

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

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2016 AND 2015**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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 CLEAN WATER STATE REVOLVING FUND  
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## INDEPENDENT AUDITORS' REPORT

Mr. Butch Tongate  
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, 2016 and 2015, 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, 2016 and 2015, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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. Butch Tongate  
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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, and the changes in the financial position for the years 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. Butch Tongate  
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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 relates 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 28, 2016, 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 28, 2016

**NEW MEXICO ENVIRONMENT DEPARTMENT  
CLEAN WATER STATE REVOLVING FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2016 AND 2015**

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 that ended June 30, 2016, 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. The CPB recognizes Governmental Accounting Standards Board Statement 34. This statement establishes financial reporting requirements for state and local governments throughout the United States. 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) 2016, the CWSRF reports a total net position of \$302,060,312, an increase of \$9,343,232 in comparison with the prior year for the CWSRF Fund 121 and CWSRF Admin Fund 327 combined. As of the close of SFY 2015, the CWSRF reported 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. The SFY 2016 and 2015 annual growth of 3.2% and 6%, respectively, demonstrates a growing, healthy fund.
- The CWSRF was awarded one cap grant for the Federal Fiscal Year (FFY) 2015 allotment of \$6,817,000. For FFY 2014, one cap grant allotment of \$6,853,000 was awarded.
- For SFY 2016, the CWSRF collected \$9,415,574 in loan repayment principal, \$2,270,828 in loan repayment interest, and \$332,420 in administrative fees. Total principal, interest and administrative fees received were \$12,018,822. For SFY 2015, 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 \$286,838 and \$100,691 as of the close of SFY 2016 and 2015, respectively, of interest income on overnight funds deposited at the State Treasurer's Office for Fund 121 and Fund 327 combined.
- Fund 12100 disbursed \$14,716,504 and \$22,764,691 for construction projects in SFY 2016 and SFY 2015, respectively.
- Fund 12100 incurred costs of \$366,289 and \$441,311 in administrative expenses in SFY 2016 and SFY 2015, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Condensed Financial Information (Government-Wide)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>NET POSITION</b>			
<b>ASSETS</b>			
Current and Other Assets	\$ 145,089,379	\$ 135,297,978	\$ 126,374,976
Non-Current Assets	<u>157,003,075</u>	<u>157,419,106</u>	<u>150,158,407</u>
<b>TOTAL ASSETS</b>	<u>\$ 302,092,454</u>	<u>\$ 292,717,084</u>	<u>\$ 276,533,383</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 32,142	\$ 4	\$ 19,408
<b>NET POSITION</b>			
Restricted	<u>302,060,312</u>	<u>292,717,080</u>	<u>276,513,975</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 302,092,454</u>	<u>\$ 292,717,084</u>	<u>\$ 276,533,383</u>
<b>CHANGES IN NET POSITION</b>			
Program Revenues:			
Interest on Loans	\$ 3,044,704	\$ 3,132,581	\$ 3,329,432
Investment Income	286,838	100,691	78,094
Debt Services Fees	332,420	350,530	364,676
General Revenues:			
Federal Award Grant	6,910,609	13,279,391	6,995,660
State Matching Funds	1,300,000	1,300,000	1,400,000
Grants to Other Organizations	(1,899,948)	(1,449,280)	(605,891)
Transfers-(06400) Administrative Expenses	<u>(265,102)</u>	<u>(69,497)</u>	<u>(122,364)</u>
Total Revenues	9,709,521	16,644,416	11,439,607
Program Expenses:			
Administrative Expenses	<u>(366,289)</u>	<u>(441,311)</u>	<u>(293,796)</u>
<b>CHANGE IN NET POSITION</b>	9,343,232	16,203,105	11,145,811
Net Position - Beginning of Year	<u>292,717,080</u>	<u>276,513,975</u>	<u>265,368,164</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 302,060,312</u>	<u>\$ 292,717,080</u>	<u>\$ 276,513,975</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2016 AND 2015**

**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 99.4% and 99.5% in SFY 2016 and SFY 2015, respectively, 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 an 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.

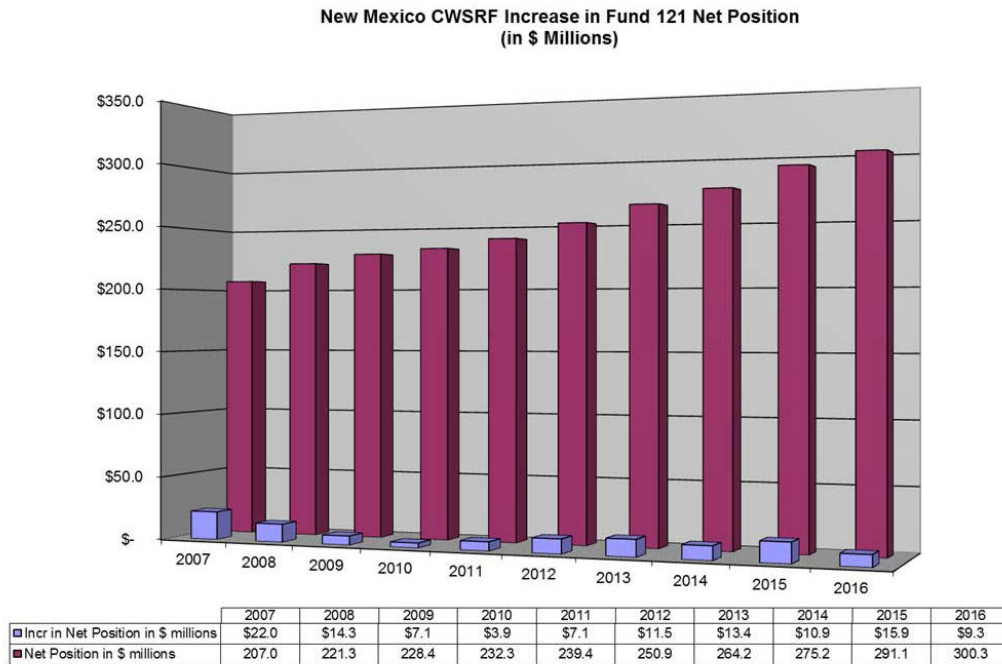
The statement of cash flows presents information that demonstrates how changes in balance sheet accounts and income affect cash and cash equivalents. The activity reflected from this statement is only recorded when cash was received or disbursed. Reconciliation is provided at the bottom of this statement to tie the operating income with the net cash provided by operating activities.



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

The Fund 12100 Statement of Net Position demonstrates that the fund grew by \$9.3 and \$15.9 million during SFY 2016 and SFY 2015, respectively, and has shown consistent growth over the years. This chart 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:

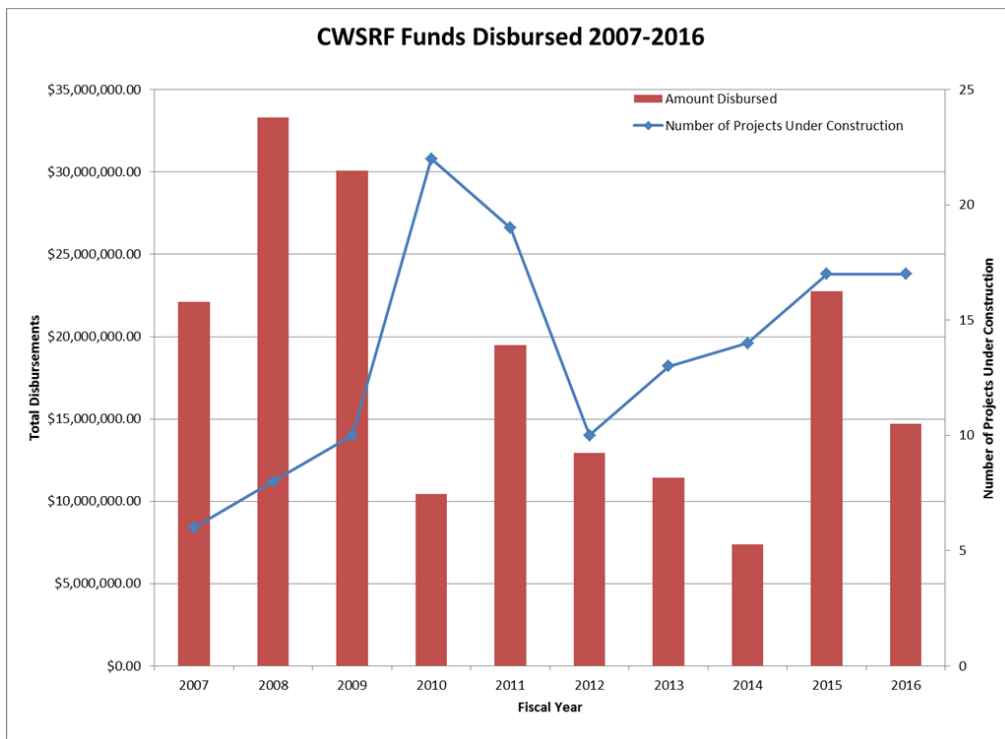
- ❖ A steady stream of federal funding in the form of annual federal grants
- ❖ Consistent funding from the State Government in the form of State Match
- ❖ A positive return on investment from the State Treasurer's investment of cash deposits
- ❖ A strong return on investment from the borrower's loans (averaging 1.5% and 2% for SFY 2016 and SFY 2015, respectively.)
- ❖ An absence of defaults and delinquent borrowers which would reduce revenue
- ❖ Relatively low administrative expenses

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 MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Performance**

As of the end of SFY 2016, the NM CWSRF has fully expended the FFY 2015 allotment. NM CWSRF had 17 projects in process at the end of SFY 16. The fund disbursed \$14,716,504 to projects during SFY 2016.

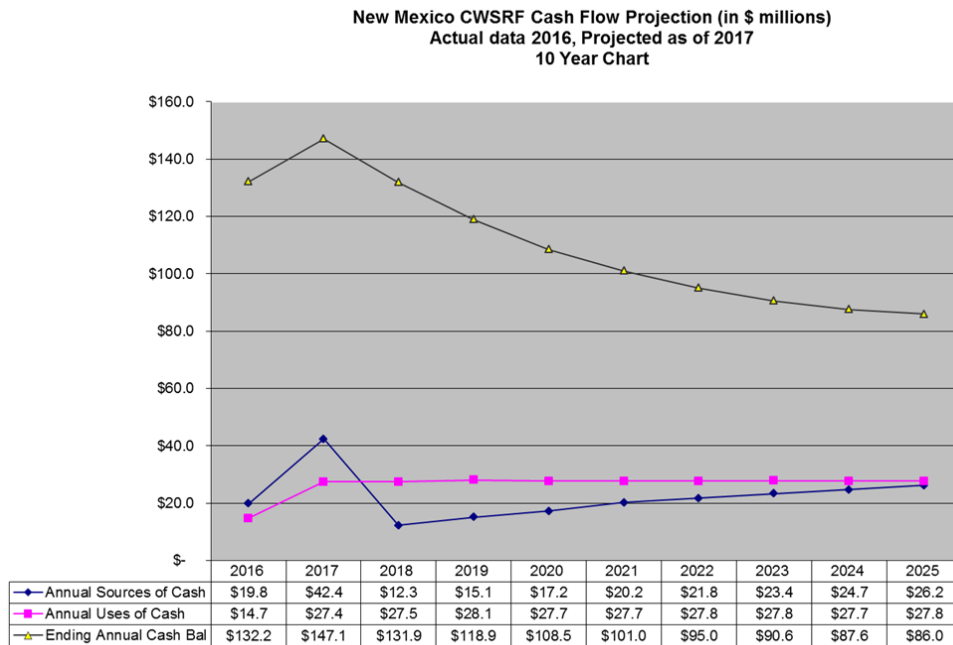
As of the end of SFY 2015, the NM CWSRF had fully expended the FFY 2011 allotment and the FFY 2012 allotment. NM CWSRF had 18 projects in process at the end of SFY 2015. The fund disbursed \$22,764,691 to projects during SFY 2015.



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**Projections**

A cash flow model is used as a management tool for the NM CWSRF. A graph of the model (Fund 12100) shows the resulting decrease in cash.



This model demonstrates that after 2017 and until 2025, the NM CWSRF projects funding levels, which include fund balance, cash inflows and cash outflows, to support projects averaging approximately \$27.8 million annually. 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**

Through state funding, the Program competes with and complements the Special Appropriation Program (SAP), which provides communities with 100% grant funding via legislative Capital Outlay appropriations. Grant funding for wastewater projects was \$7,649,692 in SFY 2016. Grant funding through oil and gas revenues for wastewater projects was over 10 million in SFY 2015.

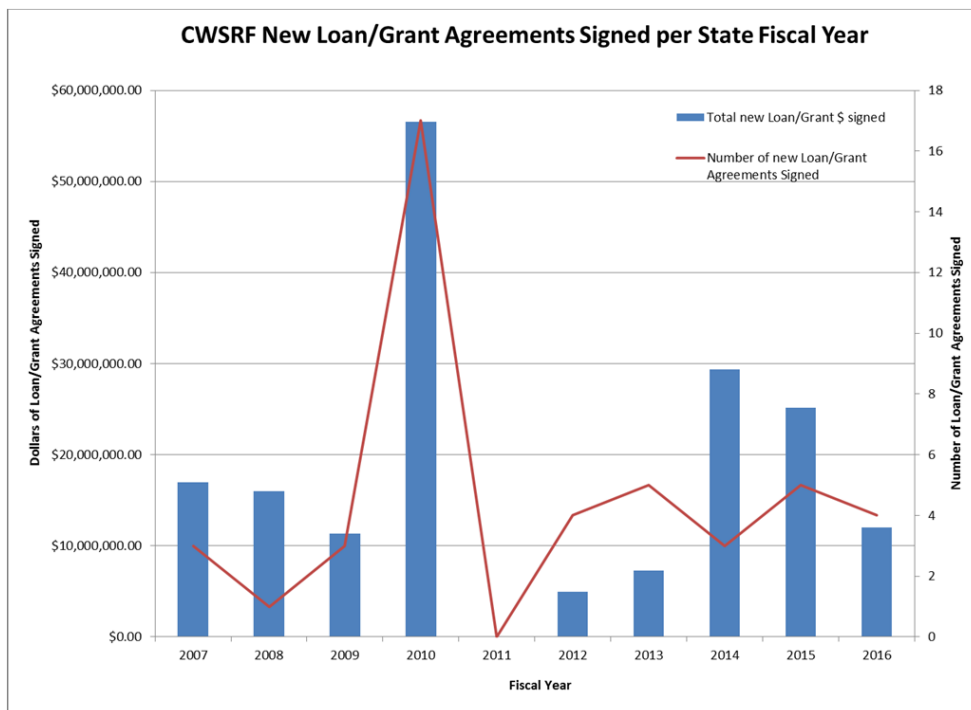
Through federal funding, the Program is allowed to provide communities with up to 30% of the federal grant awarded to NMED as additional subsidization. The Program was allowed to provide the maximum amount of additional subsidization, \$2,045,100, through the current federal grant (FFY 2015 Allotment).

While this additional subsidization is allowable, the Borrower must also take on a loan component. Combining grants when available along with low-interest loans has allowed the Program to reach new borrowers each year.

**NEW MEXICO ENVIRONMENT DEPARTMENT  
CLEAN WATER STATE REVOLVING FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2016 AND 2015**

The Program realized a strong increase in interest received on the fund in SFY2016 as a result of an improving economy. Interest received in SFY2016 was \$291,877 as opposed to an average of approximately \$88,308 in SFY2014 and 2015, an increase of over \$200,000.

The NM CWSRF signed 4 new loan/grant agreements in SFY 2016 totaling \$12,033,000 and amended 2 existing agreements increasing the loan amounts by \$16,000,000 for a total of \$28,033,000. 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. The CWSRF New Loan/Grant Agreement chart shows the amount and number of agreements signed over the last 10 years.



**Currently Known Facts, Decisions, or Conditions that are expected to have a significant effect on the financial position or results of operations.**

CPB is working through the Administrative process to lower the interest rates available. The Bureau is proposing to lower the base interest rate from 3% to 2.375% and to lower the hardship rates from 2% and 1% to 1.2% and .6% respectively. Communities who meet the highest level of hardship will still be eligible for a 0% rate. The Water Resources Reform and Development Act of 2014 has been fully implemented.

**Requests for Information**

This financial report is designed to provide a general overview of the CWSRF Program's finances. Additional information regarding this report or the CWSRF Program can be obtained by calling 505-847-2086, emailing [NMENV-cpbinfo@state.nm.us](mailto:NMENV-cpbinfo@state.nm.us) or by writing CWSRF Administrator, NMED, Runnels Building Suite S2072, P.O. Box 5469, Santa Fe, NM 8750.

**NEW MEXICO ENVIRONMENT DEPARTMENT  
CLEAN WATER STATE REVOLVING FUND  
STATEMENTS OF NET POSITION  
JUNE 30, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Investment in State General Fund Investment Pool	\$ 128,822,241	\$ 123,462,091
Receivables:		
Interest on Loans	3,915,687	3,141,811
Due from Other State Agencies	-	8,718
Due from Other Governmental Fund (06400)	-	150,920
Loan Receivables:		
Current Portion of Completed Projects, Net of Origination Fees	12,351,451	8,534,438
Total Current Assets	145,089,379	135,297,978
<b>LONG-TERM ASSETS</b>		
Loan Receivables:		
Noncurrent Portion of Projects in Progress	61,409,195	48,692,639
Noncurrent Portion of Completed Projects, Net of Origination Fees	95,593,880	108,726,467
Total Long-Term Assets	157,003,075	157,419,106
 Total Assets	 302,092,454	 292,717,084
<b>LIABILITIES</b>		
Accounts Payable	32,142	4
Total Liabilities	32,142	4
<b>NET POSITION</b>		
Restricted	302,060,312	292,717,080
Total Liabilities and Net Position	\$ 302,092,454	\$ 292,717,084

**NEW MEXICO ENVIRONMENT DEPARTMENT  
CLEAN WATER STATE REVOLVING FUND  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>REVENUES</b>		
Interest on Loans	\$ 3,044,704	\$ 3,132,581
Interest on Investments	286,838	100,691
Debt Service Fees	332,420	350,530
Total Revenues	3,663,962	3,583,802
<b>EXPENSES</b>		
Administrative Expenses (Cap Grant)	366,289	441,311
Total Expenses	366,289	441,311
<b>OPERATING INCOME</b>	3,297,673	3,142,491
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Federal Award Program Grants	6,910,609	13,279,391
Grants to Other Organizations	(1,899,948)	(1,449,280)
State Appropriations	1,300,000	1,300,000
Transfers - (06400) Administrative Expenses	(265,102)	(69,497)
Total Non-Operating Revenues	6,045,559	13,060,614
<b>CHANGE IN NET POSITION</b>	9,343,232	16,203,105
Total Net Position - Beginning of Year	292,717,080	276,513,975
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 302,060,312	\$ 292,717,080

**NEW MEXICO ENVIRONMENT DEPARTMENT  
CLEAN WATER STATE REVOLVING FUND  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received on Repayment of Loan Principal	\$ 9,415,574	\$ 14,336,995
Cash Received on Interest from Loans	2,270,828	2,494,341
Interest Payments Received from State Treasurer's Office	295,556	100,655
Cash Received for Debt Service Fees	332,420	350,530
Cash Payments for Administrative Expenses (Cap Grant)	(334,151)	(460,715)
Cash Payments Made to Borrowers	(12,816,556)	(21,315,411)
Net Cash Used by Operating Activities	(836,329)	(4,493,605)
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Grant Proceeds - EPA	6,910,609	13,279,391
Grants to Other Organizations	(1,899,948)	(1,449,280)
State Appropriations	1,300,000	1,300,000
Cash Payments for Administrative Expenses, Net (Admin Fund-32700)	(114,182)	(202,364)
Net Cash Provided by Non-Capital Financing Activities	6,196,479	12,927,747
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,360,150	8,434,142
 Cash and Cash Equivalents - Beginning of Year	123,462,091	115,027,949
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 128,822,241	\$ 123,462,091
 <b>RECONCILIATION OF CHANGES IN NET POSITION TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 3,297,673	\$ 3,142,491
Adjustments to Operating Income:		
Change in Assets and Liabilities:		
Interest on Loans Receivable	(773,876)	(638,240)
Due from Other State Agencies	8,718	(36)
Loan Receivables	(3,400,982)	(6,978,416)
Accounts Payable	32,138	(19,404)
Total Adjustments	(4,134,002)	(7,636,096)
 Net Cash Used by Operating Activities	\$ (836,329)	\$ (4,493,605)

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT  
CLEAN WATER STATE REVOLVING FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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  
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JUNE 30, 2016 AND 2015**

**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, 2016.

**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.

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**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, 2016. 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, 2016 was \$128,822,241. 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, 2016.

**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, 2016.

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, 2016.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT  
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**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  
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**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 Board 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 State Controller indicated on August 8, 2016 that calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (< \$200k standard deviation) over the last twelve months; resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP and that all claims will be honored at face value.

The Fund has established daily and monthly procedures that mitigate the risk of misstatement of the Fund'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 law (Section 8-6-3 NMSA 1978) requires the Fund's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Fund consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT  
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**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 as of June 30 consist of the following:

	<u>2016</u>	<u>2015</u>
Loans-Projects in Progress	\$ 61,409,195	\$ 48,692,639
Accrued Interest	<u>2,847,710</u>	<u>1,984,404</u>
Total Loans in Progress	<u>\$ 64,256,905</u>	<u>\$ 50,677,043</u>
Loans in Repayment-Completed Projects	\$ 107,945,331	\$ 117,260,905
Accrued Interest	<u>1,067,977</u>	<u>1,157,407</u>
Total Completed Loans	<u>\$ 109,013,308</u>	<u>\$ 118,418,312</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  
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**NOTE 4 LOANS RECEIVABLE (CONTINUED)**

**Projects in Progress**

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

	<u>2016</u>	<u>2015</u>
City of Portales	\$ 23,244,698	\$ 15,812,782
City of Rio Rancho	19,030,228	16,047,771
City of Carlsbad	16,206,939	16,078,391
SSCAFCA	1,250,000	553,211
City of Belen	768,870	-
El Valle De Los Ranchos	396,316	-
City of Socorro	231,508	-
City of Las Vegas	174,016	100,484
Village of Taos Ski Valley	106,620	-
Village of Chama	-	100,000
Total	<u>\$ 61,409,195</u>	<u>\$ 48,692,639</u>

**Completed Projects**

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

	<u>2016</u>	<u>2015</u>
Community:		
Hobbs	\$ 24,689,720	\$ 26,089,421
Los Lunas	17,058,839	18,347,155
Los Alamos County	11,087,869	11,717,029
Las Vegas	10,182,019	10,985,423
Farmington	8,129,259	8,817,724
Clovis	5,652,243	6,065,409
Española	4,744,379	5,263,883
Rio Rancho	4,391,515	4,947,943
Lovington	4,304,535	4,568,724
Aztec	3,470,146	3,701,892
Dona Ana County	3,289,708	3,509,404
Belen	1,602,888	1,814,268
Bloomfield	1,600,834	1,736,409
City of Socorro	1,239,913	1,429,419
Taos Ski Valley	1,021,044	1,098,443
Town of Taos	1,020,000	1,080,000
Bayard	892,236	956,208
Grants	793,477	1,178,585
El Valle de Los Ranchos	394,251	412,303
Santa Rosa	375,000	400,000
Elephant Butte	366,674	387,461
Sandoval County	332,803	346,602

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT  
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 JUNE 30, 2016 AND 2015**

**NOTE 4 LOANS RECEIVABLE (CONTINUED)**

**Completed Projects (Continued)**

	<u>2016</u>	<u>2015</u>
Community - continued:		
Logan	\$ 271,338	\$ 289,427
Eagle Nest	168,842	176,975
Dona Ana County	147,340	194,540
Jemez Springs	125,472	130,675
Chama	100,000	-
Ruidoso Downs	78,582	83,037
San Miguel	77,610	81,692
Wagon Mound	76,879	82,005
Tucumcari	75,000	80,000
Raton	67,611	95,697
Questa	42,407	44,902
Hatch	37,500	40,000
Willard	26,713	29,905
Ya-Ta-Hey W&SD	10,685	16,028
Silver City	-	1,062,317
Total	<u>\$ 107,945,331</u>	<u>\$ 117,260,905</u>

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

<u>Years Ending June 30,</u>	
2017	\$ 14,696,484
2018	10,224,116
2019	9,082,430
2020	9,031,339
2021	9,031,339
2022 and Thereafter	71,865,175
Total	<u>\$ 123,930,883</u>

**NOTE 5 LOAN COMMITMENTS**

As of June 30, 2016, the Fund executed binding commitments to disburse loans from the Fund in the amount of \$28,033,000.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT  
CLEAN WATER STATE REVOLVING FUND  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2016 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
2016	6,817,000	1,300,000
Total	<u>\$ 186,055,448</u>	<u>\$ 39,041,615</u>

As of June 30, 2016, the State of New Mexico has overmatched the Fund by \$1,791,525. 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  
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 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016 AND 2015**

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

Federal grants awarded through June 30, 2016 and still available or committed to the Fund for loans are as follows:

<u>Award Year</u>	<u>2016</u>	<u>2015</u>
2015	\$ -	\$ -
2016	-	-
Total	<u>\$ -</u>	<u>\$ -</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 \$8,146,688 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  
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**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, 2016, 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:

	2016	2015
Balance at Beginning of Year	\$ 151,557	\$ 6,521,842
Amounts Released to ACH During Year	6,817,000	6,853,000
Drawdowns for Loans	(6,544,320)	(12,838,080)
Drawdowns for Administrative Expenses	(366,289)	(385,205)
Total	\$ 57,948	\$ 151,557

**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, 2016 AND 2015**

**NOTE 10 RESTRICTED NET POSITION (CONTINUED)**

Restricted net position consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Restricted for:		
Future Loans	\$ 300,344,024	\$ 291,071,684
Administration of the Wastewater Facility		
Construction Loan Fund	1,716,288	1,645,396
Total	<u>\$ 302,060,312</u>	<u>\$ 292,717,080</u>

**NOTE 11 ACCRUED INTEREST RECEIVABLE**

Changes in accrued interest receivable are as follows:

	<u>2016</u>	<u>2015</u>
Beginning of Year	\$ 3,141,811	\$ 2,503,571
Interest Earned	3,044,704	3,132,581
Interest Received	(2,270,828)	(2,494,341)
End of Year	<u>\$ 3,915,687</u>	<u>\$ 3,141,811</u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT  
CLEAN WATER STATE REVOLVING FUND  
COMBINING STATEMENT OF NET POSITION BY FUNCTIONAL ACTIVITIES  
JUNE 30, 2016**

	Wastewater Facility Construction Loan Fund 12100	Clean Water Administrative Fund 32700	Total
<b>ASSETS</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>CURRENT ASSETS</b>			
Investment in State General Fund Investment Pool	\$ 127,105,953	\$ 1,716,288	\$ 128,822,241
Receivables:			
Interest on Loans	3,915,687	-	3,915,687
Loan Receivables:			
Current Portion of Completed Projects, Net of Origination Fees	<u>12,351,451</u>	<u>-</u>	<u>12,351,451</u>
Total Current Assets	<u>143,373,091</u>	<u>1,716,288</u>	<u>145,089,379</u>
<b>LONG-TERM ASSETS</b>			
Loan Receivables:			
Noncurrent Portion of Projects in Progress	61,409,195	-	61,409,195
Noncurrent Portion of Completed Projects, Net of Origination Fees	<u>95,593,880</u>	<u>-</u>	<u>95,593,880</u>
Total Long-Term Assets	<u>157,003,075</u>	<u>-</u>	<u>157,003,075</u>
 Total Assets	 <u>\$ 300,376,166</u>	 <u>\$ 1,716,288</u>	 <u>\$ 302,092,454</u>
<b>LIABILITIES</b>			
Accounts Payable	<u>\$ 32,142</u>	<u>\$ -</u>	<u>\$ 32,142</u>
Total Liabilities	<u>32,142</u>	<u>-</u>	<u>32,142</u>
<b>NET POSITION</b>			
Restricted	<u>300,344,024</u>	<u>1,716,288</u>	<u>302,060,312</u>
 Total Liabilities and Net Position	 <u>\$ 300,376,166</u>	 <u>\$ 1,716,288</u>	 <u>\$ 302,092,454</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
<b>ASSETS</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>CURRENT ASSETS</b>			
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>
<b>LONG-TERM ASSETS</b>			
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><u>\$ 291,071,688</u></u>	 <u><u>\$ 1,645,396</u></u>	 <u><u>\$ 292,717,084</u></u>
<b>LIABILITIES</b>			
Accounts Payable	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 4</u>
Total Liabilities	<u>4</u>	<u>-</u>	<u>4</u>
<b>NET POSITION</b>			
Restricted	<u>291,071,684</u>	<u>1,645,396</u>	<u>292,717,080</u>
 Total Liabilities and Net Position	 <u><u>\$ 291,071,688</u></u>	 <u><u>\$ 1,645,396</u></u>	 <u><u>\$ 292,717,084</u></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, 2016**

	Wastewater Facility Construction Loan Fund 12100	Clean Water Administrative Fund 32700	Total
<b>REVENUES</b>			
Interest on Loans	\$ 3,044,704	\$ -	\$ 3,044,704
Interest on Investments	283,264	3,574	286,838
Debt Service Fees	-	332,420	332,420
Total Revenues	<u>3,327,968</u>	<u>335,994</u>	<u>3,663,962</u>
<b>EXPENSES</b>			
Administrative Expenses (Cap Grant)	366,289	-	366,289
Total Expenses	<u>366,289</u>	<u>-</u>	<u>366,289</u>
<b>OPERATING INCOME</b>	2,961,679	335,994	3,297,673
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal Award Program Grants	6,910,609	-	6,910,609
Grants to Other Organizations	(1,899,948)	-	(1,899,948)
State Appropriations	1,300,000	-	1,300,000
Transfers (06400) Admin Expenses	-	(265,102)	(265,102)
Total Nonoperating Revenues	<u>6,310,661</u>	<u>(265,102)</u>	<u>6,045,559</u>
<b>CHANGE IN NET POSITION</b>	9,272,340	70,892	9,343,232
Total Net Position - Beginning of Year	<u>291,071,684</u>	<u>1,645,396</u>	<u>292,717,080</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 300,344,024</u>	<u>\$ 1,716,288</u>	<u>\$ 302,060,312</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
<b>REVENUES</b>			
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>
<b>EXPENSES</b>			
Administrative Expenses (Cap Grant)	<u>441,311</u>	-	<u>441,311</u>
Total Expenses	<u>441,311</u>	<u>-</u>	<u>441,311</u>
<b>OPERATING INCOME</b>	2,790,753	351,738	3,142,491
<b>NONOPERATING REVENUES (EXPENSES)</b>			
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
Transfers (06400) Admin Expenses	-	(69,497)	(69,497)
Total Nonoperating Revenues	<u>13,130,111</u>	<u>(69,497)</u>	<u>13,060,614</u>
<b>CHANGE IN NET POSITION</b>	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>
<b>TOTAL NET POSITION - END OF YEAR</b>	<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 CASH FLOWS  
YEAR ENDED JUNE 30, 2016**

	Wastewater Facility Construction Loan Fund 12100	Clean Water Administrative Fund 32700	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received on Repayment of Loan Principal	\$ 9,415,574	\$ -	\$ 9,415,574
Cash Received on Interest from Loans	2,270,828	-	2,270,828
Interest Payments Received from State Treasurer's Office	291,877	3,679	295,556
Cash Received for Debt Service Fees	-	332,420	332,420
Cash Payments for Administrative Expenses (Cap Grant)	(334,151)	-	(334,151)
Cash Payments Made to Borrowers	<u>(12,816,556)</u>	<u>-</u>	<u>(12,816,556)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,172,428)</u>	<u>336,099</u>	<u>(836,329)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Grant Proceeds - EPA	6,910,609	-	6,910,609
Grants to Other Organizations	(1,899,948)	-	(1,899,948)
State Appropriations	1,300,000	-	1,300,000
Cash Payments for Administrative Expenses, Net (Admin Fund-32700)	-	<u>(114,182)</u>	<u>(114,182)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>6,310,661</u>	<u>(114,182)</u>	<u>6,196,479</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,138,233	221,917	5,360,150
Cash and Cash Equivalents - Beginning of Year	<u>121,967,720</u>	<u>1,494,371</u>	<u>123,462,091</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 127,105,953</u>	<u>\$ 1,716,288</u>	<u>\$ 128,822,241</u>
<b>RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 2,961,679	\$ 335,994	\$ 3,297,673
Adjustments to Operating Income:			
Change in Assets and Liabilities:			
Interest on Loans Receivable	(773,876)	-	(773,876)
Due from Other State Agencies	8,613	105	8,718
Loan Receivables	(3,400,982)	-	(3,400,982)
Accounts Payable	<u>32,138</u>	<u>-</u>	<u>32,138</u>
Accrued Liabilities	-	-	-
Total Adjustments	<u>(4,134,107)</u>	<u>105</u>	<u>(4,134,002)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,172,428)</u>	<u>\$ 336,099</u>	<u>\$ (836,329)</u>



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

	<b>Wastewater Facility Construction Loan Fund 12100</b>	<b>Clean Water Administrative Fund 32700</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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 (Cap Grant)	(460,715)	-	(460,715)
Cash Payments Made to Borrowers	(21,315,411)	-	(21,315,411)
Net Cash Provided (Used) by Operating Activities	<u>(4,845,340)</u>	<u>351,735</u>	<u>(4,493,605)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
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
Cash Payments for Administrative Expenses, Net (Admin Fund-32700)	-	(202,364)	(202,364)
Net Cash Provided by Non-Capital Financing Activities	<u>13,130,111</u>	<u>(202,364)</u>	<u>12,927,747</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	8,284,771	149,371	8,434,142
Cash and Cash Equivalents - Beginning of Year	<u>113,682,949</u>	<u>1,345,000</u>	<u>115,027,949</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 121,967,720</u>	<u>\$ 1,494,371</u>	<u>\$ 123,462,091</u>
<b>RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 2,790,753	\$ 351,738	\$ 3,142,491
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)
Total Adjustments	<u>(7,636,093)</u>	<u>(3)</u>	<u>(7,636,096)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,845,340)</u>	<u>\$ 351,735</u>	<u>\$ (4,493,605)</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, 2016**

<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, 2016**

Federal Grantor/Pass through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Participating Expenditures
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
Direct Programs:				
<b>Clean Water State Revolving Funds (CWSRF) Cluster</b>				
Construction Loan, Construction/Administration - CS350002-14	66.458		\$ -	\$ 93,609
Construction Loan, Construction/Administration - CS350002-15	66.458		<u>1,899,948</u>	<u>6,817,000</u>
Total U.S. Environmental Protection Agency			<u>1,899,948</u>	<u>6,910,609</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,899,948</u></u>	<u><u>\$ 6,910,609</u></u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT  
CLEAN WATER STATE REVOLVING FUND  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2016**

**BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Fund under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Fund, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Fund.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Amounts reported in the Schedule are reported on the accrual basis of accounting. The Fund has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NON-CASH ASSISTANCE**

The Fund did not receive any federal non-cash assistance during the year ended June 30, 2016.

**LOANS**

The Fund does not have any loans outstanding with the Federal government at June 30, 2016.

**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, 2016 were \$12,816,556. CWSRF outstanding loans at June 30, 2016 were \$169,354,526. In addition, as detailed in the schedule below, the Fund provided \$1,899,948 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 - CS350002-14 and CS350002-15 (CFDA 66.458).

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT  
CLEAN WATER STATE REVOLVING FUND  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2016**

**SUBRECIPIENTS (CONTINUED)**

SSCAFCA	\$	750,000
Las Vegas		656,605
El Valle de Los Ranchos		146,703
City of Belen		125,000
Corrales		114,015
Jemez Springs		41,705
Sandoval County		29,971
San Juan County		28,094
Chama		7,855
Total	<u>\$</u>	<u>1,899,948</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. Butch Tongate  
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, 2016 and 2015, 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 28, 2016.

### 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.

Mr. Butch Tongate  
New Mexico Environment Department and  
Mr. Tim Keller  
New Mexico State Auditor

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. 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 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.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 28, 2016



## CliftonLarsonAllen

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mr. Butch Tongate  
New Mexico Environment Department and  
Mr. Tim Keller  
New Mexico State Auditor

#### **Report on Compliance for the 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 Compliance Supplement* that could have a direct and material effect on the Fund's major federal program for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.



Mr. Butch Tongate  
New Mexico Environment Department and  
Mr. Tim Keller  
New Mexico State Auditor

### **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 the Uniform Guidance, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 28, 2016

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT  
 CLEAN WATER STATE REVOLVING FUND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2016**

**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 2 CFR 200.516(a)?  yes  no

Identification of the major federal program:

**CFDA**

<b>Number(s)</b>	<b>Name of Federal Program or Cluster</b>
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, 2016**

**SECTION II FINANCIAL STATEMENT FINDINGS**

There were no findings for the year ended June 30, 2016.

**SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings for the year ended June 30, 2016.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT  
CLEAN WATER STATE REVOLVING FUND  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS  
JUNE 30, 2016**

**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) – Resolved**

**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.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT  
EXIT CONFERENCE  
JUNE 30, 2016**

An exit conference was held with the Department on November 21, 2016. 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**

J.C. Borrego	Acting Deputy Secretary
Stacy Y. Lopez	ASD Director
Marlene Cordova	Chief Financial Officer

**CLIFTONLARSONALLEN LLP**

Matt Bone, CPA, CGFM, CGMA, Principal  
Jane Tinker, CPA, Director

**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.