 –NET POSITION/FUND BALANCES

The government-wide statement of net position and governmental funds balance sheet reports \$249,675 of net position restricted by enabling legislation. The statement of net position also reports \$6,527 of unrestricted net position. The governmental funds balance sheet includes \$44,064 of assigned fund balance.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 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 Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. That 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 16.59% of the gross covered salary. The contribution requirements of the plan members and the Board are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department’s employer contributions to PERA for the years ending June 30, 2015, 2014, and 2013 were \$115,582, \$102,110, and \$102,416, respectively, equal to the amount of the required contributions for each year.

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

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 11 – POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED

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

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

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

The Department's contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$13,610, \$12,334, and \$13,582, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 12 – TRANSFERS TO/FROM OTHER AGENCIES

The following are transfers to/ from other state agencies:

<u>From Agency/Fund</u>	<u>To Agency/Fund</u>	<u>Purpose</u>	<u>Amount</u>
34101/85300	60900/04800	General fund appropriation	\$ 2,685,800
60900/04800	34101/85300	General fund reversion - FY 2015	(767,642)
34100/69700	60900/04800	Tobacco Settlement appropriation	264,600
34100/10740	60900/89200	Severance tax bond transfers	<u>14,893,656</u>
			<u><u>\$ 17,076,414</u></u>

NOTE 13 – 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 general fund capital outlay appropriations, if any, are reported in the fund statements as restricted fund balance. Unexpended balances of severance tax bond capital outlay appropriations are not reported in the financial statements as the amounts will be recognized in future periods.

NOTE 14 – RISK MANAGEMENT

The Indian Affairs Department is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees or others; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the State. The Department pays premiums to participate in the program.

The Department obtains its coverage through the Risk Management Division. This coverage includes liability and civil rights, property, vehicle, employee bond, workers' compensation, group insurance, and State unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. Risk management expenditures for the Department are accounted for in the general fund. Any claims are processed through RMD. All employees of the Department were covered by blanket fidelity bond and money securities coverage by the State of New Mexico for the period July 1, 2014 through June 30, 2015.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Capital Project Funding - The Department has future commitments to fund projects through June 30, 2018. These future project commitments are listed in detail in the Schedule of Capital Projects - Severance Tax Appropriations and State General Fund Appropriations.

NOTE 16 – GASB 68 FINANCIAL REPORTING AND DISCLOSURE FOR MULTIPLE-EMPLOYER COST SHARING PENSIONS PLANS BY EMPLOYERS

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

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

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

NOTE 17 – STATE GENERAL FUND INVESTMENT POOL UNRECONCILED

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2015

NOTE 17 – STATE GENERAL FUND INVESTMENT POOL UNRECONCILED - CONTINUED

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

In 2014 an unsuccessful initiative was undertaken to try and resolve the historical reconciling items, in part due to incomplete historical data. Management has determined any future initiatives would also be unsuccessful due to incomplete data.

Management in FY 2012 recorded a loss contingency of \$101.7 million in the General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Management believes the established allowance will be sufficient to accommodate the current difference between resources held in the SGFIP and agency claims.

The Department has adopted policies and procedures in order to mitigate the risk of misstatement in their interest in the General Fund Investment Pool. These include tracking cash receipts and disbursements outside of SHARE and reconciling the activity to SHARE on a monthly basis. The Department has determined that there is no significant impact to the agency as a result of the cash reconciliation issue.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before financial statements are issued. The Department recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Department's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before financial statements are available to be issued. Transactions or events occurring after year-end may be disclosed if significant.

The Department has evaluated subsequent events through December 1, 2015, which is the date the financial statements are available to be issued. No matters were identified for recognition in the accounts.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
COMBINING BALANCE SHEET – NON-MAJOR FUNDS
GOVERNMENTAL FUNDS
June 30, 2015

	Special Capital Outlay Fund 09900	Special Capital Outlay Fund 10000	Special Capital Outlay Fund 10100	Tribal Infra- structure Fund 42900	IAD Grant Fund 66700	GF Reauthor- ization Fund 93100	Total Non-major Funds
ASSETS							
Investment in State Treasurer							
General Fund Investment Pool	\$ -	\$ 36,166	\$ -	\$ 99,903	\$ 44,064	\$ 232,285	\$ 412,418
Due from other funds	-	-	-	-	-	29,666	29,666
Due from other agencies	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 36,166</u>	<u>\$ -</u>	<u>\$ 99,903</u>	<u>\$ 44,064</u>	<u>\$ 261,951</u>	<u>\$ 442,084</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to State Treasurer							
General Fund Investment Pool	-	-	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-	-	-
Payroll taxes payable	-	-	-	-	-	-	-
Payroll benefits payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Due to other funds	-	29,666	-	-	-	-	29,666
Due to State General Fund	-	6,500	-	99,903	-	12,276	118,679
Due to other state agencies	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>36,166</u>	<u>-</u>	<u>99,903</u>	<u>-</u>	<u>12,276</u>	<u>148,345</u>
FUND BALANCES							
Restricted	-	-	-	-	-	249,675	249,675
Assigned	-	-	-	-	44,064	-	44,064
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,064</u>	<u>249,675</u>	<u>293,739</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 36,166</u>	<u>\$ -</u>	<u>\$ 99,903</u>	<u>\$ 44,064</u>	<u>\$ 261,951</u>	<u>\$ 442,084</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
Year Ended June 30, 2015

	Special Capital Outlay Fund 09900	Special Capital Outlay Fund 10000	Special Capital Outlay Fund 10100	Tribal Infra- structure Fund 42900	IAD Grant Fund 66700	GF Reauthor- ization Fund 93100	Total Non-major Funds
REVENUES:							
Intergovernmental:							
Private gifts and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:							
General government:							
Current:							
Personal services	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	-
Other costs	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES)							
Transfers in (out):							
State General Fund appropriation	-	-	-	-	-	-	-
Severance tax bond appropriations	-	-	-	-	-	-	-
Other appropriations - tobacco settlement funds	-	-	-	-	-	-	-
Reversion to State General Fund	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	44,064	249,675	293,739
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -	\$ 44,064	\$ 249,675	\$ 293,739

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)
NON-MAJOR SPECIAL REVENUE FUND – SPECIAL CAPITAL OUTLAY FUND 09900
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amount Budgetary Basis	Favorable (Unfavorable)
REVENUES:				
Severance tax bond appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total revenues	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
EXPENDITURES:				
General government:				
Other costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of GAAP basis to budgetary basis:				
GAAP basis revenues, page 40			\$ -	
Adjustments			<u>-</u>	
Budget basis revenues			<u><u>\$ -</u></u>	
GAAP basis expenditures, page 40			\$ -	
Adjustments			<u>-</u>	
Budget basis expenditures			<u><u>\$ -</u></u>	

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)
NON-MAJOR SPECIAL REVENUE FUND – SPECIAL CAPITAL OUTLAY FUND 10000
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Severance tax bond appropriations	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES:				
General government:				
Other costs	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of GAAP basis to budgetary basis:				
GAAP basis revenues, page 40			\$ -	
Adjustments			<u>-</u>	
Budget basis revenues			<u>\$ -</u>	
GAAP basis expenditures, page 40			\$ -	
Adjustments			<u>-</u>	
Budget basis expenditures			<u>\$ -</u>	

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)
NON-MAJOR SPECIAL REVENUE FUND – SPECIAL CAPITAL OUTLAY FUND 10100
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Severance tax bond appropriations	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES:				
General government:				
Other costs	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of GAAP basis to budgetary basis:				
GAAP basis revenues, page 40			\$ -	
Adjustments			<u>-</u>	
Budget basis revenues			<u>\$ -</u>	
GAAP basis expenditures, page 40			\$ -	
Adjustments			<u>-</u>	
Budget basis expenditures			<u>\$ -</u>	

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)
NON-MAJOR SPECIAL REVENUE FUND – TRIBAL INFRASTRUCTURE FUND 42900
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	Amount Budgetary Basis	
REVENUES:				
Severance tax bond appropriations	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES:				
General government:				
Other costs	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of GAAP basis to budgetary basis:				
GAAP basis revenues, page 40			\$ -	
Adjustments			<u>-</u>	
Budget basis revenues			<u>\$ -</u>	
GAAP basis expenditures, page 40			\$ -	
Adjustments			<u>-</u>	
Budget basis expenditures			<u>\$ -</u>	

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)
NON-MAJOR SPECIAL REVENUE FUND – IAD GRANT FUND 66700
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	Amount Budgetary Basis	
REVENUES:				
Private grants	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total budgeted revenues				
EXPENDITURES:				
General government:				
Other costs	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of GAAP basis to budgetary basis:				
GAAP basis revenues, page 40			\$ -	
Adjustments			<u>-</u>	
Budget basis revenues			<u>\$ -</u>	
GAAP basis expenditures, page 40			\$ -	
Adjustments			<u>-</u>	
Budget basis expenditures			<u>\$ -</u>	

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)
NON-MAJOR SPECIAL REVENUE FUND – GENERAL FUND REAUTHORIZATION FUND 93100
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amount Budgetary Basis	Favorable (Unfavorable)
REVENUES:				
Other financing sources - transfers	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	<u>\$ -</u>	<u>\$ -</u>
Prior year fund balance	<u>249,675</u>	<u>249,675</u>		
Total budgeted revenues	<u>\$ 249,675</u>	<u>\$ 249,675</u>		
EXPENDITURES:				
General government:				
Other costs	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of GAAP basis to budgetary basis:				
GAAP basis revenues, page 40			\$ -	
Adjustments			<u>-</u>	
Budget basis revenues			<u>\$ -</u>	
GAAP basis expenditures, page 40			\$ -	
Adjustments			<u>-</u>	
Budget basis expenditures			<u>\$ -</u>	

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 AND GENERAL FUND APPROPRIATIONS
JUNE 30, 2015

<u>Fund Code</u>	<u>Org. Code</u>	<u>BOF/CPD Proj. #</u>	<u>Description</u>	<u>Tribal Govt.</u>
89200	151133	15-1133	Crownpoint Wellness Center	Navajo Nat.
89200	121383	12-1383	Ramah Navajo Chapter-Bathroom Additions	Navajo Nat.
89200	121384	12-1384	Mescalero Apache Tribe-Construct Pipe Storage Tank	Apache
89200	121386	12-1386	Pueblo of Santa Ana-Police Substation	19 Pueblos
89200	121388	12-1388	Torreon Star Lake Chapter-Waterline Extension	Navajo Nat.
89200	121389	12-1389	Pueblo of Pojoaque-Dam & Gates Improvements	19 Pueblos
89200	121390	12-1390	Pueblo of Pojoaque-Poeh Cultural Center	19 Pueblos
89200	121392	12-1392	Alamo Navajo Chapter-Sewage Lagoons	Navajo Nat.
89200	A120012	12TF01	Mariano Lake Chapter-Water Distribution System	Navajo Nat.
89200	A120012	12TF02	Tse'ii'ahi Chapter-STM Aerotor Green Waste Water	Navajo Nat.
89200	A120012	12TF03	Pueblo of Isleta-Long Term Facility	19 Pueblos
89200	A120012	12TF04	Pueblo of Laguna-School House-Rodeo Drive	19 Pueblos
89200	A120012	12TF09	Pueblo of Santa Clara-Water Collection System Improvements	19 Pueblos
89200	A120012	12TF10	Pueblo of Santo Domingo-Cpmunity Water Tank	19 Pueblos
89200	A120012	12TF11	Pueblo of Tesuque-Water & Wastewater System Improvements	19 Pueblos
89200	A120012	12TF13	NAPI-Potable Water Project	Navajo Nat.
89200	A120012	12TF14	Counselor Chapter-Phase II (Day Mesa) Power Extension	Navajo Nat.
89200	A120012	12TF15	Jicarilla Apache-Cutter Lateral Initiative	Apache.
89200	A120012	12TF16	Mescalero Apache-Develop Tribal Comprehensive Plan	Apache.
89200	A120012	12TF17	Ohkay Owingeh-Planning & Design for Infrastructure	19 Pueblos
89200	A120012	12TF18	Pueblo of Taos-Comprehensive Indigenous Community Plan	19 Pueblos
89200	A120012	12TF19	Pueblo of Santa Clara-Water Planning Capacity Building	19 Pueblos
89200	A120012	12TF20	Church Rock Chapter-State Highway 118	Navajo Nat.
89200	A120012	12TF21	Ramah Chapter-Ramah Navajo Water Well	Navajo Nat.
89200	A120012	12TF22	To'hajiilee Chapter-Supply/Infrastructure	Navajo Nat.
89200	A120012	12TF23	White Rock Chapter-Water Pipeline Phase 6F & 6G	Navajo Nat.
89200	A120012	12TF28	San Ildefonso Pueblo Housing Authority-Housing Subdivision	19 Pueblos
89200	131530	13-1530	Acoma Pueblo Van	19 Pueblos
89200	131532	13-1532	Laguna Pueblo Fire and Rescue Substation	19 Pueblos
89200	131533	13-1533	Baahaali Chapter Powerline Extend	Navajo Nat.
89200	131537	13-1537	Mariano Lake Bathroom Fixtures and Plumbing	Navajo Nat.
89200	131538	13-1538	Tse'ii'ahi Chapter Head Start Building Construct	Navajo Nat.
89200	131539	13-1539	Zuni Pueblo Veterans Memorial Park Phase 1	19 Pueblos
89200	131544	13-1544	Mescalero Apache Housing Development Infrastructure	Apache
89200	131547	13-1547	Ohkay Owingeh Judicial/Police/Fire/CT/Jail Complex	19 Pueblos
89200	131548	13-1548	Gadiiahi/To'Koi Chapter Senior Center Demolish	Navajo Nat.
89200	131549	13-1549	Lake Valley Chapter Bathroom Additions	Navajo Nat.
89200	131550	13-1550	Nageezi Chapter Bathroom Additions, Water and Sewer	Navajo Nat.
89200	131552	13-1552	Five Sandoval Indian Pueblos Info Tech	19 Pueblos
89200	131553	13-1553	Cochiti Pueblo Library Improve and Equip	19 Pueblos
89200	131556	13-1556	Jemez Pueblo Fire Apparatus Bays Construct	19 Pueblos
89200	131557	13-1557	Jemez Pueblo Veterans Building	19 Pueblos
89200	131560	13-1560	Santa Ana Pueblo Police Substation and Holding Facility	19 Pueblos
89200	131561	13-1561	Santo Domingo Pueblo Curbside Trash Truck Purchase	19 Pueblos
89200	131563	13-1563	Zia Pueblo Wireless Erection	19 Pueblos
89200	131566	13-1566	Pojoaque Pueblo Wellness Center Basketball/Vollyball	19 Pueblos
89200	131568	13-1568	Taos Pueblo Veterans Living Memorial Park	19 Pueblos
89200	A13-0001	13TF01	13TF01 Water System Study	Navajo Nat.
89200	A13-0001	13TF05	13TF05 Community Infrastructure Improvement Project	19 Pueblos
89200	A13-0001	13TF06	13TF06 Sunset Hills Water System	19 Pueblos
89200	A13-0001	13TF09	13TF09 Water System Improvements	Navajo Nat.
89200	A13-0001	13TF10	13TF10 Water System Improvement Phase III	19 Pueblos
89200	A13-0001	13TF11	13TF11 NM 314/NM 45 Intersection	19 Pueblos
89200	A13-0001	13TF13	13TF13 Alamo Waste Water Improvement Plan Project	Navajo Nat.
89200	A13-0001	13TF14	13TF14 Multipurpose Wellness & Education Facility	19 Pueblos
89200	A13-0001	13TF15	13TF15 ZIA Enterprise Zone (ZEZ) - Phase II	19 Pueblos
89200	A13-0001	13TF16	13TF16 Nambe Pueblo Road and Water Line Extension	19 Pueblos
89200	A13-0001	13TF17	13TF17 Waterless Composting Toiler Project	19 Pueblos
89200	141749	14-1749	INDIAN PUEBLO CULTURAL CTR MUSEUM IMPROVE	Other
89200	141761	14-1761	MARIANO LAKE CHP HEATERS	Navajo Nat.
89200	141772	14-1772	OHKAY OWINGEH EDUCATION COMPLEX INFRA	19 Pueblos
89200	141782	14-1782	JEMEZ PUEBLO EARTH BLOCK MACHINE & EQUIP	19 Pueblos
89200	141783	14-1783	JEMEZ PUEBLO LIBRARY RENOVATE & ADDITION	19 Pueblos
89200	141784	14-1784	SANTA ANA PUEBLO MULTIPURPOSE WELLNESS & ED FCLTY	19 Pueblos
89200	141785	14-1785	SANTA ANA PUEBLO REG POLICE SUBSTATION/HOLD FCLTY	19 Pueblos
89200	141787	14-1787	ZIA PUEBLO LOADER AND MOTOR GRADER	19 Pueblos
89200	A14-0001	14TF01	Waterless Composting Toilet Phase III	19 Pueblos
89200	A14-0001	14TF03	Visitors Center	19 Pueblos
89200	A14-0001	14TF19	Wastewater Treatment Facility	19 Pueblos
89200	A14-0001	14TF28	Enterprise Zone -Wastewater System Facilities-Phase I	Navajo Nat.
89200	A14-0001	14TF29	Commercial Development Area - water Infrastructure	19 Pueblos

<u>Funding Source</u>	<u>Appr. End Date</u>	<u>Amount Appropriated or Reauthorized</u>	<u>FY15 Expended Amount</u>	<u>Amount Expended to Date</u>	<u>Unexpended/Uncommitted Balance</u>
GF/13 R	6/30/2015	\$ 39,674	\$ 27,338	\$ 27,338	\$ 12,336
STB/12A	6/30/2016	50,000	49,883	49,883	117
STB/12A	6/30/2016	360,000	305,000	360,000	-
STB/12A	6/30/2016	180,000	98,805	180,000	-
STB/12A	6/30/2016	72,000	21,886	63,472	8,528
STB/12A	6/30/2016	34,000	-	33,950	50
STB/12A	6/30/2016	115,000	-	12,576	102,424
STB/12A	6/30/2016	50,000	12,555	12,555	37,445
STB12SA	10/9/2014	500,000	92,407	500,000	-
STB12SA	10/9/2014	300,000	-	4,016	295,984
STB12SA	3/24/2014	700,000	-	700,000	-
STB12SA	10/9/2014	400,000	119,996	400,000	-
STB12SA	9/27/2014	1,675,000	1,675,000	1,675,000	-
STB12SA	9/27/2014	1,000,000	143,377	981,152	18,848
STB12SA	3/11/2014	535,000	-	240,695	294,305
STB12SA	10/9/2014	813,347	473,035	813,347	-
STB12SA	10/9/2014	417,678	-	379,203	38,475
STB12SA	9/8/2014	400,000	-	396,490	3,510
STB12SA	9/24/2014	117,525	117,484	66,676	50,849
STB12SA	3/24/2014	40,000	-	12,352	27,648
STB12SA	9/18/2014	150,000	32,130	150,000	-
STB12SA	9/27/2014	120,000	-	119,996	4
STB12SA	10/9/2014	50,000	13,290	44,960	5,040
STB12SA	10/9/2014	350,250	306,380	350,250	-
STB12SA	10/9/2014	75,000	75,000	75,000	-
STB12SA	3/27/2014	600,000	140,000	140,000	460,000
STB12SA	3/24/2014	32,000	-	24,325	7,675
STB13A	6/30/2016	61,000	56,910	56,910	4,090
STB13A	6/30/2017	112,860	35,212	35,212	77,648
STB13A	6/30/2017	150,000	8,711	8,711	141,289
STB13A	6/30/2017	50,000	25,338	25,338	24,662
STB13A	6/30/2017	123,750	50,000	50,000	73,750
STB13A	6/30/2017	247,500	34,056	34,056	213,444
STB13A	6/30/2017	200,000	13,275	13,275	186,725
STB13A	6/30/2017	125,000	123,750	123,750	1,250
STB13A	6/30/2017	85,000	5,775	5,775	79,225
STB13A	6/30/2017	115,500	19,404	19,404	96,096
STB13A	6/30/2017	50,000	15,422	15,422	34,578
STB13A	6/30/2016	52,000	51,789	51,789	211
STB13A	6/30/2017	50,000	17,470	17,470	32,530
STB13A	6/30/2017	100,000	63,265	63,265	36,735
STB13A	6/30/2017	50,000	2,000	2,000	48,000
STBSD	6/30/2017	196,234	194,272	194,272	1,962
STB13A	6/30/2016	150,000	150,000	150,000	-
STB13A	6/30/2016	75,000	75,000	75,000	-
STB13A	6/30/2017	100,000	2,974	2,974	97,026
STB13A	6/30/2017	85,000	39,400	39,400	45,600
STB13A	3/10/2016	75,000	67,500	67,500	7,500
STB13A	6/30/2016	550,000	355,613	355,613	194,387
STB13A	4/1/2016	150,000	124,798	124,798	25,202
STB13A	3/10/2016	500,000	500,000	500,000	-
STB13A	7/15/2016	1,300,000	136,728	136,728	1,163,272
STB13A	4/1/2016	250,000	60,940	60,940	189,060
STB13A	3/10/2016	1,500,000	943,505	943,505	556,495
STB13A	1/28/2016	3,953,054	2,764,394	3,953,054	-
STB13A	2/3/2016	1,675,000	1,232,816	1,232,816	442,184
STB13A	2/10/2016	2,200,957	1,781,448	1,956,372	244,585
STB13A	2/5/2016	1,076,917	422,100	1,076,916	1
STB14A	6/30/2018	190,386	50,000	50,000	140,386
STB14A	6/30/2018	5,000	5,000	5,000	-
STB14A	6/30/2018	25,000	25,000	25,000	-
STB14A	6/30/2016	110,000	110,000	110,000	-
STB14A	6/30/2018	100,000	100,000	100,000	-
STB14A	6/30/2018	75,000	75,000	75,000	-
STB14A	6/30/2018	140,000	138,600	138,600	1,400
STB14A	6/30/2016	165,000	160,747	160,747	4,253
STB14A	6/30/2016	1,423,000	646,298	646,298	776,702
STB14A	12/15/2016	940,000	366,091	366,091	573,909
STB14A	11/6/2016	150,000	8,000	8,000	142,000
STB13A	12/29/2014	1,423,000	78,539	78,539	1,344,461
STB14A	12/15/2016	1,400,000	52,949	52,949	1,347,051
		\$ 30,732,632	\$ 14,893,656	\$ 21,021,727	\$ 9,710,905

**STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
SCHEDULE OF VENDOR INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
15-609-0000-15014	RFP	ALBUQUERQUE INDIAN CENTER	150000	0	Albuquerque Indian Center 105 Texas St. SE Albuquerque NM 87108	Y	N	Implement the activities associated with providing counseling and support services, homeless care management, employment and training, substance abuse and prevention services.
609-15-SP-02	RFP	PUEBLO OF JEMEZ	137099	0	Pueblo of Jemez PO Box 100, Jemez Pueblo NM 87024	Y	N	To develop the foundation needed to implement a self-help housing project.
609-15-SP-04	RFP	NAVAJO NATION EMT	124305.5	0	Navajo Nation Navajo Transit System PO Drawer 1330 Window Rock AZ 86515	Y	N	Community Emergency Response Team Training.
609-15-SP-05	RFP	SF INDIAN SCHOOL	120000	0	Santa Fe Indian School PO Box 5340 Santa Fe NM 87502	Y	N	Program is to bring together men and women, elders and youth and professionals, students to have frank, honest & open discussion about sensitive topics.

**INDEPENDENT AUDITORS' 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***

Kelly Zunie, Cabinet Secretary
State of New Mexico Indian Affairs Department
and
Honorable Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund of the State of New Mexico Indian Affairs Department (Department) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Department, presented as supplemental information, and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2009-001 to be a material weakness.

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 deficiencies described in the accompanying schedule of findings and responses as items 2011-001, 2012-012, 2014-001 and 2015-001 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and Section 12-6-5 NMSA 1978 and which are described in the accompanying schedule of findings and responses as items 2011-001, 2012-012, and 2015-001.

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico
December 1, 2015

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weaknesses identified? Yes

Significant deficiencies identified not considered
to be material weaknesses? Yes

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted? No

STATUS OF PRIOR YEAR FINDINGS

2009-001 – Severance Tax Bond Funds Not Reconciled	Repeated and modified
2011-001 – Reversions-Capital Projects-SHARE Funds 04800, 10000 and 93100	Repeated and modified
2011-003 – Interagency Balances	Resolved
2012-007 – Asset Dispositions	Resolved
2012-012 – Cash Monitoring Procedures	Repeated and modified
2014-001 – Internal Control over Cash Disbursements	Repeated and modified

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
June 30, 2015

CURRENT YEAR FINDINGS

2009-001 [2009-1] Severance Tax Bond Capital Projects (Material Weakness)

Condition – Revenues, receivables, expenditures and payables in the STB Reauthorization fund were not recorded accurately. Fiscal year 2015 revenues and expenditures were materially misstated prior to posting applicable audit adjustments. Management was not able to fully implement their prior year corrective action plan of fully training all Finance employees.

Criteria – The New Mexico Department of Finance and Administration (DFA) has issued accounting procedures for capital projects financed by severance tax bonds, including the criteria and timing for recognizing revenues, expenditures, receivables and payables.

Cause – DFA procedures were not followed. 100% turnover in the Finance Department prevented the Department from providing the necessary training.

Effect – Material audit adjustments to assets, liabilities, revenues and expenditures were required for fund 89200.

Recommendation – We recommend the Department follow DFA's prescribed accounting for capital projects. When eligible expenditures are incurred, the Department should also prepare a corresponding journal entry to recognize the revenue and related receivable. We also recommend that the Department reconcile all general ledger accounts on a monthly basis.

Management's Response - The Department is currently implementing a process to recognize revenues, receivables, payables and expenditures for Severance Tax Bond Capital Projects and reconcile all Capital Projects on a monthly basis. The Department has requested additional training for this process. Target date for completion: January 31, 2016. Accountant will provide a monthly reconciliation worksheet to the CFO by the 15th of the following month for review and verification.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
June 30, 2015

CURRENT YEAR FINDINGS – CONTINUED

2011-001 [2011-1] – Department Failed to Revert Capital Project Funds (Significant Deficiency, Other Noncompliance)

Condition – During FY2014 the Department reconciled capital projects. At that time the Department determined that reversions relating to capital and tribal infrastructure projects had not been completed. Reversions payable to the State General Fund relating to fiscal year 2012 and prior years for funds 10000 and 93100 in the amount of \$6,500 and \$12,276, respectively, were never paid. The FY2014 reversion payable to the State General Fund for fund 42900 in the amount of \$99,903 was never paid. The Department failed to coordinate with DFA on the prior year reversions, which was their corrective action plan in 2014.

Criteria – Unexpended amounts for tribal infrastructure fund expenditures and capital projects are required to be reverted in accordance with the legislative appropriation that authorized them.

Cause – Reconciliations for these funds were not completed within the legislatively mandated timeframe, leading to untimely reversions. 100% turnover in the Finance Department prevented the Department from calculating and completing required reversions..

Effect – The Department was able to keep monies in their accounts that belonged to the State General Fund. These monies were not made available for re-appropriation by the State General Fund in a timely manner.

Recommendation – Management should revert any unexpended funds as soon as possible.

Management's Response - The department has contacted the State Board of Finance for reversions relating to Capital and Tribal Infrastructure Projects for fund 10000 and 42900. The department will revert \$6,500.00 from fund 93100 to the State General fund. Target date for completion: January 31, 2016. Accountant will provide a monthly reversion status report on Capital and Tribal Infrastructure Projects reverting to the CFO by 15th of the following month for review and verification.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
June 30, 2015

CURRENT YEAR FINDINGS – CONTINUED

2012-012 [2012-12] Cash Monitoring Procedures (Significant Deficiency, Other Noncompliance)

Condition – The Department did not monitor cash accounts properly during FY2015. Cash was overdrawn for the STB reauthorization fund throughout the fiscal year, including \$470,126 at June 30, 2015. Management implemented reconciliations for the general fund, in accordance with their corrective action plan, but did not reconcile the STB fund cash balances.

Criteria – 2.20.5.8(C)(4) NMAC requires cash account records to be reconciled timely each month. Proper internal controls include timely reconciliation of all general ledger accounts. DFA’s Model of Accounting Practices FIN1.3 requires agencies to carefully monitor and control cash receipts and disbursements to prevent permanent cash overdrafts.

Cause – The Department experienced significant turnover in the Finance Department during FY2015, leading to lack of timely reconciliation of the cash accounts. The Department has not established a process for drawing down capital outlay proceeds prior to disbursing funds to recipients.

Effect – The Department’s cash accounts in fund 89200, designated as “investment in state treasurer general fund investment pool” in the accompanying financial statements, carried negative balances.

Recommendation – We recommend that management institute a monthly reconciliation process of all transactions that affect cash each month. We also recommend that management implement a process for drawing down funds related to severance tax bonds prior to preparing warrants for project recipients.

Management’s Response – All Capital Projects from fund 89200 will be reconciled on a monthly basis to ensure that all draw requests and payments are made correctly. We currently are reconciling FY16 on a monthly basis. Target date for completion: January 31, 2016. Accountant will provide a monthly reconciliation worksheet to the CFO by 15th of the following month for review and verification.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
June 30, 2015

CURRENT YEAR FINDINGS – CONTINUED

2014-001 [2014-001] Internal Control over Disbursements (Significant Deficiency)

Condition – Out of 60 disbursements tested, the following significant deficiencies were noted:

- Two vouchers totaling \$6,444 were processed where the voucher did not agree to the supporting documentation.
- One voucher for \$837 could not be located.
- Purchase order approval occurred after the liability was incurred for four vouchers totaling \$865.

The Department did not implement their corrective action plan of verifying supporting documentation prior to processing vouchers.

Criteria – Good internal control policies require adequate supporting documentation that agrees to the invoice. Prior to preparing a payment voucher, the preparer should reconcile the support to the request for payment, and document the reconciliation in the vendor file. Goods or services should not be ordered until all the required approvals are in place.

Cause – The Department experienced turnover in the Finance Department during the time the voucher was prepared. The preparer did not implement and document the control activity of reconciling the request prior to making payment. Goods and services were procured prior to management's approval.

Effect – By not implementing proper controls over the disbursement process, the Department may be exposed to fraudulent or inflated vendor invoices. One of the invoices in question, in the amount of \$5,735, was subsequently corrected by the vendor, but we could not determine whether \$1,608 of the costs were for eligible expenditures.

Recommendation – Management should strengthen controls over the disbursement process. Any requests for reimbursement should be reviewed, reconciled to the accompanying supporting documents, and approved, by someone with knowledge of the projects and what the eligible costs are.

Management's Response – During the FY 2015 there were vacancies in the finance department that included the CFO and the two accountant auditors. Since July 1, 2015 all positions have been filled. Staff has been through training at DFA and is continually being trained on internal policies at IAD. CFO works with staff to ensure that they are continually auditing and following policy. Implementation has been done by the CFO effective 7/1/2015.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
June 30, 2015

CURRENT YEAR FINDINGS – CONTINUED

2015-001 – Travel and Per Diem Violations (Significant Deficiency, Other Noncompliance)

Condition – One employee received \$537 in travel reimbursements prior to obtaining proper approvals.

Criteria - Section 10-8-5(l) NMSA 1978 provides that a state employee may not be reimbursed more than \$1,500, singly or in the aggregate,, in any one year "until the person furnishes in writing to his department head or, in the case of a department head or board or commission member, to the governor or, in the case of a member of the legislature, to the New Mexico Legislative Council an itemized statement on each separate instance of travel covered within the reimbursement, the place to which traveled and the executive, judicial or legislative purpose served by the travel".

Cause – The Department did not monitor employee travel for compliance with statute.

Effect – Employees may be reimbursed for travel that does not serve the purpose of the Department.

Recommendation – We recommend that management institute a process for tracking employee travel reimbursements.

Management's Response - Due to the high turnover in Personnel this finding was not addressed until November of 2015. Finance has audited all travel and has a spreadsheet that tracks all travel. Staff will be notified and trained on travel to ensure compliance on both sides of the travel requests. The staff training will be completed by December 30, 2015.

STATE OF NEW MEXICO
INDIAN AFFAIRS DEPARTMENT
EXIT CONFERENCE
June 30, 2015

The basic financial statements have been prepared by James L. Hartogensis, CPA LLC, with the assistance of the Indian Affairs Department. The content in this report is the responsibility of the Indian Affairs Department.

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An exit conference was held on November 24, 2015 and attended by the following:

For James L. Hartogensis, CPA LLC:

James Hartogensis, CPA, CGFM	Principal
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For the State of New Mexico Indian Affairs Department:

Kelly Zunie	Cabinet Secretary
Joann Lapington	Chief Financial Officer