

**STATE OF NEW MEXICO  
INDIAN AFFAIRS DEPARTMENT  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
June 30, 2016**

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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, 2016

**ADMINISTRATIVE OFFICIALS**

Kelly Zunie	Cabinet Secretary
Suzette Shije	Deputy Cabinet Secretary
Joann Lapington	Chief Financial Officer
David Mann	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**

I 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, 2016, and the related notes the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. I 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, 2016, 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***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental-type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that are attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2016, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Opinions***

In my 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, 2016, 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 my 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, 2016, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

My 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Capital Projects – Severance Tax Appropriations and General Fund Appropriations is the responsibility of management and was 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 my opinion, the Schedule of Capital Projects – Severance Tax Appropriations and State General Fund Appropriations is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Vendor Information and Schedule of Joint Powers Agreements and Memorandums of Understanding have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2016, on my consideration of the Department’s internal control over financial reporting and on my 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 my 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  
November 30, 2016

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Required Supplementary Information  
June 30, 2016

**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, 2016

**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, 2016. 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, 2016

Condensed Statements of Net Position

Governmental Activities

	<u>FY2016</u>	<u>FY2015</u>	<u>Change</u>	<u>% Change</u>
<b>Assets</b>				
Current assets	\$ 6,653,341	\$ 9,844,773	\$ (3,191,432)	-32.42%
Capital assets, net	<u>6,922</u>	<u>9,754</u>	<u>(2,832)</u>	<u>-29.03%</u>
Total assets	<u>\$ 6,660,263</u>	<u>\$ 9,854,527</u>	<u>\$ (3,194,264)</u>	<u>-32.41%</u>
<b>Liabilities</b>				
Current liabilities	\$ 7,197,985	\$ 9,588,571	\$ (2,390,586)	-24.93%
Long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 7,197,985</u>	<u>\$ 9,588,571</u>	<u>\$ (2,390,586)</u>	<u>-24.93%</u>
<b>Net Position</b>				
Investment in capital assets	\$ 6,922	\$ 9,754	\$ (2,832)	-29.03%
Restricted	222,336	249,675	(27,339)	-10.95%
Unrestricted	<u>(766,980)</u>	<u>6,527</u>	<u>(773,507)</u>	<u>-11850.88%</u>
Total net position	<u>\$ (537,722)</u>	<u>\$ 265,956</u>	<u>\$ (803,678)</u>	<u>-302.18%</u>

**Analysis of Financial Position (Statement of Net Position)**

Current assets decreased by \$3,191,432, or 32.42% from a year ago. This is mainly attributable to the increase project spending of the local governments and the timely payments made by the department in fund 89200.

Current liabilities decreased by \$2,390,586 or 24.93% from a year ago. This is primarily due to an increase in payable related to capital projects. Current liabilities of \$7,197,985 consist primarily of accounts payable \$1,155,883, and due to other local governments of \$5,106,908.

Net position decreased by \$803,678 from \$265,956 to (\$537,722). This is a result of an over reversion of general fund in FY 15.

**Changes in Net Position**

The statement of activities summarizes the Department's changes in net position for the fiscal year ending June 30, 2016 and June 30, 2015.

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Required Supplementary Information  
June 30, 2016

Condensed Statements of Activities

	FY2016	FY2015	Change	% Change
Program revenues:				
Federal grants	\$ -	\$ -	\$ -	0.00%
Private gifts and grants	-	-	-	0.00%
Total program and revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>
General revenues and transfers:				
State general fund appropriations	2,682,500	2,685,800	(3,300)	-0.12%
Severance tax bond appropriations (net of reversions)	18,797,185	14,893,656	3,903,529	26.21%
Other appropriations - tobacco settlement funds	249,300	264,600	(15,300)	-5.78%
Reversions to State General Fund - FY2015	(788,037)	-	(788,037)	0.00%
Reversions to State General Fund - FY2016	(715,580)	(767,642)	52,062	-6.78%
Other income (loss)	12,923	-	12,923	0.00%
Total general revenues and transfers	<u>20,238,291</u>	<u>17,076,414</u>	<u>3,161,877</u>	<u>18.52%</u>
Total program, general revenue and transfers	<u>20,238,291</u>	<u>17,076,414</u>	<u>3,161,877</u>	<u>18.52%</u>
Expenses:				
General government	<u>21,041,969</u>	<u>17,104,887</u>	<u>3,937,082</u>	<u>23.02%</u>
Changes in net position	(803,678)	(28,473)	(775,205)	2722.60%
Net position, beginning of year	265,956	294,429	(28,473)	-9.67%
Net position, end of year	<u>\$ (537,722)</u>	<u>\$ 265,956</u>	<u>\$ (803,678)</u>	<u>-302.18%</u>

The Department has no governmental activities program revenues in FY 2016.

The Department's general revenue and transfers improved by an increased amount of \$3,161,877 or 18.52%. The reason for the increase is payments made by the Department are timely and spending has increased by the 22 Tribes, Pueblos and Nations as the general operating fund budget remained flat. The cost of governmental activities this year was \$21,041,969 compared to \$17,104,887 last year resulting in an increase in the amount of \$3,937,082. 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.

In summary, net position decreased by \$803,678 because of the aforementioned items.

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Required Supplementary Information  
June 30, 2016

**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 (\$521,637) which decreased from the prior year by \$815,376.

The General Fund of the Department reflects a change in fund balance from the prior year due to the over reversion made in FY15. Since the General Fund is a "reverting" fund, only balances appropriated into future fiscal years may be retained by the Department. The Department reverted \$715,580 to the State General Fund from unused State General Fund appropriations, compared to \$767,642 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 2016, the Department did not require a budget revision or an adjustment.

**Analysis of Significant Budget Variations**

The original General Fund budget was \$2,948,000. Budget decreases and budget adjustments totaled \$16,200. The final operating budget for the general fund was \$2,931,800.

**Capital Assets and Debt Administration**

**Capital Assets**

The Department's investments in capital assets for its governmental activities as of June 30, 2016 amounted to \$6,922 (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, 2016

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Regarding the FY 2018 Appropriation Budget Request, the Chief Financial Officer (CFO) for IAD worked with the Cabinet Secretary and with various staff to compile the FY 2018 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, 2016.

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 2016. 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 an Unmodified Opinion for their FY 2016 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, 2016.

**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, 2016

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Investment in State Treasurer General Fund Investment Pool	\$ 742,099
Due from other agencies	5,910,767
Prepaid expenses	475
<b>Total current assets</b>	<b>6,653,341</b>
Non-current assets	
Capital assets, net of accumulated depreciation	6,922
<b>Total assets</b>	<b>\$ 6,660,263</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 1,155,883
Due to State Treasurer	
General Fund Investment Pool	133,213
Accrued salaries payable	14,824
Payroll taxes payable	6,150
Payroll benefits payable	10,151
Due to State General Fund FY16	715,742
Due to State General Fund FY15	12,276
Due to other state agencies	9,993
Other liabilities	9,838
Due to other local governments	5,106,908
Current portion of compensated absences	23,007
<b>Total current liabilities</b>	<b>7,197,985</b>
<b>NET POSITION (DEFICIT)</b>	
Investment in capital assets	6,922
Restricted	222,336
Unrestricted	(766,980)
<b>Total net position (deficit)</b>	<b>\$ (537,722)</b>

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, 2016

	Governmental Activities
EXPENSES:	
Governmental activities:	
General government	\$ 21,039,137
Depreciation	2,832
Total expenses	<u>21,041,969</u>
PROGRAM REVENUES:	
Private gifts and grants	<u>-</u>
Net program revenues (expenses)	<u>(21,041,969)</u>
GENERAL REVENUES AND TRANSFERS:	
Transfers:	
State General Fund appropriation	2,682,500
Severance tax bonds appropriation	18,797,185
Other appropriations - tobacco settlement funds	249,300
Reversion to State General Fund - FY 2015	(788,037)
Reversion to State General Fund - FY 2016	(715,580)
Other income (loss)	<u>12,923</u>
Total general revenues and transfers	<u>20,238,291</u>
Change in net position	<u>(803,678)</u>
Net position, beginning of year	<u>265,956</u>
Net position (deficit), end of year	<u><u>\$ (537,722)</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, 2016

	General Fund 04800	STB Reauthor- ization Fund 89200	Other Govern- mental Funds	Total Govern- mental Funds
<b>ASSETS</b>				
Investment in State Treasurer				
General Fund Investment Pool	\$ 463,423	\$ -	\$ 278,676	\$ 742,099
Due from other agencies	-	5,910,767	-	5,910,767
Prepaid expenses	475	-	-	475
Total assets	<u>\$ 463,898</u>	<u>\$ 5,910,767</u>	<u>\$ 278,676</u>	<u>\$ 6,653,341</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 254,352	\$ 901,531	\$ -	\$ 1,155,883
Due to State Treasurer				
General Fund Investment Pool	-	133,213	-	133,213
Accrued salaries payable	14,824	-	-	14,824
Payroll taxes payable	6,150	-	-	6,150
Payroll benefits payable	10,151	-	-	10,151
Other liabilities	9,838	-	-	9,838
Due to local governments	230,885	4,876,023	-	5,106,908
Due to State General Fund	715,742	-	12,276	728,018
Due to other state agencies	9,993	-	-	9,993
Total liabilities	<u>1,251,935</u>	<u>5,910,767</u>	<u>12,276</u>	<u>7,174,978</u>
<b>FUND BALANCES (DEFICIT)</b>				
Restricted	-	-	222,336	222,336
Assigned	-	-	44,064	44,064
Unassigned	(788,037)	-	-	(788,037)
Total fund balances (deficit)	<u>(788,037)</u>	<u>-</u>	<u>266,400</u>	<u>(521,637)</u>
 Total liabilities and fund balances	 <u>\$ 463,898</u>	 <u>\$ 5,910,767</u>	 <u>\$ 278,676</u>	 <u>\$ 6,653,341</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, 2016

Total fund balance (deficit) - governmental funds \$ (521,637)

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	\$ 68,865	
Accumulated depreciation	<u>(61,943)</u>	
Net capital assets		6,922

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	<u>(23,007)</u>
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Net position (deficit) of governmental activities	<u><u>\$ (537,722)</u></u>
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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, 2016

	General Fund 04800	STB Reauthor- ization Fund 89200	Other Govern- mental Funds	Total Govern- mental Funds
REVENUES:				
Miscellaneous revenue	\$ 12,923	\$ -	\$ -	\$ 12,923
EXPENDITURES:				
General government:				
Current:				
Personal services	939,542	-	-	939,542
Contractual services	743,500	-	-	743,500
Other costs	546,101	18,797,185	27,339	19,370,625
Capital outlay	-	-	-	-
Total expenditures	<u>2,229,143</u>	<u>18,797,185</u>	<u>27,339</u>	<u>21,053,667</u>
Excess (deficiency) of revenues over expenditures	<u>(2,216,220)</u>	<u>(18,797,185)</u>	<u>(27,339)</u>	<u>(21,040,744)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out):				
State General Fund appropriation	2,682,500	-	-	2,682,500
Severance tax bond appropriations	-	18,797,185	-	18,797,185
Other appropriations - tobacco settlement funds	249,300	-	-	249,300
Reversion to State General Fund FY 2015	(788,037)	-	-	(788,037)
Reversion to State General Fund FY 2016	<u>(715,580)</u>	<u>-</u>	<u>-</u>	<u>(715,580)</u>
Total other financing sources (uses)	<u>1,428,183</u>	<u>18,797,185</u>	<u>-</u>	<u>20,225,368</u>
Net change in fund balances	(788,037)	-	(27,339)	(815,376)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>293,739</u>	<u>293,739</u>
Fund balance (deficit), end of year	<u>\$ (788,037)</u>	<u>\$ -</u>	<u>\$ 266,400</u>	<u>\$ (521,637)</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, 2016

Net change in fund balances - governmental funds	\$ (815,376)
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Amounts reported for governmental activities in the statement of activities are different because:

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:

(Increase) decrease in compensated absences	14,530
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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.

Capital outlay	-
Depreciation	(2,832)
	(2,832)

Change in net position of governmental activities	\$ (803,678)
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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, 2016

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amount Budgetary Basis	Favorable (Unfavorable)
<b>REVENUES:</b>				
State General Fund appropriation	\$ 2,698,700	\$ 2,682,500	\$ 2,682,500	\$ -
Tobacco settlement appropriation	249,300	249,300	249,300	-
Miscellaneous income	-	-	12,923	12,923
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total revenues	<u>\$ 2,948,000</u>	<u>\$ 2,931,800</u>	<u>\$ 2,944,723</u>	<u>\$ 12,923</u>
<b>EXPENDITURES:</b>				
General government:				
Personal services	\$ 1,194,200	\$ 1,144,200	\$ 939,542	\$ 204,658
Contractual services	858,900	992,700	600,540	392,160
Other costs	894,900	794,900	345,147	449,753
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total expenditures	<u>\$ 2,948,000</u>	<u>\$ 2,931,800</u>	<u>\$ 1,885,229</u>	<u>\$ 1,046,571</u>
<b>Reconciliation of GAAP basis to budgetary basis:</b>				
GAAP basis revenues, page 14			\$ 2,944,723	
Adjustments			<u>                    </u>	
			<u>\$ 2,944,723</u>	
GAAP basis expenditures, page 14			\$ 2,229,143	
Adjustments for accounts payable			<u>(343,914)</u>	
			<u>\$ 1,885,229</u>	

Note: The budget basis expenditures did not include a request to pay prior year invoices in the amount of \$343,914.

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, 2016

	<u>Budgeted Amounts</u>		Actual	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	Amount Budgetary Basis	
<b>REVENUES:</b>				
Severance tax bond appropriations	\$ 91,164,815	\$ 39,316,577	\$ 17,902,756	\$ (21,413,821)
Total revenues	<u>\$ 91,164,815</u>	<u>\$ 39,316,577</u>	<u>\$ 17,902,756</u>	<u>\$ (21,413,821)</u>
<b>EXPENDITURES:</b>				
General government:				
Other costs	\$ 91,164,815	\$ 39,316,577	\$ 17,902,756	\$ 21,413,821
Total expenditures	<u>\$ 91,164,815</u>	<u>\$ 39,316,577</u>	<u>\$ 17,902,756</u>	<u>\$ 21,413,821</u>
Reconciliation of GAAP basis to budgetary basis:				
GAAP basis revenues, page 14			\$ 18,797,185	
Adjustments for accounts payable			<u>(894,429)</u>	
Budget basis revenues			<u>\$ 17,902,756</u>	
GAAP basis expenditures, page 14			\$ 18,797,185	
Adjustments for accounts payable			<u>(894,429)</u>	
Budget basis expenditures			<u>\$ 17,902,756</u>	

Note: The budget basis expenditures did not include a request to pay prior year invoices in the amount of \$894,429.

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**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, 2016

**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, 2016

**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, 2016.

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, 2016; 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, 2016.

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, 2016.



**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
June 30, 2016

**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 2016 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, 2016

**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, 2016

**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 current year budget. At June 30, 2016, there were payables of \$1,238,343 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, 2016

**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, 2016, 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, 2016

**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 \$6,922 as of June 30, 2016.

Restricted Net 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 \$222,336 as of June 30, 2016.

Unrestricted Net Assets - represent unrestricted liquid assets. The remaining net position is reported as unrestricted net position (deficit), which was \$(766,980) as of June 30, 2016.

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, 2016

**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	\$ 463,423	\$ 463,423
66700	IAD Grant Fund	44,064	44,064
89200	STB Reauthorization Fund	(133,213)	(133,213)
93100	General Fund Reauthorization Fund	234,612	234,612
		<u>\$ 608,886</u>	<u>\$ 608,886</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	\$ 742,099
Due to State Treasurer General Fund Investment Pool	<u>(133,213)</u>
	<u>\$ 608,886</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, 2016

**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, 2016

**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, 2016.

**NOTE 4 – DUE FROM/TO OTHER STATE AGENCIES**

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

	Purpose	Due From
<u>Fund 89200 - STB Reauthorization Fund</u>		
DFA/BOF 34100/01900	Severance tax bond proceeds	<u>\$ 5,910,767</u>
		<u><u>\$ 5,910,767</u></u>

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



**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
June 30, 2016

**NOTE 5 – CAPITAL ASSETS**

The capital asset activity for the year ended June 30, 2016 is as follows:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Cost				
Furniture and fixtures	\$ 44,095	\$ -	\$ (1,928)	\$ 42,167
Equipment and machinery	9,982	-	-	9,982
Data processing equipment	16,716	-	-	16,716
Total capital assets	<u>70,793</u>	<u>-</u>	<u>(1,928)</u>	<u>68,865</u>
Accumulated depreciation				
Furniture and fixtures	(34,341)	(2,832)	1,928	(35,245)
Equipment and machinery	(9,982)	-	-	(9,982)
Data processing equipment	(16,716)	-	-	(16,716)
Total accumulated depreciation	<u>(61,039)</u>	<u>(2,832)</u>	<u>1,928</u>	<u>(61,943)</u>
Net capital assets	<u>\$ 9,754</u>	<u>\$ (2,832)</u>	<u>\$ -</u>	<u>\$ 6,922</u>

The Department does not have any debt related to capital assets. Depreciation expense for the year ended June 30, 2016 was \$2,832.

**NOTE 6 – COMPENSATED ABSENCES PAYABLE**

A summary of changes in compensated absences payable for the year ended June 30, 2016, is as follows:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>	Current <u>Portion</u>
Current compensated absences payable	<u>\$ 37,537</u>	<u>\$ 45,748</u>	<u>\$ (60,278)</u>	<u>\$ 23,007</u>	<u>\$ 23,007</u>

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

**NOTE 7 – REVERSIONS – DUE TO STATE GENERAL FUND**

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

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
June 30, 2016

**NOTE 7 – REVERSIONS – DUE TO STATE GENERAL FUND - CONTINUED**

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 2016, the Department was appropriated \$249,300 from the tobacco settlement fund in addition to the general fund appropriation of \$2,682,500. The Indian Affairs Department did not receive a Compensation Package in FY2016. The Department also did not receive any special appropriations in FY2016. 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		\$ 693,716
FY15 reversion paid in FY16		(693,716)
FY16 reversion payable		715,580
State warrants		<u>162</u>
Subtotal Fund 04800		<u>715,742</u>
June 30, 2015		12,276
FY reversion paid in FY16		<u>-</u>
Subtotal Fund 93100		<u>12,276</u>
Total due to State General Fund		<u><u>\$ 728,018</u></u>

**NOTE 8 – NET POSITION/FUND BALANCES**

The government-wide statement of net position reports \$222,336 of net position restricted by enabling legislation. The statement of net position also reports \$766,980 of unrestricted net deficit. This deficit is the result of accrued compensated absences and a reversion overpayment to the state general fund in FY16.

The governmental funds balance sheet includes \$222,336 of net fund balance restricted by enabling legislation, \$44,064 of assigned fund balance and unassigned fund deficit of \$788,037. This deficit is the result of a reversion overpayment to the state general fund in FY16.

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
June 30, 2016

**NOTE 9 – 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](http://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, 2016, 2015, and 2014 were \$112,224, \$115,582, and \$102,110, respectively, equal to the amount of the required contributions for each year.

**NOTE 10 – 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, 2016

**NOTE 10 – 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](http://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, 2016, 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, 2016, 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, 2016, 2015, and 2014 were \$13,211, \$13,610, and \$12,334, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
June 30, 2016

**NOTE 11 – 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	\$ 2,682,500
60900/04800	34101/85300	General fund reversion - FY 2015	(788,037)
60900/04800	34101/85300	General fund reversion - FY 2016	(715,580)
34100/69700	60900/04800	Tobacco Settlement appropriation	249,300
34100/10740	60900/89200	Severance tax bond transfers	<u>18,797,185</u>
			<u>\$ 20,225,368</u>

**NOTE 12 – 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 13 – 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, 2015 through June 30, 2016.

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
June 30, 2016

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

*Capital Project Funding* - The Department has future commitments to fund projects through June 30, 2019. These future project commitments are listed in detail in the Schedule of Capital Projects - Severance Tax Appropriations and State General Fund Appropriations.

Bond proceeds to fund these projects are allocated to the Department by the New Mexico State Legislature to administer disbursements to the project recipients. The Department is not obligated for any indebtedness related to these projects.

**NOTE 15 – 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 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 16 – 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](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
June 30, 2016

**NOTE 16 – STATE GENERAL FUND INVESTMENT POOL UNRECONCILED - CONTINUED**

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.

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 17 – 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 November 30, 2016, 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, 2016

	<u>IAD Grant</u> <u>Fund 66700</u>	GF Reauthor- ization <u>Fund 93100</u>	<u>Total</u> <u>Non-major</u> <u>Funds</u>
<b>ASSETS</b>			
Investment in State Treasurer			
General Fund Investment Pool	\$ 44,064	\$ 234,612	\$ 278,676
Due from other funds	-	-	-
Due from other agencies	-	-	-
Total assets	<u>\$ 44,064</u>	<u>\$ 234,612</u>	<u>\$ 278,676</u>
<b>LIABILITIES</b>			
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	-	-	-
Due to State General Fund	-	12,276	12,276
Due to other state agencies	-	-	-
Total liabilities	<u>-</u>	<u>12,276</u>	<u>12,276</u>
<b>FUND BALANCES</b>			
Restricted	-	222,336	222,336
Assigned	44,064	-	44,064
Total fund balances	<u>44,064</u>	<u>222,336</u>	<u>266,400</u>
Total liabilities and fund balances	<u>\$ 44,064</u>	<u>\$ 234,612</u>	<u>\$ 278,676</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, 2016

	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	-	27,339	27,339
Capital outlay	-	-	-
Total expenditures	-	27,339	27,339
Excess (deficiency) of revenues over expenditures	-	(27,339)	(27,339)
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	-	(27,339)	(27,339)
Fund balance, beginning of year	44,064	249,675	293,739
Fund balance, end of year	\$ 44,064	\$ 222,336	\$ 266,400

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, 2016

	<u>Budgeted Amounts</u>		Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Private grants	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total budgeted revenues				
<b>EXPENDITURES:</b>				
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 37			\$ -	
Adjustments			<u>-</u>	
Budget basis revenues			<u>\$ -</u>	
GAAP basis expenditures, page 37			\$ -	
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, 2016

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amount Budgetary Basis	Favorable (Unfavorable)
<b>REVENUES:</b>				
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>		
<b>EXPENDITURES:</b>				
General government:				
Other costs	<u>\$ 249,675</u>	<u>\$ 249,675</u>	<u>\$ 27,339</u>	<u>\$ (222,336)</u>
Total expenditures	<u>\$ 249,675</u>	<u>\$ 249,675</u>	<u>\$ 27,339</u>	<u>\$ (222,336)</u>
Reconciliation of GAAP basis to budgetary basis:				
GAAP basis revenues, page 37			\$ -	
Adjustments			<u>-</u>	
Budget basis revenues			<u>\$ -</u>	
GAAP basis expenditures, page 37			\$ 27,339	
Adjustments			<u>-</u>	
Budget basis expenditures			<u>\$ 27,339</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, 2016**

SHARE Fund	Type	Laws	Ch.	Section	BOF Appr ID	Expiration Date	Project Description	Amount	Current Year	Expenditures to	Amount
								Appropriated or Reauthorized	Expenditures	Date	Reverted/ Unexpended Balance
89200	STB	2010	37	1/C	14TIF24	1/23/2017	Santa Ana Wastewater Treatment Plant	\$ 1,423,000	\$ 1,423,000	\$ 1,423,000	\$ -
89200	STB	2010	37	1/C	14TIF29	12/15/2016	Zuni Commercial Development Area-Water Infra.	1,400,000	1,347,051	1,400,000	-
89200	GOB	2012	54	10/C/10	12-1263	6/30/2016	Santa Fe Indian School Classrooms Labs	1,287,000	1,287,000	1,287,000	-
89200	STB	2010	37	1/C	14TIF27	2/27/2017	Tesuque Tribal Infrastructure Improvements	1,423,000	1,225,667	1,225,667	197,333
89200	STB	2010	37	1/C	14TIF26	12/15/2016	Taos Sewer Water Line Expansion Project	1,400,000	1,102,660	1,102,660	297,340
89200	STB	2010	37	1/C	14TIF01	12/2/2016	Acoma Waterless Composting Toilet Phase II	1,423,000	776,702	1,423,000	-
89200	STB	2010	37	1/C	13TIF18	12/31/2016	To'hajiilee Field Office EMS Building	1,500,000	696,193	696,193	803,807
89200	STB	2010	37	1/C	13TIF19	4/1/2016	L501 Capital Dr. & St. Joseph Blvd Improvements	600,000	600,000	600,000	-
89200	STB	2010	37	1/C	15TIF29	10/11/2018	Pueblo Place Subdivision Infrastructure Project	1,080,610	597,980	597,980	482,630
89200	STB	2010	37	1/C	14TIF03	12/15/2016	Cochiti Visitors Center	940,000	573,908	939,999	1
89200	STB	2010	37	1/C	13TIF13	3/10/2016	Alamo Chapter WasteWater Improvement Plan	1,606,365	556,495	1,500,000	106,365
89200	GOB	2014	65	10/C/10/d	14-1322	6/30/2018	SFIS YOUTH ACTIVITY COMPLEX UPGRADE	500,000	500,000	500,000	-
89200	GOB	2012	54	10/C/10	12-1265	6/30/2016	Navajo Technical College Edu Wellness Center	495,000	495,000	495,000	-
89200	STB	2013	226	28/1	13-1528	6/30/2017	Indian Pueblo Cultural Ctr Land/Bldg Purch	587,500	493,743	493,743	93,757
89200	STB	2010	37	1/C	12TIF23	6/30/2016	White Rock Chapter Water Pipeline	600,000	460,000	600,000	-
89200	STB	2010	37	1/C	13TIF15	2/3/2016	Zia Enterprise Zone (ZEZ) Phase II	1,675,000	442,184	1,675,000	-
89200	STB	2013	226	28/49	13-1567	6/30/2017	Santa Fe Indian School Wellness & Ed Center	700,920	430,050	430,050	270,870
89200	STB	2010	37	1/C	13TIF16	2/10/2016	Road and Water Line Extension	2,214,322	353,188	2,200,957	13,365
89200	STB	2010	37	1/C	13TIF12	3/10/2016	Ramah Chapter Mtn. View Waterline Expansion	350,000	350,000	350,000	-
89200	STB	2010	37	1/C	14TIF09	1/20/2017	Nambe Post Fire Reservoir Improvements	348,640	348,640	348,640	-
89200	STB	2013	147	66	13-1564	6/30/2017	*! *15 IAIA Fitness & Wellness Facility	500,000	254,324	254,324	245,676
89200	STB	2010	37	1/C	14TIF28	12/29/2016	Zia Enterprise Zone Wastewater System Facilities	1,423,000	213,011	291,551	1,131,449
89200	STB	2010	37	1/C	13TIF10	7/15/2016	Water System Improvement	1,351,904	201,617	338,345	1,013,559
89200	STB	2010	37	1/C	13TIF05	2/18/2016	Community Infrastructre Improvement	705,890	194,387	550,000	155,890
89200	STB	2013	226	28/18	13-1540	6/30/2017	Isleta Pueblo Veterans Center Construct	186,120	186,120	186,120	-
89200	STB	2010	37	1/C	14TIF05	3/23/2017	Jicarilla Cutter Lateral Inter- Tie (Design)	400,000	174,000	174,000	226,000
89200	STB	2014	66	19/14	14-1759	6/30/2016	Iyanbito Chapter Motor Grader	170,000	170,000	170,000	-
89200	STB	2012	64	13/25	12-1385	6/30/2016	Tse'daa'kaan Chapter Parking Lots Improve	150,000	150,000	150,000	-
89200	STB	2014	66	19/43	14-1786	6/30/2016	Santo Domingo Pueblo Ambulance	150,000	150,000	150,000	-
89200	STB	2014	66	19/31	14-1775	6/30/2018	Beclabito Chapter Road Grader	145,000	145,000	145,000	-
89200	STB	2010	37	1/C	14TIF17	4/7/2017	NN Standing Rock Beacon Bistil Water Project	150,000	142,500	142,500	7,500
89200	STB	2013	226	28/39	13-1558	6/30/2017	San Felipe Pueblo Judicial Complex	153,450	139,500	139,500	13,950
89200	STB	2010	37	1/C	14TIF07	12/15/2016	Laguna Kawaika Campus Infrastructure	150,000	138,515	138,515	11,485
89200	STB	2014	66	19/2	14-1749	6/30/2018	Indian Pueblo Cultural Ctr Museum Improve	188,482	137,672	187,672	810
89200	STB	2014	66	19/47	14-1789	6/30/2018	Tesuque Pueblo Police Bldg Stabilization	128,799	128,799	128,799	-
89200	GOB	2014	65	10/C/10/c	14-1321	6/30/2018	IAIA MULTIPRPS FITNESS & PERF ARTS CTR	1,980,000	124,924	124,924	1,855,076
89200	STB	2013	226	28/6	13-1531	6/30/2016	Laguna Pueblo Fire & Rescue Ambulance	120,000	120,000	120,000	-
89200	STB	2014	66	19/15	14-1760	6/30/2018	Little Water Chapter Power Line Extension	100,000	100,000	100,000	-
89200	STB	2013	226	28/48	13-1566	6/30/2017	Pojoaque Pueblo Wellness Center Basketball/	100,000	97,026	100,000	-
89200	STB	2014	66	19/26	14-1770	6/30/2016	Sandia Pueblo Buses	95,672	95,672	95,672	-
89200	STB	2013	226	28/36	13-1555	6/30/2016	Jemez Pueblo Buses Purchase	95,000	94,751	94,751	249
89200	STB	2012	64	13/5	12-1382	6/30/2016	Baahaali Chapter Facility Parking Lot	100,000	93,868	93,868	6,132
89200	STB	2010	37	1/C	14TIF22	12/11/2016	San Ildefonso Wastewater System	400,000	93,817	93,817	306,183
89200	GOB	2014	65	10/C/10/b	14-1320	6/30/2018	DINE COLLEGE MATH & SCIENCE BLDG	500,000	93,163	93,163	406,837
89200	STB	2015	3	25/29	15-0596	6/30/2019	Isleta Pueblo Veterans Assoc. Center Imprpove	127,821	83,672	83,672	44,149
89200	STB	2014	66	19/22	14-1766	6/30/2016	Tsa-Ya-Toh Chapter Backhoe	80,000	80,000	80,000	-
89200	STB	2013	226	28/24	13-1546	6/30/2016	Jicarilla Apache EMS Cardiac Defibrillators	87,000	75,550	75,550	11,450
89200	STB	2010	37	1/C	13TIF04	3/10/2016	Capitan Tom Irrigation Project	80,000	72,820	72,820	7,180
89200	STB	2015	3	25/49	15-0615	6/30/2018	Jemez Pueblo Wastewater Utililty Equip	70,000	69,980	69,980	20
89200	STB	2010	37	1/C	13TIF03	3/3/2016	Public Safety & Judicial Complex	66,000	66,000	66,000	-
89200	STB	2010	37	1/C	14TIF11	3/31/2017	NN Counselor Lybrook ENWP Phase 6 Wtr. Sys.	150,000	63,100	63,100	86,900

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
**SCHEDULE OF CAPITAL PROJECTS - SEVERANCE TAX AND GENERAL FUND APPROPRIATIONS**  
**JUNE 30, 2016**

SHARE						Amount	Current Year	Expenditures to	Amount	
Fund	Type	Laws Ch.	Section	BOF Appr ID	Expiration Date	Project Description	Appropriated or Reauthorized	Expenditures	Date	Reverted/Unexpended Balance
89200	STB	2013 226	28/9	13-1534	6/30/2017	Baca Prewitt Chapter Powerline Extend	125,000	62,500	62,500	62,500
89200	STB	2014 66	19/29	14-1773	6/30/2018	Santa Clara Pueblo Gabion Structures	175,000	62,436	62,436	112,564
89200	STB	2013 226	28/29	13-1549	6/30/2017	Lake Valley Chapter Bathroom Additions	114,345	58,589	77,993	36,352
89200	STB	2010 37	1/C	13TIF11	4/1/2016	NM 314/NM 45 Intersection	305,877	53,174	114,114	191,763
89200	STB	2010 37	1/C	13TIF02	8/20/2016	Community Master Plan	100,000	53,152	53,152	46,848
89200	STB	2010 37	1/C	15TIF32	12/22/2018	Public Safety First Responder Fire Station	1,400,000	52,700	52,700	1,347,300
89200	STB	2014 66	19/13	14-1758	6/30/2018	IAD Navajo Tech Univ. Multipurpose Center	50,000	49,915	49,915	85
89200	STB	2013 226	28/32	13-1551	6/30/2017	Shiprock Irrigation Compound Security Fencing	70,000	49,544	49,544	20,456
89200	STB	2014 66	19/9	14-1755	6/30/2018	Casamero Lake Chapter Power Line Extend	100,000	49,000	49,000	51,000
89200	STB	2013 226	28/12	13-1536	6/30/2017	Mariano Lake Bathroom Additions	45,000	45,000	45,000	-
89200	STB	2014 66	19/36	14-1780	6/30/2018	Cochiti Pueblo Library Improve & Equip	50,000	42,854	42,854	7,146
89200	STB	2015 3	25/48	15-0614	6/30/2018	Jemez Pueblo Heavy Equip for Housing Projects	130,000	41,557	41,557	88,443
89200	STB	2013 226	28/11	13-1535	6/30/2017	Iyanbito Chapter House & Parking Lot	148,500	40,000	40,000	108,500
89200	STB	2010 37	1/C	14TIF25	2/2/2017	Santa Clara Regional Health Facility Water/WW	75,000	39,783	39,783	35,217
89200	STB	2010 37	1/C	14TIF20	2/27/2017	Picuris Water System PER	75,000	37,500	37,500	37,500
89200	STB	2012 64	13/37	12-1392	6/30/2016	Alamo Chapter Sewage Lagoons Improve	50,000	37,445	50,000	-
89200	STB	2010 37	1/C	14TIF23	12/11/2016	San Ildefonso Tribal Utility Building and Systems	150,000	35,655	35,655	114,345
89200	STB	2013 226	28/30	13-1550	6/30/2017	Nageezi Chapter Bathroom Additions, Wtr/Swr	50,000	34,578	50,000	-
89200	STB	2013 226	28/28	13-1548	6/30/2018	Gadiiahi/To'Koi Chapter Senior Center Construct	85,000	34,225	40,000	45,000
89200	STB	2010 37	1/C	14TIF08	1/20/2017	Nambe Comprehensive Management Plan	150,000	33,135	33,135	116,865
89200	STB	2013 226	28/34	13-1553	6/30/2017	Cochiti Pueblo Library Improve & Equip	50,000	32,530	50,000	-
89200	STB	2010 37	1/C	14TIF02	12/15/2016	Cochiti Drainage Master Plan	40,000	29,764	29,764	10,236
89200	STB	2010 37	1/C	13TIF08	3/10/2016	Plan/Design Multi Purpose Buidling	240,000	28,471	28,471	211,529
89200	STB	2010 37	1/C	14TIF14	3/10/2017	NN Ramah Mountain View Water Line Expansion	500,000	27,177	27,177	472,823
89200	STB	2014 66	19/33	14-1777	6/30/2018	Lake Valley Chapter Solar Project	25,000	25,000	25,000	-
89200	STB	2013 226	28/13	13-1537	6/30/2017	Mariano Lake Bathroom Fixtures & Plumbing	50,000	24,662	50,000	-
89200	STB	2010 37	1/C	13TIF06	4/1/2016	Sunset Hills Water System	150,000	20,567	145,365	4,635
89200	STB	2014 66	19/46	14-1788	6/30/2018	SFIS Entrance Lanes	150,000	19,241	19,241	130,759
89200	STB	2010 37	1/C	14TIF15	4/7/2017	NN Red Valley Regional Transfer Station	200,000	17,375	17,375	182,625
89200	STB	2013 226	28/35	13-1554	6/30/2017	Cochiti Pueblo Multuse Fclty Renovate	148,500	16,221	16,221	132,279
89200	STB	2010 37	1/C	14TIF21	1/20/2017	San Felipe Historic Village Water Line Planning	190,000	15,000	15,000	175,000
89200	STB	2013 226	28/23	13-1545	6/30/2016	Jicarilla Apache EMS Ventilators Purchase	10,000	9,998	9,998	2
89200	STB	2013 226	28/17	13-1539	6/30/2017	Zuni Pueblo Veteran's Memorial Park Phase I	247,500	8,630	42,686	204,814
89200	STB	2010 37	1/C	14TIF10	4/7/2017	NN Gallup Regional Wastewater Treatment	150,000	8,123	8,123	141,877
89200	STB	2010 37	1/C	13TIF01	3/10/2016	To'hajilllee Water System Study	75,000	7,500	75,000	-
89200	STB	2012 64	13/29	12-1388	6/30/2016	Torreon-Star Lake Chapter Water Line & Bathroom	72,000	6,998	70,469	1,531
89200	STB	2013 226	28/19	13-1541	6/30/2017	Rock Springs Chapter Veterans Facility	50,000	4,277	4,277	45,724
89200	STB	2014 66	19/44	14-1787	6/30/2016	Zia Pueblo Loader & Motor Grader	165,000	4,253	165,000	-
89200	STB	2015 3	25/59	15-0624	6/30/2019	Pojoaque Pueblo Wellness Ctr Improve	50,000	3,142	3,142	46,858
89200	STB	2013 226	28/7	13-1532	6/30/2017	Laguna Pueblo Fire & Rescue Substation	112,860	3,058	38,270	74,590
89200	STB	2010 37	1/C	15TIF30	6/18/2018	Teen Youth Center Facility	1,150,454	2,264	2,264	1,148,190
89200	GF	2011 183	58	15-1133	6/30/2017	Crownpoint Wellness Center	39,674	(27,338)	-	39,674
89200	STB	2010 37	1/C	12TF13	4/22/2015	Comprehensive Plan	117,525	(117,484)	117,484	41
89200	STB	2010 37	1/C	12TF16	10/9/2014	NAPI Potable Water Project	813,347	(294,234)	813,347	-
<b>Subtotal Fund 89200</b>							<b>39,904,077</b>	<b>18,797,187</b>	<b>26,663,045</b>	<b>13,241,032</b>
93100	GF	2015 147	35	15-1133	6/30/2017	Crownpoint Wellness Center	39,674	27,338	27,338	12,336
93100	GF	2015 147	39	15-1137	6/30/2017	Tohatchi Chapter Parks and Playground	210,000	-	-	210,000
<b>Subtotal Fund 93100</b>							<b>249,674</b>	<b>27,338</b>	<b>27,338</b>	<b>222,336</b>
<b>Grand Total</b>							<b>\$ 40,153,751</b>	<b>\$ 18,824,525</b>	<b>\$ 26,690,383</b>	<b>\$ 13,463,368</b>

**STATE OF NEW MEXICO  
INDIAN AFFAIRS DEPARTMENT  
SCHEDULE OF VENDOR INFORMATION  
For the Year Ended June 30, 2016**

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB# / RFP# (if applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>
609	Indian Affairs Department	State Agencies	60-609-15-00591	Competitive (RFP or RFB)	First Nations Community	Winner	\$150,000.00		5608 Zuni SE Albuquerque, NM 87108	Yes	Yes	Emergency Social Services for Native Americans



**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
 SCHEDULE OF JOINT POWERS AGREEMENTS AND  
 MEMORANDUMS OF UNDERSTANDING  
 For the Year Ended June 30, 2016

**Joint Powers Agreement**

Participants	Office of the Governor, Indian Affairs Department, Gaming Control Board
Party responsible for operations	Office of the Governor
Description	JPA to share expenses for legal services related to tribal gaming
Beginning and ending dates	10/1/2015 - 6/30/2016
Total estimated cost	\$50,000
Portion applicable to Indian Affairs Department	\$40,000
Amount contributed during FY16	\$20,122
Responsibility for audit	Office of the Governor
Agency where revenues and expenditures reported	Both

**Memorandums of Understanding**

Participants	Higher Education Department, Indian Affairs Department
Party responsible for operations	Higher Education Department
Description	Assist Higher Education Department with higher education efforts with tribes
Beginning and ending dates	1/7/2016 - termination by either party
Total estimated cost	\$50,000
Portion applicable to Indian Affairs Department	\$50,000
Amount contributed during FY16	\$50,000
Responsibility for audit	Higher Education Department
Agency where revenues and expenditures reported	Higher Education Department

Participants	Energy, Minerals and Natural Resources Department, Indian Affairs Department
Party responsible for operations	Energy, Minerals and Natural Resources Department
Description	EMNRD to provide fiscal, IT, HR training, access to SHARE, email and internet
Beginning and ending dates	12/18/2015 - termination by either party
Total estimated cost	\$8,500
Portion applicable to Indian Affairs Department	\$8,500
Amount contributed during FY16	\$8,500
Responsibility for audit	Both
Agency where revenues and expenditures reported	Both

Participants	Environment Department and Indian Affairs Department
Party responsible for operations	Indian Affairs Department
Description	Project oversight services for tribal infrastructure projects
Beginning and ending dates	10/16/2014 - 6/30/2017
Total estimated cost	Not to exceed \$100,000
Portion applicable to Indian Affairs Department	Not to exceed \$100,000
Amount contributed during FY16	\$8,400
Responsibility for audit	Both
Agency where revenues and expenditures reported	Both

**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

I 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, 2016, 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 my report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, I do not express an opinion on the effectiveness of the Department's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2011-001, that I consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Department's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 and 2015-001.

The Department's responses to the findings identified in my 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, I express no opinion on them.

The purpose of this report is solely to describe the scope of my 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  
November 30, 2016

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2016

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Material weaknesses identified? No

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	Resolved
2011-001 – Reversions-Capital Projects-SHARE Funds 04800, 10000 and 93100	Repeated and modified
2012-012 – Cash Monitoring Procedures	Resolved
2014-001 – Internal Control over Cash Disbursements	Resolved
2015-001 – Travel and Per Diem Violations	Repeated and modified

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
June 30, 2016

**CURRENT YEAR FINDINGS**

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

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.

Condition – During FY2014 and FY2015 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 outstanding. The FY2014 reversion payable to the State General Fund for fund 42900 in the amount of \$99,903 was also outstanding. The Department's corrective action in FY2015 was to pay all reversions by January 31, 2016. During FY2016, the Department paid all prior year reversions except for \$12,276 payable in Fund 93100.

Cause – The Department reverted all outstanding capital project balances but overlooked the reversion payable in fund 93100.

Effect – The Department was able to keep monies in the fund that could have been made available for re-appropriation.

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

Management's Response - The \$12, 276.00 in fund 93100 reversion has already been reverted. It has not been approved yet but it is in the SHARE system with a date of 11/16/2016.

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
June 30, 2016

**CURRENT YEAR FINDINGS – CONTINUED**

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

Criteria - Section 2.42.2.9C(5) NMAC states “no reimbursement for actual expenses will be granted in lieu of partial day per diem rates”.

Condition – 5 travel expenditures were tested. One employee received \$8 for a meal reimbursement pertaining to the same time period for which partial day per diem was claimed. The Department’s corrective action plan in FY2015 was to audit all travel expenses, create a tracking system, and train staff on travel compliance. The 2015 planned corrective actions were initially completed, however, the Department was not able to sustain the corrective action plan when there was staff turnover.

Cause – The reimbursement form had the wrong date listed for the receipt in question which was not caught during processing.

Effect – The employee received excess per diem which they were not entitled to.

Recommendation – I recommend that receipt/invoice dates are double-checked during processing for travel and all other disbursements, to verify that the expense was incurred during the proper timeframe.

Management’s Response - Training was already given to staff on how to review and pay per diem. Training was done on 11/18/2016 with the Accountant Auditors. The training was given by the CFO to ensure compliance. New per diem procedures were put in place to make sure no one gets paid partial day per diem and paid for a meal.

**STATE OF NEW MEXICO**  
**INDIAN AFFAIRS DEPARTMENT**  
EXIT CONFERENCE  
June 30, 2016

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.

\* \* \* \* \*

An exit conference was held on November 30, 2016 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
Suzette Shije	Deputy Cabinet Secretary
Joann Lapington	Chief Financial Officer
Audrey Gonzales	Accountant Auditor
Micah Clokey	Accountant Auditor