

**NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

**NEW MEXICO ENVIRONMENT DEPARTMENT
 CLEAN WATER STATE REVOLVING FUND
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INDEPENDENT AUDITORS' REPORT

Mr. Ryan Flynn
New Mexico Environment Department and
Mr. Tim Keller
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Clean Water State Revolving Fund (the Fund) of the New Mexico Environment Department (the Department), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents. We also have audited the combining statements of net position by functional activities, the combining statements of revenue, expenses, and changes in fund net position by functional activities, and the combining statements of cash flows of the Fund, presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the years ended June 30, 2015 and 2014, 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.

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 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

Mr. Ryan Flynn
New Mexico Environment Department and
Mr. Tim Keller
New Mexico State Auditor

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Fund of the Department as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each combining statement of net position by functional activities, each combining statement of revenue, expenses, and changes in fund net position by functional activities, and each combining statement of cash flows of the Fund as of and for the years ended June 30, 2015 and 2014, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Fund are intended to present the financial position and changes in financial position of only that portion of the business-type activities, each major fund, and the aggregate remaining fund information and all respective budgetary comparisons of the New Mexico Environment Department that is attributable to the transactions of the Fund. They do not purport to, and do not present fairly the financial position of the entire New Mexico Environment Department as of June 30, 2015, and the changes in the 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 with respect to 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 4 through 10 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.

Mr. Ryan Flynn
New Mexico Environment Department and
Mr. Tim Keller
New Mexico State Auditor

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Schedule of Vendor Information for Purchases Exceeding \$60,000 required by Section 2.2.2 NMAC are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 Fund's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 24, 2015

**NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Introduction

The New Mexico Environment Department (NMED) Construction Programs Bureau (CPB) offers readers this discussion and analysis for the Clean Water State Revolving Fund (CWSRF) financial position and financial activities for the fiscal years ended June 30, 2015 and 2014. The CWSRF is also known as the Wastewater Facility Construction Loan Fund. This analysis is intended to serve as an introduction to the CWSRF basic financial statements and to provide an analytical overview of the fund's operations. CPB encourages readers to consider the information presented here in conjunction with additional information that was furnished in the CWSRF's annual report. This report is designed to provide New Mexico's legislators, citizens, taxpayers, customers, and federal government officials, with a general overview of the Fund's finances and the accounting of the monies it receives.

Financial Highlights

- As of the close of State Fiscal Year (SFY) 2015, the CWSRF reports a total net position of \$292,717,080, an increase of \$16,203,105 in comparison with the prior year for the CWSRF Fund 121 and CWSRF Admin Fund 327 combined. This 6% annual growth demonstrates a growing, healthy fund.
- The CWSRF was awarded one cap grant for the Federal Fiscal Year (FFY) 2014 allotment of \$6,853,000. Cumulative grants since inception total \$203,027,548.
- The CWSRF collected \$14,336,995 in loan repayment principal, \$2,494,341 in loan interest, and \$350,530 in administrative fees. Total principal, interest and administrative fees received were \$17,181,866.
- The CWSRF fund earned \$100,691 of interest income on overnight funds deposited at the State Treasurer's Office.
- Fund 12100 disbursed \$22,764,691 for construction projects in SFY 2015.
- Fund 12100 incurred costs of \$441,311 in administrative expenses.

**NEW MEXICO ENVIRONMENT DEPARTMENT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Condensed Financial Information (Government-Wide)

	2015	2014
NET POSITION		
ASSETS		
Current and Other Assets	\$ 135,297,978	\$ 126,374,976
Non-Current Assets	157,419,106	150,158,407
TOTAL ASSETS	\$ 292,717,084	\$ 276,533,383
LIABILITIES		
Current Liabilities	\$ 4	\$ 19,408
NET POSITION		
Restricted	292,717,080	276,513,975
TOTAL LIABILITIES AND NET POSITION	\$ 292,717,084	\$ 276,533,383
CHANGES IN NET POSITION		
Program Revenues:		
Interest on Loans	\$ 3,132,581	\$ 3,329,432
Investment Income	100,691	78,094
Debt Services Fees	350,530	364,676
General Revenues:		
Federal Award Grant	13,279,391	6,995,660
State Matching Funds	1,300,000	1,400,000
Grants to Other Organizations	(1,449,280)	(605,891)
Total Revenues	16,713,913	11,561,971
Program Expenses:		
Transfers-(06400) Administrative Expenses	(69,497)	(122,364)
Administrative Expenses	(441,311)	(293,796)
CHANGE IN NET POSITION	16,203,105	11,145,811
Net Position - Beginning of Year	276,513,975	265,368,164
NET POSITION - END OF YEAR	\$ 292,717,080	\$ 276,513,975

**NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the NMED's Fund 12100, Wastewater Facility Construction Loan Fund and Fund 32700, Clean Water Administrative Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. State government uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

With Fund 12100 representing more than 99.5% of the collective total of both funds, the discussion and analysis will focus on this enterprise fund. The notes to the financial statements address both funds.

The statement of net position presents information on the fund's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the fund is improving or deteriorating.

The statement of revenues, expenses and changes in fund net position presents information showing how the fund's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This may reflect revenues earned and expenses incurred that result in cash flows in future fiscal periods such as overnight interest earned in the month of June but not received.

The statement of cash flows presents information that is cash only. The activity reflected from this statement is only recorded when cash was received or disbursed. Reconciliation is provided at the bottom of this statement to tie the operating income with the net cash provided by operating activities.

**NEW MEXICO ENVIRONMENT DEPARTMENT
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 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEARS ENDED JUNE 30, 2015 AND 2014**

Analysis of Financial Position and Results in Operation (Excludes Fund 32700)

The Fund 12100 Statement of Net Position demonstrates that the fund grew by \$15.9 million during SFY 2015. As mentioned previously, a growing fund balance is an indication of a fund's increasing health. This fund has shown consistent growth over the years.

**Figure 1
 New Mexico CWSRF Increase in Fund 12100 Net Position
 (in \$ Millions)**

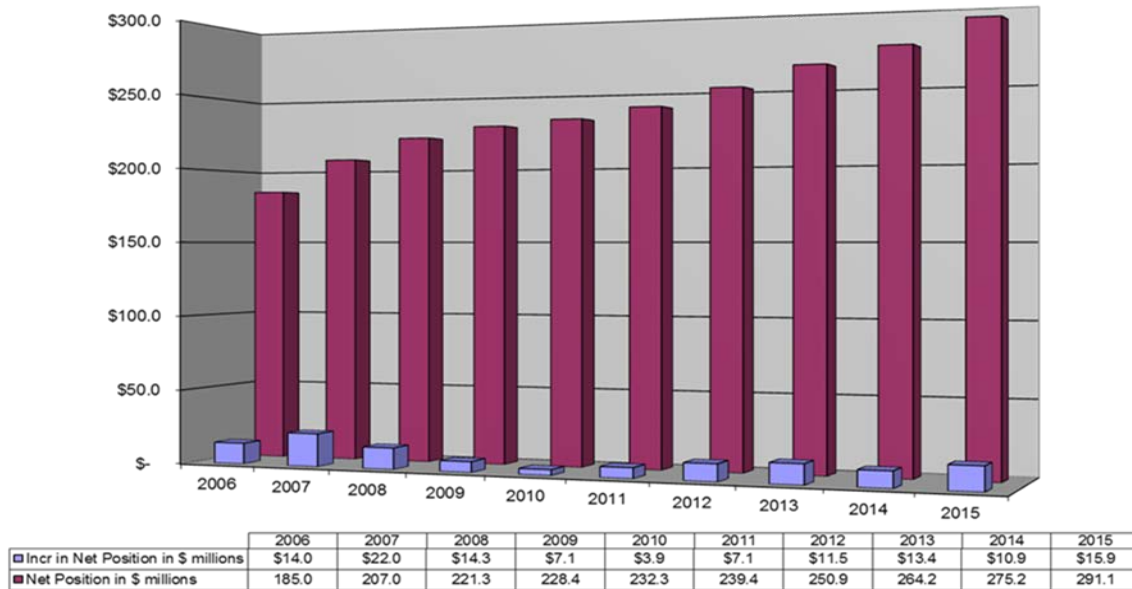


Figure 1 represents both the cumulative growth of the fund balance, as well as each year's respective increases. The amounts are represented in millions of dollars.

This growth is attributed to a number of factors which include:

- ❖ A steady stream of federal funding in the form of annual federal grants
- ❖ Consistent funding from the State Government in the form of State Match
- ❖ A positive return on investment from the State Treasurer's investment of cash deposits
- ❖ A strong return on investment from the borrower's loans (averaging 2 %)
- ❖ An absence of defaults and delinquent borrowers which would reduce revenue
- ❖ Relatively low administrative expenses

**NEW MEXICO ENVIRONMENT DEPARTMENT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

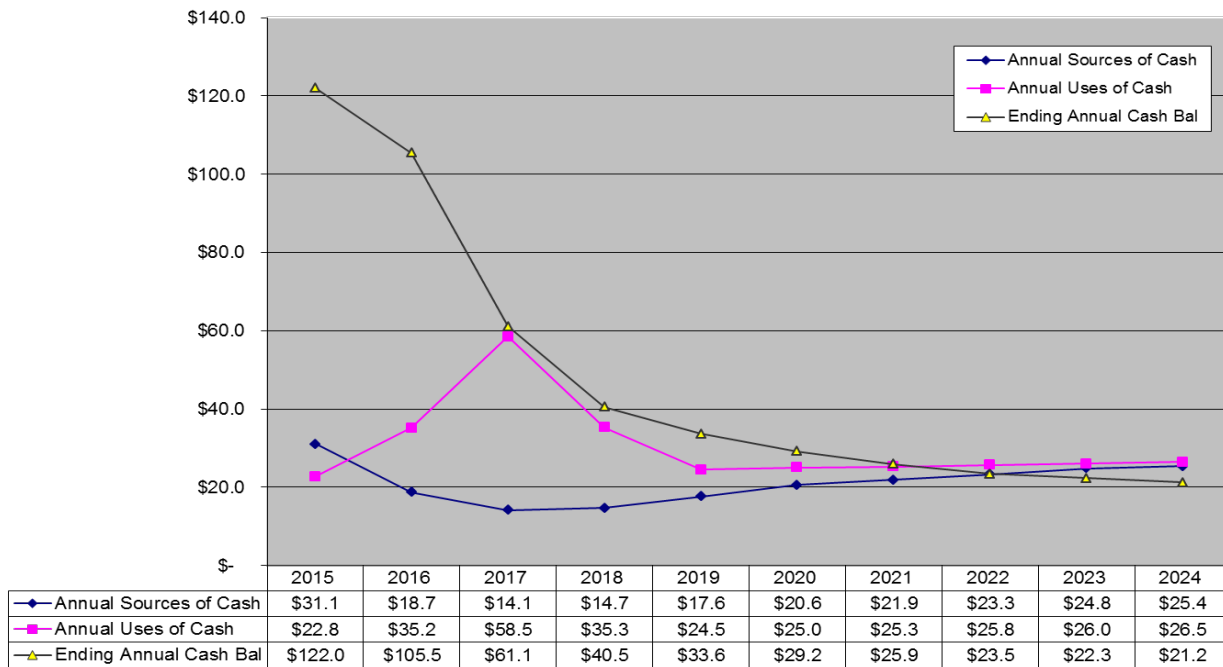
Performance

As of the end of SFY 2015, the NM CWSRF has fully expended the FFY 2011 allotment and the FFY 2012 allotment. Figure 2 shows that at June 30, 2015, the NM CWSRF had 18 projects in process. Historically, this number has only been exceeded in activity by the ARRA peak in SFY 2010. The fund disbursed \$22,764,691 to projects during SFY 2015, a sharp increase over the last five years.

Projections

A cash flow model is used as a management tool for the NM CWSRF. This model is used to plan for future construction projects and to provide management the tools to better match supply with demand. A graph of the model (Fund 12100) shows the resulting decrease in cash.

**Attachment 1
New Mexico CWSRF Cash Flow Projection (in \$ millions)
Actual data 2015, Projected as of 2016**



This model demonstrates that after 2017 and until 2024, the NM CWSRF projects funding levels, which include fund balance, cash inflows and cash outflows, to support projects averaging \$26 million annually. After 2020, ending cash balance is projected to be less than projected outlays. With this level of funding projected, the CWSRF can continue to execute environmentally effective loans, which fund construction projects that increase the quality of life in New Mexico

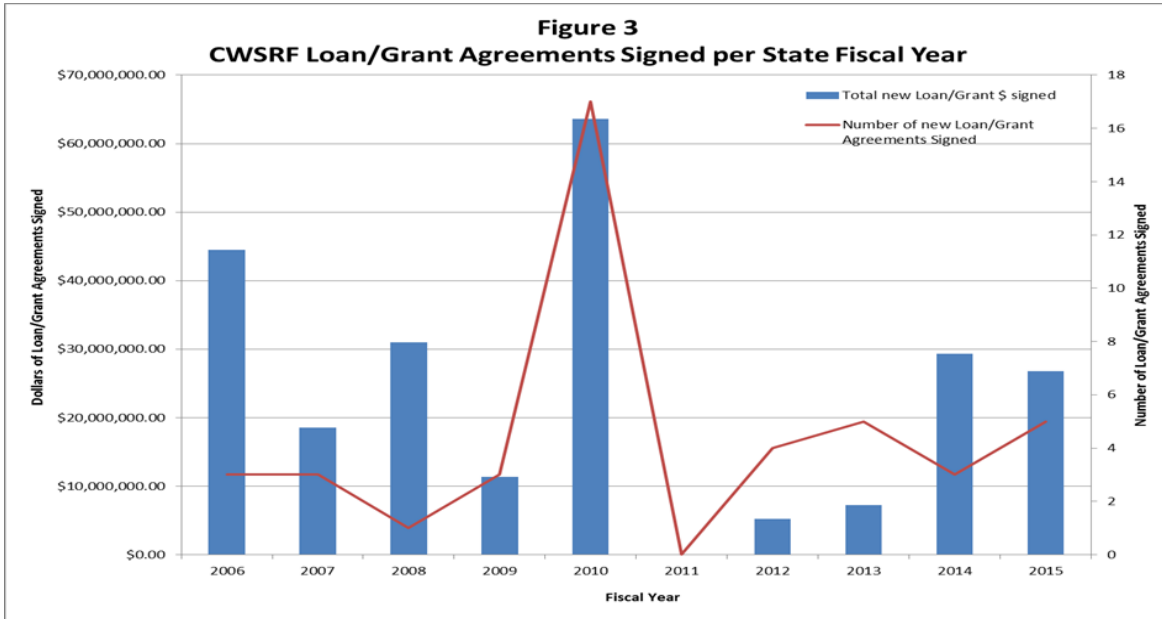
Economic Factors Affecting Fund Resources for Future Use

Grant funding through oil and gas revenues for wastewater projects was over 10 million in SFY 2015. On the federal side, there have been no new special appropriation earmark grants for wastewater projects since FFY 2010. Although communities would like to fund their projects with grants, the likelihood of receiving enough grant funds to build a complete project seems improbable.

**NEW MEXICO ENVIRONMENT DEPARTMENT
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Economic Factors Affecting Fund Resources for Future Use (Continued)

The NM CWSRF has been allowed to offer a small portion of each of the last five annual federal allotments of funds as subsidy in the form of grants. Combining grants when available along with low-interest loans is allowing the NM CWSRF to reach new borrowers each year and is helping NM communities build fully-functional projects that small annual grant amounts do not provide.



The NM CWSRF signed 5 new loan/grant agreements totaling \$25,175,425 in SFY 2015 and 2 loan amendments totaling \$1,640,436 for a grand total of \$26,815,861. Figure 3 shows the amount and number of agreements signed over the last 10 years and represents the large swings in loans made when grant funding is available.

Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations

The NM CWSRF has worked to implement conditions of the Water Resources Reform and Development Act (WRRDA) required in SFY 2015.

- Architectural and Engineering procurement requirements will be fulfilled by following federal procurement.
- Affordability Criteria has been developed and will be effective October 1, 2015 and can be found at <https://www.env.nm.gov/cpb/CWSRFPPage.htm>.
- American Iron and Steel (AIS) – NM CWSRF has incorporated AIS requirements in the interim loan agreement and construction documents.
- Cost and Effectiveness – NM CWSRF will continue to require Preliminary Engineering Reports (PERs) utilizing USDA RUS Bulletin 1780-2, which includes evaluation of a project's cost and effectiveness.

**NEW MEXICO ENVIRONMENT DEPARTMENT
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Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations (Continued)

- Fiscal Sustainability Plan (FSP) - NM CWSRF has incorporated the FSP requirement in its Interim Loan Agreement and will ensure compliance.
- Generally Accepted Accounting Principles (GAAP) - NM CWSRF will continue to require assistance recipients to maintain project accounts according to GAAP as issued by the Governmental Accounting Standards Board (GASB).

Requests for Information

This financial report is designed to provide a general overview of the CWSRF Program's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the CWSRF Administrator, Construction Programs Bureau - Rm S2072, New Mexico Environment Department, PO Box 5469, Santa Fe, NM 87502.

**NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014**

ASSETS	2015	2014
CURRENT ASSETS		
Investment in State General Fund Investment Pool	\$ 123,462,091	\$ 115,027,949
Receivables:		
Interest on Loans	3,141,811	2,503,571
Due from Other State Agencies	8,718	8,682
Due from Other Governmental Fund (06400)	150,920	18,053
Loan Receivables:		
Current Portion of Completed Projects, Net of Origination Fees	8,534,438	8,816,721
Total Current Assets	135,297,978	126,374,976
LONG-TERM ASSETS		
Loan Receivables:		
Noncurrent Portion of Projects in Progress	48,692,639	28,327,228
Noncurrent Portion of Completed Projects, Net of Origination Fees	108,726,467	121,831,179
Total Long-Term Assets	157,419,106	150,158,407
 Total Assets	292,717,084	276,533,383
LIABILITIES		
Accounts Payable	4	4
Due to Other Governmental Fund (06400)	-	19,404
Total Liabilities	4	19,408
NET POSITION		
Restricted	292,717,080	276,513,975
 Total Liabilities and Net Position	\$ 292,717,084	\$ 276,533,383

**NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
REVENUES		
Interest on Loans	\$ 3,132,581	\$ 3,329,432
Interest on Investments	100,691	78,094
Debt Service Fees	350,530	364,676
Total Revenues	3,583,802	3,772,202
EXPENSES		
Transfers - (06400) Administrative Expenses	69,497	122,364
Administrative Expenses (Cap Grant)	441,311	293,796
Total Expenses	510,808	416,160
OPERATING INCOME	3,072,994	3,356,042
NON-OPERATING REVENUES (EXPENSES)		
Federal Award Program Grants	13,279,391	6,995,660
Grants to Other Organizations	(1,449,280)	(605,891)
State Appropriations	1,300,000	1,400,000
Total Non-Operating Revenues	13,130,111	7,789,769
INCOME AFTER TOTAL NON-OPERATING REVENUES	16,203,105	11,145,811
CHANGE IN NET POSITION	16,203,105	11,145,811
Total Net Position - Beginning of Year	276,513,975	265,368,164
TOTAL NET POSITION - END OF YEAR	\$ 292,717,080	\$ 276,513,975

**NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received on Repayment of Loan Principal	\$ 14,336,995	\$ 10,240,460
Cash Received on Interest from Loans	2,494,341	2,817,348
Interest Payments Received from State Treasurer's Office	100,655	77,838
Cash Received for Debt Service Fees	350,530	364,676
Cash Payments for Administrative Expenses, Net (Admin Fund-32700)	(202,364)	51,966
Cash Payments for Administrative Expenses (Cap Grant)	(460,715)	(608,055)
Cash Payments Made to Borrowers	(21,315,411)	(6,459,540)
Net Cash Provided (Used) by Operating Activities	(4,695,969)	6,484,693
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant Proceeds - EPA	13,279,391	7,309,915
Grants to Other Organizations	(1,449,280)	(605,887)
State Appropriations	1,300,000	-
Net Cash Provided by Non-Capital Financing Activities	13,130,111	6,704,028
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,434,142	13,188,721
Cash and Cash Equivalents - Beginning of Year	115,027,949	101,839,228
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 123,462,091	\$ 115,027,949
RECONCILIATION OF CHANGES IN NET POSITION TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income	\$ 3,072,994	\$ 3,356,042
Adjustments to Operating Income:		
Change in Assets and Liabilities:		
Interest on Loans Receivable	(638,240)	(512,084)
Due from Other State Agencies	(36)	(256)
Loan Receivables	(6,978,416)	3,780,920
Accounts Payable	-	(314,259)
Due to Other Governmental Fund (06400)	(19,404)	-
Due from Other Governmental Fund (06400)	(132,867)	174,330
Total Adjustments	(7,768,963)	3,128,651
Net Cash Provided (Used) by Operating Activities	\$ (4,695,969)	\$ 6,484,693

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 DEFINITION OF REPORTING ENTITY

Clean Water State Revolving Fund

The New Mexico Clean Water State Revolving Fund (the Fund) was established pursuant to Title VI of the Federal Water Quality Act of 1987 (the Act). The Act provides loans at reduced interest rates to finance the construction of publicly-owned water pollution control facilities, non-point source pollution control projects and estuary management plans. Instead of making grants to communities that pay for a portion of building wastewater treatment facilities, the Fund provides for low interest rate loans to finance qualified projects. The Fund provides a flexible financing source that can be used for a variety of pollution control projects and development of estuary conservation and management plans. Loans made by the Fund must be repaid within 20 years and all repayments, including interest and principal, must remain in the Fund.

The Fund was capitalized by the U.S. Environmental Protection Agency (EPA) by a series of grants starting in 1989. States are required to provide an additional 20 percent of the Federal capitalization grant as matching funds in order to receive a grant.

The Fund is administered by the State of New Mexico Environment Department (the Department) through the Construction Programs Bureau.

In fiscal year 2008, the "Clean Water Administrative Fund" (SHARE 32700) was created in the state treasury as authorized by 74-6A-4.1 NMSA 1978 and is administered by the Department as an agent for the Water Quality Control Commission (the Commission) (see NMAC 20.7.5). The Clean Water Administrative Fund is a dedicated fund, and all money in the Clean Water Administrative Fund is appropriated to the Department to be used solely to administer the Wastewater Facility Construction Loan Fund (SHARE 12100), which may include water quality planning and water quality analysis and protection studies if authorized by the Department and, if necessary, the EPA. The Commission may establish procedures, adopt regulations and set fees as required to administer the Clean Water Administrative Fund in accordance with the Clean Water Act and state law.

The Fund is comprised of these two funds as presented in the financial statements: Wastewater Facility Construction Loan Fund (SHARE 12100) and Clean Water Administrative Fund (SHARE 32700). These funds are presented as two separate functions in the combining statements of functional activity. These two funds are non-reverting.

These financial statements present only the Fund and are not intended to present fairly the financial position and results of operations of the Department. The Environmental Protection Agency (EPA) requires the Department to submit an annual report of the Fund. As a result, the Department issues this separate set of financial statements consisting of these two funds of the Department. The Department does not have any component units.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Financial Statements

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.

Basis of Accounting

The Fund consists of two enterprise funds of the Department. The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles GAAP as applied to governmental units as prescribed by the GASB. The Fund is responsible for the fair presentation of the accompanying financial statements in conformity with accounting principles GAAP. The Fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the fund are interest on loans made to municipalities for clean water projects. Operating expenses include administrative expenses required to manage and operate the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Net Position

The Fund Financial Statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. There is no net investment in capital assets or unrestricted net position at June 30, 2015.

Restricted Net Position

Net position should be reported as restricted when constraints placed on net position use are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Enabling legislation must be legally enforceable. Legal enforceability means that a government can be compelled by an external party – such as citizens, public interest groups or the judiciary – to use resources only for the purposes specified by the legislation. All net position is restricted by enabling legislation at June 30, 2015. Net position is restricted for future loans for waste water projects and the administration of the Fund.

Investments in State General Fund Investment Pool

New Mexico state law requires that the Fund's investments be managed by the New Mexico State Treasurer's Office. Accordingly, the Fund's investments consist of investments in the New Mexico State Treasurer's Office General Fund Investment Pool. Investment maturities within the pool range from one day to three years. The fair value of the Fund's investment in the pool at June 30, 2015 was \$123,462,091. The Fund does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The New Mexico State Treasurer's Office General Fund Investment Pool is not rated. For additional GASB 40 disclosure information related to the New Mexico State Treasurer's Office General Fund Investment Pool, the reader should refer to the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2015.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Due from Other State Agencies

Amounts due from other state agencies represents earned interest on the investment in the state general fund investment pool as is due from the State Treasurer's Office (39400) fund 80100.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Fund did not have any items that qualified for reporting in this category as of June 30, 2015.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Fund did not have any items that were required to be reported in this category as of June 30, 2015.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable

The Fund is operated as a direct loan program, whereby the total loan amount made to communities is funded 80 percent by the Federal capitalization grant and 20 percent by the state matching amount. Loan funds are disbursed to the local agencies as they expend funds for the purposes of the loan, and request reimbursement from the Fund. Interest is calculated from the date that funds are reimbursed and, after the final disbursement has been made, the payment schedule identified in the loan agreement is adjusted for the actual amounts disbursed and interest accrued during the project period. No provision for uncollectible accounts has been made as all loans are current, and management believes that all loans will be repaid according to the loan terms. All loan revenue and the administrative allocation are reported as operating. Capitalization grants and appropriations from federal and state sources are reported as non-operating.

Loan Administrative Fee

As determined by Program management and provided for in New Mexico State Law (74-6A-1-9 NMSA 1978 et seq.), the annual administrative fee to be calculated on the outstanding principal balance is set at .4356% and will be an annual fee collected with the borrower's annual payment.

State Matching Funds

The 20 percent required state match has been funded from severance tax and revenue bond proceeds for certain grant years. Bond revenue is recognized at the time all eligibility requirements will be met.

Budgets

Loan activities are not subject to a budget. However, a state legally adopted budget was prepared and approved for administrative expenses incurred to administer the Wastewater Facility Construction Loan Fund that is funded by administrative fees that are deposited into the Clean Water Administrative Fund. No instances of excess expenditures over budgeted expenditures were identified for these budgets and the budgetary comparisons are presented in the Department's financial statements.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 3 STATE GENERAL FUND INVESTMENT POOL

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

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

Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

The Fund has established daily and monthly procedures that mitigate the risk of misstatement of the Department's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 4 LOANS RECEIVABLE

Loans receivable represent both interest and non-interest bearing loans disbursed to various municipalities within the State of New Mexico to construct or modify wastewater facilities. Loans for projects in progress represent those projects still under construction. Upon completion, accrued interest is either paid or added to the principal balance of the final loan. These loans are reporting as non-current. The loans in repayment represent completed projects from which the Fund is receiving payments of principal and interest. Current portion of loans is the amount expected to be received within the next fiscal year. The non-current portion is due in subsequent years.

Loans receivable represent both interest and non-interest bearing loans disbursed to various municipalities within the State of New Mexico to construct or modify wastewater facilities. Loans for projects in progress represent those projects still under construction. Upon completion, accrued interest is either paid or added to the principal balance of the final loan. These loans are reporting as non-current. The loans in repayment represent completed projects from which the Fund is receiving payments of principal and interest. Current portion of loans is the amount expected to be received within the next fiscal year. The non-current portion is due in subsequent years.

Loans receivable as of June 30 consist of the following:

	2015	2014
Loans-Projects in Progress	\$ 48,692,639	\$ 28,327,228
Accrued Interest	1,984,404	1,236,237
Total Loans in Progress	<u>\$ 50,677,043</u>	<u>\$ 29,563,465</u>
Loans in Repayment-Completed Projects	\$ 117,260,905	\$ 130,647,900
Accrued Interest	1,157,407	1,267,334
Total Completed Loans	<u>\$ 118,418,312</u>	<u>\$ 131,915,234</u>

The loans are secured with pledged revenue from the operations of the borrowers' joint water and sewer system, less operation and maintenance expenses. The loans bear interest at rates ranging from zero to three percent per annum. Loans for projects under construction are transferred to final loans upon completion of the projects.

Loans for completed projects are paid in annual installments, including interest, ranging from \$2,495 to \$1,921,489 through March 19, 2035.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 4 LOANS RECEIVABLE (CONTINUED)

Projects in Progress

The balances of projects in progress at June 30 are as follows:

	<u>2015</u>	<u>2014</u>
City of Carlsbad	\$ 16,078,391	\$ 16,078,391
City of Rio Rancho	16,047,771	12,012,494
City of Portales	15,812,782	-
SSCAFCA	553,211	47,582
City of Las Vegas	100,484	88,761
Village of Chama	100,000	100,000
Total	<u>\$ 48,692,639</u>	<u>\$ 28,327,228</u>

Completed Projects

The balances of completed projects at June 30 are as follows:

	<u>2015</u>	<u>2014</u>
Community:		
Hobbs	\$ 26,089,421	\$ 27,461,676
Los Lunas	18,347,155	19,603,861
Los Alamos County	11,717,029	12,327,865
Las Vegas	10,985,423	11,780,082
Farmington	8,817,724	9,486,137
Clovis	6,065,409	6,470,473
Española	5,263,883	5,773,200
Rio Rancho	4,947,943	5,488,164
Lovington	4,568,724	4,827,732
Aztec	3,701,892	3,929,094
Dona Ana County	3,509,404	3,724,792
Belen	1,814,268	2,021,504
Bloomfield	1,736,409	1,868,034
City of Socorro	1,429,419	618,716
Grants	1,178,585	1,556,142
Taos Ski Valley	1,098,443	1,173,587
Town of Taos	1,080,000	1,140,000
Silver City	1,062,317	1,262,448
Bayard	956,208	1,019,546
El Valle de Los Ranchos	412,303	430,000
Santa Rosa	400,000	425,000
Elephant Butte	387,461	407,841
Sandoval County	346,602	360,000
Logan	289,427	307,516
Dona Ana County	194,540	240,815
Eagle Nest	176,975	184,870
Jemez Springs	130,675	135,726

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 4 LOANS RECEIVABLE (CONTINUED)

Completed Projects (Continued)

	<u>2015</u>	<u>2014</u>
Community - continued:		
Raton	95,697	100,731
Ruidoso Downs	83,037	87,404
Wagon Mound	82,005	87,130
San Miguel	81,692	85,694
Tucumcari	80,000	85,000
Questa	44,902	47,396
Hatch	40,000	42,500
Willard	29,905	33,066
Ya-Ta-Hey W&SD	16,028	21,370
Albuquerque	-	5,987,785
Estancia	-	45,000
Total	<u>\$ 117,260,905</u>	<u>\$ 130,647,900</u>

Following is a schedule of future annual payments, including principal, interest and administrative fees:

<u>Years Ending June 30,</u>	
2016	\$ 11,133,147
2017	11,133,147
2018	11,133,146
2019	9,991,459
2020	9,940,368
2021 and Thereafter	83,846,463
Total	<u>\$ 137,177,730</u>

NOTE 5 LOAN COMMITMENTS

As of June 30, 2015, the Fund executed binding commitments to disburse loans from the Fund in the amount of \$26,815,861.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 6 FEDERAL GRANT AWARDS AND CORRESPONDING STATE MATCHES

The following table represents the federal grant allotments and state matching appropriations as of June 30, 2015 that have been allocated to the Fund since its inception.

<u>Award Year</u>	<u>Federal Capitalization Grants</u>	<u>State Matching Appropriations</u>
1986	\$ -	\$ 2,000,000
1987	-	1,125,000
1988	5,809,763	2,800,300
1989	8,558,400	-
1990	6,345,400	1,600,000
1991	10,075,032	1,000,000
1992	9,534,900	-
1993	9,431,000	2,000,000
1994	5,813,800	2,000,000
1995	6,007,800	1,979,710
1996	9,904,653	1,712,205
1997	2,990,500	-
1998	6,577,300	1,500,000
1999	6,577,900	1,320,000
2000	6,555,200	-
2001	-	-
2002	6,496,100	2,000,000
2003	6,510,800	-
2004	6,467,800	4,500,000
2005	6,835,400	1,500,000
2006	5,243,500	1,500,000
2007	4,242,300	1,500,000
2008	5,207,300	1,500,000
2009	3,274,300	-
2010	3,274,300	660,000
2011	10,002,000	-
2012	7,222,000	1,444,400
2013	6,908,000	2,800,000
2014	6,520,000	-
2015	6,853,000	1,300,000
Total	<u>\$ 179,238,448</u>	<u>\$ 37,741,615</u>

As of June 30, 2015, the State of New Mexico has overmatched the Fund by \$1,893,925. This overmatch will be applied to future federal grant awards as part of the 20 percent required match. In addition, the Fund was awarded \$23,789,100 in ARRA funds not subject to the 20 percent state match.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 CLEAN WATER STATE REVOLVING FUND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 AND 2014**

NOTE 6 FEDERAL GRANT AWARDS AND CORRESPONDING STATE MATCHES (CONTINUED)

Federal grants awarded through June 30, 2015 and still available or committed to the Fund for loans are as follows:

<u>Award Year</u>	<u>2015</u>	<u>2014</u>
2014	\$ -	\$ 6,520,000
2015	-	-
Total	<u>\$ -</u>	<u>\$ 6,520,000</u>

NOTE 7 ADMINISTRATIVE EXPENSES

Since the inception of the Fund, administrative expenses have been drawn from the federal capitalization grant allotments of 100 percent, because state matching appropriations were spent first for loans. For fiscal years ended June 30, 1997 and 1998, the Department changed its policy regarding the administrative fees and began drawing down the federal grants at 83.3 percent and from the State matching appropriations at 16.7 percent. A retroactive calculation was made to determine the state match to be used for administrative expenses for these two years. Subsequent to fiscal year ended June 30, 1999, management decided to draw expenses 100 percent from the federal capitalization grant allotments and make this retroactive to inception. As of June 30, 2008, administrative expenses were drawn down 100 percent from the federal capitalization grant and the Fund plans to consistently draw using this method for future years. Irrespective of the administrative draw method used, the Fund has never drawn Federal funds in excess of an overall ratio of 83.3 percent federal capitalization grants and 16.7 percent State of New Mexico.

The Fund has drawn \$7,724,293 in administrative costs since its inception. This amount is within the 4% limit imposed by the EPA capitalization grants.

NOTE 8 CONTINGENCIES

Federal Award Program

Expenditures under the EPA grant program may be subject to fiscal and/or program compliance audits by the grantor, which may result in disallowed program expenditures. Generally, such audits must commence within three years of the program's termination date. The EPA performs certain procedures on an annual basis to determine compliance with program requirements. Expenditures disallowed are required to be repaid as a result of such audits, if any, and would require an appropriation from the State General Fund.

Risk Management

The Fund is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to state employees while performing Fund business or acts of God.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 CLEAN WATER STATE REVOLVING FUND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 AND 2014**

NOTE 8 CONTINGENCIES (CONTINUED)

The Fund maintains insurance for all risks of loss through the State of New Mexico Risk Management Division, which is included in the indirect costs charged to the Fund. There have not been any claims against the Fund since its inception.

NOTE 9 FUNDS AT AUTOMATED CLEARING HOUSE (ACH)

On a quarterly basis, the Fund's management provides the EPA with its estimate of binding loan commitments that are anticipated to be made over the next twelve months. Based on this estimate, the EPA releases amounts from the capitalization grants to the ACH.

As of June 30, 2015, there is a balance at the ACH for funds released but not yet loaned for construction projects that is not recognized as earned by the Fund. Balances at the ACH at June 30 are as follows:

	2015	2014
Balance at Beginning of Year	\$ 6,521,842	\$ 7,375,731
Amounts Released to ACH During Year	6,853,000	6,520,000
Drawdowns for Loans	(12,838,080)	(7,016,119)
Drawdowns for Administrative Expenses	(385,205)	(357,770)
Total	\$ 151,557	\$ 6,521,842

NOTE 10 RESTRICTED NET POSITION

The wastewater facility construction loan fund was established by 74-6A-4 for the purpose of carrying out the federal Clean Water Act to provide loans for the construction or rehabilitation of wastewater facilities. The fund receives federal capitalization grants, state appropriations and earns interest on the outstanding loans of the fund. The net position of the wastewater facility construction loan fund is considered restricted for the purpose of making these loans. The clean water administrative fund was established by 74-6A-4.1 NMSA 1978 and shall be a dedicated fund, in which all money in the clean water administrative fund is appropriated to the department to be used solely to administer the wastewater facility construction loan fund, which may include water quality planning and water quality analysis and protection studies if authorized by the department and, if necessary, the United States environmental protection agency. The net position of the clean water administrative fund is restricted for administering the wastewater facility construction loan fund.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 CLEAN WATER STATE REVOLVING FUND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 AND 2014**

NOTE 10 RESTRICTED NET POSITION (CONTINUED)

Restricted net position consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Restricted for:		
Future Loans	\$ 291,071,684	\$ 275,150,820
Administration of the Wastewater Facility		
Construction Loan Fund	1,645,396	1,363,155
Total	<u>\$ 292,717,080</u>	<u>\$ 276,513,975</u>

NOTE 11 ACCRUED INTEREST RECEIVABLE

Changes in accrued interest receivable are as follows:

	<u>2015</u>	<u>2014</u>
Beginning of Year	\$ 2,503,571	\$ 1,991,487
Interest Earned	3,132,581	3,329,432
Interest Received	(2,494,341)	(2,817,348)
Interest Rolled	-	-
End of Year	<u>\$ 3,141,811</u>	<u>\$ 2,503,571</u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
COMBINING STATEMENT OF NET POSITION BY FUNCTIONAL ACTIVITIES
JUNE 30, 2015**

	Wastewater Facility Construction Loan Fund 12100	Clean Water Administrative Fund 32700	Total
ASSETS	<u> </u>	<u> </u>	<u> </u>
CURRENT ASSETS			
Investment in State General Fund Investment Pool	\$ 121,967,720	\$ 1,494,371	\$ 123,462,091
Receivables:			
Interest on Loans	3,141,811	-	3,141,811
Due from Other State Agencies	8,613	105	8,718
Due from Other Governmental Fund (06400)	-	150,920	150,920
Loan Receivables:			
Current Portion of Completed Projects, Net of Origination Fees	<u>8,534,438</u>	<u>-</u>	<u>8,534,438</u>
Total Current Assets	<u>133,652,582</u>	<u>1,645,396</u>	<u>135,297,978</u>
LONG-TERM ASSETS			
Loan Receivables:			
Noncurrent Portion of Projects in Progress	48,692,639	-	48,692,639
Noncurrent Portion of Completed Projects, Net of Origination Fees	<u>108,726,467</u>	<u>-</u>	<u>108,726,467</u>
Total Long-Term Assets	<u>157,419,106</u>	<u>-</u>	<u>157,419,106</u>
 Total Assets	 <u>\$ 291,071,688</u>	 <u>\$ 1,645,396</u>	 <u>\$ 292,717,084</u>
LIABILITIES			
Accounts Payable	\$ 4	\$ -	\$ 4
Due to Other Governmental Fund (06400)	-	-	-
Total Liabilities	<u>4</u>	<u>-</u>	<u>4</u>
NET POSITION			
Restricted	<u>291,071,684</u>	<u>1,645,396</u>	<u>292,717,080</u>
Total Liabilities and Net Position	<u>\$ 291,071,688</u>	<u>\$ 1,645,396</u>	<u>\$ 292,717,084</u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
COMBINING STATEMENT OF NET POSITION BY FUNCTIONAL ACTIVITIES
JUNE 30, 2014**

	Wastewater Facility Construction Loan Fund 12100	Clean Water Administrative Fund 32700	Total
ASSETS	<u>12100</u>	<u>32700</u>	<u>Total</u>
CURRENT ASSETS			
Investment in State General Fund Investment Pool	\$ 113,682,949	\$ 1,345,000	\$ 115,027,949
Receivables:			
Interest on Loans	2,503,571	-	2,503,571
Due from Other State Agencies	8,580	102	8,682
Due from Other Governmental Fund (06400)	-	18,053	18,053
Loan Receivables:			
Current Portion of Completed Projects, Net of Origination Fees	8,816,721	-	8,816,721
Total Current Assets	<u>125,011,821</u>	<u>1,363,155</u>	<u>126,374,976</u>
LONG-TERM ASSETS			
Loan Receivables:			
Noncurrent Portion of Projects in Progress	28,327,228	-	28,327,228
Noncurrent Portion of Completed Projects, Net of Origination Fees	121,831,179	-	121,831,179
Total Long-Term Assets	<u>150,158,407</u>	<u>-</u>	<u>150,158,407</u>
 Total Assets	 <u>\$ 275,170,228</u>	 <u>\$ 1,363,155</u>	 <u>\$ 276,533,383</u>
LIABILITIES			
Accounts Payable	\$ 4	\$ -	\$ 4
Due to Other Governmental Fund (06400)	19,404	-	19,404
Total Liabilities	<u>19,408</u>	<u>-</u>	<u>19,408</u>
NET POSITION			
Restricted	<u>275,150,820</u>	<u>1,363,155</u>	<u>276,513,975</u>
 Total Liabilities and Net Position	 <u>\$ 275,170,228</u>	 <u>\$ 1,363,155</u>	 <u>\$ 276,533,383</u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION BY FUNCTIONAL ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Wastewater Facility Construction Loan Fund 12100	Clean Water Administrative Fund 32700	Total
REVENUES			
Interest on Loans	\$ 3,132,581	\$ -	\$ 3,132,581
Interest on Investments	99,483	1,208	100,691
Debt Service Fees	-	350,530	350,530
Total Revenues	<u>3,232,064</u>	<u>351,738</u>	<u>3,583,802</u>
EXPENSES			
Transfers (06400) Admin Expenses	-	69,497	69,497
Administrative Expenses (Cap Grant)	441,311	-	441,311
Total Expenses	<u>441,311</u>	<u>69,497</u>	<u>510,808</u>
OPERATING INCOME	2,790,753	282,241	3,072,994
NONOPERATING REVENUES (EXPENSES)			
Federal Award Program Grants	13,279,391	-	13,279,391
Grants to Other Organizations	(1,449,280)	-	(1,449,280)
State Appropriations	1,300,000	-	1,300,000
Total Nonoperating Revenues	<u>13,130,111</u>	<u>-</u>	<u>13,130,111</u>
INCOME AFTER TOTAL NONOPERATING REVENUES	<u>15,920,864</u>	<u>282,241</u>	<u>16,203,105</u>
CHANGE IN NET POSITION	15,920,864	282,241	16,203,105
Total Net Position - Beginning of Year	<u>275,150,820</u>	<u>1,363,155</u>	<u>276,513,975</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 291,071,684</u>	<u>\$ 1,645,396</u>	<u>\$ 292,717,080</u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION BY FUNCTIONAL ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Wastewater Facility Construction Loan Fund 12100	Clean Water Administrative Fund 32700	Total
REVENUES			
Interest on Loans	\$ 3,329,432	\$ -	\$ 3,329,432
Interest on Investments	77,341	753	78,094
Debt Service Fees	-	364,676	364,676
Total Revenues	<u>3,406,773</u>	<u>365,429</u>	<u>3,772,202</u>
EXPENSES			
Transfers (06400) Admin Expenses	-	122,364	122,364
Administrative Expenses (Cap Grant)	293,796	-	293,796
Total Expenses	<u>293,796</u>	<u>122,364</u>	<u>416,160</u>
OPERATING INCOME	3,112,977	243,065	3,356,042
NONOPERATING REVENUES (EXPENSES)			
Federal Award Program Grants	6,995,660	-	6,995,660
Grants to Other Organizations	(605,891)	-	(605,891)
State Appropriations	1,400,000	-	1,400,000
Total Nonoperating Revenues	<u>7,789,769</u>	<u>-</u>	<u>7,789,769</u>
INCOME AFTER TOTAL NON-OPERATING REVENUES	<u>10,902,746</u>	<u>243,065</u>	<u>11,145,811</u>
CHANGE IN NET POSITION	10,902,746	243,065	11,145,811
Total Net Position - Beginning of Year	<u>264,248,074</u>	<u>1,120,090</u>	<u>265,368,164</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 275,150,820</u>	<u>\$ 1,363,155</u>	<u>\$ 276,513,975</u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015**

	Wastewater Facility Construction Loan Fund 12100	Clean Water Administrative Fund 32700	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received on Repayment of Loan Principal	\$ 14,336,995	\$ -	\$ 14,336,995
Cash Received on Interest from Loans	2,494,341	-	2,494,341
Interest Payments Received from State Treasurer's Office	99,450	1,205	100,655
Cash Received for Debt Service Fees	-	350,530	350,530
Cash Payments for Administrative Expenses, Net (Admin Fund-32700)	-	(202,364)	(202,364)
Cash Payments for Administrative Expenses (Cap Grant)	(460,715)	-	(460,715)
Cash Payments Made to Borrowers	(21,315,411)	-	(21,315,411)
Net Cash Provided (Used) by Operating Activities	(4,845,340)	149,371	(4,695,969)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grant Proceeds - EPA	13,279,391	-	13,279,391
Grants to Other Organizations	(1,449,280)	-	(1,449,280)
State Appropriations	1,300,000	-	1,300,000
Net Cash Provided by Non-Capital Financing Activities	13,130,111	-	13,130,111
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,284,771	149,371	8,434,142
Cash and Cash Equivalents - Beginning of Year	113,682,949	1,345,000	115,027,949
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 121,967,720</u>	<u>\$ 1,494,371</u>	<u>\$ 123,462,091</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income	\$ 2,790,753	\$ 282,241	\$ 3,072,994
Adjustments to Operating Income:			
Change in Assets and Liabilities:			
Interest on Loans Receivable	(638,240)	-	(638,240)
Due from Other State Agencies	(33)	(3)	(36)
Loan Receivables	(6,978,416)	-	(6,978,416)
Due to Other Governmental Fund (06400)	(19,404)	-	(19,404)
Due from Other Governmental Fund (06400)	-	(132,867)	(132,867)
Accrued Liabilities	-	-	-
Total Adjustments	(7,636,093)	(132,870)	(7,768,963)
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,845,340)</u>	<u>\$ 149,371</u>	<u>\$ (4,695,969)</u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014**

	Wastewater Facility Construction Loan Fund 12100	Clean Water Administrative Fund 32700	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received on Repayment of Loan Principal	\$ 10,240,460	\$ -	\$ 10,240,460
Cash Received on Interest from Loans	2,817,348	-	2,817,348
Interest Payments Received from State Treasurer's Office	77,118	720	77,838
Cash Received for Debt Service Fees	-	364,676	364,676
Cash Payments for Administrative Expenses, Net (Admin Fund-32700)	-	51,966	51,966
Cash Payments for Administrative Expenses (Cap Grant)	(608,055)	-	(608,055)
Cash Payments Made to Borrowers	(6,459,540)	-	(6,459,540)
Net Cash Provided by Operating Activities	<u>6,067,331</u>	<u>417,362</u>	<u>6,484,693</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grant Proceeds - EPA	7,309,915	-	7,309,915
Grants to Other Organizations	(605,887)	-	(605,887)
Net Cash Provided by Non-Capital Financing Activities	<u>6,704,028</u>	<u>-</u>	<u>6,704,028</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,771,359	417,362	13,188,721
Cash and Cash Equivalents - Beginning of Year	<u>100,911,590</u>	<u>927,638</u>	<u>101,839,228</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 113,682,949</u>	<u>\$ 1,345,000</u>	<u>\$ 115,027,949</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 3,112,977	\$ 243,065	\$ 3,356,042
Adjustments to Operating Income:			
Change in Assets and Liabilities:			
Interest on Loans Receivable	(512,084)	-	(512,084)
Due from Other State Agencies	(223)	(33)	(256)
Loan Receivables	3,780,920	-	3,780,920
Accounts Payable	(314,259)	-	(314,259)
Due from Other Governmental Fund (06400)	-	174,330	174,330
Total Adjustments	<u>2,954,354</u>	<u>174,297</u>	<u>3,128,651</u>
Net Cash Provided by Operating Activities	<u>\$ 6,067,331</u>	<u>\$ 417,362</u>	<u>\$ 6,484,693</u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 CLEAN WATER STATE REVOLVING FUND
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT) - UNAUDITED
 YEAR ENDED JUNE 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address, Per the Procurement Documentation, of <u>ALL</u> Vendor(s) That Responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the Vendor In-State and Chose Veteran's Preference (Y or N) For Federal Funds, Answer N/A</i>	<i>Brief Description of the Scope of Work</i>
Not Applicable. *								

* The financial statements of CWSRF report only funds 12100 and 32700 of the Department. Please refer to the Department's financial statements for the Department's complete schedule of vendors subject to the reporting requirements of NMAC 2.2.2.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 CLEAN WATER STATE REVOLVING FUND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2015**

	Federal CFDA Number	Federal Participating Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Clean Water State Revolving Funds (CWSRF) Cluster		
Construction Loan, Construction/Administration - CS350002-13	66.458	\$ 6,520,000
Construction Loan, Construction/Administration - CS350002-14	66.458	6,759,391
Total U.S. Environmental Protection Agency		13,279,391
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 13,279,391

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 CLEAN WATER STATE REVOLVING FUND
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2015**

GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activities of all federal awards of the Fund.

BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Fund's basic financial statements.

NON-CASH ASSISTANCE

The Fund did not receive any federal non-cash assistance during the year ended June 30, 2015.

LOANS

The Fund does not have any loans outstanding with the Federal government at June 30, 2015.

SUBRECIPIENTS

The Fund receives capitalization grants to create and maintain the Clean Water State Revolving Fund program (CWSRF, CFDA 66.458). The Fund can use the capitalization grants to provide loans at reduced interest rates to finance the construction of publicly-owned water pollution control facilities, non-point source pollution control projects and estuary management plans. Loans made by the Fund must be paid within 20 years and all repayments, including interest and principal, must remain within the Wastewater Facility Construction Loan Fund of the Fund. Capitalization loans processed for CWSRF for the year ended June 30, 2015 were \$21,315,411. CWSRF outstanding loans at June 30, 2015 were \$165,953,544. In addition, as detailed in the schedule below, the Fund provided \$1,449,280 in grants to the various communities throughout New Mexico as grants, in which the non-state match amounts are included in the schedule of expenditures of federal awards as Construction Loan, Construction/Administration - CS350002-13 and CS350002-14 (CFDA 66.458).

Chama	\$	755,346
Portales		420,000
City of Socorro		250,000
Jemez Springs		18,180
San Juan County		5,754
Total	<u>\$</u>	<u>1,449,280</u>



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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

Mr. Ryan Flynn
New Mexico Environment Department and
Mr. Tim Keller
New Mexico State Auditor

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 business-type activities of the Clean Water State Revolving Fund (the Fund) of the New Mexico Environment Department (the Department), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and the combining statements of net position by functional activities, the combining statements of revenue, expenses, and changes in fund net position by functional activities, and the combining statements of cash flows of the Fund, presented as supplementary information, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

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

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

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

Mr. Ryan Flynn
New Mexico Environment Department and
Mr. Tim Keller
New Mexico State Auditor

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 Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 24, 2015



CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mr. Ryan Flynn
New Mexico Environment Department and
Mr. Tim Keller
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the Clean Water State Revolving Fund (the Fund) of the New Mexico Environment Department (the Department) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Fund's major federal program for the year ended June 30, 2015. The Fund's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Fund's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Fund's compliance.

Opinion on the Major Federal Program

In our opinion, the Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Mr. Ryan Flynn
New Mexico Environment Department and
Mr. Tim Keller
New Mexico State Auditor

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on the major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fund's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, which we consider to be a significant deficiency.

The Fund's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Fund's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Mr. Ryan Flynn
New Mexico Environment Department and
Mr. Tim Keller
New Mexico State Auditor

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 24, 2015

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 CLEAN WATER STATE REVOLVING FUND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2015**

SECTION I 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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major program:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for the major federal program: Unmodified

Any audit findings, disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of the major federal program:

CFDA

Number(s)	Name of Federal Program or Cluster
66.458	Clean Water State Revolving Funds (CWSRF) Cluster

The threshold for the Department for distinguishing Type A and B programs, as well as the low-risk auditee determination status, is included in the Department's schedule of findings and questioned costs.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2015**

SECTION II FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended June 30, 2015.

SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-001 Federal Program Reporting (Significant Deficiency and Instance of Noncompliance) *

Federal Program: CFDA 66.458 – Capitalization Grants for Clean Water State Revolving Funds

Federal Agency: Environmental Protection Agency

Federal Award Number/Year: CS-35000212 (2012)

Questioned Costs: \$-0-

Condition: During A-133 single audit reporting test work, we noted that 1 out of 1 financial reports reviewed did not agree to the SHARE reports provided.

Criteria: Per OMB Circular A-133, *Compliance Requirements Reporting – Financial Reporting*, the Department is required to maintain reports specified by the Federal agency. The financial reports are to be complete, accurate, and prepared in accordance with the required accounting basis.

Effect: Inaccurate financial reporting.

Cause: The Department completed the federal report incorrectly.

Auditors' Recommendation: We recommend the Department implement procedures to ensure compliance with reporting requirements.

Management's Response: Management concurs with this audit finding. The Budget and Grants section experienced a turnover in the grant and budget staff. Although the Department did in fact have a process in place, unfortunately due to the turnover in staff this process was not followed properly. The Department is currently fully staffed and has reviewed all SF-425 reports and their respective due times and are working diligently to ensure that all 425 reports are submitted timely and accurately. An amendment was completed and submitted by the Department with a date of August 28, 2015.

* Finding 2015-001 identified above will be reported with Finding 2006-008 in the Schedule of Findings and Questioned Costs in the New Mexico Environment Department's Financial Statements.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
CLEAN WATER STATE REVOLVING FUND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
JUNE 30, 2015**

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended June 30, 2014.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended June 30, 2014.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
EXIT CONFERENCE
JUNE 30, 2015**

An exit conference was held with the Department on November 23, 2015. The conference was held at the Department's offices in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

NEW MEXICO ENVIRONMENT DEPARTMENT

Butch Tongate	Deputy Secretary
Stacy Y. Lopez	ASD Director
Marlene Cordova	Chief Financial Officer

CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGFM, CGMA, Principal
Jane Tinker, CPA, Senior Associate

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.