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**FINANCIAL
STATEMENTS AND
REPORT OF
INDEPENDENT
CERTIFIED PUBLIC
ACCOUNTANTS**

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

June 30, 2007

atkinson

PRECISE. PERSONAL. PROACTIVE

State of New Mexico
Environment Department

OFFICIAL ROSTER

June 30, 2007

| Name | Title |
|--|---|
| Ron Curry Cindy Padilla | Secretary Deputy Secretary |
| Division Directors | |
| Jim Perry Cindy Padilla Anamarie Ortiz | Director, Program Support Director, Water Quality Program Director, Occupational & Environment Health & Safety Program |
| Jim Norton | Director, Resource Conservation & Recovery Program & Air Quality Program |

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Mr. Hector H. Balderas
New Mexico State Auditor
and
State of New Mexico
Environment Department

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and other major special revenue funds and the aggregate remaining fund information of the New Mexico Environment Department (the Department), as of and for the year ended June 30, 2007, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's nonmajor governmental and nonmajor enterprise funds, and respective budgetary comparisons for the nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Department's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

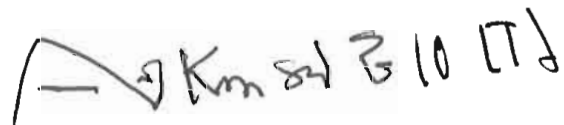
As discussed in Note B1, the financial statements of the Department are intended to present the financial position, and changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, the respective budgetary comparisons, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2007, and the changes in financial position and its cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity 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 nonmajor governmental fund of the Department as of June 30, 2007, and the respective changes in financial position thereof, and the respective budgetary comparisons for all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2008 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons of the Department. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Atkinson & Co., Ltd.

Albuquerque, New Mexico
April 9, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information

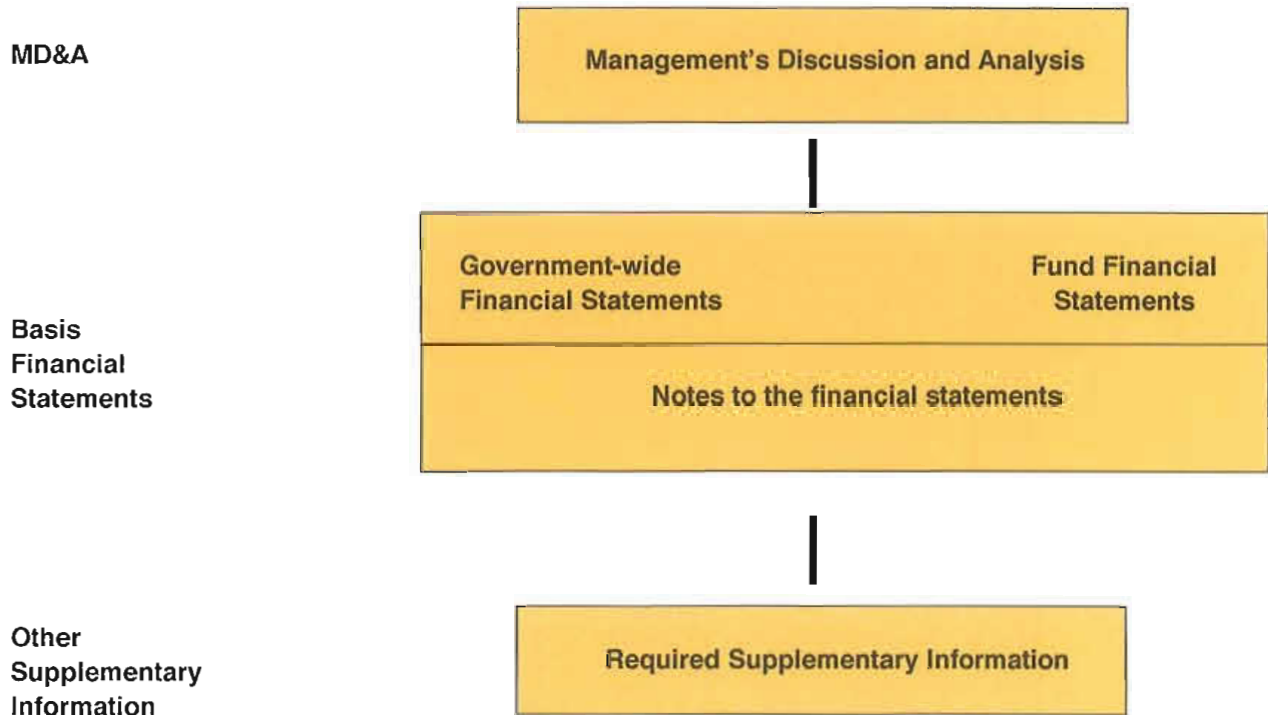
June 30, 2007

EXECUTIVE SUMMARY

The management of the New Mexico Environment Department (the Department) provides this *Management's Discussion and Analysis (MD&A)* of the Department's financial statements. This narrative overview and analysis of the financial activities of the Department is for the state Fiscal Year 2007 (July 1, 2006 –to– June 30, 2007). Management encourages readers to consider this information in conjunction with the Department's financial statements that follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the New Mexico Environment Department's basic financial statements. The Department's basic financial statements include four components: 1) government-wide financial statements, 2) fund financial statements, 3) budgetary schedules, and 4) notes to the financial statements. This report also contains additional supplementary information in addition to the basic financial statements themselves.



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2007

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that governmental and business-type activities are consolidated into columns that add to a total for the primary government and consist of a Statement of Net Assets and a Statement of Activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Both statements distinguish between the governmental and business-type activities of the primary government. Fiduciary activities whose resources are not available to finance the government's programs are excluded from the government-wide statements.

The government-wide financial statements of the Department are divided into two categories:

Governmental Activities. Most of the Department's basic services are included in the governmental activities. State appropriations, federal grants, and special revenue fund appropriations finance the Department's activities. The funds included in Governmental Activities for the Department are the General Operating Fund, various special revenue funds, and various federal grant activities. The Department has classified five funds as major funds: The General Fund (06400), Special Appropriations 2005 (11800), Special Appropriations 2006 (22100), Special Appropriations 2006 (69400) and Corrective Action Fund (99000).

Business-type Activities. The Department's Clean Water State Revolving Fund and the Rural Infrastructure Loan Fund comprise the Department's business activities. The Clean Water State Revolving Loan Fund and the Rural Infrastructure Fund provide low interest loans to communities throughout the State for water and wastewater treatment facilities and for rural infrastructure projects.

Fund Financial Statements

Fund financial statements consist of a series of statements that focus on information about the major governmental and enterprise funds. Fund financial statements also report information about a government's fiduciary funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (enterprise funds) and fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

The Department has three types of funds:

Governmental funds. Most of the Department's services are included in governmental funds which focus on (a) how cash and other financial assets, that can be readily converted to cash, flow in and out and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view and help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2007

Proprietary funds. The Clean Water State Revolving Loan Fund and the Rural Infrastructure Fund have been classified as proprietary funds. The funds provide low interest loans to communities throughout the State for water and wastewater treatment facilities and for rural infrastructure projects. Proprietary funds, like the government-wide statements, provide both long and short-term information.

Fiduciary funds. The fiduciary fund is used to report assets held in trust or agency capacity for others and therefore are not available to support Department programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. In accordance with GASB 34, fiduciary funds are not included with the governmental-type funds since these funds are not available to support the Department's programs. The Department's fiduciary fund is used to account for revenue collected and is subsequently reverted to the State's general fund.

Notes to the Financial Statements

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

As required by the Office of the State Auditor under 2 NMAC 2.2, the Statements of Revenues and Expenditures, Budget and Actual are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

Net Assets: Table A-1 summarizes the Department's net assets for the fiscal year ending June 30, 2007. Net assets for Governmental Activities and Business-type Activities were \$136,403,214 and \$239,200,738, respectively. Total Department net assets for fiscal year 2007 are \$375,603,952. Not all assets are restricted by state or federal appropriation.

GOVERNMENT FUND ANALYSIS

Governmental funds experienced a large increase in current assets in FY 2007 due largely in part to new funding in SHARE 22100 (Appropriations 2006) of \$71,744,065 from federal grants and special appropriations. Due to the timing of the funding, no expenditures were incurred against these amounts, \$49,751,495 of which is in the State General Fund Investment Pool and \$21,992,570 is in receivables.

Current liabilities experienced a large increase due to amounts received from severance tax bonds in several funds that had not yet been passed through to third-party recipients and thus are currently booked as liabilities. Total net assets increased by \$37,927,679 as a result of the net effect of these major events. Total expenditures increased as anticipated due to continued project and program expenditures.

State of New Mexico
Environment Department

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2007

Table A-1
The Department's Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2007 | Restated 2006 | 2007 | 2006 | 2007 | 2006 |
| Current and other assets | \$ 200,087,637 | \$ 118,773,681 | \$ 128,108,588 | \$ 99,600,359 | \$ 328,196,225 | \$ 218,374,040 |
| Capital and Non-current assets | 1,728,556 | 2,494,557 | 111,092,150 | 116,743,145 | 112,820,706 | 119,237,702 |
| Total Assets | 201,816,193 | 121,268,238 | 239,200,738 | 216,343,504 | 441,016,931 | 337,611,742 |
| Current liabilities | 65,119,290 | 22,536,960 | - | - | 65,119,290 | 22,536,960 |
| Non-current liabilities | 293,689 | 255,743 | - | - | 293,689 | 255,743 |
| Total Liabilities | 65,412,979 | 22,792,703 | - | - | 65,412,979 | 22,792,703 |
| Net Assets | | | | | | |
| Invested in Capital Assets | 1,728,556 | 2,494,557 | - | - | 1,728,556 | 2,494,557 |
| Restricted | 134,674,658 | 95,980,978 | 239,200,738 | 216,343,504 | 373,875,396 | 312,324,482 |
| Unrestricted | - | - | - | - | - | - |
| Total Net Assets | \$ 136,403,214 | \$ 98,475,535 | \$ 239,200,738 | \$ 216,343,504 | \$ 375,603,952 | \$ 314,819,039 |

Changes in Net Assets: The Department's change in net assets, Table A-2, for fiscal year 2007 was \$60,784,913. The increase in net assets was due to increase in loans receivable in the business-type funds activities and revenues exceeding expenditures in governmental and business type activities as well as additional appropriation for capital projects.

Table A-2
Changes in the Department's Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2007 | Restated 2006 | 2007 | 2006 | 2007 | 2006 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 17,096,180 | \$ 15,167,140 | \$ 6,690,795 | \$ 6,595,068 | \$ 23,786,975 | \$ 21,762,208 |
| Operating grants and contributions | 94,689,148 | 121,947,893 | 16,595,360 | 9,187,700 | 111,284,508 | 131,135,593 |
| Total Revenues | 111,785,328 | 137,115,033 | 23,286,155 | 15,782,768 | 135,071,483 | 152,897,801 |
| Expenses | | | | | | |
| Total governmental | 110,832,661 | 107,875,309 | 428,921 | 564,995 | 111,261,582 | 108,440,304 |
| Total department | 952,667 | 29,239,724 | 22,857,234 | 15,217,773 | 23,809,901 | 44,457,497 |
| General Revenues | | | | | | |
| Transfers, net | (675,000) | - | - | - | (675,000) | - |
| Special Item-loss on disposal | - | (3,729) | - | - | - | (3,729) |
| Bond proceeds / other | 37,423,646 | 1,168,265 | - | - | 37,423,646 | 1,168,265 |
| Investment earnings | 226,366 | 107,701 | - | - | 226,366 | 107,701 |
| Changes in Net Assets | 37,927,679 | 30,511,961 | 22,857,234 | 15,217,773 | 60,784,913 | 45,729,734 |
| Beginning Net Assets, as restated | 98,475,535 | 67,963,574 | 216,343,504 | 201,125,731 | 314,819,039 | 269,089,305 |
| Ending Net Assets | \$ 136,403,214 | \$ 98,475,535 | \$ 239,200,738 | \$ 216,343,504 | \$ 375,603,952 | \$ 314,819,039 |

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2007

Functional Expenses for Fiscal Year 2007

The Department's total expenditures for government-type activities during the fiscal year were \$110,832,661. The largest category of the expenditures is in the area of the Personnel Services and Employee Benefits Category. The second highest area of expenditures within the Department is in the category of Other Costs. The smallest category of expenditures within the Department is in the category of Contractual Services. In addition, the Department conducted a Budget adjustment requests to pay for unplanned/unanticipated expenditures. In particular, the Department processed a \$4,000,000 budget adjustment request during the fiscal year to pay for emergency cleanups of contaminated soil and water supplies caused by leaky underground storage tanks. These budget increases contributed to significant variations in the Department's overall expenditures for government-type activities. Fund 69400 also experienced a large increase in expenditures as funds drawn down in FY 06 were not expended until FY 07. In addition, severance tax bond expenditures in Fund 22100 of \$21,992,570 were recognized in FY 07. These would account for the large increase in water quality noted in table A-3 below.

Table A-3
Department's Cost of Governmental Activities

| | Total Cost of Services | | Percentage Change |
|------------------------------------|---------------------------|--------------------------|----------------------|
| | <u>2007</u> | <u>2006</u> | <u>2007-2006</u> |
| Governmental Activities | | | |
| Program support | \$ 8,759,611 | \$ 8,597,662 | 1.8% |
| Water quality | 56,824,154 | 55,760,747 | 1.9% |
| Occupational and environmental | 15,656,885 | 15,361,444 | 1.9% |
| Resource conservation and recovery | <u>29,592,011</u> | <u>28,155,456</u> | <u>1.1%</u> |
| Total | <u>\$110,832,661</u> | <u>\$107,875,309</u> | <u>1.7%</u> |

Business-Type Activities

Revenues of the Department's business-type activities were \$8,014,902 and operating income was \$7,585,981. Of operating revenues of \$6,690,795, ninety-nine percent (99%), or \$6,622,049 of that revenue was from interest on loans and investment revenue for the Clean Water Revolving Fund. The remaining revenue \$68,746 one percent (1%), was loan refinance fees. From the Rural Infrastructure Loan Fund, \$1,324,107 of the total business-type activity revenue was generated by interest on loans and investment income. The increase in revenues is mainly due to increases in appropriations for capital projects for water, wastewater, and solid waste facilities.

Many of the loans in the business-type activities continue to be refinanced to a lower interest rate and therefore interest income for the business-type activities has decreased. The interest rates were reduced in the loan programs so that the Department would be in better marketing position and to be in a more competitive position with other entities that offer low interest loans. Lower Federal Reserve interest rates have reduced the amount of income earned on investments. The sluggish economy continues to have a negative impact on the investment income.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2007

Fund Balance

As the Department completed fiscal year 2007, its governmental funds reported a combined fund balance of \$136,780,055. Within the Governmental Funds, five funds are classified as major funds. Those funds are the General Operating Fund (Fund 06400), the Special Appropriations FY05 (Fund 11800), the Appropriations 2006 (Fund 22100), the Special Appropriation 2006 (Fund 69400), and the Ground Water Corrective Action Fund (Fund 99000). The total net increase of Fund Balance is \$38,891,518.

General Fund Budgetary Highlights

The New Mexico State Legislature makes annual appropriations to the Department. Adjustments to the appropriated budget require approval by the State Budget Division and concurrence by the Legislative Finance Committee.

Over the course of the year, the Department adjusted the budget as authorized in the General Appropriations Act of 2006. The following types of budget adjustments were processed in FY07:

Category transfers were processed among personal services and employee benefits. Also budget increases were processed to pay for emergency clean-ups of contaminated soil and water supplies.

Budget adjustment requests that increase or decrease other state funds based on actual revenues are limited to 5%. Special Revenue funds that include an appropriation statement in its statutory authority are not subject to the 5% rule.

Budget adjustments resulting from additional federal funds were not included in the operating budget and budget decreases based upon decreased federal award.

The need for a budget adjustment is based upon the program manager's forecasted requirements. Requirements change as the year progresses based upon program dynamics and therefore expenditures did not materialize to the extent budgeted.

Budgeted Federal revenues will only be realized to the level of expenditures related to federal grants. Permit and other fees will only be realized to the level of permit activity and the timeliness of fee payments.

Capital Assets

At the end of fiscal year 2007, the Department's net capital assets were \$1,728,556. This amount represents a net decrease (including additions, deletions and depreciation) of \$766,001 (30%) over last fiscal year. The major increase in capital assets during the fiscal year was automotive of \$170,854, for a 76% net increase. The depreciation expense for the year ended June 30, 2007 was \$818,286. Details on capital assets can be found in the notes to the financial statements page 53 - 54.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2007

Long-Term Debt

The Department's long-term debt at the end of fiscal year 2007 was \$293,689 for compensated absence due in more than one year. The increase, \$37,946, was a 14% increase from the previous year. Information about the Department's long-term debt is presented in notes to the financial statements on page 55.

HIGHLIGHTS

Statewide Highlights

On July 1, 2006, the Department of Finance and Administration implemented the Statewide Human Resources, Accounting, and Management Reporting (SHARE) system to consolidate the financial and accounting systems of all New Mexico State Government agencies. The SHARE system combined the State's accounting, human resource, payroll, and purchasing functions into an integrated statewide system. The goal of the SHARE system is "to develop processes for the State's basic financial and human resource functions that are economical, efficient, and effective" comprised of the Financial and Human Capital Management (HCM) modules. In addition, "SHARE will enable the State of New Mexico to achieve more timely accountability to the public, more strict compliance with statutes and laws related to fiscal matters, reduction of duplicate effort, and improve relations with those supplying the State with goods and services".

The implementation of the SHARE system transferred financial controls from the Department to the oversight agencies such as the Department of Finance and Administration, State Treasurer's Office and State Investment Council. In Fiscal Year 2007, SHARE became the system of record for state government against which the Department financial and accounting transactions are reconciled. In order to comply with the financial and accounting functions of the SHARE system, the Department modified its business processes accordingly.

Further, the SHARE system changed the nature of the state business practices. For example, agencies no longer have traditional "Cash Balances". Instead, the agencies now have an "Interest in the State Investment Pool", which is managed by State investment agencies (e.g., State Treasurer's Office and State Investment Council). In addition, the Department of Finance and Administration and State Treasurer's Office are now the primary keeper of the State's financial records and the Department has to reconcile its financial activities with the SHARE system.

Finally, the fiscal accountability is now the responsibility of the oversight and investment agencies. During Fiscal Year 2007, the Department experienced timing issues when reconciling transactions between the SHARE and Department's ancillary systems. However, the Department remains responsible for the management of its operational activities including expenditures and the efficient use of its revenue sources namely General Funds, Federal Funds and Special Revenue Funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2007

Financial Highlights

During Fiscal Year 2007, the Department recorded total net assets of \$375,603,952, which represents an increase of \$60,784,913 or **19%** over Fiscal Year 2006. The Department's governmental net assets increased by \$38,891,518 along with its business-type net assets, which also increased by \$22,857,234 from Fiscal Year 2006. A large majority of net assets of the Department are restricted.

The business-type activities operating revenues for Fiscal Year 2007 was \$8,014,902 and the net operating income was \$7,585,981. The total cost of all Department programs increased by approximately \$2,821,278 or **3%** over the previous fiscal year, growing from \$108,440,304 to \$111,261,582 during fiscal year 2007. As of June 30, 2007, the business-type activities have no liabilities recorded.

Analysis Of Individual Balances And Transactions

The Tire Recycling Fund (**02600**), Responsible Party Reimbursement Fund (**24800**), Liquid Waste (**34000**), Colonias Wastewater Fund (**58200**), Radiation Protection Fund (**59200**), and Other Revenue Fund – Solid Waste Permit Fees (**78300**) reflected minimal change in fund balance. Transactions for the year reflected normal operating conditions with little variation from the prior year. The Department experienced a significant increase in fund balance in the: Voluntary Remediation Fund (**06600**), Hazardous Waste Fund (**33900**), Water Quality Management Fund (**34100**), Emergency Response Fund (**40000**), Public Water Supply System Operator and Public Wastewater Facility Operations Fund (**58400**), Emergency Hazardous Fund (**95700**), Radiologic Technology Fund (**98700**), Underground Storage Tank Fund (**98900**), Ground Water Corrective Action Fund (**99000**), and Food Service Sanitation Fund (**99100**) due to the Department increased efforts to collect the program fees. In addition, there was less of a demand on the monies collected. The fees collected are retained through the fund balance to pay for future expenditures required by the fund. In the Water Conservation Fund (**56700**), Air Quality Fund (**63100**) and Solid Waste Facility Grant Fund (**63200**), the Department experienced an increase in the number of expenditures or transfers out through the funds. These funds had fund balances to cover the excess of expenditures over fees collected.

Department Highlights

The Department's mission is to provide the highest quality of life throughout the state by promoting a safe, clean, and productive environment. In meeting the goals of our Mission, we are committed to:

Providing clear articulation of our goals, standards, and expectations in a professional manner so that employees and the public can make informed decisions and be actively involved in setting priorities, promoting environmental awareness through the practice of open and direct communication, and sound decision-making by carrying out the mandates and initiatives of the department in a fair and consistent manner.

According to the Governor's Fiscal Year 2009 Executive Budget Recommendation, "the New Mexico Environment Department has one of the broadest missions in the state government. In order to protect the health of New Mexicans and their environment, NMED administers key programs that protect the state's limited water resources, improves air quality, decreases the incidence of consuming contaminated food, ensure safe and health working conditions for workers, and safeguards drinking water supplies for present and future generations".

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2007

Department Highlights - Continued

During Fiscal Year 2007, the Department administered four key programs (Environmental Health, Water Quality, Environmental Protection, and Program Support) to accomplish its mission statement. Some major accomplishments of these programs are highlighted below.

Program Support Program (P567):

Program support provides administrative, legal and information management support to the Department staff, the public and oversight and regulatory bodies. This support enables the Department in the most knowledgeable, efficient and cost effective manner so the public can receive the information it needs to hold the Department accountable.

P567 – Accomplishments:

The Department's financial services transitioned to the SHARE system, centralized its purchasing and voucher processes to improve timeliness of payments, and made significant improvements to the level of customer service provided to clients.

Water Quality Program (P568):

The Water Quality Program protects the quality of New Mexico's ground and surface water resources by way of special programs such as: community drinking water and wastewater construction financing; the Clean Water Act; watershed protection; river restoration; and responsible-party remediation. The Program ensures that clean and safe water supplies are available now and in the future to support domestic, agricultural, economic and recreational activities; healthy habitats are sustained for fish, plants and wildlife; and hazardous waste generation, storage, treatment and disposal are conducted in a manner protective of public health and environmental quality.

P568 – Accomplishments:

The Program achieved the following significant objectives in its Solid Waste Bureau during Fiscal Year 2007. The program:

- Issued a permit to the Valencia Regional Landfill and Recycling Facility in Valencia County operated by Waste Management of New Mexico and the Los Alamos County Transfer Station.
- Revised its Solid Waste Management Rules and Recycling, Illegal Dumping and Scrap Tire Management Rules to comply with Environmental Improvement Board (EIB) changes.
- Awarded approximately \$250,000 in non-tire grants by the RAID Alliance and NMED to clients.
- Conducted the first-ever College and University Recycling Workshop which featured 22 post-secondary schools in the New Mexico.

Environmental Health Program (P569):

The Environmental Health program protects, promotes and enhances the public health and the environment by providing regulatory oversight of: food service and food processing facilities; septic tanks and other on-site wastewater treatment and disposal systems; public swimming pools, spas, and baths; medical and industrial radiation; and radiological technologist certifications. The program also oversees the Waste Isolation Pilot Plant transportation as well as provides education and public outreach about radon in homes and public buildings.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2007

P569 – Accomplishments:

The Program developed and implemented a food-training program consisting of on-line federal food-safety training courses to the public. The Liquid Waste Disposal regulations now allows the liquid waste program to provide free well water testing for permit applicants and for walk-in clients statewide. The Swimming Pool program developed and implemented a new database and revised regulations. The Radiation program completed a long-standing backlog of X-ray inspections and provided free indoor radon testing to the public at health fairs. The Drinking Water program continues to refine a State Arsenic Strategy approved by EPA to assist public water systems in complying with the new federal arsenic requirement. In addition, the Drinking Water Bureau provided water systems information and test results online to the public.

Environmental Protection Program (P570):

The Program is made up of the following four (4) bureaus:

- (1) The Air Quality Bureau (AQB), which monitors air pollution levels, develops regulations, issues permits, conducts inspections and enforces permits and rules to limit emissions for the protection of public health and welfare.
- (2) The Occupational Health and Safety Bureau's (OHSB), which ensures safe and healthful working conditions for every employee.
- (3) The Petroleum Storage Tank Bureau's (PSTB), which reduces, mitigates, and eliminates threats to the environment posed by petroleum products or hazardous materials released from underground and above ground storage tanks. The bureau protects groundwater quality by preventing releases of petroleum products into soil and groundwater, cleaning up petroleum contamination, and providing the regulated public with clear direction through its rules, regulations, policies and procedures.
- (4) The Solid Waste Bureau (SWB) issues permits and regulates the collection, transportation, and disposal of solid waste throughout the state. The SWB provides oversight to the site, design, operation and closure of landfills and educates the public viable alternatives to landfill disposal.

P570 – Accomplishments:

The AQB created a task force to improve air quality in the 4-Corners area with rapid industrial development. The AQB encouraged settlements and consent orders with Supplemental and Beneficial Environmental projects to mitigate portions of penalties, which accounted for over \$230 million and have reduced emissions by over 30,000 tons over the past three (3) years. The OHSB increased cooperation with industry through the Employee Safety & Health Partnerships, Construction Agreement for Residential Employee Safety, and Employee Safety & Health Training Alliances.

Underground Storage Tank Bureau (989)

During Fiscal Year 2007, the Petroleum Storage Tank Bureau oversaw a total of seventeen million, one hundred and eighty-three thousand, and seven-hundred and two dollars (\$17,183,702) in cleanup obligations. That amount included approvals of five hundred and three (503) responsible party workplans and one hundred and thirty five (135) State Leads workplans. These workplans were issued for cleanup operations across the State in cities like Albuquerque, Roswell, Las Cruces, Gallup, Farmington, Grants, and Santa Fe being among the largest recipients.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The items to be included as economic indicators that will have Departmental impact include Governmental Gross Receipts Tax Rates, Severance Tax Rates, Petroleum Loading Fees, and Federal and State Appropriations. The budget authority becomes effective in fiscal year 2007. Revenue is appropriated annually by the legislature. As these rates, fees and appropriations increase or decrease the Department's budget will subsequently be affected. In addition, Federal Reserve Interest Rate will directly affect the amount of interest earned in the Business Type activities. The interest earnings will correlate to the rise and fall of those interest rates.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, legislators, and investors and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have any questions about this report or need additional financial information contact:

New Mexico Environment Department
Administrative Service Division
Financial Services Bureau
P.O. Box 26110
1190 St. Francis Drive
Santa Fe, New Mexico 87502

State of New Mexico
Environment Department

STATEMENT OF NET ASSETS

June 30, 2007

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Interest in Investments, State Treasurer | \$ 138,721,294 | \$ 100,020,975 | \$ 238,742,269 |
| Receivable from State and other agencies | 49,689,586 | 23,991,332 | 73,680,918 |
| Receivable from Federal governmental agencies | 11,000,678 | - | 11,000,678 |
| Other receivables | 670,373 | 4,096,281 | 4,766,654 |
| Other assets | 5,706 | - | 5,706 |
| Non-current assets | | | |
| Receivables, net | - | 111,092,150 | 111,092,150 |
| Capital assets | | | |
| Data processing equipment | 6,540,084 | - | 6,540,084 |
| Machinery and equipment | 3,470,496 | - | 3,470,496 |
| Automotive | 395,051 | - | 395,051 |
| Other capital assets | 160,432 | - | 160,432 |
| Furniture and fixtures | 67,953 | - | 67,953 |
| Buildings and structures | 32,208 | - | 32,208 |
| Less: accumulated depreciation | (8,937,668) | - | (8,937,668) |
| Total capital assets | 1,728,556 | - | 1,728,556 |
| Total assets | <u>\$ 201,816,193</u> | <u>\$ 239,200,738</u> | <u>\$ 441,016,931</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ 10,951,803 | \$ - | \$ 10,951,803 |
| Due to other governmental agencies | 290,257 | - | 290,257 |
| Due to enterprise funds | 2,353,286 | - | 2,353,286 |
| Deferred revenues | 418,168 | - | 418,168 |
| Payable to project recipients | 49,294,069 | - | 49,294,069 |
| Current liabilities | | | |
| Due within one year | | | |
| Compensated absences | 1,811,707 | - | 1,811,707 |
| Long term liabilities | | | |
| Due in more than one year | | | |
| Compensated absences | 293,689 | - | 293,689 |
| Total liabilities | <u>\$ 65,412,979</u> | <u>\$ -</u> | <u>\$ 65,412,979</u> |
| NET ASSETS | | | |
| Invested in capital assets | \$ 1,728,556 | \$ - | \$ 1,728,556 |
| Restricted for: | | | |
| Special revenue funds | 133,674,658 | - | 133,674,658 |
| Statutory requirements | 1,000,000 | - | 1,000,000 |
| Loans for capital projects | - | 239,200,738 | 239,200,738 |
| Unrestricted | - | - | - |
| Total net assets | <u>\$ 136,403,214</u> | <u>\$ 239,200,738</u> | <u>\$ 375,603,952</u> |

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Environment Department

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenue</u> | | |
|---|-----------------|---------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary government | | | | |
| Governmental Activities | | | | |
| Program Support (P-567) | \$ 8,759,611 | \$ 1,217,472 | \$ 74,461,224 | \$ - |
| Water Quality (P-568) | 56,824,154 | 3,370,292 | 768,867 | - |
| Field Operations Program (P-569) | 15,656,885 | 2,402,561 | - | - |
| Environmental Protection Program (P-570) | 29,592,011 | 10,105,855 | 19,459,057 | - |
| Total governmental activities | 110,832,661 | 17,096,180 | 94,689,148 | - |
| Business-type activities | | | | |
| 12100 - Clean Water State Revolving Fund | 405,541 | 6,690,795 | 15,271,253 | - |
| 33700 - Rural Infrastructure Revolving Fund | 23,380 | 1,324,107 | - | - |
| Total business-type activities | 428,921 | 8,014,902 | 15,271,253 | - |
| Total primary government | \$ 111,261,582 | \$ 25,111,082 | \$ 109,960,401 | \$ - |

General revenues:

Reversions to State General Fund

Bond proceeds appropriations

General appropriations

Unrestricted investment earnings

Governmental funds

Interfund/Interagency transfers:

Special items, loss on disposal of assets:

Transfers:

In

Out

Total general revenues, special items, and transfers

Change in net assets

Net assets - beginning

Prior period adjustment (Note E5)

Net assets - beginning, as restated

Net assets - ending

The accompanying notes are an integral part of this financial statement.

| Net (Expense) Revenue and Changes in Net Assets | | |
|---|-----------------------------|----------------|
| Primary Government | | |
| Governmental Activities | Business-type Activities | Total |
| \$ 66,919,085 | \$ - | \$ 66,919,085 |
| (52,684,995) | - | (52,684,995) |
| (13,254,324) | - | (13,254,324) |
| (27,099) | - | (27,099) |
| 952,667 | - | 952,667 |
| - | 21,556,507 | 21,556,507 |
| - | 1,300,727 | 1,300,727 |
| - | 22,857,234 | 22,857,234 |
| 952,667 | 22,857,234 | 23,809,901 |
| (60,000) | - | (60,000) |
| 22,943,546 | - | 22,943,546 |
| 14,540,100 | - | 14,540,100 |
| 226,366 | - | 226,366 |
| (675,000) | - | (675,000) |
| - | - | - |
| 19,815,554 | - | 19,815,554 |
| (19,815,554) | - | (19,815,554) |
| 36,975,012 | - | 36,975,012 |
| 37,927,679 | 22,857,234 | 60,784,913 |
| 142,138,056 | 216,343,504 | 358,481,560 |
| (43,662,521) | - | (43,662,521) |
| 98,475,535 | 216,343,504 | 314,819,039 |
| \$ 136,403,214 | \$ 239,200,738 | \$ 375,603,952 |

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Environment Department

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2007

| | 06400 - General Fund | 11800 - Special Appropriations 2005 | 22100 - Appropriations 2006 | 69400 - Special Appropriations 2006 |
|--|-------------------------|---|-----------------------------------|---|
| ASSETS | | | | |
| Interest in investments, State Treasurer | \$ 1,083,092 | \$ 7,300,915 | \$ 49,751,495 | \$ 40,418,961 |
| Taxes receivable, net | - | - | - | - |
| Due from other funds | 1,330,220 | - | - | - |
| Receivable from Federal governments | 11,000,678 | - | - | - |
| Receivable from State and other agencies | 56,325 | 9,433,876 | 21,992,570 | 11,958,646 |
| Other receivables | 20,167 | - | - | - |
| Inventories | - | - | - | - |
| Prepaid expenses | 5,706 | - | - | - |
| | <u>\$ 13,496,188</u> | <u>\$ 16,734,791</u> | <u>\$ 71,744,065</u> | <u>\$ 52,377,607</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,865,202 | \$ 1,418,188 | \$ - | \$ 771,417 |
| Due to other funds | 5,344,733 | - | - | - |
| Payable to other governments | 249,457 | - | - | - |
| Payable to State General Fund | - | - | - | - |
| Due to project recipients | - | 9,433,876 | 21,992,570 | 11,958,646 |
| Deferred revenue | 164,268 | - | - | - |
| Other accrued expenses | 745,202 | - | - | - |
| Other payables | 2,560,531 | - | - | - |
| | <u>10,929,393</u> | <u>10,852,064</u> | <u>21,992,570</u> | <u>12,730,063</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Statutory requirements | - | - | - | - |
| Special revenue funds | 2,566,795 | 5,882,727 | 49,751,495 | 39,647,544 |
| Unreserved | - | - | - | - |
| | <u>2,566,795</u> | <u>5,882,727</u> | <u>49,751,495</u> | <u>39,647,544</u> |
| Total fund balances | <u>\$ 2,566,795</u> | <u>\$ 5,882,727</u> | <u>\$ 49,751,495</u> | <u>\$ 39,647,544</u> |
| Total liabilities and fund balances | <u>\$ 13,496,188</u> | <u>\$ 16,734,791</u> | <u>\$ 71,744,065</u> | <u>\$ 52,377,607</u> |

The accompanying notes are an integral part of this financial statement.

| 99000 - Corrective Action Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------------------------|--------------------------------|
| \$ 17,568,027 | \$ 22,598,804 | \$ 138,721,294 |
| - | - | - |
| 859,480 | 2,165,001 | 4,354,701 |
| - | - | 11,000,678 |
| - | 6,248,169 | 49,689,586 |
| - | 650,206 | 670,373 |
| - | - | - |
| - | - | 5,706 |
| <u>\$ 18,427,507</u> | <u>\$ 31,662,180</u> | <u>\$ 204,442,338</u> |
| | | |
| \$ 1,945,371 | \$ 1,403,418 | \$ 7,403,596 |
| - | 1,363,253 | 6,707,986 |
| - | 40,800 | 290,257 |
| - | - | - |
| - | 5,908,977 | 49,294,069 |
| - | 253,900 | 418,168 |
| - | 242,474 | 987,676 |
| - | - | 2,560,531 |
| | | |
| 1,945,371 | 9,212,822 | 67,662,283 |
| | | |
| 1,000,000 | - | 1,000,000 |
| 15,482,136 | 22,449,358 | 135,780,055 |
| - | - | - |
| <u>16,482,136</u> | <u>22,449,358</u> | <u>136,780,055</u> |
| <u>\$ 18,427,507</u> | <u>\$ 31,662,180</u> | <u>\$ 204,442,338</u> |

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Environment Department

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2007

| | | |
|--|----|-------------|
| Total fund balance, governmental funds | \$ | 136,780,055 |
|--|----|-------------|

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

| | | |
|---|--|-----------|
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. | | 1,728,556 |
|---|--|-----------|

| | | |
|--|--|-------------|
| Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets. | | (2,105,396) |
|--|--|-------------|

| | | |
|----------|--|-----|
| Rounding | | (1) |
|----------|--|-----|

| | | |
|--|----|---------------------------|
| Net Assets of Governmental Activities in the Statement of Net Assets | \$ | <u><u>136,403,214</u></u> |
|--|----|---------------------------|

State of New Mexico
Environment Department

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS**

For the year ended June 30, 2007

| | 06400 - General Fund | 11800 - Special Appropriations 2005 | 22100 - Appropriations 2006 |
|--|-------------------------|---|-----------------------------------|
| REVENUES | | | |
| Sales and miscellaneous taxes | \$ - | \$ - | \$ - |
| Fees and fines | - | - | - |
| Licenses and permits | - | - | - |
| Intergovernmental | 24,709,727 | - | 49,751,495 |
| Bond proceeds appropriation | - | - | - |
| Charges for services | - | - | - |
| Investment earnings | - | - | - |
| Miscellaneous | - | - | - |
| Other revenue | 808,900 | - | - |
| Total revenues | 25,518,627 | - | 49,751,495 |
| EXPENDITURES | | | |
| Current: | | | |
| Personal services | 30,282,705 | - | - |
| Contractual services | 9,022,918 | - | - |
| Maintenance and repairs | 742,069 | - | - |
| Employee benefits | 11,398,173 | - | - |
| Supplies and other | 6,224,668 | - | - |
| In state travel | 370,765 | - | - |
| Grants and services | 45,327 | 5,094,669 | 21,992,570 |
| Out of state travel | 248,599 | - | - |
| Debt Service: | | | |
| Principal | - | - | - |
| Interest and other charges | - | - | - |
| Capital Outlay: | 284,032 | - | - |
| Total Expenditures | 58,619,256 | 5,094,669 | 21,992,570 |
| Excess (deficiency) of revenues over expenditures | (33,100,629) | (5,094,669) | 27,758,925 |
| OTHER FINANCING SOURCES (USES) | | | |
| Other source - General fund appropriation | 14,540,100 | - | - |
| Other source - Bond proceeds appropriation | - | - | 21,992,570 |
| Other source - Third party payments | - | - | - |
| Other use | - | - | - |
| Transfers in: | | | |
| From special revenue funds | 19,815,554 | - | - |
| Transfers out: | | | |
| To general operating fund | - | - | - |
| To state general fund | - | - | - |
| Total other financing sources and uses | 34,355,654 | - | 21,992,570 |
| Net change in fund balances | 1,255,025 | (5,094,669) | 49,751,495 |
| Fund balances - beginning - as restated (See note E5) | 1,311,770 | 10,977,396 | - |
| Fund balances - ending | \$ 2,566,795 | \$ 5,882,727 | \$ 49,751,495 |

The accompanying notes are an integral part of this financial statement.

| 69400 - Special Appropriations 2006 | 99000 - Corrective Action Fund | Other Governmental Funds | Total Governmental Funds |
|---|-----------------------------------|--------------------------------|--------------------------------|
| \$ - | 19,415,417 | \$ - | \$ 19,415,417 |
| - | - | - | - |
| - | - | 43,640 | 43,640 |
| 768,867 | - | - | 75,230,089 |
| - | - | - | - |
| - | - | 15,878,709 | 15,878,709 |
| - | - | 226,366 | 226,366 |
| - | - | - | - |
| - | - | 408,572 | 1,217,472 |
| <u>768,867</u> | <u>19,415,417</u> | <u>16,557,287</u> | <u>112,011,693</u> |
| - | - | - | 30,282,705 |
| - | 3,061,537 | - | 12,084,455 |
| - | - | - | 742,069 |
| - | - | - | 11,398,173 |
| - | - | - | 6,224,668 |
| - | - | - | 370,765 |
| 6,102,956 | 10,697,530 | 4,592,051 | 48,525,103 |
| - | - | - | 248,599 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | 284,032 |
| <u>6,102,956</u> | <u>13,759,067</u> | <u>4,592,051</u> | <u>110,160,569</u> |
| (5,334,089) | 5,656,350 | 11,965,236 | 1,851,124 |
| - | - | - | 14,540,100 |
| - | - | 950,975 | 22,943,545 |
| (675,000) | - | - | 0 |
| - | - | - | (675,000) |
| - | - | - | 19,815,554 |
| - | (5,268,220) | (14,547,334) | (19,815,554) |
| - | - | - | - |
| <u>(675,000)</u> | <u>(5,268,220)</u> | <u>(13,596,359)</u> | <u>36,808,645</u> |
| (6,009,089) | 388,130 | (1,631,123) | 38,659,769 |
| <u>45,656,633</u> | <u>16,094,006</u> | <u>24,080,481</u> | <u>98,120,286</u> |
| <u>\$ 39,647,544</u> | <u>\$ 16,482,136</u> | <u>\$ 22,449,358</u> | <u>\$ 136,780,055</u> |

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Environment Department

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2007

Net change in fund balances - total governmental funds: \$ 38,659,769

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

| | |
|----------------|-----------|
| Capital Outlay | 284,033 |
| Depreciation | (818,283) |

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.

Loss on disposal of capital assets

Governmental funds do not present expenses that are not to be paid with current resources. The net change in compensated absences liability is recorded as an expense in the Statement of Activities but not in the governmental funds.

(197,837)

Rounding

(3)

Change in net assets of governmental activities

\$ 37,927,679

State of New Mexico
Environment Department

**STATEMENT OF REVENUES AND EXPENDITURES AND BUDGET
AND ACTUAL – (MODIFIED ACCRUAL BUDGETARY BASIS) – GENERAL FUND**

For the year ended June 30, 2007

| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
|---|----------------------|----------------------|----------------------|--|
| Revenues: | | | | |
| State appropriation | \$ 14,045,100 | \$ 14,045,100 | \$ 14,540,100 | \$ 495,000 |
| Federal award programs | 24,182,300 | 24,182,300 | 24,362,194 | 179,894 |
| Permits and other fees | - | - | - | - |
| Other | <u>23,264,300</u> | <u>23,264,300</u> | <u>347,533</u> | <u>(22,916,767)</u> |
| Total revenues | 61,491,700 | 61,491,700 | 39,249,827 | (22,241,873) |
| Budgeted cash balance | - | - | - | - |
| Cash balance adjustment | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues and budgeted cash balance | <u>\$ 61,491,700</u> | <u>\$ 61,491,700</u> | <u>\$ 39,249,827</u> | <u>\$ (22,241,873)</u> |
| P-567 Program Support | | | | |
| Expenditures: | | | | |
| Personal services and employee benefits | \$ 7,269,100 | \$ 7,436,086 | \$ 7,214,034 | \$ 222,052 |
| Contractual services | 853,900 | 815,944 | 524,164 | 291,780 |
| Other | <u>1,394,700</u> | <u>1,759,188</u> | <u>1,392,687</u> | <u>366,501</u> |
| Total expenditures | <u>9,517,700</u> | <u>10,011,218</u> | <u>9,130,885</u> | <u>880,333</u> |
| P-568 Water Quality | | | | |
| Expenditures: | | | | |
| Personal services and employee benefits | 13,206,500 | 13,487,793 | 12,228,851 | 1,258,942 |
| Contractual services | 5,555,300 | 7,396,953 | 4,992,355 | 2,404,598 |
| Other | <u>1,918,000</u> | <u>2,008,076</u> | <u>1,650,064</u> | <u>358,012</u> |
| Total expenditures | <u>20,679,800</u> | <u>22,892,822</u> | <u>18,871,270</u> | <u>4,021,552</u> |
| P-569 Environmental & Occupational Health & Safety | | | | |
| Expenditures: | | | | |
| Personal services and employee benefits | 10,455,200 | 10,525,220 | 10,522,507 | 2,713 |
| Contractual services | 3,372,500 | 3,672,500 | 3,232,234 | 440,266 |
| Other | <u>2,979,500</u> | <u>2,979,500</u> | <u>2,422,326</u> | <u>557,174</u> |
| Total expenditures | <u>16,807,200</u> | <u>17,177,220</u> | <u>16,177,067</u> | <u>1,000,153</u> |
| P-570 Resource Conservation & Recovery | | | | |
| Expenditures: | | | | |
| Personal services and employee benefits | 11,733,600 | 11,929,376 | 11,743,213 | 186,163 |
| Contractual services | 646,000 | 524,550 | 277,757 | 246,793 |
| Other | <u>2,107,400</u> | <u>2,780,350</u> | <u>2,419,064</u> | <u>361,286</u> |
| Total expenditures | <u>14,487,000</u> | <u>15,234,276</u> | <u>14,440,034</u> | <u>794,242</u> |
| Total Expenditures | | | | |
| Personal services and employee benefits | 42,664,400 | 43,378,475 | 41,708,605 | 1,669,870 |
| Contractual services | 10,427,700 | 12,409,947 | 9,026,510 | 3,383,437 |
| Other | <u>8,399,600</u> | <u>9,527,114</u> | <u>7,884,141</u> | <u>1,642,973</u> |
| Total expenditures | <u>\$ 61,491,700</u> | <u>\$ 65,315,536</u> | <u>\$ 58,619,256</u> | <u>\$ 6,696,280</u> |

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Environment Department

**STATEMENT OF REVENUES AND EXPENDITURES AND BUDGET AND ACTUAL –
(MODIFIED ACCRUAL BUDGETARY BASIS) – MAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2007

| | Special Appropriation 2005 - 11800 | | | Variance Favorable (Unfavorable) |
|--|------------------------------------|-----------------|-----------------|--|
| | Original Budget | Final Budget | Total Actual | |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | - | - |
| Other | - | - | - | - |
| Total revenues | - | - | - | - |
| Budgeted fund balance | - | - | - | - |
| Total revenues and budgeted fund balance | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ 5,094,669 | \$ (5,094,669) |
| Other | - | - | - | - |
| Other financing uses | - | - | - | - |
| Total expenditures | \$ - | \$ - | \$ 5,094,669 | \$ (5,094,669) |

No legally adopted budget for this fund in FY07.

State of New Mexico
Environment Department

**STATEMENT OF REVENUES AND EXPENDITURES AND BUDGET AND ACTUAL –
(MODIFIED ACCRUAL BUDGETARY BASIS) – MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | Appropriation 2006 - 22100 | | | Variance Favorable (Unfavorable) |
|--|----------------------------|----------------------|----------------------|--|
| | Original Budget | Final Budget | Total Actual | |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | - | - |
| Other | <u>71,744,065</u> | <u>71,744,065</u> | <u>49,751,495</u> | <u>(21,992,570)</u> |
| Total revenues | 71,744,065 | 71,744,065 | 49,751,495 | (21,992,570) |
| Budgeted fund balance | - | - | - | - |
| Total revenues and budgeted fund balance | <u>\$ 71,744,065</u> | <u>\$ 71,744,065</u> | <u>\$ 49,751,495</u> | <u>\$ (21,992,570)</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | 71,744,065 | 71,744,065 | 21,992,570 | 49,751,495 |
| Other financing uses | - | - | - | - |
| Total expenditures | <u>\$ 71,744,065</u> | <u>\$ 71,744,065</u> | <u>\$ 21,992,570</u> | <u>\$ 49,751,495</u> |

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Environment Department

**STATEMENT OF REVENUES AND EXPENDITURES AND BUDGET AND ACTUAL –
(MODIFIED ACCRUAL BUDGETARY BASIS) – MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | Special Appropriation 2006 - 69400 | | | Variance Favorable (Unfavorable) |
|---|------------------------------------|----------------------|---------------------|--|
| | Original Budget | Final Budget | Total Actual | |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | - | - |
| Other | 1,000,000 | 1,000,000 | 768,867 | (231,133) |
| Total revenues | 1,000,000 | 1,000,000 | 768,867 | (231,133) |
| Budgeted fund balance | - | - | - | - |
| Total revenues and budgeted fund balance | \$ 1,000,000 | \$ 1,000,000 | \$ 768,867 | \$ (231,133) |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | 14,616,867 | 14,616,867 | 6,102,956 | 8,513,911 |
| Other financing uses | - | 675,000 | 675,000 | - |
| Total expenditures | \$ 14,616,867 | \$ 15,291,867 | \$ 6,777,956 | \$ 8,513,911 |

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Environment Department

**STATEMENT OF REVENUES AND EXPENDITURES AND BUDGET AND ACTUAL –
(MODIFIED ACCRUAL BUDGETARY BASIS) – MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | Corrective Action Fund - 99000 | | | Variance Favorable (Unfavorable) |
|---|--------------------------------|----------------------|----------------------|--|
| | Original Budget | Final Budget | Total Actual | |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 18,561,300 | 18,561,300 | 19,415,417 | 854,117 |
| Other | - | - | - | - |
| Total revenues | 18,561,300 | 18,561,300 | 19,415,417 | 854,117 |
| Budgeted fund balance | 2,566,000 | 6,566,000 | - | (6,566,000) |
| Total revenues and budgeted fund balance | \$ 21,127,300 | \$ 25,127,300 | \$ 19,415,417 | \$ (5,711,883) |
| EXPENDITURES | | | | |
| Contractual services | \$ 4,000,000 | \$ 4,250,000 | \$ 3,061,537 | \$ 1,188,463 |
| Other | 11,000,000 | 14,750,000 | 10,697,530 | 4,052,470 |
| Other financing uses | 6,127,300 | 6,127,300 | 5,268,220 | 859,080 |
| Total expenditures | \$ 21,127,300 | \$ 25,127,300 | \$ 19,027,287 | \$ 6,100,013 |

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Environment Department

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS

June 30, 2007

| | Enterprise Funds | | Total |
|---|--|--|-----------------------|
| | 12100 - Wastewater Facility Construction Loan Fund | 33700/61900 - Rural Infrastructure Revolving Loan Fund | |
| ASSETS | | | |
| Current assets: | | | |
| Investments, State Treasurer | \$ 80,430,504 | \$ 19,590,471 | \$ 100,020,975 |
| Accounts receivable | | | |
| Loans for completed projects, current | 7,261,459 | 12,400,588 | 19,662,047 |
| Interest on loans | 1,255,191 | 520,294 | 1,775,485 |
| Investment interest | 1,815,918 | 504,878 | 2,320,796 |
| Due from other funds | 2,353,285 | - | 2,353,285 |
| Receivable from other state agencies | 1,976,000 | - | 1,976,000 |
| Total current assets | <u>95,092,357</u> | <u>33,016,231</u> | <u>128,108,588</u> |
| Non-current assets: | | | |
| Projects in progress, non-current | 31,370,532 | - | 31,370,532 |
| Loans for completed projects, non-current | 80,099,849 | - | 80,099,849 |
| Allowance for uncollectible accounts | - | (378,231) | (378,231) |
| Total non-current assets | <u>111,470,381</u> | <u>(378,231)</u> | <u>111,092,150</u> |
| Total assets | <u>\$ 206,562,738</u> | <u>\$ 32,638,000</u> | <u>\$ 239,200,738</u> |
| NET ASSETS | | | |
| Restricted for capital projects | \$ 206,562,738 | \$ 32,638,000 | \$ 239,200,738 |
| Restricted for other purposes | - | - | - |
| Unrestricted | - | - | - |
| Total net assets | <u>\$ 206,562,738</u> | <u>\$ 32,638,000</u> | <u>\$ 239,200,738</u> |

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Environment Department

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
– PROPRIETARY FUNDS**

For the year ended June 30, 2007

| | Enterprise Funds | | Total |
|---------------------------------|--|--|-----------------------|
| | 12100 - Wastewater Facility Construction Loan Fund | 33700/61900 - Rural Infrastructure Revolving Loan Fund | |
| OPERATING REVENUES | | | |
| Interest and investment revenue | \$ 6,622,049 | \$ 1,324,107 | \$ 7,946,156 |
| Refinance fees | 68,746 | - | 68,746 |
| Total operating revenues | <u>6,690,795</u> | <u>1,324,107</u> | <u>8,014,902</u> |
| OPERATING EXPENSES | | | |
| Administrative charges | <u>405,541</u> | <u>23,380</u> | <u>428,921</u> |
| Total operating expenses | <u>405,541</u> | <u>23,380</u> | <u>428,921</u> |
| Operating income | <u>6,285,254</u> | <u>1,300,727</u> | <u>7,585,981</u> |
| NON-OPERATING REVENUES | | | |
| Grants and contributions | <u>15,271,253</u> | <u>-</u> | <u>15,271,253</u> |
| Total non-operating revenue | <u>15,271,253</u> | <u>-</u> | <u>15,271,253</u> |
| Change in net assets | 21,556,507 | 1,300,727 | 22,857,234 |
| Total net assets - beginning | <u>185,006,231</u> | <u>31,337,273</u> | <u>216,343,504</u> |
| Total net assets - ending | <u>\$ 206,562,738</u> | <u>\$ 32,638,000</u> | <u>\$ 239,200,738</u> |

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Environment Department

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the year ended June 30, 2007

| | Enterprise Funds | | Total |
|--|--|--|----------------|
| | 12100 Wastewater Facility Construction Loan Fund | 33700/61900 - Rural Infrastructure Revolving Loan Fund | |
| CASH FLOWS PROVIDED BY (USED IN) | | | |
| OPERATING ACTIVITIES | | | |
| Cash received on repayment of loan principal | \$ 2,148,047 | \$ - | \$ 2,148,047 |
| Cash received on interest from loans | 2,816,011 | 336,676 | 3,152,687 |
| Interest payments received from banks/STO | 2,411,535 | 616,237 | 3,027,772 |
| Cash payments to suppliers of goods/services | - | (23,380) | (23,380) |
| Cash payments made to borrowers | (22,119,378) | (630,844) | (22,750,222) |
| Net cash (used in) provided by operating activities | (14,743,785) | 298,689 | (14,445,096) |
| CASH FLOWS PROVIDED BY CAPITAL AND RELATED ACTIVITIES | | | |
| Grant proceeds – EPA | 13,365,712 | - | 13,365,712 |
| Special appropriation proceeds | 1,500,000 | - | 1,500,000 |
| Net cash provided by capital and related activities | 14,865,712 | - | 14,865,712 |
| NET INCREASE IN CASH | 121,927 | 298,689 | 420,616 |
| Investments, State Treasurer, beginning of year | 80,308,577 | 19,291,782 | 99,600,359 |
| Investments, State Treasurer, end of year | \$ 80,430,504 | \$ 19,590,471 | \$ 100,020,975 |

Reconciliation of Changes in Net Assets to Net Cash (Used In) Provided By Operating Activities

| | | | |
|---|-----------------|--------------|-----------------|
| Operating income | \$ 6,285,254 | \$ 1,300,727 | \$ 7,585,981 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | | |
| Change in assets and liabilities: | | | |
| Refinance fee amortization | (68,746) | - | (68,746) |
| Mortgage loans receivable | (21,423,107) | (630,844) | (22,053,951) |
| Administrative expenses | 405,541 | - | 405,541 |
| Accounts payable | - | (371,194) | (371,194) |
| Accrued interest | 57,273 | - | 57,273 |
| Total reconciling adjustments | (21,029,039) | (1,002,038) | (22,031,077) |
| Net cash (used in) provided by operating activities | \$ (14,743,785) | \$ 298,689 | \$ (14,445,096) |

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Environment Department**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS**

June 30, 2007

ASSETS

| | <u>Agency Fund (65200)</u> |
|------|--------------------------------|
| Cash | <u>\$ 247,530</u> |

LIABILITIES AND NET ASSETS

| | |
|---------------------------|-------------------|
| Due to state general fund | <u>\$ 247,530</u> |
|---------------------------|-------------------|

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A – GENERAL DESCRIPTION OF THE DEPARTMENT

The Department was created on July 1, 1991 under the Department of Environment Act Laws of 1991, Chapter 25, Section 9-7A-1. The Department is a cabinet department of the executive branch of government. The chief executive of the Department is the Secretary, who is appointed by the Governor with the consent of the senate, and serves in the Governor's executive cabinet. These financial statements include all funds and activities over which the Department Secretary has oversight responsibility. The Department was formed for the purpose of preserving, protecting and perpetuating the State of New Mexico's water, air and land. The Department also protects the safety and health of the State's people by regulating, monitoring and inspecting public facilities and establishments.

The functions of the Department are administered through the following programs:

Program Support (P-567): The purpose of Program Support is to provide leadership, administrative, legal and information management support to all Department staff, the public and oversight and regulatory bodies to allow programs to operate in the most knowledgeable, efficient and cost effective manner so that the public can receive the information it needs to hold the Department accountable.

Water Quality (P-568): The purpose of the Water Quality Program is to monitor and regulate impacts to New Mexico's ground and surface water for all users to ensure public and watershed health.

Field Operations (P-569): The purpose of the Environmental and Occupational Health, Safety and Oversight Program is to ensure the highest possible level of public, community and workplace safety and health for communities, residents, workers and businesses.

Environmental Protection Program (P-570): The purpose of the Environmental Protection Program is to monitor, regulate, and remediate the impacts made upon New Mexico's groundwater and air quality by local businesses and industries to protect public and environmental health as well as protect public lands and wildlife.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The financial reporting entity as defined by Governmental Accounting Standards Board (GASB) Statement 14, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1. Reporting Entity - Continued

A primary government is any state government or general purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Department, therefore, is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State. The Department has no component units.

2. Basis of Presentation

The GASB has issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Government*. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. It requires new information and restructures much of the information the Department has presented in its past audited financial statements. The Department is responsible for the fair presentation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America.

The Department follows Governmental Accounting Standards Board (GASB), Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*.

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information of all of the non-fiduciary activities of the Department. The effect of material interfund activity has been removed from these government-wide statements. Governmental activities are reported separately from business-type activities, which to a significant extent operates as a business loaning funds to other entities and charging interest on the loans. Fiduciary funds are not included in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenditures of a function are offset by program revenues. Direct expenditures are those that are clearly identifiable with a specific Department’s function. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by the Department, such as permit fees and remediation monitoring. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Indirect expenditures are allocated based on a prorated measure of direct expenditures.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Government-Wide and Fund Financial Statements – Continued

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. It is the Department's policy to apply disbursements first to restricted assets and then to non restricted. Restricted assets are legally enforceable.

Governmental and proprietary funds are reported as major funds in the accompanying financial statements if they meet both of the following criteria:

- Ten Percent Criterion: An individual governmental fund reports at least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.
- Five Percent Criterion: An individual governmental fund reports at least 5 percent of the total for both governmental and enterprise funds of any one of the items for which it met the 10 percent criterion.

The General Fund is always a major fund. The Department may elect to report other funds as major funds that would not otherwise be required to report as major funds.

The Department reports the following major governmental funds:

General Fund (06400): To account for all financial resources except those required to be accounted for in another fund. The General Fund is a reverting fund. Source of funding: General fund appropriation.

Special Appropriations 2007 (11800): by Special Appropriation Laws of 2006, Chapter 115. This fund was established to administer capital outlay projects including water, wastewater and solid waste facilities. This is a reverting fund. Source of funding: General fund appropriation and severance tax bond.

Special Appropriation 2006 (22100): Created by the Laws of 2007, Chapters 429 and 4. This fund was established to account for the sale of severance tax bonds, a capital project appropriation, and a general fund appropriation in order to provide funds for various waste handling projects. This fund is a reverting fund. Source of funding: General fund appropriation, severance tax bond, and cap.

Special Appropriations (2006) Fund (69400): The main purpose of this fund is to utilize a fund already assigned to the Environment Department for Capital Projects appropriated by the 2006 Legislature. This fund is reverting.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Government-Wide and Fund Financial Statements – Continued

Ground Water Corrective Action Fund (99000): Created by State Statute 74-6B-7. This fund is intended to provide for financial assurance coverage requirements by federal law and shall be used by the division to take corrective action in response to a release, to pay for the costs of a minimum site assessment in excess of ten thousand dollars; to pay the state's share of federal leaking underground storage tank trust fund cleanup costs as required by the Federal Resource Conservation and Recovery Act and to make payments to or on behalf of owners and operators in accordance with Section 74-6B-13. This fund is reverting.

The Department reports the following major proprietary funds:

Clean Water State Revolving Fund: Created by State Statute 74-6A-4. The fund is a revolving loan fund used to provide low-cost financial assistance to local authorities to construct or modify wastewater facilities. This fund is non-reverting.

Rural Infrastructure Revolving Loan Fund: Created by State Statute 75-1-3. The fund is a revolving loan fund used to make loans and grants to local authorities, individually or jointly, for water supply facilities. This fund is non-reverting.

4. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows.

Government Fund Financial Statements: The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure when utilized. The amount of accumulated annual leave unpaid at June 30, 2007, has been reported only in the government-wide financial statements.

The financial activities of the Department are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Department uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Federal funds are recorded as revenues when expenditures have been incurred on behalf of one or more of the Department's federal award programs including all grants and when all other eligibility requirements besides allowable expenditures have been met. Special appropriations are recorded as revenues when they are available. Major revenue sources susceptible to accrual include: gasoline loading tax, permit fees for air emission discharge, underground storage tank fees, hazardous waste permits and generator fees.

Governmental Fund Types

The measurement focus is on the flow of expendable financial resources, rather than on net income determination. The following are the fund types used:

General Fund:

The *General Fund* is the Department's operating fund and is used to account for all financial resources except those required to be accounted for in another fund. The Department's operations are funded by State General Fund appropriations, federal funds and various special appropriations.

Special Revenue Funds:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized in the period in which they become susceptible to accrual (i.e., when they are both measurable and available to pay liabilities of the current period). "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally 60 days. Interest income is recorded when earned. State General Fund appropriations are recorded as revenues in the General Fund in the year appropriated whether or not such funds have actually been received.

Proprietary Fund Types

The focus of Proprietary Fund measurement is based upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Enterprise Funds:

Enterprise Funds are required to account for operations for which a fee is charged to external users for goods and services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services including capital costs, be recovered with fees and charges or (c) has pricing policy designed for the fees and charges to recover similar costs.

These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The Funds apply all applicable Financial Accounting Standard Board pronouncements issued prior to November 30, 1989 for accounting and reporting of its operations in accordance with GASB 20.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Proprietary funds distinguish operating revenues and expenditures from non-operating items. Operating revenues and expenditures 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 funds are interest on loans made to municipalities for water projects and other projects. Operating expenditures include administrative expenditures required to manage and operate the fund. All revenues and expenditures not meeting this definition are reported as non-operating revenues and expenditures.

Fiduciary Fund Types

Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are not available to support Department programs. The reporting focus is upon changes in assets and liabilities and employs accounting principles similar to proprietary funds.

Agency Funds:

Agency Funds are used to account for assets held by the Department in the capacity of trustee or agent. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The basis for accounting is modified accrual.

5. New Accounting Standards Affecting NMED

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits (OPEB) Other Than Pensions*. Statement No. 45 requires accrual accounting for employers for retiree welfare benefits, principally health care. Effective dates for GASB 45 are phased in for periods beginning after December 15, 2006, 2007, or 2008 depending on size of entity at a specified date. NMED will be required to implement these standards for the year ending June 30, 2008. Under the new standard NMED will report as a cost-sharing employer and will be required to recognize OPEB expenditures for their contractually required contributions on the modified accrual basis and to make certain corresponding disclosures. The expected impact will not differ significantly from the current requirements for employers reporting and disclosure.

6. Modified Accrual and Budgetary Basis of Accounting

Beginning with fiscal year 2006, the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, establishes the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico. Previously, non-GAAP cash-based methods including encumbrance accounting were utilized by the New Mexico Environment Department of the State of New Mexico for budgetary purposes. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Accordingly, the Department adopted the new budgetary basis of accounting for the year ending June 30, 2007 and forward and this basis is reflected in all budgetary comparison statements in these financial statements. As part of this change, no outstanding encumbrances are reported at June 30, 2007.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Modified Accrual and Budgetary Basis of Accounting – Continued

Additionally, there are no accounts payable out of next year's budget. There are no differences between budgetary basis revenues, expenditures and GAAP basis revenue and expenditures at June 30, 2007.

The Department has been designated as a "reverting agency" by the New Mexico State Legislature. As such, unencumbered balances in the state agency accounts remaining at the end of the fiscal year from appropriations made from the State General Fund shall revert to the State General Fund, unless otherwise indicated in the General Appropriations Act or otherwise provided by law.

The Department also received funding from various special appropriations. The language of a particular special appropriation determines when it lapses and whether or not unexpended and unencumbered balances revert to the State General Fund.

7. Receivables

State Agencies:

The amounts due from other state agencies represent amounts due primarily from the Department of Taxation and Revenue for gasoline loading tax and water conservation fees collected on behalf of the Department and from the New Mexico Finance Authority for the Drinking Water State Revolving Program. No allowance for uncollectible accounts has been made as all amounts are considered collectible.

Accrued Interest Receivable:

Accrued interest receivable represents amounts due from the State Treasurer for monies invested in the State Treasurer's Pool and interest receivable on construction loans in the proprietary funds.

Petroleum Storage Tank Bureau:

The Petroleum Storage Tank Bureau has a data base of receivable balances from various prior periods which are held off the books because of their age and in many cases, the probability of being deemed uncollectible. The Department received a finding in the prior year as a result of this.

The Bureau has an ongoing project to investigate and resolve all outstanding balances. As of the end of the 2007 fiscal year, 113 cases have been deemed resolved. Collection efforts have been successful in some of the resolved cases. In other cases, the Bureau determined that the balances were uncollectible. This effort is still ongoing and will take three to five years before completion.

8. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities columns on the government-wide financial statements. Capital assets are defined by the state as assets which have a cost of \$5,000 or more at the date of acquisition for fiscal 2006 and forward and \$1,000 for years prior to 2006. Purchased capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the date of donation. Capital assets acquired in the current year in the governmental funds are recorded as capital outlay expenditures in the governmental fund financial statements. There is no debt related to capital assets.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Capital Assets - Continued

Capital assets of the Department are depreciated on the straight-line method over the assets estimated useful life. Generally, estimated useful lives are as follows:

| | |
|---------------------------|------------|
| Reportable IT maintenance | 5 years |
| Reportable IT services | 5 years |
| Furniture and fixtures | 7 years |
| Data processing equipment | 5 years |
| Machinery and equipment | 5 years |
| Library and museum | 7 years |
| Automotive | 5 years |
| Building and structures | 27 ½ years |

9. Accrued Compensated Absences

The Department records accrued vacation, sick time and compensatory time as a liability in the government-wide financial statements. The governmental fund financial statements record the expenditure when the employees are paid or when compensated absences are expected to be liquidated with expendable available financial resources in the governmental funds. Vacation and sick leave earned and not taken is cumulative; however, sick pay up to 600 hours is forfeited upon termination of state service and vacation is limited to 240 hours. Sick leave accumulated in excess of 600 hours, not to exceed 120 hours, is payable semiannually to qualified employees at a rate equal to 50 percent of their hourly rate. Upon retirement, sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. The Department also allows certain employees to defer being paid overtime in exchange for compensatory time off. The Department will pay up to 240 hours of compensatory time off to selected classes of employees upon termination. The liability is liquidated from the General Fund annually.

10. Other Payables and Accrued Expenses

On the balance sheet governmental funds, the accrued expenses of \$7,403,596 consist primarily of the year-end accounts and warrants payable. The other accrued expenses of \$987,676 consist of the year-end payroll accruals which are significantly higher than the prior year due to timing issues of payroll posting in SHARE. The other payables of \$2,560,531 represents payroll taxes. These amounts total \$10,951,803 as reported on the statement of net assets as accounts payable and accrued expenses.

11. Net assets – Governmental Fund Financial Statements

Net assets are reported as restricted when constraints are placed on net asset use are 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.

Fund balance reserves in governmental funds are used to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. Fund balance is reserved in the Corrective Action Fund to comply with state statutes and underground storage tank regulations.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Net assets – Governmental Fund Financial Statements - Continued

According to underground storage tank regulation section 1507(A), “the Department shall maintain a reserve of one million dollars (\$1,000,000) in the fund for the costs of taking first and second priority emergency corrective action”.

For fiscal year 2007, the Department had \$1,728,556 invested in capital assets. Capital assets are defined as those that are tangible or intangible assets that are used in operations and have a useful life extending beyond a single reporting period.

The general fund, as well as other special revenue funds, account for several special appropriations that extend beyond one fiscal period. Special revenue funds are defined as those funds that account for the proceeds of special revenue sources that are legally restricted to expenditure for specified purposes. Because these funds are generally not required to be reverted in the current period, there is an associated fund balance in many of the governmental funds. The appropriated amounts are created by enabling legislation that restricts the fund balances to be used for purposes described in the respective legislation. The following table identifies the funds that are affected by enabling legislation and the respective balances:

RESERVED - GENERAL FUND

| <u>Fund</u> | <u>Description</u> | <u>Enabling Legislation</u> | <u>F/S Amount</u> |
|------------------------------|--------------------|---------------------------------|-------------------|
| 06400 | Superfund | Laws 2002, Chapter 4, Section 5 | \$ 2,272,400 |
| 06400 | Terrero Mines | Laws 2003, Chapter 76, Sec 5 | 294,395 |
| Subtotal-General Fund | | | 2,566,795 |

RESERVED - MAJOR FUNDS

| <u>Fund</u> | <u>Description</u> | <u>Enabling Legislation</u> | <u>F/S Amount</u> |
|--------------------------------------|--------------------------------|-------------------------------|--------------------|
| 11800 | Capital Projects Appropriation | Laws 2005, Chapter 115 | - |
| 11800 | Severance Tax Bond | Laws 2005, Chapter 347 | 5,882,727 |
| 22100 | Severance Tax Bond | Laws 2006, Chapters 4 and 429 | 49,751,495 |
| 69400 | Capital Projects Appropriation | Laws 2006, Chapter 11 | 39,647,544 |
| 99000 | Corrective Action Fund | NM 74-6B-7 | 15,482,136 |
| 99000 | Corrective Action Fund | NM 74-6B-7 | 1,000,000 |
| Subtotal-Reserved Major Funds | | | 111,763,902 |

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Reserves – Governmental Fund Financial Statements - Continued

RESERVED - OTHER GOVERNMENTAL FUNDS

| <u>Fund</u> | <u>Description</u> | <u>Enabling Legislation</u> | <u>F/S Amount</u> |
|--------------------------|-------------------------------------|--|-------------------|
| 12000 | CPF/GF Appropriation | Laws 2005, Chapter 429 | 540,985 |
| 33900 | Hazardous Waste Fund | NM 74-4-4.5 | 1,573,059 |
| 65500 | Severance Tax Bond | Laws 2004, Chapter 126 | 4,834,910 |
| 70300 | Special Appropriations 2002 | Laws 2002, Chapters 99&110 | 31,256 |
| 86800 | STB 1998-2 | Laws 1998, Chapter 7 | 47,500 |
| 02600 | Tire Recycling Fund | Tire Recycling Act | 1,666,955 |
| 06600 | Voluntary Remediation Fund | NM 74-4G-11 | 38,094 |
| 09200 | Air Quality Title V Fund | NM 74-2-15 | 1,547,400 |
| 11700 | Special Appropriation 1986 | Laws 1986, Chapter 115 | 14,901 |
| 24800 | Responsible Party Fund | Chapter 74 Article 6 Water Quality Act | (10,992) |
| 34000 | Liquid Waste | Laws 2000, Chapter 96, Section 3 | 466,878 |
| 34100 | Water Quality Mgt Fund | NM 74-6-5.2 | 704,080 |
| 40000 | Emergency Response Fund | Laws 1986, Chapter 15 | 275,556 |
| 56700 | Water Conservation Fund | NM 74-1-13 | 1,808,081 |
| 58200 | Colonias Wastewater Grants Fund | Public Law 102-389 | 3,960 |
| 58400 | Operator Certification Fund | Administratively Established | 124,403 |
| 59200 | Radiation Protection Fund | Laws 2000, Chapter 86, Section 6 | 1,302,891 |
| 63100 | Air Quality Fund | NM 74-2-15 | 1,825,318 |
| 63200 | Solid Waste Facility Grant Fund | NM 74-10-2 | 1,310,273 |
| 78300 | Other Revenue Fund - SW Permit Fees | NM 74-9-1 | 109,849 |
| 95700 | Emergency Hazardous Fund | NM 74-4-8 | 2,480,008 |
| 98700 | Radiologic Technology Fund | Laws 1983, Chapter 317 | 239,029 |
| 98900 | Underground Storage Tank Fund | NM 74-4-4.8 | 660,932 |
| 99100 | Food Sanitation Fund | NM 25-1-5.1 | 854,032 |
| Subtotal-Reserved | | | 22,449,358 |
| Total - All funds | | | \$ 136,780,055 |

All net assets reported as restricted on the statement of net assets are restricted by enabling legislation.

The amount of net assets restricted by enabling legislation at June 30, 2007 is \$373,875,396.

12. Designated for Future Expenditures – Governmental Fund Financial Statements

The designation for future expenditures represents that portion of fund balance that is segregated for obligations for which a specific project has not been finalized. The Department has established a designation for future expenditures for special appropriations and other commitments.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Revenue Recognition

For the fiscal year ended June 30, 2002, the Department changed its accounting method for special appropriations and grant proceeds received for special projects in the governmental funds. Appropriations are recognized as revenue in the year received and bond proceeds in the year they become available to the Department or projects. The amounts received are recorded as part of fund balance until the monies are spent on the designated programs or projects. As a result of this change in accounting method, “deferred revenue” and “due to projects” balances from prior years were reclassified to fund balances. This change was made to conform to the method of revenue recognition utilized by the majority of state agencies.

14. Interfund Transactions

Transfers which, because of budgetary or legal restrictions, must be expended by funds other than the fund initially receiving the revenue, are recorded as operating transfers in (out) under the other financing sources (uses) category. A summary of these transactions can be referenced at Note D(6)a.

15. Claims Payable

Claims payable for the Ground Water Corrective Action Fund are recorded as current accounts payable under the accrual basis of accounting for claims received but not paid prior to the fiscal year end.

16. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

17. Loan Refinance Fees

The Clean Water State Revolving Loan Fund has refinanced several loans to municipalities in order for them to reduce their interest rates from 5 percent to 2 percent, as allowed by the loan program. Financial Accounting Standards Board Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Direct Initial Costs of Leases* (FASB No. 91), states that fees that reduce the loan's interest rate are considered origination fees, and requires that loan origination fees be deferred and recognized over the life of the loan as an adjustment to the interest rate. FASB No. 91 also requires that the unamortized balance of such fees be reported as part of the loan to which it relates.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

18. Eliminations

The columns on the combined financial statements are captioned "Total Governmental Funds" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial positions, results of operations or changes in financial position of the Department as a whole in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of the governmental fund financial statements. Interfund transfers and due to/due from amounts shown in the governmental financial statements are eliminated in the government-wide statement of net assets and statement of activities.

19. Cash and Cash Equivalents

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

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The State Legislature makes annual appropriations to the Department. Legal compliance is monitored through the establishment of an annual budget for the General and Special Revenue Funds. Funds 33700 and 22100 do not have operating budgets and are not subject to this monitoring. For the fiscal year ending June 30, 2007, the Department budgeted 4 major special revenue funds, which are described on pages 36 and 37, and 25 non-major special revenue funds, which are described on pages 63 through 66.

The following are the procedures followed in establishing the budgetary data presented in the financial statements:

- (a) The Department submits a proposed budget to the New Mexico State Legislature for the fiscal year commencing the following July 1st. The State Legislature must approve the budget prior to its enactment.
- (b) The expenditures of each category may not legally exceed the budget for that category. Budgets are controlled at the "category" level within activities (personal services, employee benefits, etc.).
- (c) Any adjustments to the budget must be submitted to and approved by the State of New Mexico Department of Finance and Administration (DFA) in the form of a Budget Adjustment Request (BAR).
- (d) The agency may ask for an encumbrance to be carried forward as a reduction from its current year budget, but prior-year encumbrances are no longer carried forward.
- (e) Appropriations of the proceeds of severance tax bonds are subject to the limitations contained in the law in which the appropriation was authorized.

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

2. Budget and Actual Data

Budgeted amounts presented in the accompanying statement of revenues, expenditures and changes in fund balance – actual and budget – all government fund types are presented as originally adopted, or as approved by the DFA. For fiscal year 2007, the Department had over expenditures in six funds as described below:

| <u>Fund Description</u> | <u>Fund Number</u> | <u>Amount</u> |
|-----------------------------|--------------------|---------------|
| Special Appropriations 2005 | 11800 | \$(5,094,669) |
| Special Appropriation 2003 | 12000 | (103,931) |
| Ari Quality Permit Fund | 63100 | (67,538) |
| Special Appropriations 2002 | 70300 | (870,582) |
| Underground Storage Tank | 98900 | (59,469) |

NOTE D – DETAIL NOTES ON ALL FUNDS

1. Interest in the State Treasurer General Fund Investment Pool

Investments of the office consist of its interest in the State General Fund Pool, which is managed by the New Mexico State Treasurer. The fair value of the investments maintained at the New Mexico State Treasurer's Office at June 30, 2007 is as follows:

| <u>Account Description</u> | <u>Fund</u> | <u>Investments at State Treasurer's Office</u> | <u>Reconciling Item</u> | <u>State Treasurer Office SHARE</u> |
|-----------------------------------|-------------|--|-----------------------------|---|
| General Fund: | | | | |
| Environment Department | | | | |
| Operating Fund | 06400 | \$ 18,618,373 | \$ (17,540,241) | \$ 1,078,132 |
| Petty cash funds | | 4,960 | - | 4,960 |
| Total General Fund | | <u>\$ 18,623,333</u> | <u>\$ (17,540,241)</u> | <u>\$ 1,083,092</u> |
| Major Governmental Funds: | | | | |
| GF Appropriations Reserved for CP | 11800 | \$ 7,300,915 | \$ - | \$ 7,300,915 |
| Special Appropriation - STB 2006 | 22100 | 49,751,495 | - | 49,751,495 |
| Special Appropriation - STB 2006 | 69400 | 40,418,961 | - | 40,418,961 |
| Ground Water Corrective Action | 99000 | 17,568,027 | - | 17,568,027 |
| Total Major Governmental Funds | | <u>\$ 115,039,398</u> | <u>\$ -</u> | <u>\$ 115,039,398</u> |

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

1. Interest in the State Treasurer General Fund Investment Pool – Continued

The balances as of June 30, 2007 are as follows:

| Account Description | Fund | Interest in the State Treasurer General Fund Investment Pool | Reconciling Item | State Treasurer Office SHARE |
|---|-------|---|---------------------|------------------------------------|
| Other Non Major Governmental Funds: | | | | |
| Tire Recycling | 02600 | \$ 1,812,866 | \$ - | \$ 1,812,866 |
| Voluntary Remediation | 06600 | 36,979 | - | 36,979 |
| Air Quality Title V Fund | 09200 | 1,520,029 | - | 1,520,029 |
| Special Appropriations 1986 | 11700 | 14,901 | - | 14,901 |
| Special Appropriations 1996 | 11900 | (171,010) | - | (171,010) |
| Special Appropriations 2004 | 12000 | 613,174 | - | 613,174 |
| Responsible Party Reimbursement Fund | 24800 | 662,494 | - | 662,494 |
| Hazardous Waste Fund | 33900 | 507,011 | - | 507,011 |
| Liquid Waste | 34000 | 391,713 | - | 391,713 |
| Water Quality Management Fund | 34100 | 590,065 | - | 590,065 |
| Emergency Response Fund | 40000 | 275,556 | - | 275,556 |
| Water Conservation Fund | 56700 | 1,789,931 | - | 1,789,931 |
| Colinias Wastewater Grants Fund | 58200 | 3,960 | - | 3,960 |
| Operation Certification Fund | 58400 | 76,353 | - | 76,353 |
| Radiation Protection | 59200 | 1,029,789 | - | 1,029,789 |
| Air Quality Fund | 63100 | 2,203,326 | - | 2,203,326 |
| Solid Waste Facility Loan/Grant Fund | 63200 | 1,300,848 | - | 1,300,848 |
| Special Appropriation | 65500 | 5,987,241 | - | 5,987,241 |
| Special Appropriation - 2002 | 70300 | 20,863 | - | 20,863 |
| Solid Waste Permit Fees | 78300 | 86,146 | - | 86,146 |
| Emergency Hazardous Waste Penalties | 95700 | 2,418,244 | - | 2,418,244 |
| Radiology Technology | 98700 | 205,611 | - | 205,611 |
| Underground Storage Tank | 98900 | 939,777 | - | 939,777 |
| Food Service Sanitation | 99100 | 282,937 | - | 282,937 |
| Total Other Non Major Governmental Funds | | 22,598,804 | - | 22,598,804 |
| Proprietary Funds: | | | | |
| Clean Water State Revolving Fund | 12100 | 80,430,504 | - | 80,430,504 |
| Rural Infrastructure Loan Fund | 33700 | 19,415,880 | - | 19,415,880 |
| Rural Infrastructure Emergency | 61900 | 174,591 | - | 174,591 |
| Total Proprietary Funds | | 100,020,975 | - | 100,020,975 |
| Suspense/Reverting to State General Fund | 65200 | 247,530 | - | 247,530 |
| Total Cash and Cash Equivalents - All funds | | 256,530,040 | - | 238,989,799 |
| Less: Fiduciary cash not included in financial statements | | (247,530) | - | (247,530) |
| Total - Statement of Net Assets | | \$ 256,282,510 | \$ - | \$ 238,742,269 |

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

1. Interest in the State Treasurer General Fund Investment Pool (S.G.F.I.P.) – Continued

For additional GASB 40 disclosure information related to the above investment pool, the reader should refer to the separate audit report of the New Mexico State Treasurer for the fiscal year ended June 30, 2007. The Office has one investment not held in the S.G.F.I.P. during the year ended June 30, 2007, as described below:

| <u>Bank of Albuquerque</u> | <u>Total to Collateralize</u> | <u>102% Requirement</u> | <u>Collateral</u> | <u>Over (Under)</u> |
|----------------------------|-----------------------------------|--|-------------------|-------------------------|
| Mutual fund – Fund 63200 | \$1,251,252 | Collateralized to a pooled account | N/A | N/A |

At June 30, 2007, there are no differences between bank and book balances for the Bank of Albuquerque account. The mutual fund is held by the American Performance U.S. Treasury Fund and is invested in short-term U.S. treasury bills, notes and other U.S. government-backed obligations. Accordingly, collateral is not required on this fund. Book value is equal to fair market value and is redeemable on demand. There is no investment policy concerning this investment as a means of managing investment or interest rate risk due to the low level of investment. Because the investments are in U.S. government obligations, they are not considered to have credit risk and are not exposed to custodial credit risk. An investment is exposed to custodial credit risk if it is not covered by depository insurance and is either uncollateralized, collateralized with securities held by the pledging financial institution or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor-government's name.

2. Accounts and Interest Receivable

| | <u>Governmental Funds</u> |
|---|-------------------------------|
| Receivable from State and other agencies: | |
| Responsible parties | \$ <u> -</u> |
| Accounts Receivable: | |
| Voluntary Remediation (06600) | \$ 1,115 |
| Air Quality Title V Operating Permit Fees (09200) | 278,027 |
| Hazardous Waste Fund (33900) | 368,439 |
| Tank Fund (98900) | 2,625 |
| General Fund (06400) | <u>20,167</u> |
| Total receivables, net | \$ <u>670,373</u> |

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

2. Accounts and Interest Receivable – Continued

| | <u>Proprietary Funds</u> |
|---|--------------------------|
| Interest Receivable: | |
| Interest on loans | \$ 1,775,485 |
| Interest due from Office of the State Treasurer | 2,320,796 |
| | \$ 4,096,281 |

All interest receivable is considered fully collectible.

The Air Quality Title V Operating permit fee is a fee charged on approximately 167 source companies within the State of New Mexico based on an air emission discharge fee of \$14 per ton of allowable pollutants per year. For the fiscal year ending June 30, 2007, each owner or operator's annual payment fee was due June 1, 2007.

The Underground Storage Tank permit fee is a \$100 annual fee charged on each underground storage tank. The tank fees are invoiced May 1, and are due July 1, for the next fiscal year. A past-due notice is sent in October and a late fee of 25% of the unpaid amount is charged. The Hazardous Waste revenues are composed of various permits and fee charges including hazardous waste permits, annual unit audits, annual generator fees and WIPP permits.

Federal grant funds are drawn down on a cost reimbursement basis. At June 30, 2007 there are balances receivable from federal agencies from drawdown requests submitted close to year-end. In addition, the Department receives severance tax bond appropriations from the State of New Mexico. A receivable in the amount of \$49,689,586 represents the amount of severance tax bonds that are available as well as the grant receivables due from federal agencies, amounts due from other agencies, and consists of the following.

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|-------------------------------------|-------------------------|---------------|
| 11800 – Special Appropriations 2005 | Severance tax bonds | \$ 9,433,876 |
| 22100 – Special Appropriations | Severance tax bonds | 21,992,570 |
| 69400 – Special Appropriations | Severance tax bonds | 11,958,646 |
| 06400 – General Fund | Due from other agencies | 56,325 |
| Other governmental funds | Severance tax bonds | 6,248,169 |
| | | \$ 49,689,586 |

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

3. Construction and Mortgage Loans

Construction and mortgage loans represent interest-bearing funds advanced to various municipalities and water control districts within the state to construct or modify wastewater or water supply facilities. Construction loans represent those projects still under construction. Interest is accrued on loans in the construction phase. Upon completion, accrued interest is either paid or added to the principal balance of the mortgage loan. The mortgage loans represent completed projects and the Department is receiving payments of principal and interest.

The allowance for uncollectible accounts is based on estimated collectible balances using an analysis of an aging of outstanding accounts and historical collection experience. The Department may not forgive a loan without Legislative approval. Construction and mortgage loans as of June 30, 2007 consist of the following:

| | 12100 - Wastewater Facility Construction Loan Fund | 33700/61900 - Rural Infrastructure Revolving Loan Fund | Total |
|--------------------------------------|---|---|-----------------------|
| Construction loans in progress | \$ 31,370,532 | \$ 1,435,448 | \$ 32,805,980 |
| Mortgage loans | 87,361,308 | 10,965,140 | 98,326,448 |
| Accrued interest | 1,255,190 | 1,025,172 | 2,280,362 |
| Allowance for uncollectible accounts | - | (378,231) | (378,231) |
| Construction and mortgage loans, net | <u>\$ 119,987,030</u> | <u>\$ 13,047,529</u> | <u>\$ 133,034,559</u> |

The above loans are secured by pledged revenues of the borrower's water and sewer systems and bear interest at rates ranging from zero to seven percent per annum. Construction loans in process are transferred to mortgage loans upon completion of the project.

Mortgage loans are paid in annual installments, including interest, ranging from \$3,491 to \$1,587,627 through March 2, 2028 in the Wastewater Construction Loan Fund and \$337 to \$35,285 through April 11, 2027 in the Rural Infrastructure Loan Fund.

The following is a schedule of future annual payments, as of June 30, 2007:

| <u>Years Ending June 30,</u> | 12100 - Wastewater Facility Construction Loan Fund | 33700/61900 - Rural Infrastructure Revolving Loan Fund | Total |
|------------------------------|---|---|-----------------------|
| 2008 | \$ 9,595,646 | \$ 1,530,138 | \$ 11,125,784 |
| 2009 | 8,320,450 | 1,263,188 | 9,583,638 |
| 2010 | 8,320,450 | 1,222,649 | 9,543,099 |
| 2011 | 8,285,620 | 1,148,972 | 9,434,592 |
| 2012 | 8,247,426 | 1,058,033 | 9,305,459 |
| Thereafter | 64,335,866 | 7,257,381 | 71,593,247 |
| Less deferred refinance fees | (439,209) | - | (439,209) |
| Completed projects | <u>\$ 106,666,249</u> | <u>\$ 13,480,361</u> | <u>\$ 120,146,610</u> |

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

3. Construction and Mortgage Loans – Continued

The following is a detailed summary of major borrowers and loan balances for construction and mortgage loans at June 30, 2007.

Construction loans in progress:

| Community | 12100 - Wastewater Facility Construction Loan Fund | 33700/61900 - Rural Infrastructure Revolving Loan Fund | Total |
|------------|---|---|----------------------|
| Hobbs | \$ 2,920,528 | \$ - | \$ 2,920,528 |
| Clovis | 7,756,637 | - | 7,756,637 |
| Espanola | 2,859,278 | - | 2,859,278 |
| Dona Ana | 3,189,704 | - | 3,189,704 |
| Los Alamos | 9,795,875 | - | 9,795,875 |
| Lovington | 4,848,510 | - | 4,848,510 |
| Dilia | - | 4,663 | 4,663 |
| Paako | - | 964,535 | 964,535 |
| Texico | - | 321,545 | 321,545 |
| Bloomfield | - | 144,705 | 144,705 |
| | <u>\$ 31,370,532</u> | <u>\$ 1,435,448</u> | <u>\$ 32,805,980</u> |

Mortgage loans on completed projects:

| Community | 12100 - Wastewater Facility Construction Loan Fund | Community | 33700/61900 - Rural Infrastructure Revolving Loan Fund |
|---------------------|---|--|--|
| Farmington | \$ 13,650,539 | City of Bloomfield | \$ 672,157 |
| Las Vegas | 9,250,540 | Dona Ana MDWCA | 638,549 |
| Albuquerque | 8,900,511 | City of Aztec | 571,333 |
| Rio Rancho | 8,853,895 | City of Aztec | 571,333 |
| Albuquerque Nitro | 7,067,835 | Entranosa Water & Wastewater Assoc. Inc. | 571,334 |
| Gallup | 4,020,240 | Entranosa Water & Wastewater Assoc. Inc. | 571,334 |
| Grants | 3,882,063 | City of Belen | 572,782 |
| Belen | 3,362,729 | City of Truth or Consequences | 508,638 |
| Los Lunas | 3,137,905 | City of Bayard | 471,254 |
| Los Lunas | 3,122,613 | City of Bayard | 470,577 |
| Los Lunas | 3,084,599 | Roosevelt County Water Coop | 388,132 |
| Albuquerque Compost | 3,024,381 | City of Lordsburg | 384,772 |
| Bloomfield | 2,732,103 | City of Truth or Consequences | 375,680 |
| Silver City | 2,557,691 | Village of Tularosa | 366,998 |
| Espanola | 2,365,501 | Garfield MDWCA | 346,727 |
| Taos Ski Valley | 1,641,757 | Upper La Plata | 283,183 |
| Socorro | 1,409,667 | Twin Forks MDWCA | 282,306 |
| Ruidoso | 1,322,563 | ILFELD MDWCA | 190,540 |

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

3. Construction and Mortgage Loans – Continued

| Community | 12100 - Wastewater Facility Construction Loan Fund | Community | 33700/61900 - Rural Infrastructure Revolving Loan Fund |
|-----------------------|---|-------------------------|--|
| Albuquerque Dechlor | 950,667 | Village of Tularosa | 171,519 |
| Los Alamos | 927,074 | Upper la Plata DWC | 175,716 |
| Dona Ana | 530,208 | La Mesa MDWCA | 166,321 |
| Estancia | 360,000 | Jemez Springs DWCA | 156,997 |
| Silver City | 299,359 | Village of Cimarron | 151,165 |
| Albuquerque Intercept | 266,863 | Town of Clayton | 128,870 |
| Sunland Park | 199,035 | Village of Los Lunas | 128,609 |
| Anthony | 128,987 | City of Bayard | 129,201 |
| Las Vegas | 99,084 | Canon MDWCA | 122,012 |
| Pecos | 77,047 | Village of Bosque Farms | 119,099 |
| Yah-Ta-Hay W&SD | 58,768 | City of Aztec | 112,501 |
| Willard | 54,330 | Rosedale NDWCA | 109,926 |
| Hatch | 22,754 | Alpine Village W&SD | 108,914 |
| | 22,754 | Other Communities | 2,925,595 |
| | \$ 87,361,308 | | \$ 12,944,074 |

4. Due to/from Federal Award Programs

The due to/from Federal award programs represents the excess of program expenditures incurred over cash received as of June 30, 2007:

| Agency | Amount |
|---------------------------------------|--------------|
| General Fund- | |
| U.S. Environmental Protection Agency | \$ 7,797,084 |
| U.S. Department of Energy | 271,073 |
| U.S. Department of Defense | 225,280 |
| U.S. Department of Labor | 260,881 |
| Other Federal agencies – pass-through | 93,073 |
| Total due from federal programs | \$ 8,647,391 |

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

5. Due to/from Other Department Funds

Due to/from other funds are amounts due from and to other funds within the Department. A significant portion of these balances represents the differences between the amounts transferred from the Special Revenue Funds to the General Fund and the amounts expended in the General Fund on behalf of the Special Revenue Funds. All Inter-Fund balances are expected to be paid within one year. Due to/from other Department funds as of June 30, 2007, are as follows:

Inter Fund Receivables:

| <u>Amount Due from Other Funds</u> | | | <u>Amount Due to Other Funds</u> | | |
|------------------------------------|-------------------------------|---------------------|----------------------------------|-------------------------------|---------------------|
| SHARE Fund # | Fund Description | Amount | SHARE Fund # | Fund Description | Amount |
| 02600 | Tire Recycling Fund | \$ 43,380 | 06400 | General Fund | \$ 43,380 |
| 06400 | General Fund | 250,655 | 06400 | General Fund | 250,655 |
| 33900 | Hazardous Waste Fund | 697,609 | 06400 | General Fund | 697,609 |
| 34000 | Liquid Waste Fund | 69,827 | 06400 | General Fund | 69,827 |
| 34100 | Water Quality Mgt Fund | 397,839 | 06400 | General Fund | 397,839 |
| 56700 | Water Conservation Fund | 18,150 | 06400 | General Fund | 18,150 |
| 58400 | Operator Certification Fund | 560 | 06400 | General Fund | 560 |
| 59200 | Radiation Protection Fund | 214,673 | 06400 | General Fund | 214,673 |
| 65500 | Special Appropriation | 15,533 | 06400 | General Fund | 15,533 |
| 70300 | Special Appropriation 2002 | 17,500 | 70300 | General Fund | 17,500 |
| 06400 | General Fund | 378,508 | 06600 | Voluntary Remediation Fund | 378,508 |
| 78300 | General Fund | 23,703 | 09200 | Air Quality Title V Fund | 23,703 |
| 95700 | Hazardous Waste Emergency | 61,764 | 34100 | Water Quality Management Fund | 61,764 |
| 98700 | Radiologic Technology | 33,418 | 59200 | Radiation Protection Fund | 33,418 |
| 06400 | General Fund | 281,470 | 78300 | Solid Waste Permit Fees Fund | 281,470 |
| 06400 | General Fund | 859,480 | 98900 | Underground Storage Tank Fund | 859,480 |
| 99100 | Food Services Sanitation Fund | 571,045 | 99000 | Corrective Action Fund | 571,045 |
| 06400 | General Fund | 419,586 | 24800 | Responsible Party | 419,586 |
| | | <u>\$ 4,354,700</u> | | | <u>\$ 4,354,700</u> |

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

5. Due to/from Other Department Funds – Continued

Transfers Involving Other State Agencies

As part of operations, the Department makes payments to other state agencies including the Department of Health, GSD and the Board of Finance for insurance and other operating expenses. Reversion payments made to the State General Fund are reported on page 55 and transfers to State General Fund from Fund 652 are reported on page 118. The Department does not classify these payments as due to and due from accounts. They are paid out of the General Fund (064).

6. Operating Transfers/Other Sources/Deferred Revenue

a. Operating Transfers

Operating transfers occur primarily from special revenue funds to the general operating fund since certain revenues are recorded in the special revenue funds but related expenditures are budgeted and incurred through the general operating fund. All transfers are routine and consistent with fund activity.

| <u>Fund Description</u> | <u>Fund No.</u> | <u>Transfers</u> | |
|-------------------------|-----------------|----------------------|----------------------|
| | | <u>From</u> | <u>To</u> |
| Major Funds | | | |
| General Fund | 06400 | \$ 19,815,554 | |
| Special Revenue Funds: | | | |
| | 02600 | | \$ 218,720 |
| | 06600 | | - |
| | 09200 | | 3,402,856 |
| | 22100 | | - |
| | 24800 | | 419,586 |
| | 33900 | | 2,524,466 |
| | 34000 | | 668,473 |
| | 34100 | | 316,861 |
| | 56700 | | 3,001,250 |
| | 59200 | | 577,783 |
| | 63100 | | 2,123,107 |
| | 63200 | | 150,000 |
| | 78300 | | 11,797 |
| | 95700 | | 161,337 |
| | 98700 | | 69,182 |
| | 98900 | | 392,370 |
| | 99000 | | 5,268,220 |
| | 99100 | | 503,546 |
| | | <u>\$ 19,815,554</u> | <u>\$ 19,815,554</u> |

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

6. Operating Transfers/Other Sources/Deferred Revenue – Continued

b. Deferred Revenue

The department collects fees in advance for certain remediation projects that will take place on a future date. These fees are considered deferred revenues until the project actually commences.

| Fund | Amount |
|---------------------------|------------|
| 06400 – General | \$ 164,268 |
| 24800 – Responsible Party | 253,900 |
| | \$ 418,168 |

c. Other Revenue

The statement of revenues, expenditures and changes in fund balance also reports other revenue in addition to transfers in (out). The amount of \$1,367,472 consists of the following third-party payments:

| Fund | Amount | Description |
|-------|--------------|----------------------------|
| 06400 | \$ 808,900 | Underground Injection Fees |
| 24800 | 408,572 | Responsible Party Payments |
| | \$ 1,217,472 | |

d. Interagency Transfers

| Agency/Fund | Amount | Purpose | Agency | Fund |
|-------------|---------------|---|--------|-------|
| 667/06400 | \$ 14,540,100 | From State General Fund Appropriation Laws 2006 | 341 | 85300 |
| 667/69400 | (675,000) | Capital Projects to State Engineer Office | 550 | 24700 |
| | \$ 13,865,100 | | | |

7. Capital Assets – Governmental Activities

The following is a summary of changes in capital assets for the year ended June 30, 2007:

| | Balance 06/30/06 | Additions | Deletions | Balance 06/30/07 |
|---------------------------|---------------------|-----------|-----------|---------------------|
| Reportable IT maintenance | \$ - | \$ 52,475 | \$ - | \$ 52,475 |
| Reportable IT services | 50,486 | - | - | 50,486 |
| Furniture and fixtures | 77,135 | 10,398 | - | 87,533 |
| Data processing equipment | 6,694,868 | 35,005 | (189,790) | 6,540,083 |
| Machinery and equipment | 3,497,155 | 15,301 | (41,960) | 3,470,496 |
| Library and museum | 37,890 | - | - | 37,890 |
| Automotive | 224,197 | 170,854 | - | 395,051 |
| Buildings and structures | 32,209 | - | - | 32,209 |
| | 10,613,940 | 284,033 | (231,750) | 10,666,223 |

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

7. Capital Assets – Governmental Activities – Continued

| | Balance 06/30/06 | Additions | Deletions | Balance 06/30/07 |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| Less accumulated depreciation | - | - | - | - |
| Furniture and fixtures | (22,771) | (15,343) | - | (38,114) |
| Data processing equipment | (5,386,793) | (425,167) | - | (5,811,960) |
| Machinery and equipment | (2,627,068) | (290,023) | - | (2,917,091) |
| Library and museum | (10,305) | (6,751) | - | (17,056) |
| Automotive | (60,395) | (62,936) | - | (123,331) |
| Buildings and structures | (7,247) | (1,382) | - | (8,629) |
| Reportable IT services | (3,718) | (13,653) | - | (17,371) |
| Reportable IT maintenance | (1,087) | (3,028) | - | (4,115) |
| Total | <u>(8,119,384)</u> | <u>(818,283)</u> | <u>-</u> | <u>(8,937,667)</u> |
| Net capital assets | <u>\$ 2,494,556</u> | <u>\$ (534,250)</u> | <u>\$ (231,750)</u> | <u>\$ 1,728,556</u> |

Petroleum Storage Tank Bureau Assets

Remediation equipment not recorded in capital asset records was the basis for a qualified opinion received by the Department in 2003. Other contract costs associated with remediation projects and other costs, such as labor are borne by the contractor and expensed as incurred. During 2004, the Department inventoried remediation equipment associated with active sites. These additions were treated as 2004 asset additions. The amount totaled \$955,981. Remaining remediation sites that have not been inventoried are all inactive and a sample review of inactive sites produced negligible amounts of remediation equipment of any value. As of June 30, 2007, the Department is in the process of inventorying the remaining remediation sites where appropriate. Remediation assets cost, accumulated depreciation and depreciation expense are considered materially and fairly stated at June 30, 2007.

Depreciation expense for the year ended June 30, 2007 was allocated to the following activities in the Statement of Activities (Exhibit 2). All assets are held by the primary government. Depreciation was allocated based on the relative percentages to the total governmental expenses.

| | |
|-----------------------------------|-------------------|
| Program support | \$ 339,670 |
| Water quality | 235,910 |
| Field Operations Program | 121,843 |
| Environmental Protection Program | <u>120,860</u> |
| Total depreciation expense | <u>\$ 818,283</u> |

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

8. Compensated Absences

The following is a summary of compensated absences of the Department for the year ended June 30, 2007:

| | Balance June 30, 2006 | Additions | Deletions | Balance June 30, 2007 |
|----------------------------------|--------------------------|---------------------|---------------------|--------------------------|
| Amount due within one year | \$ 1,651,816 | \$ 3,257,937 | \$ 3,098,046 | \$ 1,811,707 |
| Amount due in more than one year | 255,743 | 97,738 | 59,792 | 293,689 |
| Accrued compensated absence | <u>\$ 1,907,559</u> | <u>\$ 3,355,675</u> | <u>\$ 3,157,838</u> | <u>\$ 2,105,396</u> |

Compensated absences have been and will continue to be liquidated by the general fund.

9. Amounts Paid and Due to State General Fund

Amounts paid and due to the State General Fund as of and for the year ended June 30, 2007, is comprised of the following:

| | Due From General Operating | Paid to State General Fund by Non-Major Funds |
|--------------------------|----------------------------------|--|
| 07 Fiscal year reversion | <u>\$ -</u> | <u>\$ 60,000</u> |

The Department receives various special appropriations and proceeds from the sale of Severance Tax Bonds by the State of New Mexico. These appropriations are identified and monitored by management. The detail of these appropriations and related reversion amounts are presented in Supplemental Schedules 2 and 3.

10. Payable to Project Recipients

Severance tax bonds proceeds appropriated by the New Mexico Legislature are allocated to the New Mexico Environment Department in order to administer specific projects of other governmental entities. The amounts reported in payable to project recipients are not a liability of the Department but represent undistributed funds to project recipients. The bonds subject to the following restrictions and reversions are as follows:

| Fund | Authority | Amount Due |
|-------|-----------|---------------|
| 70300 | Laws 2002 | \$ 154,568 |
| 86700 | Laws 1998 | 50,000 |
| 65500 | Laws 2004 | 4,485,657 |
| 69400 | Laws 2006 | 11,958,646 |
| 11800 | Laws 2005 | 9,433,876 |
| 12000 | Laws 2003 | 1,218,752 |
| 22100 | Laws 2007 | 21,992,570 |

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

11. Other Revenue

| | Ground Water Corrective Action | Other Governmental Funds | Total |
|----------------------|--------------------------------------|--------------------------------|---------------|
| Gasoline tax revenue | \$ 19,415,417 | \$ - | \$ 19,415,417 |
| Total other revenue | \$ 19,415,417 | \$ - | \$ 19,415,417 |

NOTE E – OTHER INFORMATION

1. Retirement, Health, and Deferred Compensation Plan

PERA PENSION PLAN

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

Funding Policy: Plan members are required to contribute 7.42% of their gross salary. The Department is required to contribute 16.59%. The contribution requirements of Plan members and the Department are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2007, 2006 and 2005 were \$4,955,549, \$4,775,566, and \$4,422,657, respectively, equal to the amount of the required contributions for each year.

POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the Plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Fire Fighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE E – OTHER INFORMATION – CONTINUED

1. Retirement, Health, and Deferred Compensation Plan – Continued

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless the person retires before the employee's NMRHCA effective date, in which event the time period for contributions becomes the period of time between the employee's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990 and former legislators who served at least 2 years.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional five dollars (\$5.00) if the eligible participant retired prior to the employee's NMRHCA effective date or is a former legislator.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the Plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle NE, Suite 104, Albuquerque, New Mexico 87107.

For the fiscal year ended June 30, 2007, the Department remitted \$383,794 in employer contributions and \$191,897 in employee contributions to the Retiree Health Care Authority.

2. Commitments

COOPERATIVE AND JOINT POWER AGREEMENTS

During the fiscal year ended June 30, 2007, the Department was a party to various joint power agreements (Schedule 4) with other governmental agencies to construct or improve certain wastewater projects and for other environmental activities. As of June 30, 2007, the Department has no open commitments for expenditures under these joint power agreements.

GROUND WATER CORRECTIVE ACTION FUND

The Corrective Action Fund uses only single site contracts. Workplans are submitted and approved for all site work. The workplans will be paid for as contractors submit claims for work performed. The Department plans to pay for projects completed under the workplans from revenues received by the Corrective Action Fund from the Department of Taxation and Revenue for gasoline loading fees.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE E – OTHER INFORMATION – CONTINUED

2. Commitments – Continued

FEDERAL GRANT ALLOTMENTS

Federal grants made through June 30, 2007 and 2006 are still available to the Department for loans through the Wastewater Construction Loan Fund (net of administrative costs of up to a maximum of 4% of the grants) as of June 30, 2007 and are as follows:

| <u>Year of Allotment</u> | <u>Grant Amount Available For Loans</u> |
|------------------------------|---|
| 2006 | \$ 6,443,897 |
| 2007 | <u>2,076,608</u> |
| Total | <u>\$ 8,520,505</u> |

LOAN COMMITMENTS

Wastewater Loan Construction Fund

As of June 30, 2007, the Department has executed binding commitments to disburse \$18,500,000 for future loans.

Rural Infrastructure Loan Fund

As of June 30, 2007, the Department has executed binding commitments to disburse \$3,593,263 for loans and grants from the fund.

OPERATING LEASES

The Department leases certain equipment and premises under numerous operating leases. Leases are subject to future appropriation and as such are cancelable by the Department at the end of each fiscal year. Rental expense for the year ended June 30, 2007 was \$3,101,639.

The minimum lease payments under operating leases for the year ended June 30, 2007 are \$3,008,067.

SEVERANCE TAX BOND PROCEEDS

Bond proceeds are allocated by the legislature to the Department to administer disbursements to the project recipients. The amount reported as due to project recipients on the statement of net assets of \$49,294,069 is not an obligation of the Department, in any manner. Restrictions include certificate of project readiness by the recipient prior to distribution of funds and/or sale of bonds. The bonds generally revert in five years if not fully utilized. The Board of Finance tracks the reversion status of each bond appropriation.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE E – OTHER INFORMATION – CONTINUED

3. Contingencies

FEDERAL AWARD PROGRAMS

Expenditures under grant programs 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. Expenditures disallowed and required to be repaid as a result of such audits, if any, would require an appropriation from the State General Fund.

LITIGATION

The Department is subject to various legal proceedings, claims and liabilities, including employee claims, which arise in the ordinary course of the Department's operations. In the opinion of the Department's management and in-house legal counsel, the ultimate resolution of the above matters will not have a material adverse impact on the financial position or results of operations of the Department.

4. Risk Management

The Department is exposed to various risks of loss for which the Department carries insurance (Auto; Employee Fidelity Bond; General Liability, Civil Rights, and Foreign Jurisdiction; Money and Securities; Property; and Workers Compensation) with the State of New Mexico Risk Management Division.

5. Prior Period Restatement

Two prior period adjustments were posted to correctly state amounts for the year ended June 30, 2007.

- a. During the current year reconciliation of deferred revenues, it was determined that an amount of \$231,746 was needed to be adjusted to properly state the current year beginning balance. Deferred revenues were overstated. This affected Fund 34100.
- b. Fund balances for the following funds were adjusted to conform the accounting for severance tax bonds in accordance with state audit rule 2.2.2.12(b). Amounts that were previously recorded as fund balances and current year expenditures were reclassified to due to project recipients. The following table summarizes the effects of these adjustments on the beginning fund balances of the funds:

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE E – OTHER INFORMATION – CONTINUED

5. Prior Period Adjustment

| | Beginning Balance As Previously Reported | Decrease In Fund Balance | Beginning Fund Balance As Restated |
|-------------|---|-----------------------------|--|
| | <u> </u> | <u> </u> | <u> </u> |
| SHARE 12000 | \$ 2,819,933 | \$ 1,995,017 | \$ 824,916 |
| SHARE 11800 | 24,857,728 | 13,880,332 | 10,977,396 |
| SHARE 69400 | 60,532,633 | 14,876,000 | 45,656,633 |
| SHARE 65500 | 18,812,498 | 11,564,274 | 7,248,224 |
| SHARE 70300 | 1,103,514 | 1,065,151 | 38,363 |
| SHARE 86700 | <u>50,000</u> | <u>50,000</u> | <u>-</u> |
| | <u>\$ 108,176,306</u> | <u>\$ 43,430,774</u> | <u>\$ 64,745,532</u> |

The net effect of these adjustments to the government wide financials is \$43,662,521. All other fund balances were unaffected.

SPECIAL REVENUE FUNDS – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2007

The purpose of the Special Revenue Funds is to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Tire Recycling Fund (02600): Established by the Department to comply with the Tire Recycling Act, NMSA 1978, Section 74-11-1 through 74-11-17. The purpose of this fund is for abatement of tire dumps, for reprocessing, transportation or recycling of scrap tires, for providing annual retread rebates and for carrying out the provisions of the Tire Recycling Act. This fund is reverting.

Voluntary Remediation Fund (06600): Created by State Statute 74-4G-11. The purpose of this fund is to account for fees and oversight payments collected pursuant to regulation adopted by the Secretary of the Environment Department pursuant to the provisions of the Voluntary Remediation Act. This fund is non-reverting.

Air Quality Title V Fund (09200): Established by the Department to comply with the Air Quality Control Act, Chapter 74, Article 2. The purpose of the fund is to establish and administer an air quality permit program. This fund is reverting.

Special Appropriation 2000 (11700): The Severance Bond Proceeds Match Fund was established to account for the sale of various severance tax bonds in order to provide grants and account for the related expenditures that must be matched by the State of New Mexico to construct waste handling facilities. This fund is reverting.

Special Appropriations 2006 (11900) Created by State Statute 74-4G-11 NMSA 1978. The fund was established to account for the Brownsfield Clean up Revolving Loan Fund. The funds are obtained through a grant from the Environmental Protection Agency. The funds are for the repayments of loans and interest. Income is accrued on the balance of the fund. This fund is non-reverting.

Special Appropriation 2004 (12000): Created by the Laws of 2004, Chapters 429 and 4. This fund was established to account for the sale of severance tax bonds, a capital project appropriation, and a general fund appropriation in order to provide funds for various waste handling projects. This fund is a reverting fund. Source of funding: General fund appropriation, severance tax bond, and capital projects.

Responsible Party Reimbursement Fund (24800): Created by State Statute 74-6B-7 for the purpose of removing leaking underground storage tanks. This fund is reverting.

Hazardous Waste Fund (33900): Created by State Statute 74-4-4.5. The purpose of the fund is to meet necessary expenditures in the administration and operation of the hazardous waste program. This fund is reverting.

Liquid Waste (34000): Created by State Statute 74-1-15. The fund was established for the administration of liquid waste regulations. Source of funding: Permits and fees. This fund is non-reverting.

SPECIAL REVENUE FUNDS – NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED

June 30, 2007

The Liquid Waste Program regulates septic tanks and other on-site wastewater treatment and disposal systems in accordance with Environmental Improvement Board Regulations and the Environmental Improvement Act. Septic systems have contaminated more water-supply wells and more acre-feet of ground water in the state than all other pollution sources combined. Several cases of infectious disease, and at least one case of the blue-baby syndrome, have been traced to water wells contaminated by septic effluent. In order to protect public health and prevent degradation of water quality, permits are required for the installation or modification of liquid waste systems. Approximately 7600 new permits are issued each year.

Field office inspectors and administrative staff collect fees prior to the issuance of new Liquid Waste permits. Each permit fee ranges from \$50 to \$150.

Certification fees are also collected from companies that design septic tanks for wholesale or retail. The fees, which are \$100 per each septic tank design, are billed in January by the Liquid Waste Bureau and due March 1 of every year. The companies must remain certified in order to continue septic tank sales.

Water Quality Management Fund (34100): Created by State Statute 74-6-5.2. The fund was established for the purpose of administering the regulation adopted by the water quality control commission. This fund is reverting.

Emergency Response Fund (40000): Created by State Statute 74-1-16. The fund was created to be used to administer and enforce rules pertaining to public swimming pools, public spas and other public water recreation facilities. Source of funding: Fees. This fund is reverting.

State statute specifies that the Environmental Improvement Board is responsible for the environmental management, consumer protection, and rules promulgation for the sanitation of public swimming pools and public baths. The Swimming Pools program regulates approximately 700 public swimming pools, public spa pools, and public baths throughout the state. The Program is also responsible for the engineering design reviews of all new construction projects and major renovations.

Water Conservation Fund (56700): Created by State Statute 74-1-13. It was established for administration of a public water supply program to (1) test public water supplies, (2) perform vulnerability assessments, (3) implement new requirements of the Utility Operators Certification Act and (4) provide training for all public water supply operators. This fund is non-reverting. Source of funding: Fees through Taxation and Revenue Department.

Each person who operates a public water supply system is required to pay a water conservation fee of three cents (\$.03) per thousand gallons of water produced. The fee is paid to the Taxation and Revenue Department by each person in the manner required by the Department on or before the twenty-fifth of the month following the month in which the water is produced. All water conservation fees collected by the taxation and revenue department, less the administrative fee, are deposited into the Water Conservation Fund.

SPECIAL REVENUE FUNDS – NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED

June 30, 2007

The department utilizes these funds for the administration of the public water supply program that includes:

- Testing public water supplies for the contaminants required to be tested pursuant to the provisions of Section 1412 of the federal Safe Drinking Water Act, as finalized through July 1, 1992, and collecting chemical compliance samples as required by those provisions of the federal act;
- Performing vulnerability assessments which will be used to assess a public water supply's susceptibility to those contaminants; and
- Implementing new requirements of the Utility Operators Certification Act [Chapter 61, Article 33 NMSA 1978] and providing training for all public water supply operators.

Colonias Wastewater Fund (58200): The fund was established in compliance with the Fiscal Year Appropriation Act P.L. 102-389 to provide financial assistance for the purpose of planning, designing and constructing adequate wastewater systems to serve unincorporated colonies consistent with implementation of the Integrated Border Environmental Plan for the U.S./Mexico border in New Mexico.

Public Water Supply System Operator and Public Wastewater Facility Operators Fund (58400): Created by State Statute 74-6A-4. The fund shall be used solely for the purpose of administering and enforcing the Utility Operators Certification Act. Fees collected shall be deposited with the state treasurer in the "public water supply system operator and public wastewater facility operator fund", hereby created. The fund shall be administered by the Department. Money in the fund shall be retained by the Department for use, subject to appropriation by the legislature. Balances in the fund at the end of any fiscal year shall not revert to the general fund, but shall accrue to the credit of the fund. Earnings on the fund shall be credited to the fund. This fund is non-reverting.

Radiation Protection Fund (59200): Created by State Statute 74-3-5.1. The fund was established to carry out provisions of the Radiation Protection Act. This fund is non-reverting. Source of funding: Fees and licenses.

In accordance with the agreement between New Mexico and the U.S. Nuclear Regulatory Commission (NRC), the Radiation Protection Program regulates the possession and use of certain radioactive materials. The Program regulates approximately 200 specific licenses for the possession and use of radioactive materials in medical and industrial areas. The Program also regulates the use of radiation-producing (X-ray) machines at more than 1,800 facilities.

Fees for radioactive material licenses are collected annually and are due on the anniversary date of the original license issue date. The Radiation Bureau issues invoices to each licensee at least 30 days prior to the fee due date. The fee schedule is based on the category of radioactive material licensed (license type). A licensee that has been classified as a small entity may qualify for a reduced annual fee.

Air Quality Fund (63100): Created by State Statute 74-2-15. The fund is to be used for paying the reasonable costs of (1) reviewing and acting upon any application for a permit; (2) permits issued; (3) emissions and ambient monitoring; (4) preparing applicable regulations or guidance; (5) modeling, analysis, and demonstrations; and (6) preparing inventories and tracking emissions. This fund is reverting.

SPECIAL REVENUE FUNDS – NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED

June 30, 2007

Solid Waste Facility Grant Fund (63200): Created by 74-10-2 NMSA 1978. The Solid Waste Facility Grant Fund was administratively established to administer grants to New Mexico counties and municipalities to construct solid waste facilities. This fund is reverting.

Special Appropriation – STB 2004 (65500): Created by Laws of 2006, Chapter 126. This fund was established to utilize a fund already assigned to NMED for the 2006 Capital Projects appropriated by the 2006 Legislature. This fund is reverting. Source of funding: Capital projects and severance tax bonds.

Special Appropriation 2002 (70300): Created by the Laws of 2002, Chapters 110 and 99. This fund was established to account for the sale of various severance tax bonds in order to provide grants and related expenditures for various waste handling projects. This is a reverting fund. Source of funding: General fund appropriation and severance tax bond.

Other Revenue Fund – Solid Waste Permit Fees (78300): Created by State Statute 74-9-1, the Solid Waste Act to administer the Solid Waste Penalty Fees. The Statute established an applicant fee schedule for processing permit applications that is based on costs of application review incurred by the division. This fund is reverting.

Special Appropriation – STB 1998-1 (86700): Created by the Laws of 1998, Chapter 118. This fund was established to design, construct and inspect the Abiquiu Mutual Domestic Water and Sewer Association's wastewater facility in Rio Arriba County. This is a reverting fund.

Special Appropriation – STB 1998-2 (86800): Created by the Laws of 1998, Chapter 7. This fund was established to make improvements to the domestic water system, including the purchase and installation of replacement meters and related equipment, in Truchas in Rio Arriba County. This is a reverting fund.

Emergency Hazardous Fund (95700): Created by State Statute 74-4-8 Emergency Fund. This fund shall be used for cleanup of hazardous substance incidents, disposal of hazardous substance and necessary repairs to, or replacement of state property and may be used for the state's share of any response action taken under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980. This fund is non-reverting.

Radiologic Technology Fund (98700): Created by State Statute 61-14E-10C. The purpose of the fund is to meet necessary expenditures incurred in the enforcement of the Medical Radiation Health and Safety Act. The Act established standards and requirements for the education and training of persons operating medical equipment emitting ionizing radiation. This fund is non-reverting. Source of funding: Fees.

Radiologic Technologists fees are collected upon the receipt of applications for new and certification renewals. The Radiation Bureau collects the fees and certification is renewed biannually. Certification is not approved until adequate documentation of the required continuing education credits and the applicable fee are submitted.

Special Appropriation – STB 2000 (98800): Created by the Laws of 2000, Chapter 23. This fund was established to account for the sale of various severance tax bonds in order to provide grants to New Mexico counties and municipalities for the construction of waste handling facilities. This is a reverting fund.

SPECIAL REVENUE FUNDS – NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED

June 30, 2007

Underground Storage Tank Fund (98900): Created by State Statute 74-4-4.8. The sole purpose of the fund is to meet necessary expenditures in the administration and operation of the underground storage tank program: specifically, to (1) review and act upon applications for the registration of underground storage tanks, (2) review and act upon applications for the certification of tank installers, and (3) implement and enforce any provision of the Hazardous Waste Act applicable to underground storage tanks and tank installers including standards for the installation, operation and maintenance of underground storage tanks and for the certification of tank installers. This fund is non-reverting.

Food Service Sanitation Fund (99100): Created by State Statute 25-1-5.1. The purpose of the fund is to pay the cost of administering regulations promulgated by the Environmental Improvement Board to carry out the provisions of the Food Service Sanitation Act. Source of funding: Fees.

The intent of the Food Program is to protect, promote and enhance public health as it relates to the safety of processing, preparation and service of foods and food products in New Mexico. Regulatory authority comes from The New Mexico Food Act and Flour and Bread Enrichment Act, The New Mexico Food Service Sanitation Act, and the Food Service and Food Processing Regulations. The Program regulates approximately 6,700 permitted facilities each year and includes such facilities as restaurants, food processors, and mobile food units. Staff investigates all complaints associated with food items and investigates the origins of food borne illnesses to find the cause(s), limit the effects, and prevent reoccurrence. The program provides crises management inspection of facilities after a catastrophe occurs such as a fire, flood, power outage, or water outage. Additional responsibilities include educating the public about reducing the major risk factors associated with food borne illnesses and providing education on improving food safety implementation to facilities serving the public. This fund is reverting.

State of New Mexico
Environment Department

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2007

| | 02600 - Tire Recycling Fund | 06600 - Voluntary Remediation Fund | 09200 - Air Quality Title V Fund | 11700 - Special Appropriation 2000 |
|---|--------------------------------|---------------------------------------|-------------------------------------|--|
| ASSETS | | | | |
| Investments, State Treasurer | \$ 1,812,866 | \$ 36,979 | \$ 1,520,029 | \$ 14,901 |
| Taxes receivable, net | - | - | - | - |
| Due from other funds | 43,380 | - | - | - |
| Receivable from federal governments | - | - | - | - |
| Receivable from state and local governments | - | - | - | - |
| Other receivables | - | 1,115 | 278,027 | - |
| Inventories | - | - | - | - |
| Prepaid expenses | - | - | - | - |
| | <u>\$ 1,856,246</u> | <u>\$ 38,094</u> | <u>\$ 1,798,056</u> | <u>\$ 14,901</u> |
| Total assets | | | | |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 189,291 | \$ - | \$ - | \$ - |
| Due to other funds | - | - | 250,656 | - |
| Payable to other governments | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Other accrued expenses | - | - | - | - |
| Due to project recipients | - | - | - | - |
| | <u>189,291</u> | <u>-</u> | <u>250,656</u> | <u>-</u> |
| Total liabilities | | | | |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Statutory requirements | - | - | - | - |
| Special revenue funds | 1,666,955 | 38,094 | 1,547,400 | 14,901 |
| Unreserved (deficit) | - | - | - | - |
| | <u>1,666,955</u> | <u>38,094</u> | <u>1,547,400</u> | <u>14,901</u> |
| Total fund balances | | | | |
| Total liabilities and fund balances | <u>\$ 1,856,246</u> | <u>\$ 38,094</u> | <u>\$ 1,798,056</u> | <u>\$ 14,901</u> |

| 11900 - Special Appropriations 1996 | 12000 - Special Appropriations 2004 | 24800 - Responsible Party Reimb. Fund | 33900 - Hazardous Waste Fund | 34000 - Liquid Waste | 34100 - Water Quality Management Fund |
|---|---|--|------------------------------------|-------------------------|---|
| \$ (171,010) | \$ 613,174 | \$ 662,494 | \$ 507,011 | \$ 391,713 | \$ 590,065 |
| - | - | - | - | - | - |
| - | - | - | 697,609 | 69,827 | 397,839 |
| - | - | - | - | - | - |
| 171,010 | 1,218,752 | - | - | 5,338 | - |
| - | - | - | 368,439 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 1,831,926</u> | <u>\$ 662,494</u> | <u>\$ 1,573,059</u> | <u>\$ 466,878</u> | <u>\$ 987,904</u> |
| \$ - | \$ 56,656 | \$ - | \$ - | \$ - | \$ - |
| - | 15,533 | 419,586 | - | - | - |
| - | - | - | - | - | 40,800 |
| - | - | 253,900 | - | - | - |
| - | - | - | - | - | 243,024 |
| - | 1,218,752 | - | - | - | - |
| - | 1,290,941 | 673,486 | - | - | 283,824 |
| - | - | - | - | - | - |
| - | 540,985 | (10,992) | 1,573,059 | 466,878 | 704,080 |
| - | - | - | - | - | - |
| - | 540,985 | (10,992) | 1,573,059 | 466,878 | 704,080 |
| <u>\$ -</u> | <u>\$ 1,831,926</u> | <u>\$ 662,494</u> | <u>\$ 1,573,059</u> | <u>\$ 466,878</u> | <u>\$ 987,904</u> |

State of New Mexico
Environment Department

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - CONTINUED

June 30, 2007

| | 40000 - Emergency Response Fund | 56700 - Water Conservation Fund | 58200 - Colonias Wastewater Grants Fund | 58400 Operator Certification Fund |
|---|------------------------------------|------------------------------------|---|--------------------------------------|
| ASSETS | | | | |
| Investments, State Treasurer | \$ 275,556 | \$ 1,789,931 | \$ 3,960 | \$ 76,353 |
| Taxes receivable, net | - | - | - | - |
| Due from other funds | - | 18,150 | - | 560 |
| Receivable from federal governments | - | - | - | - |
| Receivable from state and local governments | - | - | - | 47,490 |
| Other receivables | - | - | - | - |
| Inventories | - | - | - | - |
| Prepaid expenses | - | - | - | - |
| | \$ 275,556 | \$ 1,808,081 | \$ 3,960 | \$ 124,403 |
| Total assets | \$ 275,556 | \$ 1,808,081 | \$ 3,960 | \$ 124,403 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | - |
| Payable to other governments | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Other accrued expenses | - | - | - | - |
| Due to project recipients | - | - | - | - |
| | - | - | - | - |
| Total liabilities | - | - | - | - |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Statutory requirements | - | - | - | - |
| Special revenue funds | 275,556 | 1,808,081 | 3,960 | 124,403 |
| Unreserved (deficit) | - | - | - | - |
| | 275,556 | 1,808,081 | 3,960 | 124,403 |
| Total fund balances | 275,556 | 1,808,081 | 3,960 | 124,403 |
| Total liabilities and fund balances | \$ 275,556 | \$ 1,808,081 | \$ 3,960 | \$ 124,403 |

STATEMENT A-1 -- CONTINUED

| 59200 - Radiation Protection Fund | 63100 - Air Quality Fund | 63200 - Solid Waste Facility Grant Fund | 65500 - Special Appropriation | 70300 - Special Appropriations 2002 | 78300 - Other Revenue Fund - Solid Waste Permit Fees |
|--------------------------------------|-----------------------------|--|----------------------------------|--|---|
| \$ 1,029,789 | \$ 2,203,326 | \$ 1,300,848 | \$ 5,987,241 | \$ 20,863 | \$ 86,146 |
| - | - | - | - | - | - |
| 214,673 | - | - | 15,533 | 17,500 | 23,703 |
| - | - | - | - | - | - |
| 58,429 | - | 9,425 | 4,485,657 | 154,568 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 1,302,891</u> | <u>\$ 2,203,326</u> | <u>\$ 1,310,273</u> | <u>\$ 10,488,431</u> | <u>\$ 192,931</u> | <u>\$ 109,849</u> |
| \$ - | \$ - | \$ - | 1,150,364 | \$ 7,107 | \$ - |
| - | 378,508 | - | 17,500 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | (500) | - | - | - | - |
| - | - | - | 4,485,657 | 154,568 | - |
| - | 378,008 | - | 5,653,521 | 161,675 | - |
| - | - | - | - | - | - |
| 1,302,891 | 1,825,318 | 1,310,273 | 4,834,910 | 31,256 | 109,849 |
| - | - | - | - | - | - |
| <u>1,302,891</u> | <u>1,825,318</u> | <u>1,310,273</u> | <u>4,834,910</u> | <u>31,256</u> | <u>109,849</u> |
| <u>\$ 1,302,891</u> | <u>\$ 2,203,326</u> | <u>\$ 1,310,273</u> | <u>\$ 10,488,431</u> | <u>\$ 192,931</u> | <u>\$ 109,849</u> |

State of New Mexico
Environment Department

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - CONTINUED

For the year ended June 30, 2007

| | 86700 - Special Appropriations STB 1998-1 | 86800 - Special Appropriation STB 1998-2 | 95700 - Emergency Hazardous Fund | 98700 - Radiologic Technology Fund |
|---|---|--|-------------------------------------|---------------------------------------|
| ASSETS | | | | |
| Investments, State Treasurer | \$ - | \$ - | \$ 2,418,244 | \$ 205,611 |
| Taxes receivable, net | - | - | - | - |
| Due from other funds | - | - | 61,764 | 33,418 |
| Receivable from federal governments | - | - | - | - |
| Receivable from state and local governments | 50,000 | 47,500 | - | - |
| Other receivables | - | - | - | - |
| Inventories | - | - | - | - |
| Prepaid expenses | - | - | - | - |
| Total assets | \$ 50,000 | \$ 47,500 | \$ 2,480,008 | \$ 239,029 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | - |
| Payable to other governments | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Other accrued expenses | - | - | - | - |
| Due to project recipients | 50,000 | - | - | - |
| Total liabilities | 50,000 | - | - | - |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Statutory requirements | - | - | - | - |
| Special revenue funds | - | 47,500 | 2,480,008 | 239,029 |
| Unreserved (deficit) | - | - | - | - |
| Total fund balances | - | 47,500 | 2,480,008 | 239,029 |
| Total liabilities and fund balances | \$ 50,000 | \$ 47,500 | \$ 2,480,008 | \$ 239,029 |

STATEMENT A-1 – CONTINUED

| 98800 - Special Appropriation STB 2000 | 98900 - Underground Storage Tank Fund | 99100 - Food Service Sanitation Fund | Total Governmental Funds |
|--|---|--|--------------------------------|
| \$ - | \$ 939,777 | \$ 282,937 | \$ 22,598,804 |
| - | - | - | - |
| - | - | 571,045 | 2,165,001 |
| - | - | - | - |
| - | - | - | 6,248,169 |
| - | 2,625 | - | 650,206 |
| - | - | - | - |
| - | - | - | - |
| <u>\$ -</u> | <u>\$ 942,402</u> | <u>\$ 853,982</u> | <u>\$ 31,662,180</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ 1,403,418 |
| - | 281,470 | - | 1,363,253 |
| - | - | - | 40,800 |
| - | - | - | 253,900 |
| - | - | (50) | 242,474 |
| - | - | - | 5,908,977 |
| - | 281,470 | (50) | 9,212,822 |
| - | - | - | - |
| - | 660,932 | 854,032 | 22,449,358 |
| - | - | - | - |
| <u>-</u> | <u>660,932</u> | <u>854,032</u> | <u>22,449,358</u> |
| <u>\$ -</u> | <u>\$ 942,402</u> | <u>\$ 853,982</u> | <u>\$ 31,662,180</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NON-MAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2007

| | 02600 - Tire Recycling Fund | 06600 - Voluntary Remediation Fund | 09200 - Air Quality Title V Fund | 11700 - Special Appropriations 2000 |
|--|--------------------------------|---------------------------------------|-------------------------------------|---|
| REVENUES | | | | |
| Sales and miscellaneous taxes | \$ - | \$ - | \$ - | \$ - |
| Fees and fines | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Bond proceeds appropriation | - | - | - | - |
| Charges for services | 806,233 | 13,952 | 3,516,872 | - |
| Investment earnings | - | - | - | - |
| Miscellaneous | - | - | - | - |
| State appropriations | - | - | - | - |
| Total revenues | 806,233 | 13,952 | 3,516,872 | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Personal services | - | - | - | - |
| Contractual services | - | - | - | - |
| Maintenance and repairs | - | - | - | - |
| Employee benefits | - | - | - | - |
| Supplies and other | - | - | - | - |
| In state travel | - | - | - | - |
| Grants and services | 594,947 | - | - | - |
| Out of State Travel | - | - | - | - |
| Debt Service: | - | - | - | - |
| Principal | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Total expenditures | 594,947 | - | - | - |
| Excess (deficiency) of revenues over expenditures | 211,286 | 13,952 | 3,516,872 | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Other source - bond appropriation | - | - | - | - |
| Other use | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out: | | | | |
| To general operating fund | (218,720) | - | (3,402,856) | - |
| To state general fund | - | - | - | - |
| Total other financing sources and uses | (218,720) | - | (3,402,856) | - |
| Net change in fund balances | (7,434) | 13,952 | 114,016 | - |
| Fund balances - beginning - as restated (see note E5) | 1,674,389 | 24,142 | 1,433,384 | 14,901 |
| Fund balances - ending | \$ 1,666,955 | \$ 38,094 | \$ 1,547,400 | \$ 14,901 |

STATEMENT A-2

| 11900 - Special Appropriations 1996 | 12000 - Special Appropriations 2004 | 24800 - Responsible Party Reimb. Fund | 33900 - Hazardous Waste Fund | 34000 - Liquid Waste | 34100 - Water Quality Management Fund |
|---|---|---|---------------------------------|-------------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 2,929,912 | 672,525 | 422,467 |
| - | - | - | - | 11,836 | - |
| - | - | - | - | - | - |
| - | - | 408,572 | - | - | - |
| - | - | 408,572 | 2,929,912 | 684,361 | 422,467 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 283,931 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 283,931 | - | - | - | - |
| - | (283,931) | 408,572.00 | 2,929,912 | 684,361 | 422,467 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | (419,586) | (2,524,466) | (668,473) | (316,861) |
| - | - | - | - | - | - |
| - | - | (419,586) | (2,524,466) | (668,473) | (316,861) |
| - | (283,931) | (11,014) | 405,446 | 15,888 | 105,606 |
| - | 824,916 | 22 | 1,167,613 | 450,990 | 598,474 |
| \$ - | \$ 540,985 | \$ (10,992) | \$ 1,573,059 | \$ 466,878 | \$ 704,080 |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | 40000 - Emergency Response Fund | 56700 - Water Conservation Fund | 58200 - Colonias Wastewater Grants Fund | 58400 - Operator Certification Fund |
|--|---------------------------------------|------------------------------------|---|--|
| REVENUES | | | | |
| Sales and miscellaneous taxes | \$ - | \$ - | \$ - | \$ - |
| Fees and fines | - | - | - | - |
| Licenses and permits | - | - | - | 43,640 |
| Intergovernmental | - | - | - | - |
| Bond proceeds appropriation | - | - | - | - |
| Charges for services | 104,356 | 2,415,408 | 3,960 | - |
| Investment earnings | - | - | - | 48,469 |
| Miscellaneous | - | - | - | - |
| State appropriations | - | - | - | - |
| Total revenues | 104,356 | 2,415,408 | 3,960 | 92,109 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Personal services | - | - | - | - |
| Contractual services | - | - | - | - |
| Maintenance and repairs | - | - | - | - |
| Employee benefits | - | - | - | - |
| Supplies and other | - | - | - | - |
| In state travel | - | - | - | - |
| Grants and services | - | - | - | - |
| Out of State travel | - | - | - | - |
| Debt Service: | - | - | - | - |
| Principal | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | 104,356 | 2,415,408 | 3,960 | 92,109 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Other source - bond appropriation | - | - | - | - |
| Other use | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out: | | | | |
| To general operating fund | - | (3,001,250) | - | - |
| To state general fund | - | - | - | - |
| Total other financing sources and uses | - | (3,001,250) | - | - |
| Net change in fund balances | 104,356 | (585,842) | 3,960 | 92,109 |
| Fund balances - beginning - as restated (See note E5) | 171,200 | 2,393,923 | - | 32,294 |
| Fund balances - ending | <u>\$ 275,556</u> | <u>\$ 1,808,081</u> | <u>\$ 3,960</u> | <u>\$ 124,403</u> |

STATEMENT A-2 – CONTINUED

| 59200 - Radiation Protection Fund | 63100 - Air Quality Fund | 63200 - Solid Waste Facility Grant Fund | 65500 - Special Appropriation | 70300 - Special Appropriations 2002 | 78300 - Other Revenue - Solid Waste Permit Fees |
|--------------------------------------|-----------------------------|---|----------------------------------|---|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 531,006 | 1,951,335 | 65,805 | - | - | 10,000 |
| 84,312 | - | 81,749 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>615,318</u> | <u>1,951,335</u> | <u>147,554</u> | <u>-</u> | <u>-</u> | <u>10,000</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 341,777 | 2,413,314 | 910,582 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 341,777 | 2,413,314 | 910,582 | - |
| <u>615,318</u> | <u>1,951,335</u> | <u>(194,223)</u> | <u>(2,413,314)</u> | <u>(910,582)</u> | <u>10,000</u> |
| - | - | - | - | 903,475 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (577,783) | (2,123,108) | (150,000) | - | - | (11,797) |
| - | - | - | - | - | - |
| <u>(577,783)</u> | <u>(2,123,108)</u> | <u>(150,000)</u> | <u>-</u> | <u>903,475</u> | <u>(11,797)</u> |
| 37,535 | (171,773) | (344,223) | (2,413,314) | (7,107) | (1,797) |
| <u>1,265,356</u> | <u>1,997,091</u> | <u>1,654,496</u> | <u>7,248,224</u> | <u>38,363</u> | <u>111,646</u> |
| <u>\$ 1,302,891</u> | <u>\$ 1,825,318</u> | <u>\$ 1,310,273</u> | <u>\$ 4,834,910</u> | <u>\$ 31,256</u> | <u>\$ 109,849</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | 86700 - Special Appropriations STB 1998-1 | 86800 - Special Appropriation STB 1998-2 | 95700 - Emergency Hazardous Fund | 98700 - Radiologic Technology Fund |
|--|---|--|--|---------------------------------------|
| REVENUES | | | | |
| Sales and miscellaneous taxes | \$ - | \$ - | \$ - | \$ - |
| Fees and fines | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Bond proceeds appropriation | - | - | - | - |
| Charges for services | - | - | 753,634 | 121,220 |
| Investment earnings | - | - | - | - |
| Miscellaneous | - | - | - | - |
| State appropriations | - | - | - | - |
| Total revenues | <u>-</u> | <u>-</u> | <u>753,634</u> | <u>121,220</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Personal services | - | - | - | - |
| Contractual services | - | - | - | - |
| Maintenance and repairs | - | - | - | - |
| Employee benefits | - | - | - | - |
| Supplies and other | - | - | - | - |
| In state travel | - | - | - | - |
| Grants and services | - | 47,500 | - | - |
| Out of State travel | - | - | - | - |
| Debt Service: | | | | |
| Principal | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Total expenditures | <u>-</u> | <u>47,500</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>(47,500)</u> | <u>753,634</u> | <u>121,220</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Other source - bond appropriation | - | 47,500 | - | - |
| Other use | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out: | | | | |
| To general operating fund | - | - | (161,337) | (69,182) |
| To state general fund | - | - | - | - |
| Total other financing sources and uses | <u>-</u> | <u>47,500</u> | <u>(161,337)</u> | <u>(69,182)</u> |
| Net change in fund balances | - | - | 592,297 | 52,038 |
| Fund balances - beginning - as restated (See note E5) | <u>-</u> | <u>47,500</u> | <u>1,887,711</u> | <u>186,991</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 47,500</u> | <u>\$ 2,480,008</u> | <u>\$ 239,029</u> |

STATEMENT A-2 – CONTINUED

| 98800 - Special Appropriation STB 2000 | 98900 - Underground Storage Tank Fund | 99100 - Food Service Sanitation Fund | Total-Other Governmental Funds |
|--|--|---|--------------------------------------|
| \$ - | \$ - | \$ - | \$ - |
| - | - | - | - |
| - | - | - | 43,640 |
| - | - | - | - |
| - | - | - | - |
| - | 586,569 | 973,455 | 15,878,709 |
| - | - | - | 226,366 |
| - | - | - | - |
| - | - | - | 408,572 |
| <u>-</u> | <u>586,569</u> | <u>973,455</u> | <u>16,557,287</u> |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | 4,592,051 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>4,592,051</u> |
| <u>-</u> | <u>586,569</u> | <u>973,455</u> | <u>11,965,236</u> |
| - | - | - | 950,975 |
| - | - | - | - |
| - | - | - | - |
| - | (392,369) | (509,546) | (14,547,334) |
| - | - | - | - |
| <u>-</u> | <u>(392,369)</u> | <u>(509,546)</u> | <u>(13,596,359)</u> |
| - | 194,200 | 463,909 | (1,631,123) |
| - | 466,732 | 390,123 | 24,080,481 |
| <u>\$ -</u> | <u>\$ 660,932</u> | <u>\$ 854,032</u> | <u>\$ 22,449,358</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2007

| | TIRE RECYCLING FUND - 02600 | | | |
|---|-----------------------------|---------------------|-------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 1,010,100 | 1,010,100 | 806,233 | (203,867) |
| Other | - | - | - | - |
| Total revenues | 1,010,100 | 1,010,100 | 806,233 | (203,867) |
| Budgeted fund balance | 102,000 | 106,900 | 7,434 | (99,466) |
| Total revenues and budgeted fund balance | \$ 1,112,100 | \$ 1,117,000 | \$ 813,667 | \$ (303,333) |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | 850,000 | 850,000 | 594,947 | 255,053 |
| Other financing uses | 262,100 | 267,000 | 218,720 | 48,280 |
| Total expenditures | \$ 1,112,100 | \$ 1,117,000 | \$ 813,667 | \$ 303,333 |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | VOLUNTARY REMEDIATION FUND - 06600 | | | |
|--|------------------------------------|-----------------|------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | 13,952 | 13,952 |
| Other | - | - | - | - |
| Total revenues | - | - | 13,952 | 13,952 |
| Budgeted fund balance | - | - | - | - |
| Total revenues and budgeted fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,952</u> | <u>\$ 13,952</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | - | - | - | - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | AIR QUALITY TITLE V - 09200 | | | |
|--|-----------------------------|---------------------|---------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 3,152,200 | 3,152,200 | 3,516,872 | 364,672 |
| Other | - | - | - | - |
| Total revenues | 3,152,200 | 3,152,200 | 3,516,872 | 364,672 |
| Budgeted fund balance | - | - | - | - |
| Total revenues and budgeted fund balance | <u>\$ 3,152,200</u> | <u>\$ 3,152,200</u> | <u>\$ 3,516,872</u> | <u>\$ 364,672</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 3,152,200 | 3,480,400 | 3,402,856 | 77,544 |
| Total expenditures | <u>\$ 3,152,200</u> | <u>\$ 3,480,400</u> | <u>\$ 3,402,856</u> | <u>\$ 77,544</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | SPECIAL APPROPRIATION 2000 - 11700 | | | |
|--|------------------------------------|-----------------|-----------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | - | - |
| Other | - | - | - | - |
| Total revenues | - | - | - | - |
| Budgeted fund balance | - | - | - | - |
| Total revenues and budgeted fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | - | - | - | - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Note: There was no budget prepared for this fund in fiscal year 2006 and consequently no activity. This fund will be closed out in the subsequent year.

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | SPECIAL APPROPRIATION 1986 - 11900 | | | |
|--|------------------------------------|-----------------|-----------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | - | - |
| Other | - | - | - | - |
| Total revenues | - | - | - | - |
| Budgeted fund balance | - | - | - | - |
| Total revenues and budgeted fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | - | - | - | - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

No formally adopted budget for this fund in FY07.

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | SPECIAL APPROPRIATION 2003 - 12000 | | | Variance Favorable (Unfavorable) |
|--|------------------------------------|-------------------|-------------------|--|
| | Original Budget | Final Budget | Total Actual | |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | - | - |
| Other | 180,000 | 180,000 | - | (180,000) |
| Total revenues | 180,000 | 180,000 | - | (180,000) |
| Budgeted fund balance | - | - | 283,931 | 283,931 |
| Total revenues and budgeted fund balance | <u>\$ 180,000</u> | <u>\$ 180,000</u> | <u>\$ 283,931</u> | <u>\$ 103,931</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | 180,000 | 180,000 | 283,931 | (103,931) |
| Other financing uses | - | - | - | - |
| Total expenditures | <u>\$ 180,000</u> | <u>\$ 180,000</u> | <u>\$ 283,931</u> | <u>\$ (103,931)</u> |

Note: This is a multi year appropriation; revenues were received and recognized in a prior period.

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | RESPONSIBLE PARTY REIMBURSEMENT - 24800 | | | |
|--|---|-------------------|-------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | - | - |
| Other | 300,000 | 300,000 | 408,572 | 108,572 |
| Total revenues | 300,000 | 300,000 | 408,572 | 108,572 |
| Budgeted fund balance | 108,900 | 208,900 | 11,014 | (197,886) |
| Total revenues and budgeted fund balance | <u>\$ 408,900</u> | <u>\$ 508,900</u> | <u>\$ 419,586</u> | <u>\$ (89,314)</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 408,900 | 508,900 | 419,586 | 89,314 |
| Total expenditures | <u>\$ 408,900</u> | <u>\$ 508,900</u> | <u>\$ 419,586</u> | <u>\$ 89,314</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | HAZARDOUS WASTE FUND - 33900 | | | |
|---|------------------------------|---------------------|---------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 2,416,600 | 2,316,600 | 2,929,912 | 613,312 |
| Other | - | - | - | - |
| Total revenues | 2,416,600 | 2,316,600 | 2,929,912 | 613,312 |
| Budgeted fund balance | 1,000,000 | 1,049,500 | - | (1,049,500) |
| Total revenues and budgeted fund balance | \$ 3,416,600 | \$ 3,366,100 | \$ 2,929,912 | \$ (436,188) |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 3,416,600 | 3,366,100 | 2,524,466 | 841,634 |
| Total expenditures | \$ 3,416,600 | \$ 3,366,100 | \$ 2,524,466 | \$ 841,634 |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | LIQUID WASTE FUND - 34000 | | | |
|---|---------------------------|-------------------|-------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 679,500 | 679,500 | 672,525 | (6,975) |
| Other | - | - | 11,836 | 11,836 |
| Total revenues | 679,500 | 679,500 | 684,361 | 4,861 |
| Budgeted fund balance | 58,800 | 246,800 | - | (246,800) |
| Total revenues and budgeted fund balance | \$ 738,300 | \$ 926,300 | \$ 684,361 | \$ (241,939) |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 738,300 | 926,300 | 668,473 | 257,827 |
| Total expenditures | \$ 738,300 | \$ 926,300 | \$ 668,473 | \$ 257,827 |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | WATER QUALITY MANAGEMENT FUND - 34100 | | | |
|--|---------------------------------------|-------------------|-------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 325,000 | 335,000 | 422,467 | 87,467 |
| Other | - | - | - | - |
| Total revenues | 325,000 | 335,000 | 422,467 | 87,467 |
| Budgeted fund balance | 389,700 | 389,700 | - | (389,700) |
| Total revenues and budgeted fund balance | <u>\$ 714,700</u> | <u>\$ 724,700</u> | <u>\$ 422,467</u> | <u>\$ (302,233)</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 714,700 | 724,700 | 316,861 | 407,839 |
| Total expenditures | <u>\$ 714,700</u> | <u>\$ 724,700</u> | <u>\$ 316,861</u> | <u>\$ 407,839</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | EMERGENCY RESPONSE FUND - 40000 | | | |
|--|---------------------------------|------------------|-------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 84,100 | 84,100 | 104,356 | 20,256 |
| Other | - | - | - | - |
| Total revenues | 84,100 | 84,100 | 104,356 | 20,256 |
| Budgeted fund balance | - | - | - | - |
| Total revenues and budgeted fund balance | <u>\$ 84,100</u> | <u>\$ 84,100</u> | <u>\$ 104,356</u> | <u>\$ 20,256</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 84,100 | 84,100 | - | 84,100 |
| Total expenditures | <u>\$ 84,100</u> | <u>\$ 84,100</u> | <u>\$ -</u> | <u>\$ 84,100</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | WATER CONSERVATION FUND - 56700 | | | |
|---|---------------------------------|---------------------|---------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 2,835,000 | 2,835,000 | 2,415,408 | (419,592) |
| Other | - | - | - | - |
| Total revenues | 2,835,000 | 2,835,000 | 2,415,408 | (419,592) |
| Budgeted fund balance | 184,400 | 496,700 | 585,842 | 89,142 |
| Total revenues and budgeted fund balance | \$ 3,019,400 | \$ 3,331,700 | \$ 3,001,250 | \$ (330,450) |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 3,019,400 | 3,331,700 | 3,001,250 | 330,450 |
| Total expenditures | \$ 3,019,400 | \$ 3,331,700 | \$ 3,001,250 | \$ 330,450 |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | COLONIAS WASTEWATER GRANTS PROGRAM - 582 | | | |
|---|--|-----------------|-----------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | 3,960 | 3,960 |
| Other | - | - | - | - |
| Total revenues | - | - | 3,960 | 3,960 |
| Budgeted fund balance | - | - | - | - |
| Total revenues and budgeted fund balance | \$ - | \$ - | \$ 3,960 | \$ 3,960 |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | - | - | - | - |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |

No legally adopted budget for this fund in FY07.

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | OPERATOR CERTIFICATION FUND - 58400 | | | |
|--|-------------------------------------|------------------|------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | 43,640 | 43,640 |
| Other | - | - | 48,469 | 48,469 |
| Total revenues | - | - | 92,109 | 92,109 |
| Budgeted fund balance | 46,700 | 46,700 | - | (46,700) |
| Total revenues and budgeted fund balance | <u>\$ 46,700</u> | <u>\$ 46,700</u> | <u>\$ 92,109</u> | <u>\$ 45,409</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 46,700 | 46,700 | - | 46,700 |
| Total expenditures | <u>\$ 46,700</u> | <u>\$ 46,700</u> | <u>\$ -</u> | <u>\$ 46,700</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | RADIATION PROTECTION - 59200 | | | |
|---|------------------------------|-------------------|-------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 510,000 | 510,000 | 531,005 | 21,005 |
| Other | - | - | 84,312 | 84,312 |
| Total revenues | 510,000 | 510,000 | 615,317 | 105,317 |
| Budgeted fund balance | 79,100 | 88,000 | - | (88,000) |
| Total revenues and budgeted fund balance | \$ 589,100 | \$ 598,000 | \$ 615,317 | \$ 17,317 |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 589,100 | 598,000 | 577,783 | 20,217 |
| Total expenditures | \$ 589,100 | \$ 598,000 | \$ 577,783 | \$ 20,217 |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | AIR QUALITY PERMIT FUND - 63100 | | | |
|---|---------------------------------|---------------------|---------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 1,744,600 | 1,877,300 | 1,951,335 | 74,035 |
| Other | - | - | - | - |
| Total revenues | 1,744,600 | 1,877,300 | 1,951,335 | 74,035 |
| Budgeted fund balance | - | 178,270 | 171,773 | (6,497) |
| Total revenues and budgeted fund balance | \$ 1,744,600 | \$ 2,055,570 | \$ 2,123,108 | \$ 67,538 |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 1,744,600 | 2,055,570 | 2,123,108 | (67,538) |
| Total expenditures | \$ 1,744,600 | \$ 2,055,570 | \$ 2,123,108 | \$ (67,538) |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | <u>SOLID WASTE FACILITY LOAN/GRANT FUND - 63200</u> | | | |
|--|---|-------------------------|-------------------------|---|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Total Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | 65,804 | 65,804 |
| Other | - | - | 81,749 | 81,749 |
| Total revenues | - | - | 147,553 | 147,553 |
| Budgeted fund balance | - | - | 344,224 | 344,224 |
| Total revenues and budgeted fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 491,777</u> | <u>\$ 491,777</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | 341,800 | 341,777 | 23 |
| Other financing uses | - | 150,000 | 150,000 | - |
| Total expenditures | <u>\$ -</u> | <u>\$ 491,800</u> | <u>\$ 491,777</u> | <u>\$ 23</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | SPECIAL APPROPRIATIONS - 65500 | | | Variance Favorable (Unfavorable) |
|--|--------------------------------|----------------------|---------------------|--|
| | Original Budget | Final Budget | Total Actual | |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | - | - |
| Other | - | - | - | - |
| Total revenues | - | - | - | - |
| Budgeted fund balance | 2,413,314 | 19,465,675 | 2,413,314 | (17,052,361) |
| Total revenues and budgeted fund balance | <u>\$ 2,413,314</u> | <u>\$ 19,465,675</u> | <u>\$ 2,413,314</u> | <u>\$ (17,052,361)</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ 19,415,675 | \$ 19,415,675 | \$ 2,402,721 | \$ 17,012,954 |
| Other | 50,000 | 50,000 | 10,593 | 39,407 |
| Other financing uses | - | - | - | - |
| Total expenditures | <u>\$ 19,465,675</u> | <u>\$ 19,465,675</u> | <u>\$ 2,413,314</u> | <u>\$ 17,052,361</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | SPECIAL APPROPRIATIONS 2002 - 70300 | | | |
|---|-------------------------------------|------------------|-------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | - | - |
| Other | - | - | 903,475 | 903,475 |
| Total revenues | - | - | 903,475 | 903,475 |
| Budgeted fund balance | - | - | 7,107 | 7,107 |
| Total revenues and budgeted fund balance | \$ - | \$ - | \$ 910,582 | \$ 910,582 |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | 40,000 | 40,000 | 910,582 | (870,582) |
| Other financing uses | - | - | - | - |
| Total expenditures | \$ 40,000 | \$ 40,000 | \$ 910,582 | \$ (870,582) |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | OTHER REVENUE - 78300 | | | Variance Favorable (Unfavorable) |
|---|-----------------------|------------------|------------------|--|
| | Original Budget | Final Budget | Total Actual | |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 35,500 | 35,500 | 10,000 | (25,500) |
| Other | - | - | - | - |
| Total revenues | 35,500 | 35,500 | 10,000 | (25,500) |
| Budgeted fund balance | - | - | 1,797 | 1,797 |
| Total revenues and budgeted fund balance | \$ 35,500 | \$ 35,500 | \$ 11,797 | \$ (23,703) |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 35,500 | 35,500 | 11,797 | 23,703 |
| Total expenditures | \$ 35,500 | \$ 35,500 | \$ 11,797 | \$ 23,703 |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | SPECIAL APPROPRIATION STB 1998 - 86700 | | | |
|---|--|------------------|-----------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | - | - |
| Other | 50,000 | 50,000 | - | (50,000) |
| Total revenues | 50,000 | 50,000 | - | (50,000) |
| Budgeted fund balance | - | - | - | - |
| Total revenues and budgeted fund balance | \$ 50,000 | \$ 50,000 | \$ - | \$ (50,000) |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | 50,000 | 50,000 | - | 50,000 |
| Other financing uses | - | - | - | - |
| Total expenditures | \$ 50,000 | \$ 50,000 | \$ - | \$ 50,000 |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | SPECIAL APPROPRIATION STB 1998 - 86800 | | | |
|---|--|------------------|------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | - | - |
| Other | - | - | 47,500 | 47,500 |
| Total revenues | - | - | 47,500 | 47,500 |
| Budgeted fund balance | 47,500 | 47,500 | - | (47,500) |
| Total revenues and budgeted fund balance | \$ 47,500 | \$ 47,500 | \$ 47,500 | \$ - |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | 47,500 | 47,500 | 47,500 | - |
| Other financing uses | - | - | - | - |
| Total expenditures | \$ 47,500 | \$ 47,500 | \$ 47,500 | \$ - |

No legally adopted budget for this fund in FY07.

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | HAZARDOUS WASTE EMERGENCY FUND - 95700 | | | |
|--|--|-------------------|-------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | 753,634 | 753,634 |
| Other | - | - | - | - |
| Total revenues | - | - | 753,634 | 753,634 |
| Budgeted fund balance | 223,100 | 223,100 | - | (223,100) |
| Total revenues and budgeted fund balance | <u>\$ 223,100</u> | <u>\$ 223,100</u> | <u>\$ 753,634</u> | <u>\$ 530,534</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 223,100 | 223,100 | 161,337 | 61,763 |
| Total expenditures | <u>\$ 223,100</u> | <u>\$ 223,100</u> | <u>\$ 161,337</u> | <u>\$ 61,763</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | RADIOLOGIC TECHNOLOGY - 98700 | | | |
|--|-------------------------------|-------------------|-------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 100,000 | 100,000 | 121,220 | 21,220 |
| Other | - | - | - | - |
| Total revenues | 100,000 | 100,000 | 121,220 | 21,220 |
| Budgeted fund balance | 2,600 | 2,600 | - | (2,600) |
| Total revenues and budgeted fund balance | <u>\$ 102,600</u> | <u>\$ 102,600</u> | <u>\$ 121,220</u> | <u>\$ 18,620</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 102,600 | 102,600 | 69,182 | 33,418 |
| Total expenditures | <u>\$ 102,600</u> | <u>\$ 102,600</u> | <u>\$ 69,182</u> | <u>\$ 33,418</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | CAPITAL PROJECTS 2000 - 98800 | | | |
|---|-------------------------------|-----------------|-----------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | - | - | - | - |
| Other | - | - | - | - |
| Total revenues | - | - | - | - |
| Budgeted fund balance | - | - | - | - |
| Total revenues and budgeted fund balance | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Reversion expense | - | - | - | - |
| Other financing uses | - | - | - | - |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |

No legally adopted budget for this fund in FY07.

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | UNDERGROUND STORAGE TANK - 98900 | | | |
|--|----------------------------------|-------------------|-------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 110,900 | 218,700 | 586,569 | 367,869 |
| Other | - | - | - | - |
| Total revenues | 110,900 | 218,700 | 586,569 | 367,869 |
| Budgeted fund balance | - | 114,200 | - | (114,200) |
| Total revenues and budgeted fund balance | <u>\$ 110,900</u> | <u>\$ 332,900</u> | <u>\$ 586,569</u> | <u>\$ 253,669</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 110,900 | 332,900 | 392,369 | (59,469) |
| Total expenditures | <u>\$ 110,900</u> | <u>\$ 332,900</u> | <u>\$ 392,369</u> | <u>\$ (59,469)</u> |

State of New Mexico
Environment Department

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BUDGETARY BASIS) – SPECIAL REVENUE FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED**

For the year ended June 30, 2007

| | FOOD SERVICE SANITATION FUND - 99100 | | | |
|---|--------------------------------------|---------------------|-------------------|--|
| | Original Budget | Final Budget | Total Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Federal award programs | \$ - | \$ - | \$ - | \$ - |
| Permits and other fees | 885,000 | 885,000 | 973,455 | 88,455 |
| Other | - | - | - | - |
| Total revenues | 885,000 | 885,000 | 973,455 | 88,455 |
| Budgeted fund balance | 255,200 | 269,900 | - | (269,900) |
| Total revenues and budgeted fund balance | \$ 1,140,200 | \$ 1,154,900 | \$ 973,455 | \$ (181,445) |
| EXPENDITURES | | | | |
| Contractual services | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Other financing uses | 1,140,200 | 1,154,900 | 509,546 | 645,354 |
| Total expenditures | \$ 1,140,200 | \$ 1,154,900 | \$ 509,546 | \$ 645,354 |

OTHER SUPPLEMENTARY INFORMATION

State of New Mexico
Environment Department

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2007

| Federal Grantor/Pass Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Accounts Receivable as of June 30, 2006 | Receipts | Expenditures | Accounts Receivable as of June 30, 2007 |
|--|---------------------------|-------------------------------------|--|------------|--------------|--|
| U.S. Environmental Protection Agency Direct Programs: | | | | | | |
| Air Quality Grant FY 07 | 66.001 | | \$ - | \$ 736,045 | \$ 1,098,379 | \$ 362,334 |
| Voluntary Program for Ozone Reductions | 66.001 | | 15,600 | 17,209 | 8,984 | 7,375 |
| Four Corners Region | 66.001 | | - | 3,375 | 34,443 | 31,068 |
| Radon FY 07 | 66.032 | | - | - | 199,577 | 199,577 |
| Indoor Radon FY06 | 66.032 | | 29,538 | 29,538 | - | - |
| Tools for Schools | 66.034 | | - | 48,362 | 60,000 | 11,638 |
| Air Monitoring-Luna & Dona Ana Counties | 66.034 | | 679 | 20,770 | 20,091 | - |
| PM 2.5 Ambient Air Monitoring Network | 66.034 | | - | 107,350 | 239,190 | 131,840 |
| Ground Water 106 FY 2005-2007 | 66.419 | | 21,841 | 262,122 | 311,367 | 71,086 |
| Surface Water 106 FY 2005-2007 | 66.419 | | 93,607 | 1,335,494 | 1,476,570 | 234,683 |
| Water Supply Supervision FY 07 & FY 08 | 66.432 | | - | 765,109 | 1,034,634 | 269,525 |
| Water Supply Supervision FY05 & 06 | 66.432 | | 66,278 | 66,278 | - | - |
| Water Quality Management -FY05,06 & 07 | 66.454 | | 6,077 | 51,915 | 83,231 | 37,393 |
| Construction Loan, Administration | 66.458 | | 13,358 | 13,358 | - | - |
| Construction Loan, Construction | 66.458 | | - | 6,443,987 | 6,443,987 | - |
| Construction Loan, Administration | 66.458 | | - | 284,416 | 290,919 | 6,503 |
| Construction Loan, Construction | 66.458 | | - | 5,243,500 | 5,243,500 | - |
| Construction Loan, Administration | 66.458 | | - | - | 121,554 | 121,554 |
| Construction Loan, Construction | 66.458 | | - | - | 1,881,701 | 1,881,701 |
| 319 NPS Implementation FY01 | 66.460 | | - | - | - | - |
| 319 NPS FY 05,06,07 | 66.460 | | 6,951 | 83,060 | 226,780 | 150,671 |
| 319 NPS FY 05,06,07 | 66.460 | | 106,233 | 1,673,322 | 2,118,355 | 551,266 |
| 319 NPS FY 00 | 66.460 | | - | 5,354 | 5,354 | - |
| 319 NPS CORE | 66.460 | | - | 601,914 | 891,534 | 289,620 |
| Stewart Meadows Waterfowl Habitat Improvement | 66.460 | | - | 17,527 | 17,527 | - |
| 319 NPS FY 04 | 66.460 | | (11,990) | 864,601 | 719,389 | (157,202) |
| 319 NPS Implementation FY01 | 66.460 | | 11,789 | 11,789 | - | - |
| Galisteo Watershed | 66.461 | | 5,108 | 11,851 | 18,155 | 11,412 |
| Cedro Creek Restoration | 66.461 | | 565 | 61,900 | 61,434 | 99 |
| El Restauro Phase I | 66.461 | | 1,722 | 4,167 | 3,225 | 780 |
| Rio de las Vacas Wetlands | 66.461 | | - | 7,215 | 10,801 | 3,586 |
| Hydrogeomorphic Modeling | 66.461 | | - | 95,577 | 132,144 | 36,567 |
| Biological Criteria Development and Nutrient Monitoring | 66.463 | | 3,604 | 174,321 | 209,570 | 38,853 |
| Nutrient Threshold Development | 66.463 | | - | 90,429 | 115,541 | 25,112 |
| Counter Terrorism Activities For Infrastructure Protection | 66.474 | | 3,472 | 95,637 | 115,780 | 23,615 |
| FY NMED Counter Terrorism | 66.474 | | - | - | 18,900 | 18,900 |
| Set-Aside Funds For Various Cities | 66.606 | | 2,296 | 46,911 | 44,615 | - |
| FY 03 STAG 3% Set-Aside | 66.606 | | 12,615 | 31,583 | 53,077 | 34,109 |
| NPDES Permit Development | 66.606 | | 55 | 55 | - | - |
| Set-Aside Funds For Various Cities | 66.606 | | 6,496 | 50,649 | 80,259 | 36,106 |
| Exchange Network Node | 66.608 | | 16,281 | 29,740 | 31,564 | 18,105 |

State of New Mexico
Environment Department

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2007

| Federal Grantor/Pass Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Accounts Receivable as of June 30, 2006 | Receipts | Expenditures | Accounts Receivable as of June 30, 2007 |
|---|---------------------------|-------------------------------------|--|-------------------|-------------------|--|
| Video Conference Equipment | 66.610 | | - | 10,398 | 10,398 | - |
| Pollution Prevention/Green Zia | 66.708 | | 2,470 | 35,439 | 33,405 | 436 |
| Pollution Prevention/Green Zia | 66.708 | | - | 10,415 | 39,376 | 28,961 |
| Pilot Strategy for CAFO's | 66.709 | | 3,584 | 8,464 | 39,254 | 34,374 |
| Hazardous Waste FY 07 | 66.801 | | - | 562,500 | 1,125,000 | 562,500 |
| Remedial Action at North Railroad Ave. Plume Site | 66.802 | | 160,518 | 1,189,122 | 1,211,773 | 183,169 |
| Multi-Site Superfund Bulk Funding | 66.802 | | 155,221 | 385,776 | 615,402 | 384,847 |
| NM FY 06 and 07 Underground Storage Tank | 66.804 | | 55,972 | 185,000 | 129,028 | - |
| LUST FY 06 & 07 | 66.805 | | 30,746 | 449,588 | 451,202 | 32,360 |
| Multi-site Superfund Bulk Funding | 66.809 | | 78,363 | 78,363 | - | - |
| Brownsfield Cleanup Rev Loan Fund | 66.811 | | 173 | 12,722 | 7,933 | (4,616) |
| State Response Program | 66.817 | | 17,204 | 162,411 | 145,207 | - |
| NM Subtitle C State Response | 66.817 | | - | 301,604 | 462,562 | 160,958 |
| Ensuring Success Border 2012 | 66.931 | | - | 15,137 | 54,437 | 39,300 |
| Rio Puerco Part 2 | 66.436 | | 427 | 40,427 | 46,059 | 6,059 |
| Rio Puerco Watershed | 66.439 | | 1,657 | 251,827 | 261,247 | 11,077 |
| Operator Certification Expense | 66.471 | | 1,265 | 111,238 | 193,181 | 83,208 |
| Assistance for NM FY 04 Earmarks | 66.202 | | - | 6,919 | 26,892 | 19,973 |
| Small System Techn Assistance | 66.468 | | 616,684 | 1,886,057 | 2,971,761 | 1,702,388 |
| Underground Injection Energy and Minerals FY06 | 66.433 | 107000275 | 56,693 | 56,693 | - | - |
| Underground Injection Energy and Minerals FY 07 | 66.433 | 107000275 | - | - | 104,214 | 104,214 |
| Total U. S. Environmental Protection Agency | | | <u>1,593,152</u> | <u>25,146,530</u> | <u>31,350,462</u> | <u>7,797,084</u> |
| BUREAU OF LAND MANAGEMENT | | | | | | |
| BLM-San Juan County | 15:DAM | | <u>150,632</u> | <u>190,350</u> | <u>132,792</u> | <u>93,074</u> |
| Total Bureau of Land Management | | | <u>150,632</u> | <u>190,350</u> | <u>132,792</u> | <u>93,074</u> |
| U.S. Department of Energy Direct Programs: | | | | | | |
| DOE WIPP Oversight | 81:807 | | 333,369 | 1,279,197 | 1,198,081 | 252,253 |
| WIPP Emergency Response | 81.502 | | - | 91,339 | 110,159 | 18,820 |
| WIPP Emergency Response | 81.502 | | <u>153,486</u> | <u>153,486</u> | <u>-</u> | <u>-</u> |
| Total U.S. Department of Energy | | | <u>486,855</u> | <u>1,524,022</u> | <u>1,308,240</u> | <u>271,073</u> |
| U.S. Department of Defense Direct Programs: | | | | | | |
| DOD FY 05 & 06 | 12.113 | | 293,389 | 293,389 | - | - |
| DOD FY 07 & 08 | 12.113 | | <u>-</u> | <u>-</u> | <u>225,280</u> | <u>225,280</u> |
| Total U.S. Department of Defense | | | <u>293,389</u> | <u>293,389</u> | <u>225,280</u> | <u>225,280</u> |

State of New Mexico
Environment Department

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2007

| Federal Grantor/Pass Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Accounts Receivable as of June 30, 2006 | Receipts | Expenditures | Accounts Receivable as of June 30, 2007 |
|---|---------------------------|-------------------------------------|--|---------------|---------------|--|
| U.S. Department of Labor Direct Programs: | | | | | | |
| OSHA Statistics FY 06 | 17.005 | | 2,041 | 13,783 | 11,741 | (1) |
| OSHA Statistics FY 07 | 17.005 | | - | 26,551 | 37,603 | 11,052 |
| OSHA Implementation FY 06 (23G) | 17.500 | | 42,551 | 286,681 | 244,130 | - |
| OSHA Implementation FY 07(23G) | 17.500 | | - | 478,594 | 613,364 | 134,770 |
| OSHA Data Collection FY 06 | 17.504 | | - | 5,732 | 5,732 | - |
| OSHA Data Collection FY 07 | 17.504 | | - | - | - | - |
| OSHA Consultation Program FY06 | 17.504 | | 38,512 | 167,119 | 128,607 | - |
| OSHA Consultation Program FY07 | 17.504 | | - | 254,441 | 369,500 | 115,059 |
| Total U.S. Department of Labor | | | 83,104 | 1,232,901 | 1,410,677 | 260,880 |
| TOTAL FEDERAL | | | \$ 2,607,132 | \$ 28,387,192 | \$ 34,427,451 | \$ 8,647,391 |
| Reconciliation to Financial Statements: | | | | | | |
| General Fund: | | | | | | |
| U.S. Environmental Protection Agency | | | \$ 1,593,152 | \$ 25,146,530 | \$ 31,350,462 | \$ 7,797,084 |
| Other U.S. Agencies | | | 1,013,980 | 3,240,662 | 3,076,989 | 850,307 |
| Total General Fund | | | 2,607,132 | 28,387,192 | 34,427,451 | 8,647,391 |
| TOTAL FEDERAL | | | \$ 2,607,132 | \$ 28,387,192 | \$ 34,427,451 | \$ 8,647,391 |

State of New Mexico
Environment Department

NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2007

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of New Mexico Environment Department and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. There was no non-cash assistance expended during the year.

NOTE B – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the State of New Mexico Environment Department provided federal awards to subrecipients as follows:

| Program Title | Federal CFDA Number | Amount Provided To Subrecipients |
|------------------------------------|------------------------|-------------------------------------|
| Waste Water Revolving Loan Fund | 66.458 | <u>\$ 13,981,001</u> |

NOTE C – RECONCILIATION TO FINANCIAL STATEMENTS

| | Accrued Revenue as of June 30, 2006 | Receipts | Expenditures | Accrued Revenue as of June 30, 2007 |
|---|---|----------------------|----------------------|---|
| General Fund | | | | |
| U.S. Environmental Protection Agency | \$ 1,593,152 | \$ 25,146,530 | \$ 31,350,462 | \$ 7,797,084 |
| Other U.S. Agencies | 1,013,980 | 3,240,662 | 3,076,989 | 850,307 |
| Due from Federal Government | <u>2,607,132</u> | <u>28,387,192</u> | <u>34,427,451</u> | <u>8,647,391</u> |
| Total General Fund | <u>\$ 2,607,132</u> | <u>\$ 28,387,192</u> | <u>\$ 34,427,451</u> | <u>\$ 8,647,391</u> |

State of New Mexico
Environment Department

SUPPLEMENTAL SCHEDULE OF SEVERANCE TAX BONDS

June 30, 2007

| Fund | Chapter | Laws | Term End | Bonds Appropriated | Bonds Sold to Date | Bonds Unsold | Funds (Reverted) or Transferred In | Amount Available |
|-------|------------|------|-------------|-----------------------|-----------------------|-------------------|--|----------------------|
| 86700 | 7 & 118 | 1998 | 2002 | \$ 6,716,400 | \$ 6,716,400 | \$ - | \$ (44,260) | \$ 6,672,140 |
| 86800 | 2 | 1999 | 2003 | 4,954,938 | 4,954,938 | - | (191,471) | 4,763,467 |
| 70300 | 99 & 110 | 2002 | 2005 | 6,079,120 | 6,079,120 | - | (220,121) | 5,858,999 |
| 12000 | 429 | 2003 | 2008 | 6,344,703 | 6,344,703 | - | (187,752) | 6,156,951 |
| 65500 | 126 | 2004 | 2005 | 15,620,738 | 15,620,738 | - | (50,000) | 15,570,738 |
| 11800 | 347 | 2005 | 2006 | 18,148,860 | 18,148,860 | - | (555,000) | 17,593,860 |
| 69400 | 111 | 2006 | 2011 | 14,676,000 | 14,376,000 | 300,000 | 60,000 | 14,436,000 |
| 22100 | 42,334,341 | 2007 | 2011 | 21,992,570 | 21,992,570 | - | - | 21,992,570 |
| | | | | <u>\$ 94,533,329</u> | <u>\$ 94,233,329</u> | <u>\$ 300,000</u> | <u>\$ (1,188,604)</u> | <u>\$ 93,044,725</u> |

| Art in Public Places | Amounts Distributed in Prior Years | Amounts Distributed in Current Year | Total Amounts Distributed | Reversions/ Transfers Reported Current Year | Current Year Proceeds Recognized | Due to Project Recipients |
|----------------------|------------------------------------|-------------------------------------|---------------------------|---|----------------------------------|---------------------------|
| \$ - | \$ 6,622,140 | \$ - | \$ 6,622,140 | \$ - | \$ - | \$ 50,000 |
| - | 4,715,968 | 47,500 | 4,763,468 | - | 47,500 | (1) |
| - | 4,793,849 | 910,582 | 5,704,431 | - | 903,475 | 154,568 |
| - | 4,161,934 | 776,265 | 4,938,199 | - | - | 1,218,752 |
| - | 3,406,465 | 7,678,616 | 11,085,081 | - | - | 4,485,657 |
| 31,000 | 2,467,528 | 5,661,456 | 8,128,984 | - | - | 9,433,876 |
| 3,000 | - | 2,474,354 | 2,474,354 | - | - | 11,958,646 |
| - | - | - | - | - | 21,992,570 | 21,992,570 |
| <u>\$ 34,000</u> | <u>\$ 26,167,884</u> | <u>\$ 17,548,773</u> | <u>\$ 43,716,657</u> | <u>\$ -</u> | <u>\$ 22,943,545</u> | <u>\$ 49,294,068</u> |

State of New Mexico
Environment Department

SUPPLEMENTAL SCHEDULE OF SPECIAL APPROPRIATIONS

June 30, 2007

| Description | Authority | Appropriation Period | SHARE Fund | Total Appropriation |
|---------------------------------|---------------------------|-------------------------|---------------|------------------------|
| GENERAL FUND | | | | |
| Superfund | Ch 4, Sec 5, Laws 2002 | 2002-2004 | 06400 | \$ 2,000,000 |
| Tererro Mines Clean-up | Ch 76, Sec 5, Laws 2003 | 2002-2003 | 06400 | <u>1,000,000</u> |
| | Total General Fund | | | 3,000,000 |
| SPECIAL REVENUE FUNDS | | | | |
| Wastewater Gen. Projects | Ch 23, Sec 39, Laws 2000 | 2000-2005 | 98800 | 777,000 |
| Wastewater Gen. Projects | Ch 110, Laws 2002 | 2000-2005 | 70300 | 162,684 |
| Wastewater Gen. Projects | Ch 4, Sec 7, Laws 2004 | 2002-2007 | 12000 | 923,000 |
| Capital projects appropriations | Ch 429, Laws 2003 | 2003-2008 | 12000 | 1,773,900 |
| Capital projects appropriations | Ch 126, Laws 2004 | 2004-2005 | 65500 | 14,172,000 |
| Capital projects appropriations | Ch 115, Laws 2005 | 2005-2006 | 11800 | 18,148,860 |
| Capital projects appropriations | Ch 111, Sec 45, Laws 2006 | 2006-2011 | 69400 | <u>46,856,633</u> |
| | Total Special Revenue | | | <u>82,814,077</u> |
| | Total - All Funds | | | <u>\$ 85,814,077</u> |

| <u>Prior Year Expenditures</u> | <u>Current Year Expenditures</u> | <u>Prior Year Reversion Amount</u> | <u>Current Year Reversion Amount</u> | <u>Unencumbered Balance</u> |
|--------------------------------|----------------------------------|------------------------------------|--------------------------------------|-----------------------------|
| \$ 308,610 | \$ - | \$ - | \$ - | \$ 1,691,140 |
| 210,958 | - | - | - | 294,396 |
| 519,568 | - | - | - | 1,985,536 |
| 36,580 | - | - | - | - |
| - | 910,582 | - | - | 38,363 |
| 138,424 | 283,931 | - | - | 524,152 |
| 1,028,011 | 719,609 | - | - | 300,764 |
| 3,334,265 | 2,413,314 | - | - | 7,901,402 |
| - | 5,094,669 | - | - | 11,813,361 |
| - | 6,102,956 | - | - | 40,753,677 |
| 4,537,280 | 15,525,061 | - | - | 61,331,719 |
| <u>\$ 5,056,848</u> | <u>\$ 15,525,061</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 63,317,255</u> |

State of New Mexico
Environment Department

SUPPLEMENTAL SCHEDULE OF JOINT POWERS AGREEMENTS

June 30, 2007

| Participants | Responsible Party | Description |
|--|---------------------------|---|
| Bureau of Land Management | Bureau of Land Management | Complete the tasks for the Rio Puerco Stream Corridor Rehabilitation: La Ventana Project. |
| US Geological Survey | NMED | Agreement for a baseline study to be provided by USGS on pollution in Red River. |
| Las Alamos County Development Stormwater Management Plan | NMED | Complete the tasks of the development of a stormwater management plan and implementation of measures in the Pueblo Canyon Watershed. |
| US Forest Service | Carson National Forest | To complete the tasks for the Carson National Forest Stewart Meadows Wetland Waterfowl Habitat Partnership Project. |
| USDI, Bureau of Land Management | NMED | To complete the tasks for the Rio Puerco Project per the work plan and requirements of the Watershed Initiative. |
| Taos Soil & Water Conservation District | NMED | To complete the tasks of the Cutthroat Trout in the Comanche Creek Project, Taos County per the work plan and requirements of the CWA 319. |
| Grant Soil & Water Conservation District | NMED | To complete the tasks by addressing nonpoint source pollution along the Gila River and conduct prescribed burns within the Mangus sub-watershed, Mangus Phase II project. |
| Santa Fe National Forest, Southwestern Region | NMED | To complete the Rio Puerco de Chama Watershed and to reduce specific pollutants identified by NMED as turbidity and stream bottom deposits. |
| US Forest Service | NMED | To improve water quality on the Jemez Watershed, hydrologic unit 13020202 in accordance with the "Respect the Rio-PhaseII" project work plan and requirements of the CWA 319(h) NPS Implementation Program. |
| Attorney General's Office | NMED | For the preparation of anticipated water litigation with the State of Texas. |
| Dept. of Health, SLD | NMED | Assure safe drinking water is available to all New Mexicans. |
| New Mexico Institute of Mining & Technology | NMED | Review/Develop a capacity assessment that is current and appropriate for NM. |

| Term | Total Amount of Project | Amount Applicable to NMED | Amount NMED Contributed During FY 07 | Audit Responsibility | Agency Reporting Revenue & Expense |
|---|-------------------------|---------------------------|--------------------------------------|----------------------|------------------------------------|
| 6/4/03 - 9/30/07 | \$ 545,000 | \$ 545,000 | \$ 59,035 | N/A | NMED |
| 5/7/01 - 6/30/06, or until completion of the investigations. | 2,530,604 | 2,530,604 | 4,206 | N/A | NMED |
| 7/1/04 - 6/30/08 | 148,000 | 148,000 | 15,000 | N/A | NMED |
| 3/2004 - 6/30/07 | 100,000 | 100,000 | 17,527 | N/A | NMED |
| 11/2004 - 9/30/07 | 658,900 | 658,900 | 261,247 | N/A | NMED |
| 8/16/04 - 12/31/08 | 143,510 | 143,510 | 47,914 | N/A | NMED |
| 8/23/04 - 12/30/07 | 547,000 | 547,000 | 69,450 | N/A | NMED |
| 9/28/04 - 6/30/08 | 202,820 | 202,820 | 18,319 | N/A | NMED |
| 8/2005 - 12/31/08 | 481,058 | 481,058 | 246,445 | N/A | NMED |
| 12/30/03 - 90 days after close of FY in which all remaining funds received under this JPA have been expended. | 650,816 | 650,816 | 181,698 | N/A | NMED |
| 8/25/06 - 10/15/10 | 4,330,000 | 4,330,000 | 478,701 | N/A | NMED |
| 06/30/06 - 06/30/08 | 320,000 | 320,000 | 48,521 | N/A | NMED |

State of New Mexico
Environment Department

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

June 30, 2007

| | <u>Balance as of June 30, 2006</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance as of June 30, 2007</u> |
|--------------------|--|------------------|------------------|--|
| ASSETS | | | | |
| Cash on deposit | <u>\$ 158,687</u> | <u>\$ 88,843</u> | <u>\$ -</u> | <u>\$ 247,530</u> |
| Total assets | <u><u>\$ 158,687</u></u> | | | <u><u>\$ 247,530</u></u> |
| LIABILITIES | | | | |
| Due to others | <u>\$ 158,687</u> | <u>\$ 88,843</u> | <u>\$ -</u> | <u>\$ 247,530</u> |
| Total liabilities | <u><u>\$ 158,687</u></u> | | | <u><u>\$ 247,530</u></u> |



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**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. Hector H. Balderas
New Mexico State Auditor
and
State of New Mexico
Environment Department

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and other major special revenue funds and the aggregate remaining fund information of the New Mexico Environment Department (the Department), as of and for the year ended June 30, 2007. We also have audited the financial statements of each of the Department's nonmajor governmental and nonmajor enterprise funds, and respective budgetary comparisons for the nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, and have issued our report thereon dated April 9, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, which can be referenced as findings 06-01 through 06-03 and 07-01 through 07-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However of the significant deficiencies described above, we consider item 07-06 to be a material weakness.

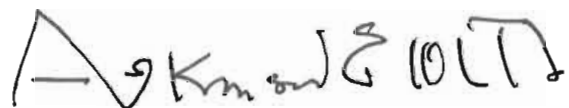
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as finding 06-08 and 07-06.

We noted certain matters that are required to be reported under *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 06-05 through 06-07, 07-04 and 07-05.

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the Department, the audit committee, the Office of the State Auditor, the New Mexico Legislature, the Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than those specified parties.



Atkinson & Co., Ltd.

Albuquerque, New Mexico
April 9, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Hector H. Balderas
New Mexico State Auditor
and
State of New Mexico
Environment Department

Compliance

We have audited the compliance of the State of New Mexico Environment Department (Department) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

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 Department'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. Our audit does not provide a legal determination on the Department's compliance with those requirements.

As described in findings 06-08 and 07-06 in the accompanying schedule of findings and questioned costs, the Department did not comply with the requirements necessary for the Department to comply with the requirements of the programs.

In our opinion, the Department has, except for the noncompliance described in the preceding paragraph, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and accordingly we do not express an opinion on the effectiveness of the Department's internal control over compliance.


Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 06-08 and 07-06 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 07-06 to be a material weakness.

The Department's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Office of the State Auditor, management and federal awarding agencies, Department of Finance and Administration, the New Mexico Legislature, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Atkinson & Co., Ltd.

Albuquerque, New Mexico
April 9, 2008

State of New Mexico
Environment Department

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2007

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Type of report issued on compliance with major programs Qualified

Internal control over financial reporting:

Material weaknesses identified? Yes

Significant deficiencies identified not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Major programs

Significant deficiencies in internal control over major programs? Yes

Material weakness in internal control over major programs? Yes

Type of report issued on compliance for major programs? Qualified

Any audit findings required to be reported under 510(a) of Circular A-133? Yes

The programs tested as major programs include:

| | | |
|------|--------|---|
| CFDA | 66.001 | U.S. EPA Air Pollution Control Program |
| CFDA | 66.419 | Ground/Surface Water |
| CFDA | 66.432 | U.S. EPA New Mexico Public Water Supply Supervision Program |
| CFDA | 66.458 | Clean Water Capital Grants (Construction Loans) |
| CFDA | 66.460 | U.S. EPA 319 NPS Implementation FY 2007, 2006, 2005 |
| CFDA | 66.468 | SEFA - Small System Tech Assist |
| CFDA | 66.801 | U.S. EPA Hazardous Waste Management Program |
| CFDA | 66.802 | Remedial Action/Multi-site Superfund |

The threshold for distinguishing Type A and B programs was \$624,463. The State of New Mexico Environment Department was determined to be a low-risk auditee.

FINANCIAL STATEMENT FINDINGS

- 06-01 Capital Assets (Significant Deficiency)
- 06-02 Accounts Receivable (Significant Deficiency)
- 06-03 Centralization of Records (Significant Deficiency)
- 07-01 Financial Statement Preparation (Significant Deficiency)
- 07-02 Leases (Significant Deficiency)
- 07-03 Investment Accounts not Reconciled to the SHARE System (Significant Deficiency)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC

- 06-05 Procurement Code Compliance
- 06-06 Cellular Phone Policy
- 06-07 Budget Overspending
- 07-04 Per Diem and Travel Reimbursement Compliance
- 07-05 Late Audit Report

FINDINGS IN ACCORDANCE WITH OMB CIRCULAR A-133

- 06-08 Reporting
- 07-06 Schedule of Expenditures Federal Awards (Material Weakness)

STATUS OF PRIOR YEAR FINDINGS

- 06-01 Capital assets - Repeated
- 06-02 Accounts Receivable - Repeated
- 06-03 Centralization of Records - Repeated
- 06-04 Reversions - Resolved
- 06-05 Procurement Code Compliance - Repeated
- 06-06 Cellular Phone Policy - Repeated
- 06-07 Budget Overspending - Repeated
- 06-08 Reporting - Repeated

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINANCIAL STATEMENT FINDING

06-01 Capital Assets (Significant Deficiency) (Repeated)

Condition

Capital asset records were not maintained during the year. They were received on November 26, 2007 by auditors.

Criteria

Capital asset records should be updated as additions are made and as dispositions of assets occur during the year to provide accurate capital asset information in accordance with GAAP.

Cause

Staff did not update the records timely; records were updated subsequent to end of fiscal year during the audit.

Effect

The Department is unable to adequately state the capital asset balance on an interim basis. Monitoring effectiveness over capital assets and transactions is reduced.

Recommendation

The Department should assign a qualified staff member to perform these functions during the year so as to be able to produce timely information regarding capital asset valuation.

Management's Response

The Department will develop and implement internal controls to ensure that Capital Asset records are recorded timely, accurately, and reconciled monthly. In addition, the Department will fill a current vacant position to manage the functions of capital asset and assist the accounts payable functions with related payments.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINANCIAL STATEMENT FINDING

06-02 Accounts Receivable (Significant Deficiency) (Repeated)

Condition

Accounts receivable for Fund 09200 Air Quality Title V and Fund 339 Hazardous Waste were not properly reconciled to the general ledger.

Criteria

Funds that intend to track their receivables independently should reconcile their records with the central accounting department and the SHARE system on a regular and ongoing basis. In accordance with Section 6-5-2 NMSA 1978, state agencies shall comply with the model accounting practices as well as implementing internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters.

Cause

Certain special revenue funds recorded activity on an independently maintained spreadsheet without providing adjustments to the accounting department and without performing regular reconciliations to the general ledger.

Effect

Fund 09200 was overstated by \$106,755
Fund 33900 was understated by \$116,000

Recommendation

Special revenue funds be required to interface their accounts receivable activity with the central accounting system and perform reconciliations on a regular basis to the general ledger.

Managements' Response

The Financial Services and Budget Bureaus will work with the Air Quality Bureau to develop and implement internal controls to ensure that accounts receivable for special revenue funds are recorded timely, accurately, and reconciled monthly.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINANCIAL STATEMENT FINDING

06-03 Centralization of Records (Significant Deficiency) (Repeated)

Condition

Sufficient documentation was not maintained in a central location by the Department for all cell phones, joint powers agreements, capital assets, and leases held by NMED.

Criteria

The accounting and finance department should maintain a centralized system to keep track of accounting related data and assets for all bureaus within the agency that are located at remote facilities or outside the main building to facilitate the accounting for these items.

Cause

An adequate system was not in place to timely provide comprehensive listings of the aforementioned items.

Effect

Auditors had to assist in compiling detailed, comprehensive listings that included all bureaus in order to audit the areas mentioned above. Without having a centralization of records, the Department does not have enough control to ensure that all agreements are properly recorded.

Recommendation

Centralized records or spreadsheets should be maintained in accounting to accurately track all activity and updates to information kept at de-centralized facilities and locations.

Managements' Response

The Department has consolidated its leases (building, vehicles, etc.) and capital assets activities into a single role and will fill that vacant position to manage this role. In addition, the Department has consolidated its cellular phones and joint powers agreement function into its Purchasing Bureau and will implement procedures to ensure compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINANCIAL STATEMENT FINDING

07-01 Financial Statement Preparation (Significant Deficiency)

Condition

Financial statements were not prepared by the Department. The Department's internal control system over financial reporting does not extend to the financial statement preparation function.

Criteria

In accordance with SAS 112, the auditor is responsible to evaluate the Department's internal control over the preparation of financial statements. The Department is not currently capable of producing a complete financial statement, including required footnote disclosures, in accordance with U.S. Generally Accepted Accounting Standards (GAAP).

Cause

The Department does not have on staff an employee who is capable of producing a complete financial statement.

Effect

Auditors were responsible for producing a complete financial statement. The fact that the Department does not currently have the capacity to prepare the financial statements diminishes the adequacy of the internal control structure as there is not adequate qualifications and training among personnel to apply GAAP.

Recommendation

The Department should either send an employee to training to learn how to complete the financial statements or hire an outside firm to produce the statements for them. All necessary internal controls surrounding the preparation of financial statements should be planned for and implemented.

Managements' Response

The Department has staff that understands and is knowledgeable of GAAP, financial statements reports and can prepare financial statements when necessary. Also, the Department will ensure that financial staff are trained and remain knowledgeable about State and Federal government audit requirements and plans to develop and implement internal controls for financial statement preparation in the SHARE system.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINANCIAL STATEMENT FINDING

07-02 Leases (Significant Deficiency)

Condition

Leases for the Department were not fully reconciled to SHARE. The dollar effect of the missing leases was \$47,728.

Criteria

Per 6-5-2 NMSA 1978, the Department is responsible for maintaining a schedule of leases by category and reconciling the schedule to SHARE to ensure that the proper expenditures are being recorded.

Cause

The individual in charge of the leases did not maintain a complete listing of the leases. The individual did not update the lease schedule to include new leases and delete old leases, nor did he update the current lease amount. Furthermore, the fact that the lease listings were not complete had a direct impact on the fact that the lease amounts did not reconcile to SHARE.

Effect

The lease schedule was not properly maintained to include all leases managed by the Department and amounts were not updated monthly to the schedule. The auditors had to help find and update the leases as well as updating the schedule. The auditors also assisted in reconciliation of the lease schedule to SHARE. Without reconciling on a monthly basis, the leases could be improperly recorded which could cause an over/understatement of the expense.

Recommendation

The Department should ensure that the staff responsible for the leases updates and reconciles the lease schedule to ensure that the proper expenditures are being recorded and that they agree with SHARE.

Management's Response

The Department will fill a current vacant position to manage leases and ensure related activities are recorded timely, accurately and reconciled monthly in the SHARE system and internal procedures.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINANCIAL STATEMENT FINDING

07-03 Investment Accounts not Reconciled to the SHARE System (Significant Deficiency)

Condition

The Department did not have an adequate system in place to reconcile the investment account balance per SHARE to their records. Certain short-term investment balances were misclassified and a reliable balance for short-term investments was not available until December 2007. The amounts of the misclassification for Fund 06400 (General Fund) was \$21,417,689, Fund 33900 (Hazardous Waste) was \$8,500, and Fund 99000 (Corrective Action Fund) was \$50,334.

Criteria

In the absence of a conventional reconciliation that was historically provided by DFA, the Department has a responsibility to have kept sufficient independent records and a reconciliation of outstanding items in order to be able to reconcile their investment balances to the SHARE system.

Cause

The SHARE system was a first time installation for FY 2007. The reports provided by the SHARE system did not provide a level of detail that would enable the Department to prepare such a reconciliation. There was not a manual reconciliation process in place. In addition, the lack of timely responses and/or proposed resolution of these matters by the oversight agencies (DFA and STO) contributed to this issue.

Effect

Funds 06400, 33900 and 99000 ending balance per the agency trial balance did not agree with the reports provided by DFA. By not reconciling to SHARE, the Department can not ensure that all the funds are properly recorded.

Recommendation

The Department of Finance and Administration and the Office of the State Treasurer develop a statewide methodology for agencies to be able to reconcile these balances on an interim basis as well as at year end for audit purposes.

Management's Response

Fiscal year 2007 was an irregular year in state government with the implementation of SHARE. Most notably, the Federal Award information was not posted to the Department's accounts until the end of October 2007. In addition, the Department investment account transactions were posted to incorrect funds and were held in suspense, which required additional effort to reconcile those accounts. Also, the Grants Module in SHARE does not function properly. However, the Department intends to work with the State Treasurer's Office and the Department of Finance and Administration to configure the Grant Module and reconcile its investment accounts on a monthly basis.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC

06-05 Procurement Code Compliance (Repeated)

Condition

During testing of a sample of disbursements made by the Department, it was found that 1 out of 40 warrants was not in compliance with State's Model Accounting Practices (MAP), specifically:

- A warrant was paid to a vendor for services rendered prior to approval being granted by the State Purchasing Division for the vendor to perform the required services.

Criteria

In accordance with the State's Model Accounting Practices (MAP) Chapter 4 (4.1), all commitments to purchase goods or services must be documented by a properly completed Purchase Document. In addition, state agencies must use the Purchase Document form, approved by the State Purchasing Division, to order goods or services and to support encumbrances.

Cause

The Department's personnel failed to follow requirements set forth by the State's Model Accounting Practices.

Effect

By not complying with MAP, disbursements made without a proper approval from the State Purchasing Division could be paid for items not required by the Department or for fraudulent purposes.

Recommendation

We recommend that the Department implement steps necessary to ensure Procurement policies and procedures in place are followed by all Personnel.

Managements' Response

The Department will periodically conduct training for financial and contract staff to educate individuals regarding the proper application of purchasing policies and procedures as well as contract management requirements. In April 2008, the Department conducted staff training on Contract Management and Procurements Code compliance and plan to continue this effort.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC

06-06 Cellular Phone Policy (Repeated)

Condition

The Department is not complying with its own Policy "Cellular Telephone Usage". Specifically, after testing a sample of cell phone expenditures, it was found that:

- 2 of 10 cell phone users did not have a signed cell phone policy agreement on file with the Purchasing Bureau.

Criteria

In accordance with "Cellular Telephone Usage" Policy:

- Policy 4.2 states: "Employees assigned use of a state issued cellular telephone after implementation of this policy shall sign a copy of this policy upon assignment of the cellular telephone and return the signed copy to their bureau chief prior to receipt of the cellular telephone. The bureau chief shall retain the original signed copy and provide a duplicate to the Purchasing Bureau."

Cause

The Department's personnel have not been fully complying with its own Cellular Telephone policy.

Effect

By not following its own cell phone policy, the Department could incur expenses that are not related to the Department's mission.

Recommendation

We recommend that the Department implement procedures to comply with "Cellular Telephone Usage" Policy and that it be enforced through periodic monitoring.

Managements' Response

The Department will periodically conduct internal reviews to enforce its Cellular Telephone Usage Policy and other internal controls.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC

06-07 Budget Overspending (Repeated and Modified)

Condition

The Department over expended its budget in the following funds:

| <u>Fund Description</u> | <u>Fund Number</u> | <u>Amount</u> |
|-----------------------------|--------------------|----------------|
| Special Appropriation 2005 | 11800 | \$ (5,094,669) |
| Air Quality Permit Fund | 63100 | (67,538) |
| Special Appropriation 2002 | 70300 | (870,582) * |
| Underground Storage Tank | 98900 | (59,469) |
| Special Appropriations 2003 | 12000 | (103,931) |

The agency indicated they submitted a B.A.R. not properly accepted by SHARE for fund 703(*).

Criteria

Budgetary controls, which included the timely adoption of budget adjustments, should prevent any expenditure in excess of the approved budget. In accordance with the State's Model Accounting Practices Chapter 4 (4.7), state agencies must verify that sufficient budget is available prior to making the commitment.

Cause

The Department exceeded budgeted expenditure amounts for the funds listed above. The Department's budget monitoring function did not identify the overage or need for budget or expenditure adjustments during the year.

Effect

By not complying with their budgets, other budgetary periods or fund balance reserves could be adversely or unexpectedly impacted.

Recommendation

The Department should analyze these overages and its policies and procedures governing the budgetary process and their implementation in order to provide a balanced budget.

Management's Response

The Department submitted Budget Adjustment Request (BAR) to reconcile the over expended budget for these funds. However, the BAR were not approved by the Department of Finance and Administration. In the future, the Department will work closely with Department of Finance and Administration to comply with its approved budget and implement internal controls to prevent over expended its budget. Furthermore, please correct the percentage allotment for the four (4) programs within the Department. The 484 Percent Change to Program Support (P567) from 2006 to 2007 is not correct and the other programs percentages are misleading as well.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC

07-04 Per-Diem and Travel Reimbursement Compliance

Condition

In one out of ten reimbursements tested, an expense item requiring a justification letter and management approval was not supported or approved. The questioned amount totaled \$331.

Criteria

In accordance with DFA Rule 95-1, Section 4 NMAC, all disbursements issued must have proper supporting documentation and be authorized as a per-diem expense to justify the payment or reimbursement.

Cause

A Department employee turned in a reimbursement for non-travel that included a purchase of an electrical connection for \$85. As this is not an authorized reimbursement for non-travel costs under DFA rule 95-1, the Department should not have reimbursed the employee under per-diem. In addition, the employee did not receive a proper justification letter or management approval prior to processing for payment.

Effect

By not reviewing the per-diem and travel reimbursements, the Department could reimburse for expenses that are not directly related to an employee travel.

Recommendation

The Department should ensure that personnel performing account payment functions are aware of the controls that are in place and ensure that the proper approvals are present.

Management's Response

Management has acknowledged this oversight and considers this an isolated incident. The party responsible has been addressed about this matter and will take the necessary corrective action on future transactions.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC

07-05 Late Audit Report

Condition

Financial statements were not submitted to the New Mexico State Auditor's Office on or before December 15, 2007. The audit report was submitted on May 22, 2008.

Criteria

In accordance with 2.2.2. NMAC, State Agencies are required to submit audited financial statements to the New Mexico State Auditor's Office by December 15th of that audited year.

Cause

The Department implemented SHARE along with other State Agencies for the first time. The Department did not receive its final trial balance until December 2007. The auditors did not receive an investment confirmation from the State Treasurer until March 2008. Various accounts were unreconciled including federal fund expenditures due in part to changes in procedures brought about by the SHARE implementation.

Effect

The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit reports could have an effect on state and federal funding.

Recommendation

We recommend the Department take all necessary steps in its control to ensure future audit reports are submitted on time.

Managements' Response

Fiscal year 2007 was an irregular year in state government with the implementation of SHARE. Most notably, the fiscal year was not closed and final information was not available until November 2007, which did not allow adequate time to submit the report to the Office of the State Auditor by December 15, 2007 as required.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINDINGS IN ACCORDANCE WITH OMB CIRCULAR A-133

06-08 Reporting (Repeated)

Condition

The 272 reports for all major programs tested that were due in December 2006 and June 2007 had not been filed as of June 30, 2007. This condition applies to all major programs identified on page 119. They were filed on June 29, 2008.

Criteria

In accordance with OMB Circular 102, federal funding requires periodic and timely filing of the Form 272 "Federal Cash Transaction Reports".

Cause

As the Department was experiencing difficulties with the grant module from SHARE and a manual reconciling system was not in place, the Department did not have the necessary information to produce the reports.

Effect

By not timely filing the required reports, the granting agencies could suspend future grants which could adversely affect the Department.

Recommendation

We recommend that the Department identify and correct the source of the delays in order to meet the filing deadlines.

Managements' Response

Fiscal year 2007 was an irregular year in state government with the implementation of SHARE. Most notably, the Federal Award information was not posted to the Department accounts until the end of October 2007. Also, the Grants Module in SHARE does not function properly. However, the Department intends to work with the State Treasurer's Office and the Department of Finance and Administration to configure the Grant Module and reconcile it to the Schedule of Expenditures of Federal Awards (SEFA) on a monthly basis. In addition, the Department created a Grants Management Office to provide better administration of Federal and State Grants.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2007

FINDINGS IN ACCORDANCE WITH OMB CIRCULAR A-133

07-06 Schedule of Federal Expenditure (SEFA) (Material Weakness)

Condition

The SEFA was not reconciled to SHARE resulting in material adjustments made by the auditors to both the revenue and accounts receivable. There was a tentative and incomplete use of the grant module from SHARE during the year. This comment applies to all major programs indentified on page 119. The adjustment made to revenue was \$17,777,476 and receivables were \$8,940,726.

Criteria

Per 6-5-2 NMSA 1978, the Department is required to reconcile the SEFA to the SHARE system to ensure federal expenditures are properly stated in accordance with OMB Circular A-133, Subpart E, .500(b).

Cause

The Department was keeping the SEFA outside the SHARE system due to the grants module not being available. There was no reconciliation function in place for these two data systems. This caused the incoming funds to be improperly reflected in SHARE. The Department experienced difficulty implementing the grants module in addition to experiencing problems with cash postings at the State Treasurer. The combined effect of these issues resulted in the inability to properly reconcile the SEFA to the SHARE system.

Effect

Funds that should have been requested from the granting agencies could not be properly requested for reimbursement adversely impacting cash flow. In addition, the Department could overspend the grant.

Recommendation

We recommend that the Department use the grants module and periodically reconcile it to the general ledger to ensure that the funds are properly recorded in the SHARE system.

Managements' Response

Fiscal year 2007 was an irregular year in state government with the implementation of SHARE. Most notably, the Federal Award information was not posted to the Department accounts until the end of October 2007. Also, the Grants Module in SHARE does not function properly. However, the Department intends to work with the State Treasurer's Office and the Department of Finance and Administration to configure the Grant Module and reconcile it to the Schedule of Expenditures of Federal Awards (SEFA) on a monthly basis. The Grant Management Office plans to submit all required federal reports for all major programs including Form 272 "Federal Cash Transaction Reports" in compliance with OMB Circular A-133 using preliminary numbers to satisfy federal reporting requirements. Then, the Grant Management Office will submit revised reports with final numbers reconciled with the Actual Ledger SHARE, the Department's book of records. This corrective action is necessary to meet federal reporting requirements and to compensate for the timing issue related when final numbers are available in the SHARE and the report due dates.

State of New Mexico
Environment Department

FINANCIAL STATEMENT PREPARATION

For the year ended June 30, 2007

The accompanying financial statements have been prepared by Atkinson & Co., Ltd. in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The content in this report is the responsibility of the New Mexico Environment Department.

State of New Mexico
Environment Department

EXIT CONFERENCE

For the year ended June 30, 2007

An exit conference was held at the Environment Department on April 9, 2008. The following attended:

| <u>Name</u> | <u>Title</u> |
|---|---------------------------------|
| <u>State of New Mexico Environment Department</u> | |
| Jim Perry | ASD Director |
| Clancy Roberts | CFO |
| Ed Smith | Financial Services Bureau Chief |
| Lori Blea | Senior Accountant |
| Dyanne Salazar | Grants Manager |
| Barbara MacLellan | Budget Bureau Chief |
| | |
| <u>Atkinson & Co., Ltd.</u> | |
| Martin E. Mathisen, CPA | Audit Director |
| Mark Santiago, CPA | Audit Manager |
| Donna Arbogast | Audit Senior |

The head of the agency is required to attend the exit conference. Mr. Ron Curry is the Secretary of the Environment Department. Due to scheduling conflicts, he was unable to attend.

IDENTIFICATION OF AUDIT PRINCIPAL

| | |
|--|--|
| Audit Principal: | <u>Martin E. Mathisen, CPA</u> |
| Name and Address of Independent Accounting Firm: | <u>Atkinson & Co., Ltd.</u> <u>6501 Americas Parkway, NE, Suite 700</u> <u>Albuquerque, New Mexico 87110</u> |
| Audit Period: | <u>Year ended June 30, 2007</u> |
| Telephone Number: | <u>(505) 843-6492</u> |
| Federal Employee ID Number: | <u>85-0211867</u> |

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