



2019 Financial Statements
& Other Financial Information

(Independent Auditor's Report included)

Year ended June 30, 2019

NMIAD

Pueblo of Acoma Sky City located approximately 60 miles west of Albuquerque, New Mexico.

**State of New Mexico Indian Affairs Department
Financial Statements
for the Year Ended
June 30, 2019
and Independent Auditors' Report**

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
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Year Ended June 30, 2019

Tribal Infrastructure Board

Lynn Trujillo	Chair, Indian Affairs Department
Debbie Romero	Member, Department of Finance & Administration
Aiko Allen	Member, Department of Health
Judi Kahl	Member, Environment Department
Zack Dillenback	Member, New Mexico Finance Authority
Mark Thompson	Member, Pueblo of Acoma
Christopher Little	Member, Mescalero Apache Tribe
Dr. Pearl Yellowman	Member, Navajo Nation
Romain Wood	Member, Jicarilla Apache Nation
Shannon McKenna	Ex-Officio, Bureau of Indian Affairs - Southwest Region
Sharon Pinto	Ex-Officio, Bureau of Indian Affairs - Navajo Region
Roger Slape	Ex-Officio, Indian Health Service
Chris Bradley	Ex-Officio, Indian Health Service

Administrative Officers

Lynn Trujillo	Cabinet Secretary
Nadine Padilla	Deputy Secretary
Drew Roybal-Chavez	Chief Financial Officer
Carrie Frias	General Counsel

INDEPENDENT AUDITORS' REPORT



Independent Auditors' Report

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico
and

Lynn Trujillo, Cabinet Secretary
Indian Affairs Department
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund of the State of New Mexico, Indian Affairs Department (Department) as of and for the year ended June 30, 2019 and the related notes to the financial statements which collectively comprises the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Department'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 on the Department's internal control. Accordingly, we express no such opinion.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Department as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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 activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is 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, 2019, and the changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified for this matter.

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 6 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:

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

The Schedules of Severance Tax Bonds, Special Appropriations and other schedules required by Section 2.2.2 NMAC are 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 Schedules of Severance Tax Bonds, Special Appropriations and other schedules required by Section 2.2.2 NMAC is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
September 25, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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:

General Fund

General Fund (Fund No. 04800)

Special Revenue Fund

Grants for IAD Fund (Fund No. 66700)

Capital Outlay Funds

STB Capital Outlay Fund (Fund No. 89200)

GF Capital Outlay 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, 2019. The following compares the current year with the prior year.

**Condensed Statements of Net Position
Governmental Activities**

	FY2019	FY2018	Change	% Change
Assets				
Current assets	\$ 76,793,795	\$ 5,489,619	\$ 71,304,176	1299%
Capital assets, net	1,049	4,105	(3,056)	-74%
Total Assets	\$ 76,794,844	\$ 5,493,724	\$ 71,301,120	1298%
Liabilities				
Current liabilities	\$ 2,502,700	\$ 5,282,392	\$ (2,779,692)	-53%
Long-term liabilities	-	-	-	0%
Total Liabilities	\$ 2,502,700	\$ 5,282,392	\$ (2,779,692)	-53%
Net Position				
Investment in capital assets	\$ 1,049	\$ 4,105	\$ (3,056)	-74%
Restricted	74,313,458	222,335	74,091,123	33324%
Unrestricted	(22,363)	(15,108)	(7,255)	48%
Total Net Position	74,292,144	211,332	74,080,812	35054%
Total Liabilities and Net Position	\$ 76,794,844	\$ 5,493,724	\$ 71,301,120	1298%

Analysis of Financial Position (Statement of Net Position)

Current assets increased by \$71,304,176, or 1300% from a year ago. This is mainly attributable to General Fund Capital Outlay appropriations for FY19.

Current liabilities decreased by \$2,779,692, or 53% from a year ago. Current liabilities of \$2,502,700 consist primarily of accounts payable of \$113,167, and due to other local governments of \$2,247,233.

Net position (deficit) increased by \$74,080,812 from \$211,332 to \$74,292,144.

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Management's Discussion and Analysis
Year Ended June 30, 2019

Changes in Net Position

The statement of activities summarizes the Department's changes in net position for the fiscal years ending June 30, 2019 and June 30, 2018.

Condensed Statements of Activities
Governmental Activities

	FY2019	FY2018	Change	% Change
Revenues:				
General revenues:				
State general fund appropriations	\$ 2,290,500	\$ 3,030,400	\$ (739,900)	-24%
GF capital outlay appropriations	74,200,353	-	74,200,353	N/A
Severance tax bond appropriations (net of reversions)	2,477,358	4,023,462	(1,546,104)	-38%
Other Revenue	10,098	-	10,098	N/A
Total Revenues	78,978,309	7,053,862	71,924,447	1020%
Expenses:				
General government	14,334,622	14,832,593	(497,971)	-3%
Transfers:				
Reversions to State General Fund	(491,057)	(595,866)	104,809	-18%
Transfers from (to) other state agencies	9,928,182	9,142,099	786,083	9%
Total Transfers	9,437,125	8,546,233	890,892	10%
Changes in net position	74,080,812	767,502	73,313,310	9552%
Net position, beginning of year	211,332	(556,170)	767,502	-138%
Net position, end of year	\$ 74,292,144	\$ 211,332	\$ 74,080,812	35054%

The Department has no governmental activities program revenues in FY 2019.

The Department's total revenue increased by the amount of \$71,924,447, or 1020%. The cost of governmental activities this year was \$14,334,622 compared to \$14,832,593 last year resulting in a decrease in the amount of \$497,971.

The Department's transfers increased by the amount of \$786,083, or 9%. The Department's reversions this year decreased by \$104,809, or -18%.

Overall, the Department's net position increased by \$74,080,812.

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 four 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 23 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 pages 15-16) reported a combined fund balance amount of \$74,313,458.

Since the General Fund is a "reverting" fund, only balances appropriated into future fiscal years may be retained by the Department. The Department reverted \$491,057 to the State General Fund from unused State General Fund appropriations, compared to \$595,866 in the prior year. The reversion was due to high vacancy rate in personnel services 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 State Budget Division of the Department of Finance and Administration. During the fiscal year 2019, the Department had two category transfer budget adjustments due to vacancy savings utilized for other costs.

Analysis of Significant Budget Variations

The Department's operating budget for fiscal year 2019 was \$2,503,600 with budget adjustments agency wide of \$8,045 for a final budget of \$2,511,645. The General Fund original budget was \$2,503,600. Budget decreases and budget adjustments totaled \$0. The final operating budget for the general fund was \$2,503,600.

Capital Assets

The Department's investments in capital assets for its governmental activities as of June 30, 2019 amounted to \$1,049, (net of accumulated depreciation). This investment in capital assets consists mainly of furniture, fixtures, and data processing equipment. There were no capital asset additions during FY 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Regarding the FY 2020 Appropriation Budget Request, the Financial Coordinator for IAD worked with the Cabinet Secretary and with various staff to compile the FY 2020 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, 2018.

The Executive Budget proposal request was equivalent to the FY 2019 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 Kubiak Melton & Associates, LLC to perform the annual financial audit for FY 2019. 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 NMS_GL_JOURNAL_LINE trial balance and other accounting queries and reports 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 2019 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 November 1, 2019.

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

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FINANCIAL STATEMENTS

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Statement of Net Position

As of June 30, 2019

	Governmental Activities
Assets:	
Current Assets	
Cash:	
Unrestricted	\$ -
Cash equivalents: (Note 3)	
Investment in SGFIP	76,793,723
Receivables:	
Accounts receivable, net	-
Other receivables	72
Total Current Assets	76,793,795
Non-Current Assets:	
Capital assets, net (Note 4)	1,049
Total Non-Current Assets	1,049
Total Assets	\$ 76,794,844
Liabilities	
Current Liabilities:	
Accounts payable	\$ 113,167
Due to:	
Local governments (Note 5)	2,247,233
Higher Ed Institution (Note 6)	74,443
Other Accrued Expenses	45,494
Current portion of long-term obligations:	
Compensated absences (Note 7)	22,363
Total Current Liabilities	2,502,700
Total Liabilities	2,502,700
Net Position:	
Net investment in capital assets	1,049
Restricted Assets	74,313,458
Unrestricted Assets	(22,363)
Total Net Position	74,292,144
Total Liabilities and Net Position	\$ 76,794,844

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Statement of Activities

For the Year Ended June 30, 2019

	Governmental Activities
Program Expenses:	
Personal services	\$ 814,979
Contractual services	567,567
Other costs	12,949,020
Depreciation expense	3,056
Total Program Expenses	14,334,622
Net Program Revenue (Expense)	(14,334,622)
General Revenues:	
General fund appropriations (Note 12)	2,290,500
GF capital outlay appropriations	74,200,353
Severance tax bond appropriation	2,477,358
Other revenue	10,098
Total General Revenues	78,978,309
Transfers:	
Reversions (Note 8)	(491,057)
Transfers from (to) other state agencies (Note 12)	9,928,182
Total Transfers	9,437,125
Net General Revenues and Transfers	88,415,434
Change in Net Position/Operating Income (Loss)	74,080,812
Net Position, Beginning of Fiscal Year	211,332
Net Position, End of Fiscal Year	\$ 74,292,144

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Balance Sheet - Governmental Funds

As of June 30, 2019

	General Fund (SHARE 04800)	STB Capital Outlay Fund (SHARE 89200)
	<u> </u>	<u> </u>
Assets:		
Cash:		
Unrestricted	\$ -	\$ -
Cash equivalents: (Note 3)		
Investment in SGFIP	501,320	1,938,448
Receivables:		
Accounts receivable, net	-	-
Other receivables	72	-
	<u> </u>	<u> </u>
Total Assets	<u>\$ 501,392</u>	<u>\$ 1,938,448</u>
 Liabilities, Deferred Inflows of Resources and Fund Balance:		
Liabilities:		
Accounts payable	\$ 113,167	\$ -
Due to:		
Local governments (Note 5)	218,288	1,938,448
Higher Ed Institution (Note 6)	74,443	-
Other Accrued Expenses	45,494	-
	<u> </u>	<u> </u>
Total Liabilities	<u>451,392</u>	<u>1,938,448</u>
 Fund Balance:		
Restricted	50,000	-
Assigned	-	-
Unassigned	-	-
	<u> </u>	<u> </u>
Total Fund Balance	<u>50,000</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 501,392</u>	<u>\$ 1,938,448</u>

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Balance Sheet - Governmental Funds

GF Capital Outlay Fund (SHARE 93100)	Total Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -
74,353,955	-	76,793,723
-	-	-
-	-	72
\$ 74,353,955	\$ -	\$ 76,793,795
\$ -	\$ -	\$ 113,167
90,497	-	2,247,233
-	-	74,443
-	-	45,494
90,497	-	2,480,337
74,263,458	-	74,313,458
-	-	-
-	-	-
74,263,458	-	74,313,458
\$ 74,353,955	\$ -	\$ 76,793,795

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2019

Total Fund Balance - Governmental Funds		
(Balance Sheet - Governmental Funds)	\$	74,313,458

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds:

The cost of capital assets is	55,060	
Accumulated depreciation is	<u>(54,011)</u>	
Total net capital assets		1,049

Long-term debt not recorded as liabilities in the governmental funds, but recorded as long-term liabilities in the Statement of Net Position:

Compensated absences		<u>(22,363)</u>
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Net Position of Governmental Activities (Statement of Net Position)	\$	<u><u>74,292,144</u></u>
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See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

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NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Year Ended June 30, 2019

	General Fund (SHARE 04800)	STB Capital Outlay Fund (SHARE 89200)
Revenues:		
Other revenue	\$ 10,098	\$ -
Total Revenues	10,098	-
Expenditures:		
Current:		
Operating costs	82,891	-
Personal services	611,149	-
Out-of-state travel	1,596	-
Grants and services	388,105	11,864,401
Travel	16,710	-
Maintenance and repairs	4,819	-
Supplies	110,360	-
Contractual services	559,521	-
Other costs	46,223	-
Employee benefits	204,621	-
Total Expenditures	2,025,995	11,864,401
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,015,897)	(11,864,401)
Other Financing Sources (Uses):		
General fund appropriations (Note 12)	2,290,500	-
Reversions (Note 8)	(478,722)	-
GF capital outlay appropriations	-	-
Severance tax bond appropriation	-	2,477,358
Transfers in: (Note 12)		
Inter-agency	254,119	9,387,043
Intra-agency	-	-
Transfers (out): (Note 12)		
Inter-agency	-	-
Intra-agency	-	-
Total Other Financing Sources (Uses)	2,065,897	11,864,401
Net Changes in Fund Balance	50,000	-
Fund Balance, June 30, 2018	-	-
Fund Balance, June 30, 2019	\$ 50,000	\$ -

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

GF Capital Outlay Fund (SHARE 93100)	Total Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 10,098
-	-	10,098
-	-	82,891
-	-	611,149
-	-	1,596
433,915	-	12,686,421
-	-	16,710
-	-	4,819
-	-	110,360
-	8,046	567,567
-	-	46,223
-	-	204,621
433,915	8,046	14,332,357
(433,915)	(8,046)	(14,322,259)
-	-	2,290,500
(12,335)	-	(491,057)
74,200,353	-	74,200,353
-	-	2,477,358
287,020	-	9,928,182
-	-	-
-	-	-
74,475,038	-	88,405,336
74,041,123	(8,046)	74,083,077
222,335	8,046	230,381
\$ 74,263,458	\$ -	\$ 74,313,458

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Statement of Revenues and Expenditures - Budget and Actual
(Modified Accrual Basis) - General Fund

For the Year Ended June 30, 2019

	INDIAN AFFAIRS DEPARTMENT			
	GENERAL FUND (SHARE 04800)			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Modified Accrual)	Over (Under)
Revenues and Other Financing Sources:				
Other state funds	\$ -	\$ -	\$ 10,098	\$ 10,098
State general fund	2,240,500	2,240,500	2,240,500	-
Transfers outside the agency	263,100	263,100	254,119	(8,981)
Other Appropriations	-	-	-	-
Total Revenues and Other Financing Sources	<u>2,503,600</u>	<u>2,503,600</u>	<u>2,504,717</u>	<u>\$ 1,117</u>
Prior Year Funds Rebudgeted	-	-		
Total Revenues, Other Financing Sources and Prior Year Funds Rebudgeted	<u>\$ 2,503,600</u>	<u>\$ 2,503,600</u>		
Expenditures and Other Financing Uses:				
P696 - Program One:				
Personal services/employee benefits	\$ 1,197,800	\$ 1,187,800	\$ 815,770	\$ 372,030
Contractual services	636,400	607,900	559,521	48,379
Other	669,400	707,900	650,704	57,196
Transfers out	-	-	-	-
Total Budgeted Expenditures and Other Financing Uses	<u>\$ 2,503,600</u>	<u>\$ 2,503,600</u>	<u>2,025,995</u>	<u>\$ 477,605</u>
Non-Budgeted Items:				
Reversions			<u>478,722</u>	
Total Expenditures and Other Financing Uses			<u>2,504,717</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources and Uses			<u>\$ -</u>	

The legal level of budgetary compliance is at the appropriation program level at the entity-wide level, except for multiyear funds.

See Independent Auditors' Report and Notes to Financial Statements

**NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Statement of Revenues and Expenditures - Budget and Actual
(Modified Accrual Basis) - General Fund**

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The legal level of budgetary compliance is at the appropriation program level at the entity-wide level, except for multiyear funds.

See Independent Auditors' Report and Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

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-three separate and distinct tribal governments 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 confirmation 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.

Financial Reporting Entity and Component Units

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).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Government-Wide Statements

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

Basis of Presentation

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 nonexchange 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 position 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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. The Department, at its discretion, may elect to present a fund as a major fund. Non-major funds are summarized into a single column and detailed in the combining section. Governmental funds are reported as major funds in the accompanying financial statements per GASB 34 if they meet both of the following criteria:

Ten percent criterion - An individual fund reports at least ten percent of any of the follow: a) total respective governmental or enterprise fund assets, b) total respective governmental or enterprise fund liabilities, c) total respective governmental or enterprise fund revenues, or d) total respective governmental or enterprise fund expenditures

Five percent criterion - An individual governmental fund reports at least five percent of the total for both governmental and enterprise funds of any of the items for which it met the ten percent criterion.

The Department's major governmental funds are the following:

General Fund (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, 2019.

STB Capital Outlay 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.

GF Capital Outlay Fund (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.

Governmental Fund Financial Statements

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Financial Statements (continued)

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.

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 or fund liabilities.

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 Fund (Fund #04800).

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 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.

Capital Outlay Funds - Capital Outlay Funds are used to account for plan, design, construct of facilities and purchase equipment used in operation of the twenty-three separate and distinct tribal governments of New Mexico as well as tribal educational institutions. The Capital Outlay Funds are made up of the following SHARE funds: STB Capital Outlay Fund (Fund #89200) and GF Capital Outlay Fund (Fund #93100).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Reporting Presentation

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 Position 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Reporting Presentation (continued)

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of 2018, Section 3, Subsection K, 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.

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.

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance

Investment in the State Treasurer Investment Pool: The Department does not control any cash accounts. The State Treasurer has final authority on all cash disbursements and receives all cash receipts. Therefore, the Department had an investment with the State Treasurer for their share of the cash pool. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

Receivables and Payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as inter-fund balance. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable from available resources. At June 30, 2019, the Department has \$72 in payroll receivables classified as other receivables.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (continued)

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

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.

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	30
7-10	9.22	1.25	30
11-14	11.08	1.5	30
15th-beyond	12.3	1.67	30

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (continued)

Compensated Absences (continued)

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, 2019, 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.

Reversions

The General Appropriation Act of 2018, Section 3, Subsection K, states that "For the purpose of administering the General Appropriation Act of 2018, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration." In accordance with the Department of Finance and Administration's "Basis of Accounting - Modified Accrual and Budgetary Basis," the Department has accrued as payables amounts owed for goods and services received by June 30, 2019. There are State general fund appropriations remaining in general fund (SHARE Fund 04800) fund balances, see Supplemental Schedule of Special Appropriations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (continued)

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 Department applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

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

Investment in Capital Assets - Is intended to reflect the portion of net position which are associated with non-liquid, capital assets, which amounted to \$1,049 as of June 30, 2019.

Restricted - 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 \$74,313,458 as of June 30, 2019.

Unrestricted - represent unrestricted liquid assets. The remaining net position is reported as unrestricted net position (deficit), which was (\$22,363) as of June 30, 2019.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (continued)

GASB No. 68 - Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers: Compliance 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, 2019.

The 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 position 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.

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 – CASH EQUIVALENTS

Investment in State General Fund Investment Pool

State law (Section 8-6-3 NMSA 1978) requires the Office's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Office consist of their pro-rata interest in the State General Fund Investment Pool in the amount of \$76,793,723.

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

SHARE Account Number	Account Name	Balance Per Treasurer	Reconciling Items	Balance Per Books
04800	General Fund	\$ 501,320	\$ -	\$ 501,320
66700	Grants for IAD Fund	-	-	-
89200	STB Capital Outlay Fund	1,938,448	-	1,938,448
93100	GF Capital Outlay Fund	74,353,955	-	74,353,955
		<u>\$ 76,793,723</u>	<u>\$ -</u>	<u>\$ 76,793,723</u>

Collateral Pledged by Financial Institutions

Section 6-10-17, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. The collateralization of the Department's bank accounts is monitored by the State Treasurer's Office. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

Custodial Credit Risk-Deposit

Custodial Credit Risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. The Office does not have a policy for custodial credit risk. As of June 30, 2019, none of the Department's bank balance was exposed to custodial credit risk. Since all of the bank accounts are considered to be under the State Treasurer's control, the bank accounts are over collateralized.

NOTE 3 – CASH EQUIVALENTS (continued)

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, 2019.

State General Fund Investment Pool Reconciliation

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the state's bank. Agency cash receipts are deposited with STO and pooled in a statewide investment fund, when amount are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation model which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office has been completed for fiscal year 2019. This process has been previously reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. These reviews have deemed the process sound and the Department fully compliant with reconciliation requirements.

The State Controller indicated on September 13, 2019 that as of June 30, 2019, resources held in the pool were equivalent to the corresponding business unit claims on those resources. It is also asserted that all claims as recorded in SHARE shall be honored at face value.

NOTE 4 – CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Depreciable assets				
Cost				
Furniture and fixtures	\$ 42,167	\$ -	\$ -	\$ 42,167
Equipment and machinery	9,982	-	2,482	7,500
Data processing	5,393	-	-	5,393
Total depreciable assets	<u>57,542</u>	<u>-</u>	<u>2,482</u>	<u>55,060</u>
Accumulated depreciation				
Furniture and fixtures	40,909	1,259	-	42,168
Equipment and machinery	9,982	-	2,482	7,500
Data processing equipment	2,546	1,797	-	4,343
Total accumulated depreciation	<u>53,437</u>	<u>3,056</u>	<u>2,482</u>	<u>54,011</u>
Net total	<u>\$ 4,105</u>	<u>\$ (3,056)</u>	<u>\$ -</u>	<u>\$ 1,049</u>

The Department does not have any debt related to capital assets. Depreciation expense for the year ended June 30, 2019 was \$3,056 and was unallocated.

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Notes To Financial Statements
Year Ended June 30, 2019

NOTE 5 – DUE TO LOCAL GOVERNMENTS

The following are short-term amounts due to local governments:

Fund Description	Fund Number	Due to	Balance
General Fund	04800	Bernalillo Municipal School	\$ 18,237
		Mescalero Apache Tribe	10,741
		Nambé Pueblo	14,092
		Native American Community Academy	41,776
		Ohkay Owingeh	3,832
		Pueblo de Cochiti	13,544
		Pueblo de San Ildefonso	8,470
		Pueblo of Acoma	2,184
		Pueblo of Laguna	10,013
		Pueblo of Pojoaque	10,361
		Pueblo of Zuni	7,784
		Santa Fe Indian School Inc	63,504
		Santo Domingo Tribe	8,918
		Taos Pueblo Tribal Government Operations	4,832
		<u>218,288</u>	
STB Capital Outlay Fund	89200	Indian Pueblo Cultural Ctr	18,807
		Jicarilla Apache Nation	25,345
		Mescalero Apache Tribe	175,000
		Pueblo de San Ildefonso	164,050
		Pueblo of Acoma	43,322
		Pueblo of Isleta	200,657
		Pueblo of Jemez	5,732
		Pueblo of Picuris	39,406
		Pueblo of Sandia	30,992
		Pueblo of Zia	62,140
		Pueblo of Zuni	28,422
		Santa Ana Pueblo	42,560
		Santa Clara Pueblo	278,570
		Taos Pueblo Tribal Government Operations	165,933
The Navajo Nation	643,071		
Zuni Pueblo	14,441		
		<u>1,938,448</u>	
GF Capital Outlay Fund	93100	Navajo Preparatory School Inc	90,497
			<u>90,497</u>
Total Governmental Funds			<u><u>\$ 2,247,233</u></u>

NOTE 6 – DUE TO HIGHER ED INSTITUTION

The following are short-term amounts due to higher ed institutions:

Fund Description	Fund Number	Due to	Balance
General Fund	04800	University of New Mexico	\$ 74,443
Total Governmental Funds			<u><u>\$ 74,443</u></u>

NOTE 7 – COMPENSATED ABSENCES

A summary of changes in compensated absences payable for the year ended June 30, 2019, is as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Current Portion
Current compensated absences payable	\$ 23,154	\$ 49,813	\$ 50,604	\$ 22,363	\$ 22,363

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

NOTE 8 – REVERSIONS

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

The FY 2019 reversion to the State General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances consists of a \$491,057 reversion that was remitted to the state general fund for fiscal year ending June 30, 2019. There was no balance due to the State General Fund at June 30, 2019.

From Agency/Fund	To Agency/Fund	Title	Transfer	
			In	Out
(1) 60900/04800	34100/85300	State General Fund	-	478,722
(2) 60900/93100	34101/85300	GF Capital Outlay reversion	-	12,335
			<u>\$ -</u>	<u>\$ 491,057</u>

- (1) Reversion to State General Fund
- (2) GF Capital Outlay Reversion to State General Fund

NOTE 9 – NET POSITION / FUND BALANCES

The government-wide statement of net position reports \$74,313,458 of net position restricted by enabling legislation. The statement of net position reports (\$22,363) of unrestricted net position (deficit). This deficit is the result of accrued compensated absences expense.

The governmental funds balance sheet includes \$74,313,458 of restricted fund balance by enabling legislation, \$0 of assigned fund balance and unassigned fund balance of \$0.

NOTE 10 – PENSION PLAN-PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Funding Policy – Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 16.59% of the gross covered salary. The contribution requirements of the plan members and the Board are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department’s employer contributions to PERA for the years ending June 30, 2019, 2018, and 2017 were \$102,090, \$82,565, and \$105,342, respectively, equal to the amount of the required contributions for each year.

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

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard beginning the fiscal year ended June 30, 2018.

The 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 postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State’s share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

NOTE 11 – POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 12 – TRANSFERS

The following are transfers to/ from other state agencies for the year ending June 30, 2019:

From Agency/Fund	To Agency/Fund	Title	Transfer	
			In	Out
(1) 34101/85300	60900/04800	General Fund Appropriations	\$ 2,240,500	\$ -
(2) 34101/85300	60900/04800	Special GF Appropriations	50,000	-
(3) 34100/69700	60900/04800	Tobacco Settlement Transfers	240,319	-
(4) 34100/62000	60900/04800	Compensation Increase	13,800	-
(5) 34101/89200	60900/89200	Severance tax bond transfers	9,387,043	-
(6) 34100/85300	60900/93100	GF Capital Outlay approps	74,200,353	-
(7) 34100/10810	60900/93100	Other Financing Souces	287,020	-
			<u>\$ 86,419,035</u>	<u>\$ -</u>

- (1) State General Fund Appropriation per Laws 2019.
- (2) Special State General Fund Appropriations per Laws 2019 Chapters 278 & 279.
- (3) Tobacco Settlement Program Fund Allotments
- (4) FY19 Compensation Increase (499905)
- (5) Severance Tax Bond Transfers (499905)
- (6) General Fund Capital Outlay Appropriations
- (7) Tribal Infrastructure Projects Fund

NOTE 13 – INTERGOVERNMENTAL AGREEMENTS

The Department has entered into an Intergovernmental Agreement with each entity who has been awarded funding for capital outlay projects. The Supplemental Schedule of Severance Tax Bonds and Supplemental Schedule of Special Appropriations provides a schedule of capital outlay projects by Laws and Chapters. All unexpended balances of general fund capital outlay appropriations, if any, are reported in the fund statements as restricted fund balance. Unexpended balances of severance tax bond capital outlay appropriations are not reported in the financial statements as the amounts will be recognized in future periods.

NOTE 14 – RISK MANAGEMENT

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

The Department obtains its coverage through the Risk Management Division. This coverage includes liability and civil rights, property, vehicle, employee bond, workers' compensation, group insurance, and State unemployment. These coverage's 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, 2018 through June 30, 2019.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Capital Project Funding - The Department has future commitments to fund projects through June 30, 2023. 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 16 – SUBSEQUENT EVENTS

The Department has evaluated subsequent events through September 25, 2019, which is the date the financial statements were available to be issued. No matters were identified for recognition in the accounts.

SUPPLEMENTARY INFORMATION

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Combining Balance Sheet - By Fund Type - Non Major Governmental Funds

As of June 30, 2019

	Grants for IAD Fund (SHARE 66700)	Total Non-Major Governmental Funds
Assets:		
Cash:		
Unrestricted	\$ -	\$ -
Cash equivalents:		
Investment in SGFIP	-	-
Receivables:		
Accounts receivable, net	-	-
Other receivables	-	-
	-	-
Total Assets	\$ -	\$ -
 Liabilities, Deferred Inflows of Resources and Fund Balance:		
Liabilities:		
Accounts payable	\$ -	\$ -
Due to:		
Local governments	-	-
Higher Ed Institution	-	-
Other Accrued Expenses	-	-
	-	-
Total Liabilities	-	-
 Fund Balance:		
Non-spendable	-	-
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	-	-
	-	-
Total Fund Balance	-	-
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ -	\$ -

See Independent Auditors' Report

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Fund Type -
Non Major Governmental Funds

For the Year Ended June 30, 2019

	<u>Grants for IAD Fund (SHARE 66700)</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:		
Other revenue	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>
Expenditures:		
Current:		
Operating costs	-	-
Personal services	-	-
Out-of-state travel	-	-
Grants and services	-	-
Travel	-	-
Maintenance and repairs	-	-
Supplies	-	-
Contractual services	8,046	8,046
Other costs	-	-
Employee benefits	-	-
Total Expenditures	<u>8,046</u>	<u>8,046</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,046)</u>	<u>(8,046)</u>
Other Financing Sources (Uses):		
General fund appropriations	-	-
Reversions	-	-
GF capital outlay appropriations	-	-
Severance tax bond appropriation	-	-
Transfers in:		
Inter-agency	-	-
Intra-agency	-	-
Transfers (out):		
Inter-agency	-	-
Intra-agency	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Changes in Fund Balance	<u>(8,046)</u>	<u>(8,046)</u>
Fund Balance, June 30, 2018	<u>8,046</u>	<u>8,046</u>
Fund Balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Statement of Revenues and Expenditures - Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2019

	INDIAN AFFAIRS DEPARTMENT			
	agency wide excluding multi-year funds			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Modified Accrual)	Over (Under)
Revenues and Other Financing Sources:				
Other state funds	\$ -	\$ -	\$ 10,098	\$ 10,098
State general fund	2,240,500	2,240,500	2,240,500	-
Transfers outside the agency	263,100	263,100	254,119	(8,981)
Other Appropriations	-	-	-	-
Total Revenues and Other Financing Sources	2,503,600	2,503,600	2,504,717	<u>\$ 1,117</u>
Prior Year Funds Rebudgeted	-	8,045		
Total Revenues, Other Financing Sources and Prior Year Funds Rebudgeted	\$ 2,503,600	\$ 2,511,645		
 Expenditures and Other Financing Uses:				
P696 - Program One:				
Personal services/employee benefits	\$ 1,197,800	\$ 1,187,800	815,770	\$ 372,030
Contractual services	636,400	615,945	567,567	48,378
Other	669,400	707,900	650,704	57,196
Transfers out	-	-	-	-
Total Budgeted Expenditures and Other Financing Uses	\$ 2,503,600	\$ 2,511,645	2,034,041	<u>\$ 477,604</u>
 Non-Budgeted Items:				
Reversions			478,722	
Total Expenditures and Other Financing Uses			2,512,763	
 Excess (Deficiency) of Revenues Over (Under)				
Expenditures and Other Financing Sources and Uses			\$ (8,046)	

The legal level of budgetary compliance is at the appropriation program level at the entity-wide level, except for multiyear funds.
The Department is compliant with the budgets at the P-code level.

See Independent Auditors' Report

OTHER INFORMATION - SCHEDULES REQUIRED UNDER 2.2.2 NMAC

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Supplemental Schedule of Severance Tax Bonds

As of June 30, 2019

<u>Laws</u>	<u>Chapter</u>	<u>Bonds Appropriated</u>	<u>Bonds Sold</u>	<u>Original Budget</u>	<u>Amounts AIPP</u>
** 2010	37	\$ 70,889,002	\$ 70,889,002	\$ 70,889,002	\$ -
2010	105	94,000	94,000	94,000	-
2013	226	335,000	335,000	335,000	-
2014	65	500,000	500,000	500,000	-
2014	66	1,023,111	1,023,111	1,023,111	(4,854)
2015	3	5,346,500	5,346,500	5,346,500	(8,005)
2016	81	3,443,840	3,443,840	3,443,840	(6,750)
2017	133	-	-	-	-
2018	68	-	-	-	-
2018	80	3,740,764	3,740,764	3,740,764	(4,258)
2019	280	-	-	-	-
		<u>\$ 85,372,217</u>	<u>\$ 85,372,217</u>	<u>\$ 85,372,217</u>	<u>\$ (23,867)</u>

** Note: Laws of 2010, Chapter 37 are for Tribal Infrastructure Fund with annual appropriations

See Independent Auditors' Report

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Supplemental Schedule of Severance Tax Bonds

Funds Reauthorized	Funds Reverted	Final Budget	Funds Received	Expended To Date	Balance Available
\$ -	\$ (2,010,747)	\$ 68,878,255	\$ 54,046,219	\$ 54,046,219	\$ 14,832,036
-	(1,381)	92,619	92,619	92,619	-
-	(69,678)	265,322	265,322	265,322	-
-	(189)	499,811	499,811	499,811	-
-	(23,298)	994,959	994,959	994,959	-
(692,863)	(712,101)	3,933,531	3,895,864	3,895,864	37,667
(146,000)	(1,034)	3,290,056	2,144,493	2,144,493	1,145,563
792,518	-	792,518	543,367	543,367	249,151
95,000	-	95,000	95,000	95,000	-
-	-	3,736,506	894,372	894,372	2,842,134
624,435	-	624,435	36,823	36,823	587,612
<u>\$ 673,090</u>	<u>\$ (2,818,428)</u>	<u>\$ 83,203,012</u>	<u>\$ 63,508,849</u>	<u>\$ 63,508,849</u>	<u>\$ 19,694,163</u>

See Independent Auditors' Report

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Notes to Supplemental Schedule of Severance Tax Bonds

STB Capital Outlay Fund

Severance tax bond proceeds receivable as of June 30, 2019, appropriated to the Department, were held by the State Board of Finance to reimburse expenditures incurred by the Department. The activity of this account is as follows:

Balance, beginning of year	\$ 19,608,242
Sale and reauthorization of severance tax bonds	12,498,888
Funding from the State Board of Finance	(11,864,401)
Reversion to the State Board of Finance	<u>(548,566)</u>
Balance, end of year	<u>\$ 19,694,163</u>

The funding for the year ended June 30, 2019 was received under the Laws of 2010, Chapters 37 and 105; Laws of 2013, Chapter 226; Laws of 2014, Chapters 65 and 66; Laws of 2015, Chapter 3; Laws of 2016, Chapter 81; Laws of 2017, Chapter 133; Laws of 2018, Chapters 68 and 80 and Laws of 2019, Chapter 280.

The State of New Mexico Legislature has authorized the State Board of Finance to issue and sell revenue bonds that are to be retired using future taxes levied against the extractive industries in the state. The proceeds from bonds sold are appropriated to the Department to be used for specific programs and are recorded as revenues by the Department. Expenditures incurred by the Department for such programs are reimbursable from the State Board of Finance. The Department of Finance and Administration revised the accounting policy for the State regarding Severance Tax Bond draws; as a result, the Department did not record inter-agency receivables and payables for the year end accruals, instead adjusting Cash Equivalents – Investment in SGFIP.

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NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Supplemental Schedule of Special Appropriations

As of June 30, 2019

<u>Laws</u>	<u>Chapter</u>	<u>Amount Appropriated</u>	<u>AIPP</u>	<u>Appropriations Reauthorized</u>	<u>Appropriation Balance</u>
2019	278	\$ 10,000	\$ -	\$ -	\$ 10,000
2019	279	40,000	-	-	40,000
Total Fund 04800 Fund Balance		<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
2017	133	39,674	-	-	39,674
2017	133	210,000	-	(210,000)	-
2019	280	-	-	210,000	210,000
2019	277	74,562,925	362,572	-	74,200,353
Total Fund 93100 Fund Balance		<u>74,812,599</u>	<u>362,572</u>	<u>-</u>	<u>74,450,027</u>
2010	37	200,000	-	-	200,000
2010	37	193,020	-	-	193,020
Total Fund 93100 DFA Cash Balance		<u>393,020</u>	<u>-</u>	<u>-</u>	<u>393,020</u>
Grand Total Special Appropriations		<u><u>\$ 75,255,619</u></u>	<u><u>\$ 362,572</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 74,893,047</u></u>

** Note: State House and Senate Memorials are directions on how appropriated monies should be spent. They are not laws.

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
Supplemental Schedule of Special Appropriations

<u>Funds Received</u>	<u>Expenditures Inception to June 30, 2019</u>	<u>Reversions</u>	<u>Balance Available</u>	<u>Outstanding Encumbrances</u>
\$ 10,000	\$ -	\$ -	\$ 10,000	\$ -
40,000	-	-	40,000	-
<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
39,674	27,339	12,335	-	-
-	-	-	-	-
210,000	-	-	210,000	-
74,200,353	146,895	-	74,053,458	1,471,750
<u>74,450,027</u>	<u>174,234</u>	<u>12,335</u>	<u>74,263,458</u>	<u>1,471,750</u>
200,000	200,000	-	-	-
193,020	193,020	-	-	-
<u>393,020</u>	<u>393,020</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 74,893,047</u>	<u>\$ 567,254</u>	<u>\$ 12,335</u>	<u>\$ 74,313,458</u>	<u>\$ 1,471,750</u>

See Independent Auditors' Report

General Fund

Under the Laws of 2019, House Bill 546, Chapter 278, Section 18A, the Department was appropriated \$10,000 for a summer meal program at the Mescalero Apache Tribe community center for expenditure in fiscal years 2019 through 2020.

Under the Laws of 2019, House Bill 546, Chapter 279, Section 15A, the Department was appropriated \$40,000 for a summer meal program at the Mescalero Apache Tribe community center for expenditure in fiscal years 2019 through 2020.

GF Capital Outlay Fund

Under the Laws of 2019, Senate Bill 280, Chapter 277, Section 31, the Department was appropriated \$74,562,925 for Tribal projects for expenditure in fiscal years 2019 through 2023 for the purpose of purchasing, equipping, planning, designing, and construction throughout the 23 Tribes, Nations and Pueblos of New Mexico. The amount appropriated to the Department includes Arts in Public Places of \$362,572 that is transferred by Department of Finance and Administration to Department of Cultural Affairs therefore are not part of the budgeted appropriation balance for the Department of Indian Affairs.

Under the Laws of 2019, House Bill 568, Chapter 280, Section 116, the time of expenditure for the appropriation originally made to the local government division in Subsection 154 of Section 26 of Chapter 2 of Laws 2007 and reappropriated to the Indian Affairs Department in Laws 2009, Chapter 128, Section 312 and for which the time of expenditure was extended in Laws 2011, Chapter 183, Section 66 and in Laws 2013, Chapter 202, Section 26 and reauthorized in Laws 2015, Chapter 147, Section 39 and again in Laws 2017, Chapter 133, Section 65 to plan, design and construct powerline extensions in the Tohatchi chapter of the Navajo Nation in McKinley county is extended through fiscal year 2021.

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**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**

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico
and

Lynn Trujillo, Cabinet Secretary
Office of the District Attorney, Indian Affairs Department
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund of the State of New Mexico, Indian Affairs Department (Department) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report dated September 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Department's internal control. Accordingly, we 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department'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.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
September 25, 2019

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SCHEDULE OF FINDINGS AND RESPONSES

NEW MEXICO INDIAN AFFAIRS DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
Summary of Auditors' Results

For the Year Ended June 30, 2019

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Unmodified

Internal Control over financial reporting:

• Material weakness(es) identified?

Yes No

• Significant deficiency(ies) identified that are not considered to be material weaknesses?

Yes None Reported

Non-compliance material to financials statements noted?

Yes No

Section I - Current Year Findings

There were no findings for the year ended June 30, 2019.

Section II - Prior Year Findings

There were no findings for the year ended June 30, 2018.

The contents of this report were discussed at an exit conference held September 25, 2019. Indian Affairs Department, was represented by:

Lynn Trujillo, Cabinet Secretary
Drew Roybal-Chavez, Chief Financial Officer
Chandler Kahawai, Capital Outlay Administrator
Jeremy F. Romero, CPA, Shareholder, Consultant

The firm of Kubiak Melton and Associates, LLC was represented by:

Daniel O. Trujillo, CPA, CFE, CGFM, CGMA, Member
Jose Ortiz, Audit Manager

PREPARATION OF FINANCIAL STATEMENTS

The audited financial statements of the New Mexico Indian Affairs Department have been prepared by the Department and are the responsibility of management.