



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

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

June 30, 2008

atkinson

PRECISE. PERSONAL. PROACTIVE

State of New Mexico
Environment Department

OFFICIAL ROSTER

June 30, 2008

Name	Title
Ron Curry	Secretary
Jon Goldstein	Deputy Secretary
<hr/> Division Directors <hr/>	
Jim Perry	Director, Program Support
Marcie Leavitt	Director, Water Quality Program
Carlos Romero	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, 2008, 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 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, 2008, 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.

The Department has recorded severance tax bond receivables related to capital projects equal to the full amount of available bond proceeds in accordance with certain transition instructions from the State of New Mexico. A corresponding liability to project recipients recorded in previous years has not been recorded to further effect the transition. The effects of this departure increased net assets in the funds indicated in Note E5 by the approximate amount of beginning net asset restatement. Additionally, Fund 10350 recognized bond proceeds of \$13,348,198 as revenue in the current year which did not affect beginning net assets. Other funds were not affected. Accounting principles generally accepted in the United States of America requires that bond proceeds accounting take into account the impact of eligibility requirements. Under the modified accrual basis of accounting GASB 33 requires that the recognition of revenues and expenditures occur only when the applicable eligibility requirements have been met. For FY 2008, the recognition of the entire amount of available bond proceeds, including new appropriations related to capital projects is premature.

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 its activities 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, 2008, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

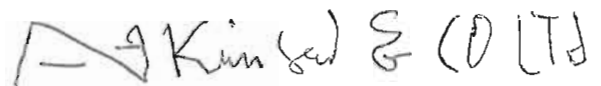
In our opinion, except for the effects of prematurely recognizing available bond proceeds in relation to capital projects as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2008, 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, 2008, and the respective changes in financial position thereof and the respective budgetary comparisons for the nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note E5, the Department partially implemented a new accounting policy for recognizing revenues from the sale of severance tax bonds in 2008. The change was made to conform to GASB 33 which is expected to be fully implemented in FY 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2009 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 6 through 18 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 2-5 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
May 22, 2009

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

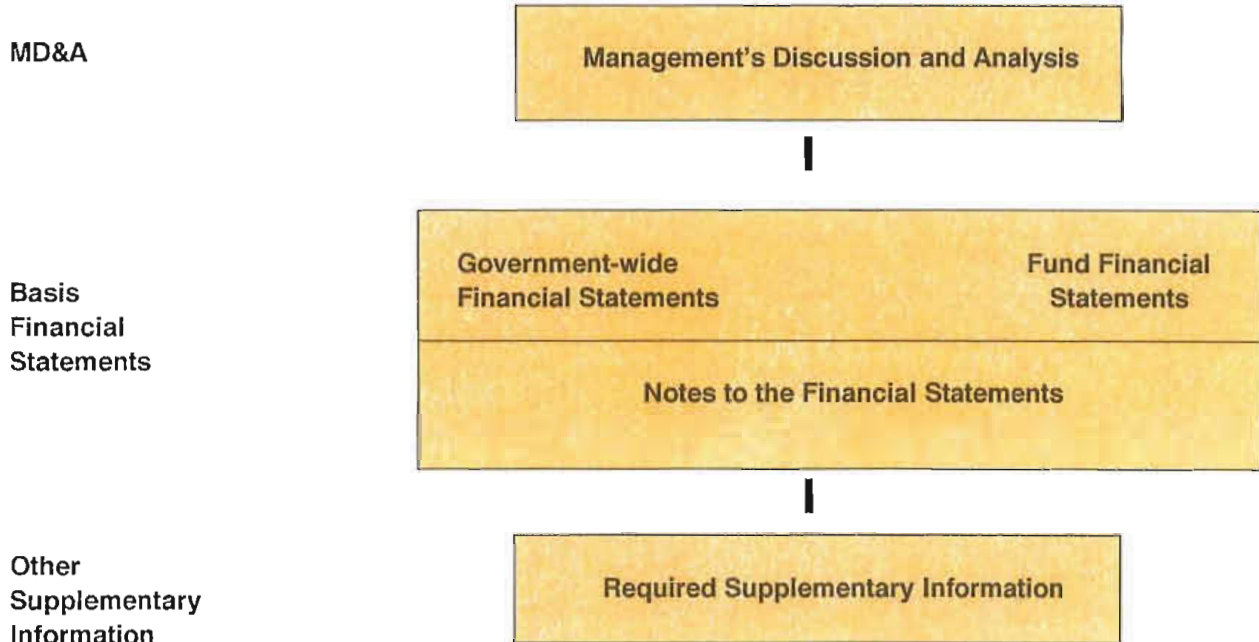
June 30, 2008

EXECUTIVE SUMMARY

The management of the New Mexico Environment Department (the Department) is proud to present this *Management's Discussion and Analysis (MD&A)* of the Department's financial statements. This overview and analysis summarizes the Department financial activities and operations for the state Fiscal Year 2008, which is the period between July 1, 2007–to–June 30, 2008 (**FY08**). In addition, this report is targeted at the public and consumers of financial information including state legislators, citizens, and customers as well as federal entities with a synopsis of the Department financial highlights and accountability. Therefore, we encourage readers to consider this information in conjunction with the financial statements.

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 in addition to the basic financial statements themselves.



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

June 30, 2008

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 four funds as major funds: The General Fund, Hazardous Waste Fund, Ground Water Corrective Action Fund, and the Special Appropriation STB2000 Fund. Funds 06400, 22100, 69400, and 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, 2008

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.

HIGHLIGHTS

Statewide Highlights

Fiscal Year 2008 represents the second year of the implementation of the **Statewide Human Resources, Accounting, and Management RE**porting (SHARE) system that consolidated the financial and accounting systems of all New Mexico state government agencies. The SHARE system transferred financial controls from agencies to the oversight agencies such as the Department of Finance and Administration, State Treasurer's Office and State Investment Council. In order to comply with the financial and accounting functions of the SHARE system, the Department modified its business processes accordingly.

During FY08, the Department greatly improved the 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.

Department Highlights

Our mission is to provide the highest quality of life throughout the state by promoting a safe, clean, and productive environment. We are committed to providing clear articulation of our goals, standards, and expectations in a professional manner so that the citizens of New Mexico can make informed decisions about the environment and their community.

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

June 30, 2008

This scope of the Department's mission is reflected in the Governor's Fiscal Year 2009 Executive Budget Recommendation, which makes the following declaration:

"The New Mexico Environment Department (NMED) 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".

During FY08, the Governor issued Executive Order 2007 – 050 titled "Water Cabinet". This executive order created a new division within the Department entitled the Water and Wastewater Infrastructure Development Division comprised of the Drinking Water Bureau from the Environmental Health Division and the Construction Program Bureau from the Administrative Services Division. The new division increased the Department key budgetary programs to five including the Environmental Health, Water Quality, Environmental Protection, and Program Support during the fiscal year. Following is a summary of the five budgetary programs' purposes within the Department:

Program Support Program (P567):

This program is comprised of the Office of the Secretary, Office of the General Counsel, Office of the Chief Information Officer, and the Budget, Financial Services, Human Resources, and Purchasing/Contracts Bureaus.

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.

Water Quality Program (P568):

This program is comprised of the Hazardous Waste, Groundwater Quality, Surface Water Quality, and DOE Oversight Bureaus.

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.

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

June 30, 2008

Environmental Health Program (P569):

This program is comprised of the Radiation Control, Environmental Health Bureaus and five statewide District Offices.

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.

Environmental Protection Program (P570):

This program is comprised of the Solid Waste, Air Quality, Occupational Health and Safety, and Petroleum Storage Tank Bureaus.

The Environmental Protection Program monitors, regulates and remediates harmful impacts to the state's soil, ground water, and air. The Program includes the Petroleum Storage Tank Bureau to detect, prevent, and mitigate the release of petroleum products. The Solid Waste Management Bureau ensures solid waste is handled and disposed of without harming natural resources. The Occupational Safety and Health Administration Bureau inspect for workplace safety and healthy working conditions for New Mexico's workers.

Water and Wastewater Infrastructure Development Program (P774)

This program is comprised of the Construction Program and Drinking Water Bureaus. While this program was created by executive order in FY08 and the Department took immediate steps to comply, it did not receive legislative approval and funding until FY09.

The purpose of the Water and Wastewater Infrastructure Development Program is to provide leadership for an interagency effort to develop a water and wastewater infrastructure evaluation plan, a uniform application implementation plan, and recommendations for efficient and effective use of water and wastewater loan funds; and to ensure compliance with the Safe Drinking Water Act.

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.

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

June 30, 2008

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 2008. 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.

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.

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

June 30, 2008

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 FY08, the Petroleum Storage Tank Bureau oversaw a total of \$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.

Financial Highlights

During FY08, the Department financial portfolio included thirty-five (35) funds, which is comprised of Business, Governmental, Proprietary, and Fiduciary funds. Within the financial portfolio the Department listed the following four major funds: the General Fund (06400), Corrective Action Fund (99000), and two Special Appropriation Funds (69400 and 22100). This portfolio is the basis for the funding the Department's operations.

In FY08, the Department recorded total net assets of \$427,537,797, which represents an increase of \$51,933,845 or 13.8% over FY07. The Department's governmental net assets decreased by \$3,638,383 along with its business-type net assets, which increased by \$16,256,639 from FY07. All net assets of the Department are restricted. The business-type activities operating revenues for FY08 was \$7,453,323 and the non operating income was \$8,803,315. Likewise, the total cost of all Department programs increased by approximately \$3,122,470 or 2.8% over the previous fiscal year, growing from \$110,832,661 to \$113,955,131 during FY08.

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

June 30, 2008

Analysis of Individual Nonmajor Funds

The Water Quality Management Fund (34100), Emergency Response Fund (40000), Radiation Protection Fund (59200), and the Radiologic Technology Fund (98700) reflected minimal change in fund balance. Transactions for the year reflected normal operating conditions with little variation between revenue and expenditures.

The Department experienced a moderate to significant increase in fund balance in the: Tire Recycling Fund (02600), Voluntary Remediation Fund (06600), Hazardous Waste Fund (33900), Public Water Supply System Operator and Public Wastewater Facility Operations Fund (58400), and the Emergency Hazardous Fund (95700) due to the Department's 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 Responsible Party Reimbursement Fund (24800), Liquid Waste (34000), Water Conservation Fund (56700), Air Quality Fund (63100), Solid Waste Facility Grant Fund (63200), Solid Waste Permit Fees (78300), Underground Storage Tank Fund (98900), Corrective Action Fund (99000), and Food Service Sanitation Fund (99100) 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 expenditures over fees collected.

Major Fund Analysis

Fund 22100 (Appropriations 2006) from federal grants and special appropriations has total assets of \$61,268,084 which is a decrease of \$10,475,981 from the FY07 appropriation. There is a balance of \$43,556,431 in the State General Fund Investment Pool and \$17,711,653 in receivables.

Fund 69400 (Appropriations 2006) implemented appropriation projects by granting \$14,050,548 to project recipients.

Fund 99600 (Corrective Action Fund) received customary levels of gasoline tax and transferred \$7,346,111 to the General Fund.

Fund 06400 (General Fund) fund balance of \$696,198 reflects remaining restricted funds for prior year appropriations. Prior year fund balance restricted for severance tax bond projects was disbursed.

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, 2008. Net assets for Governmental Activities and Business-type Activities were \$171,641,217 and \$255,896,580, respectively. Total Department net assets for fiscal year 2008 are \$427,537,797. Almost all net assets of the Department are restricted.

State of New Mexico
Environment Department

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

June 30, 2008

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current assets	\$ 183,092,817	\$ 200,087,637	\$ 106,416,692	\$ 128,108,588	\$ 289,509,509	\$ 328,196,225
Capital and non-current assets	1,447,193	1,728,556	149,995,243	111,092,150	151,442,436	112,820,706
Total Assets	184,540,010	201,816,193	256,411,935	239,200,738	440,951,945	441,016,931
Current liabilities	12,614,199	65,119,290	515,355	-	13,129,554	65,119,290
Non-current liabilities	284,594	293,689	-	-	284,594	293,689
Total Liabilities	12,898,793	65,412,979	515,355	-	13,414,148	65,412,979
Net Assets						
Invested in capital assets	1,447,193	1,728,556	-	-	1,447,193	1,728,556
Restricted	170,820,910	134,674,658	255,896,580	239,200,738	426,717,490	373,875,396
Unrestricted	(626,886)	-	-	-	(626,886)	-
Total Net Assets	\$ 171,641,217	\$ 136,403,214	\$ 255,896,580	\$ 239,200,738	\$ 427,537,797	\$ 375,603,952

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.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 37,593,626	\$ 17,096,180	\$ 7,958,188	\$ 6,690,795	\$ 45,551,814	\$ 23,786,975
Operating grants and contributions	19,729,835	94,689,148	8,803,315	16,595,360	28,533,150	111,284,508
Total Revenues	57,323,461	111,785,328	16,761,503	23,286,155	74,084,964	135,071,483
Expenses						
Total governmental	113,955,131	110,832,661	504,865	428,921	114,459,996	111,261,582
Total Department	(56,631,670)	952,667	16,256,638	22,857,234	(40,375,032)	23,809,901
General Revenues						
Transfers, net	(1,184,892)	(675,000)	-	-	(1,184,892)	(675,000)
Bond proceeds / appropriations	54,058,466	37,423,646	-	-	54,058,466	37,423,646
Investment earnings	119,713	226,366	-	-	119,713	226,366
Changes in Net Assets	(3,638,383)	37,927,679	16,256,638	22,857,234	12,618,255	60,784,913
Beginning Net Assets, as restated	175,279,600	98,475,535	239,639,942	216,343,504	414,919,542	314,819,039
Ending Net Assets	\$ 171,641,217	\$ 136,403,214	\$ 255,896,580	\$ 239,200,738	\$ 427,537,797	\$ 375,603,952

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

June 30, 2008

Functional Expenses for Fiscal Year 2007

The Department's total expenditures for government-type activities during the fiscal year were \$113,955,131. The largest category of the expenditures is in the area of the Personal Services and Employee Benefits Category. The second highest area of expenditures within the Department is in the category of Contractual Costs. The smallest category of expenditures within the Department is in the All Other Costs noted in table A-3 below.

Table A-3
Department's Cost of Governmental Activities

	Total Cost of Services	
	2008	2007
Governmental Activities		
Program support	\$ 9,363,190	\$ 8,759,611
Water quality	57,106,680	56,824,154
Environmental program	16,664,173	15,656,885
Protected Environmental Health	30,821,088	29,592,011
	<u>\$ 113,955,131</u>	<u>\$ 110,832,661</u>

All categories of costs increased in the aggregate by 2.8% to reflect normal compensation increases.

Business-Type Activities

Revenues of the Department's business-type activities were \$7,958,188 and operating income was \$7,453,323. Operating revenues were from interest on loans and investment revenue for the Clean Water Revolving Fund. From the Rural Infrastructure Loan Fund, \$1,285,668 of the total business-type activity revenue was generated by interest on loans and investment income. The increase in revenues given the past few years is mainly due to increases in appropriations for capital projects for water, wastewater, and solid waste facilities and increases in loans dispersed.

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.

Fund Balance

As the Department completed fiscal year 2008, its governmental funds reported a combined fund balance of \$172,447,679. Within the Governmental Funds, four funds are classified as major funds. Those funds are the General Operating Fund (Fund 06400), the Appropriations 2006 (Fund 22100), the Special Appropriation 2006 (Fund 69400), and the Ground Water Corrective Action Fund (Fund 99000).

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

June 30, 2008

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 2007. The following types of budget adjustments were processed in FY08:

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 2008, the Department's net capital assets were \$1,447,193. This amount represents a net decrease (including additions, deletions, and depreciation) of \$281,363 (16.2%) over last fiscal year. The major increase in capital assets during the fiscal year was automotive of \$210,256. The depreciation expense for the year ended June 30, 2008 was \$607,799.

Long-Term Debt

The Department's long-term debt at the end of fiscal year 2008 was \$284,594 for compensated absence due in more than one year. The decrease, \$9,095, was a 3% decrease from the previous year. Information about the Department's long-term debt is presented in notes to the financial statements.

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

June 30, 2008

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, 2008

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 FY08. 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, 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 5469
1190 St. Francis Drive
Santa Fe, NM 87102

State of New Mexico
Environment Department

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Interest in Investments, State Treasurer	\$ 132,508,907	\$ 92,984,317	\$ 225,493,224
Receivable from State and other agencies	47,419,874	7,828,417	55,248,291
Receivable from Federal governmental agencies	2,860,209	-	2,860,209
Other receivables	294,699	3,250,672	3,545,371
Due from government funds	-	2,353,285	2,353,285
Other assets	9,128	-	9,128
Non-current assets			
Receivables, net	-	149,995,243	149,995,243
Capital assets			
Data processing equipment	6,504,947	-	6,504,947
Machinery and equipment	3,621,812	-	3,621,812
Automotive	605,307	-	605,307
Other capital assets	160,432	-	160,432
Furniture and fixtures	67,953	-	67,953
Buildings and structures	32,209	-	32,209
Less: accumulated depreciation	(9,545,467)	-	(9,545,467)
Total capital assets	<u>1,447,193</u>	<u>-</u>	<u>1,447,193</u>
Total assets	<u>\$ 184,540,010</u>	<u>\$ 256,411,934</u>	<u>\$ 440,951,944</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 7,376,475	\$ 515,354	\$ 7,891,829
Due to other governmental agencies	915,378	-	915,378
Due to enterprise funds	2,353,285	-	2,353,285
Current liabilities			
Due within one year			
Compensated absences	1,969,061	-	1,969,061
Long term liabilities			
Due in more than one year			
Compensated absences	284,594	-	284,594
Total liabilities	<u>\$ 12,898,793</u>	<u>\$ 515,354</u>	<u>\$ 13,414,147</u>
NET ASSETS			
Invested in capital assets	\$ 1,447,193	\$ -	\$ 1,447,193
Restricted for:			
Special revenue funds	112,931,294	-	112,931,294
Statutory requirements	1,000,000	-	1,000,000
Loans for capital projects	56,889,616	255,896,580	312,786,196
Unrestricted	(626,886)	-	(626,886)
Total net assets	<u>\$ 171,641,217</u>	<u>\$ 255,896,580</u>	<u>\$ 427,537,797</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, 2008

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities				
Program Support (P-567)	\$ 9,363,190	\$ 19,975,119	\$ 19,695,402	\$ -
Water Quality (P-568)	57,106,680	3,497,206	34,433	-
Environmental Health (P-569)	16,664,173	2,542,596	-	-
Environmental Protection Program (P-570)	30,821,088	11,578,705	-	-
Total governmental activities	113,955,131	37,593,626	19,729,835	-
Business-type activities				
12100/32700 - Clean Water State Revolving Fund (P-774)	228,333	6,672,520	8,803,315	-
33700 - Rural Infrastructure Revolving Fund	276,532	1,285,668	-	-
Total business-type activities	504,865	7,958,188	8,803,315	-
Total primary government	\$ 114,459,996	\$ 45,551,814	\$ 28,533,150	\$ -

General revenues:

Unrestricted investment earnings
 Governmental funds
 Inter agency transfers
 In
 From other agencies
 Bond proceeds appropriations
 General appropriations
 Out
 To other agencies
 Reversions to State General Fund
 Intra agency transfers
 In
 Out

Total general revenues, special items, and transfers

Change in net assets

Net assets - beginning of year as previously reported

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
\$ 30,307,331	\$ -	\$ 30,307,331
(53,575,041)	-	(53,575,041)
(14,121,577)	-	(14,121,577)
(19,242,383)	-	(19,242,383)
(56,631,670)	-	(56,631,670)
-	15,247,502	15,247,502
-	1,009,137	1,009,137
-	16,256,639	16,256,639
(56,631,670)	16,256,639	(40,375,031)
119,713	-	119,713
1,689,000	-	1,689,000
25,951,066	-	25,951,066
26,418,400	-	26,418,400
(1,012,443)	-	(1,012,443)
(172,449)	-	(172,449)
-	-	-
24,351,893	-	24,351,893
(24,351,893)	-	(24,351,893)
52,993,287	-	52,993,287
(3,638,383)	16,256,639	12,618,256
136,403,214	239,200,738	375,603,952
38,876,386	439,203	39,315,589
175,279,600	239,639,941	414,919,541
\$ 171,641,217	\$ 255,896,580	\$ 427,537,797

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

State of New Mexico
Environment Department

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2008

	<u>06400 - General Fund</u>	<u>22100 - Appropriation 2006</u>	<u>69400 - Special Appropriations 2006</u>
ASSETS			
Interest in investments, State Treasurer	\$ 7,603,940	43,556,431	\$ 31,194,097
Due from other funds	2,439,784	-	-
Receivable from Federal governments	2,860,209	-	-
Receivable from State and other agencies	(1,360)	17,711,653	7,115,870
Other receivables	64,068	-	-
Inventories	-	-	-
Prepaid expenses	9,128	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 12,975,769</u>	<u>\$ 61,268,084</u>	<u>\$ 38,309,967</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,767,229	15,013	\$ 38,169
Due to other funds	7,160,010	-	-
Payable to other governments	373,554	-	-
Payable to State General Fund	-	-	-
Other accrued expenses	1,595,387	-	-
Other payables	633,047	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	12,529,227	15,013	38,169
Fund balances:			
Reserved for:			
Statutory requirements	-	-	-
Subsequent year disbursements (STB)	-	43,541,418	-
Special revenue funds	696,198	17,711,653	38,271,798
Unreserved	(249,656)	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	446,542	61,253,071	38,271,798
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 12,975,769</u>	<u>\$ 61,268,084</u>	<u>\$ 38,309,967</u>

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

99000 - Corrective Action Fund	Other Governmental Funds	Total Governmental Funds
\$ 14,119,770	\$ 36,034,669	\$ 132,508,907
2,416,518	2,390,208	7,246,510
-	-	2,860,209
-	22,593,711	47,419,874
-	230,631	294,699
-	-	-
-	-	9,128
<u>\$ 16,536,288</u>	<u>\$ 61,249,219</u>	<u>\$ 190,339,327</u>
\$ 1,619,477	\$ 708,153	\$ 5,148,041
-	2,439,785	9,599,795
-	541,824	915,378
-	-	-
-	-	1,595,387
-	-	633,047
1,619,477	3,689,762	17,891,648
1,000,000	-	1,000,000
-	13,348,198	56,889,616
13,916,811	44,588,489	115,184,949
-	(377,230)	(626,886)
<u>14,916,811</u>	<u>57,559,457</u>	<u>172,447,679</u>
<u>\$ 16,536,288</u>	<u>\$ 61,249,219</u>	<u>\$ 190,339,327</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, 2008

Total fund balance, governmental funds	\$	172,447,679
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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.		1,447,193
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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.		<u>(2,253,654)</u>
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Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>171,641,218</u></u>
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State of New Mexico
Environment Department

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

For the year ended June 30, 2008

	06400 - General Fund	22100 - Appropriation 2006	69400 - Special Appropriations 2006
REVENUES			
Sales and miscellaneous taxes	\$ -	\$ -	\$ -
Federal grant revenue	19,540,434	-	-
Licenses and permits	-	-	-
Charges for services	157,908	-	-
Investment earnings	-	-	-
Miscellaneous	154,968	-	-
Total revenues	19,853,310	-	-
EXPENDITURES			
Current:			
Personal services	32,957,535	-	-
Contractual services	10,023,453	-	-
Maintenance and repairs	511,857	-	-
Employee benefits	12,459,879	-	-
Supplies and other	7,079,555	-	-
In state travel	390,615	-	-
Grants and services-other	-	-	-
Grants and services-STB's	22	4,280,917	5,042,776
Grants and services-GF App	-	6,886,634	9,007,772
Miscellaneous	288,845	-	-
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital Outlay:	375,582	-	-
Total expenditures	64,087,343	11,167,551	14,050,548
Excess (deficiency) of revenues over expenditures	(44,234,033)	(11,167,551)	(14,050,548)
OTHER FINANCING SOURCES (USES)			
Other source - State general fund appropriation	18,255,400	-	-
Other source - STB bond appropriation	-	-	5,758,932
Transfers in:			
From special revenue funds	24,351,893	-	-
From other agencies	-	1,689,000	-
Transfers out:			
To general operating fund	(861,136)	-	-
Other governments	-	(1,012,443)	-
To state general fund-reversions FY08	-	-	-
Total other financing sources and uses	41,746,157	676,557	5,758,932
Net change in fund balances	(2,487,876)	(10,490,994)	(8,291,616)
Fund balances - beginning - as restated (See note E5)	2,934,418	71,744,065	46,563,414
Fund balances - ending	<u>\$ 446,542</u>	<u>\$ 61,253,071</u>	<u>\$ 38,271,798</u>

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

99000 - Corrective Action Fund	Other Governmental Funds	Total Governmental Funds
\$ 19,460,207	\$ -	\$ 19,460,207
-	-	19,540,434
-	-	-
-	17,975,510	18,133,418
-	119,713	119,713
-	34,433	189,401
<u>19,460,207</u>	<u>18,129,656</u>	<u>57,443,173</u>
-	-	32,957,535
2,978,741	-	13,002,194
-	-	511,857
-	-	12,459,879
-	-	7,079,555
-	-	390,615
10,700,681	9,132,833	19,833,514
-	1,394,256	10,717,971
-	-	15,894,406
-	62,702	351,547
-	-	-
-	-	-
-	-	375,582
<u>13,679,422</u>	<u>10,589,791</u>	<u>113,574,655</u>
<u>5,780,785</u>	<u>7,539,865</u>	<u>(56,131,482)</u>
-	8,163,000	26,418,400
-	20,192,134	25,951,066
-	-	24,351,893
-	-	1,689,000
(7,346,111)	(16,144,646)	(24,351,893)
-	-	(1,012,443)
-	(172,449)	(172,449)
<u>(7,346,111)</u>	<u>12,038,039</u>	<u>52,873,574</u>
(1,565,326)	19,577,904	(3,257,908)
<u>16,482,137</u>	<u>37,981,553</u>	<u>175,705,587</u>
<u>\$ 14,916,811</u>	<u>\$ 57,559,457</u>	<u>\$ 172,447,679</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, 2008

Net change in fund balances - total governmental funds: \$ (3,257,908)

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	375,582
Depreciation	(607,799)

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.

(148,259)

Rounding

1

Change in net assets of governmental activities

\$ (3,638,383)

State of New Mexico
Environment Department

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

Year ended June 30, 2008

	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
Revenues:				
State appropriation	\$ 18,255,400	\$ 18,255,400	\$ 18,255,400	\$ -
Federal award programs	21,257,300	21,257,300	19,540,434	(1,716,866)
Permits and other fees	-	-	157,908	157,908
Other	26,685,400	26,685,400	154,968	(26,530,432)
Total revenues	66,198,100	66,198,100	38,108,710	(28,089,390)
Other financing sources	-	-	24,351,893	24,351,893
Budgeted fund balance	-	181,100	-	(181,100)
Total revenues and budgeted fund balance	\$ 66,198,100	\$ 66,379,200	\$ 62,460,603	\$ (3,918,597)
P-567 Program Support				
Expenditures:				
Personal services and employee benefits	\$ 8,157,200	\$ 8,257,200	\$ 7,685,179	\$ 572,021
Contractual services	612,700	612,700	587,314	25,386
Other	1,370,600	1,270,600	1,090,697	179,903
Total expenditures	10,140,500	10,140,500	9,363,190	777,310
P-568 Water Quality				
Expenditures:				
Personal services and employee benefits	13,699,000	13,699,000	13,547,704	151,296
Contractual services	5,646,300	5,646,300	5,561,935	84,365
Other	1,912,100	1,912,100	1,866,462	45,638
Total expenditures	21,257,400	21,257,400	20,976,101	281,299
P-569 Environmental Health Program				
Expenditures:				
Personal services and employee benefits	11,547,600	11,628,700	11,245,608	383,092
Contractual services	3,567,200	3,567,200	3,419,402	147,798
Other	2,912,200	2,912,200	2,842,690	69,510
Total expenditures	18,027,000	18,108,100	17,507,700	600,400
P-570 Environmental Protection Program				
Expenditures:				
Personal services and employee benefits	13,379,700	13,379,700	12,938,923	440,777
Contractual services	630,500	630,500	604,377	26,123
Other	2,763,000	2,763,000	2,697,052	65,948
Total expenditures	16,773,200	16,773,200	16,240,352	532,848
Total Expenditures				
Personal services and employee benefits	46,783,500	46,964,600	45,417,414	1,547,186
Contractual services	10,456,700	10,456,700	10,173,028	283,672
Other	8,957,900	8,857,900	8,496,901	360,999
Total expenditures	\$ 66,198,100	\$ 66,279,200	\$ 64,087,343	\$ 2,191,857

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**

Year ended June 30, 2008

	Appropriation 2006 - 22100			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Total Actual	
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	-	-
Other	-	-	-	-
Total revenues	-	-	-	-
Other financing sources	-	-	1,689,000	1,689,000
Budgeted fund balance	12,179,994	12,179,994	12,179,994	-
Total revenues and budgeted fund balance	\$ 12,179,994	\$ 12,179,994	\$ 13,868,994	\$ 1,689,000
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	11,167,551	11,167,551	11,167,551	-
Other financing uses	1,012,443	1,012,443	1,012,443	-
Total expenditures	\$ 12,179,994	\$ 12,179,994	\$ 12,179,994	\$ -

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**

Year ended June 30, 2008

	Special Appropriation 2006 - 69400			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Total Actual	
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	-	-
Total revenues	-	-	-	-
Other financing sources	1,000,000	1,000,000	5,758,932	4,758,932
Budgeted fund balance	13,616,867	14,291,867	8,291,616	(6,000,251)
Total revenues and budgeted fund balance	<u>\$ 14,616,867</u>	<u>\$ 15,291,867</u>	<u>\$ 14,050,548</u>	<u>\$ (1,241,319)</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	14,616,867	14,616,867	14,050,548	566,319
Other financing uses	-	675,000	-	675,000
Total expenditures	<u>\$ 14,616,867</u>	<u>\$ 15,291,867</u>	<u>\$ 14,050,548</u>	<u>\$ 1,241,319</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**

Year ended June 30, 2008

	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	19,460,207	898,907
Other	-	-	-	-
Total revenues	18,561,300	18,561,300	19,460,207	898,907
Budgeted fund balance	<u>2,566,000</u>	<u>6,566,000</u>	<u>1,565,326.00</u>	<u>(5,000,674)</u>
Total revenues and budgeted fund balance	<u>\$ 21,127,300</u>	<u>\$ 25,127,300</u>	<u>\$ 21,025,533</u>	<u>\$ (4,101,767)</u>
EXPENDITURES				
Contractual services	\$ 4,000,000	\$ 4,250,000	\$ 2,978,741	\$ 1,271,259
Other	11,000,000	14,750,000	10,700,681	4,049,319
Other financing uses	<u>6,127,300</u>	<u>6,127,300</u>	<u>7,346,111</u>	<u>(1,218,811)</u>
Total expenditures	<u>\$ 21,127,300</u>	<u>\$ 25,127,300</u>	<u>\$ 21,025,533</u>	<u>\$ 4,101,767</u>

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, 2008

	12100 - Wastewater Facility Construction Loan Fund	32700 - Administrative Fund	33700/61900 - Rural Infrastructure Revolving Loan Fund	Total
ASSETS				
Current assets:				
Investments, State Treasurer	\$ 71,034,947	\$ 983,071	\$ 20,966,299	\$ 92,984,317
Accounts receivable				
Loans for completed projects, current	6,552,370	-	1,276,047	7,828,417
Interest on loans	1,951,806	-	764,398	2,716,204
Investment interest	393,746	-	121,492	515,238
Due from other funds	<u>2,353,286</u>	<u>-</u>	<u>19,229</u>	<u>2,372,515</u>
Total current assets	<u>82,286,155</u>	<u>983,071</u>	<u>23,147,465</u>	<u>106,416,691</u>
Non-current assets:				
Projects in progress, non-current	56,714,411	-	1,077,055	57,791,466
Loans for completed projects, non-current	82,726,096	-	9,855,912	92,582,008
Allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>(378,231)</u>	<u>(378,231)</u>
Total non-current assets	<u>139,440,507</u>	<u>-</u>	<u>10,554,736</u>	<u>149,995,243</u>
Total assets	<u>\$ 221,726,662</u>	<u>\$ 983,071</u>	<u>\$ 33,702,201</u>	<u>\$ 256,411,934</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 460,290	\$ -	\$ 23,748	\$ 484,038
Due to other funds	-	-	19,229	19,229
Accrued wages payable	<u>-</u>	<u>-</u>	<u>12,088</u>	<u>12,088</u>
Total current liabilities	<u>460,290</u>	<u>-</u>	<u>55,065</u>	<u>515,355</u>
NET ASSETS				
Restricted for capital projects	221,266,372	-	33,647,136	254,913,508
Restricted for other purposes	<u>-</u>	<u>983,071</u>	<u>-</u>	<u>983,071</u>
Total net assets	<u>221,266,372</u>	<u>983,071</u>	<u>33,647,136</u>	<u>255,896,579</u>
Total liabilities and net assets	<u>\$ 221,726,662</u>	<u>\$ 983,071</u>	<u>\$ 33,702,201</u>	<u>\$ 256,411,934</u>

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

State of New Mexico
Environment Department

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
- PROPRIETARY FUNDS**

Year ended June 30, 2008

	Enterprise Funds			Total
	12100 - Wastewater Facility Construction Loan Fund	32700 - Administrative Fund	33700/61900 - Rural Infrastructure Revolving Loan Fund	
OPERATING REVENUES				
Interest and investment revenue	\$ 6,672,520	\$ -	\$ 1,285,668	\$ 7,958,188
Total operating revenues	<u>6,672,520</u>	<u>-</u>	<u>1,285,668</u>	<u>7,958,188</u>
OPERATING EXPENSES				
Administrative charges	228,333	-	276,532	504,865
Total operating expenses	<u>228,333</u>	<u>-</u>	<u>276,532</u>	<u>504,865</u>
Operating income	<u>6,444,187</u>	<u>-</u>	<u>1,009,136</u>	<u>7,453,323</u>
NON-OPERATING REVENUES				
Grants and state match	8,803,315	-	-	8,803,315
Total non-operating revenue	<u>8,803,315</u>	<u>-</u>	<u>-</u>	<u>8,803,315</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources - Administrative Fund	-	983,071	-	983,071
Other financing uses - Administrative Fund	<u>(983,071)</u>	<u>-</u>	<u>-</u>	<u>(983,071)</u>
Total other financing sources and uses	<u>(983,071)</u>	<u>983,071</u>	<u>-</u>	<u>-</u>
Change in net assets	14,264,431	983,071	1,009,136	16,256,638
Total net assets - beginning, as previously reported	206,562,738	-	32,638,000	239,200,738
Restatement - accelerated amortization of refinance fees	<u>439,203</u>	<u>-</u>	<u>-</u>	<u>439,203</u>
Total net assets - beginning of year, restated	<u>207,001,941</u>	<u>-</u>	<u>32,638,000</u>	<u>239,639,941</u>
Total net assets - ending	<u>\$ 221,266,372</u>	<u>\$ 983,071</u>	<u>\$ 33,647,136</u>	<u>\$ 255,896,579</u>

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

State of New Mexico
Environment Department

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year ended June 30, 2008

	Enterprise Funds			Total
	12100 - Wastewater Facility Construction Loan Fund	32700 - Administrative Fund	33700/61900 - Rural Infrastructure Revolving Loan Fund	
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Cash received on repayment of loan principal	\$ 7,261,459	\$ -	\$ 274,741	\$ 7,536,200
Cash received on interest from loans	2,334,187	-	372,288	2,706,475
Interest payments received from banks/STO	4,758,195	-	1,052,662	5,810,857
Cash payments to suppliers of goods/services	-	-	(323,863)	(323,863)
Cash payments made to borrowers	(33,317,308)	-	-	(33,317,308)
Net cash (used in) provided by operating activities	(18,963,467)	-	1,375,828	(17,587,639)
CASH FLOWS PROVIDED BY CAPITAL AND RELATED ACTIVITIES				
Grant proceeds – EPA	7,074,982	-	-	7,074,982
Special appropriation proceeds	1,500,000	-	-	1,500,000
Transfer to Administrative Fund	(983,071)	983,071	-	-
Net cash provided by capital and related activities	7,591,911	983,071	-	8,574,982
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer recorded in Governmental Fund	(2,353,286)	-	-	(2,353,286)
Net cash used in noncapital financing activities	(2,353,286)	-	-	(2,353,286)
NET (DECREASE) INCREASE IN CASH	(13,724,842)	983,071	1,375,828	(11,365,943)
Investments, State Treasurer, beginning of year	84,759,789	-	19,590,471	104,350,260
Investments, State Treasurer, end of year	\$ 71,034,947	\$ 983,071	\$ 20,966,299	\$ 92,984,317

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

Operating income	\$ 6,444,187	\$ -	\$ 1,009,136	\$ 7,453,323
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Change in assets and liabilities:				
Refinance fee amortization	-	-	-	-
Mortgage loans receivable	(26,821,534)	-	274,741	(26,546,793)
Administrative expenses	228,333	-	-	228,333
Loan interest receivable	(696,615)	-	-	(696,615)
Accounts payable	460,290	-	336,055	796,345
Accrued interest	1,421,872	-	(244,104)	1,177,768
Total reconciling adjustments	(25,407,654)	-	366,692	(25,040,962)
Net cash (used in) provided by operating activities	\$ (18,963,467)	\$ -	\$ 1,375,828	\$ (17,587,639)

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, 2008

ASSETS

	<u>Agency Fund (65200)</u>
Cash	<u>\$ 95,268</u>

LIABILITIES AND NET ASSETS

Due to State General Fund	<u>\$ 95,268</u>
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The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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, 2008

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.

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.

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 arising from enabling legislation means the restrictions are legally enforceable. Legally enforceable means a government can be compelled by an external party to use resources only for purposes specified by legislation.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Government-Wide and Fund Financial Statements – Continued

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 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 and severance tax bond.

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.

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.

The Department reports the following major proprietary funds:

Clean Water State Revolving Funds (12100 and 32700): 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Government-Wide and Fund Financial Statements – Continued

Rural Infrastructure Revolving Loan Funds (33700 and 69700): 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, 2008, 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.

Federal funds are recorded as revenues when expenditures have been incurred on behalf of one or more of the Department's federal award programs and when all eligibility requirements 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. These sources are recorded when available and when revenues are determinable.

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:

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2008

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

The agency fund is to account for reimbursement settlements that are reverted back to the State General Fund.

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. NMED implemented these standards for the year ending June 30, 2008. NMED reports as a cost-sharing employer under the new standard and will be required to recognize OPEB expenditures for their contractually required contributions on the modified accrual basis and to make certain corresponding disclosures.

6. Modified Accrual and Budgetary Basis of Accounting

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, Item N, "For the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration." 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. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2008

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Modified Accrual and Budgetary Basis of Accounting – Continued

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. 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 per 12-6-10 NMSA 1978 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.

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:

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Capital Assets – Continued

Furniture and fixtures	7 years
Data processing equipment	5 years
Machinery and equipment	5 years
Automotive	5 years
Reportable IT maintenance	5 years
Building and structures	27 ½ years
Library and museum	7 years
Reportable IT services	5 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 \$5,148,041 consist primarily of the year-end accounts and warrants payable. The other accrued expenses of \$1,595,387 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 \$633,047 represents payroll taxes and miscellaneous liabilities.

11. Reserves – 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.

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".

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE 13 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Reserves – Governmental Fund Financial Statements – Continued

The General Fund, as well as other special revenue funds, account for several special appropriations that extend beyond one fiscal period. Because these funds are 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	\$ 535,690
06400	Terrero Mines	Laws 2003, Chapter 76, Sec 5	160,508
Subtotal-General Fund			696,198
RESERVED - MAJOR FUNDS			
<u>Fund</u>	<u>Description</u>	<u>Enabling Legislation</u>	<u>F/S Amount</u>
22100	Severance Tax Bond	Laws 2006, Chapters 4 and 429	43,541,418
22100	Capital Projects Appropriation	Laws 2006	17,711,653
69400	Capital Projects Appropriation	Laws 2006, Chapter 11	38,271,798
99000	Corrective Action Fund	NM 74-6B-7	13,916,811
99000	Corrective Action Fund	NM 74-6B-7	1,000,000
Subtotal-Reserved Major Funds			114,441,680
RESERVED - OTHER GOVERNMENTAL FUNDS			
<u>Fund</u>	<u>Description</u>	<u>Enabling Legislation</u>	<u>F/S Amount</u>
02600	Tire Recycling Fund	Tire Recycling Act	1,935,824
06600	Voluntary Remediation Fund	NM 74-4G-11	52,689
09200	Air Quality Title V Fund	NM 74-2-15	1,378,041
11700	Special Appropriation 1986	Laws 1986, Chapter 115	-
11800	Capital Projects Appropriation	Laws 2005, Chapter 115	-
11800	Severance Tax Bond	Laws 2005, Chapter 347	12,290,416
11900	Special Appropriations 1996	Laws 1996	-
12000	CPF/GF Appropriation	Laws 2005, Chapter 429	653,355
24800	Responsible Party Fund	Chapter 74 Article 6 Water Quality Act	186,703
33900	Hazardous Waste Fund	NM 74-4-4.5	2,088,138
34000	Liquid Waste	Laws 2000, Chapter 96, Section 3	166,044
34100	Water Quality Mgt Fund	NM 74-6-5.2	685,072
40000	Emergency Response Fund	Laws 1986, Chapter 15	275,362
56700	Water Conservation Fund	NM 74-1-13	1,958,366
58200	Colonias Wastewater Grants Fund	Public Law 102-389	3,960
58400	Operator Certification Fund	Administratively Established	147,041
59200	Radiation Protection Fund	Laws 2000, Chapter 86, Section 6	1,087,491
63100	Air Quality Fund	NM 74-2-15	1,714,439
63200	Solid Waste Facility Grant Fund	NM 74-10-2	1,283,708
65500	Severance Tax Bond	Laws 2004, Chapter 126	5,352,361
70300	Special Appropriations 2002	Laws 2002, Chapters 99&110	32,128
78300	Other Revenue Fund - SW Permit Fees	NM 74-9-1	54,349
95700	Emergency Hazardous Fund	NM 74-4-8	3,665,173
98700	Radiologic Technology Fund	Laws 1983, Chapter 317	241,941
98900	Underground Storage Tank Fund	NM 74-4-4.8	612,916
99100	Food Sanitation Fund	NM 25-1-5.1	559,972
10350	Special Projects	Laws 2008 Chapter 92	8,163,000
10360	STB 2008	Laws 2008 Chapter 92	13,348,198
Subtotal-Reserved			57,936,687
Total - All funds			\$ 173,074,565

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Reserves – Governmental Fund Financial Statements – Continued

The amount of net assets restricted by enabling legislation at June 30, 2008 is \$434,027,410.

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.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

17. 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.

18. 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 12100, 33700 and 22100 do not have operating budgets and are not subject to this monitoring. Funds 33700 and 12100 have no expenditures except for a small allocated administrative charge. Severance tax bond funds do not have operating budgets due to their pass through nature.

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.). This legal level of budgetary control is at the appropriation unit level.
- (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, 2008

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

2. Budget and Actual Data

Budgeted amounts represented 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 2008, the Department had over expenditures in one fund as described below:

<u>Fund Description</u>	<u>Fund Number</u>	<u>Amount</u>
Food Service Sanitation	99100	\$ (22,500)

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, 2008 is as follows:

<u>Account Description</u>	<u>SHARE 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	\$ 7,598,980	\$ 17,540,242	\$ 25,139,222
Petty cash funds		4,960	-	4,960
Total General Fund		<u>\$ 7,603,940</u>	<u>\$ 17,540,242</u>	<u>\$ 25,144,182</u>
Major Governmental Funds:				
Special Appropriation - STB 2006	69400	\$ 31,194,097	\$ -	\$ 31,194,097
Appropriations 2006	22100	43,556,431	-	43,556,431
Ground Water Corrective Action	99000	<u>14,119,770</u>	-	<u>14,119,770</u>
Total Major Governmental Funds		<u>\$ 88,870,298</u>	<u>\$ -</u>	<u>\$ 88,870,298</u>

Reconciling items are repostings regarding FY 07 adjustments booked into SHARE.

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

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, 2008 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	\$ 1,946,201	\$ -	\$ 1,946,201
Voluntary Remediation	06600	51,039	-	51,039
Air Quality Title V Fund	09200	1,260,877	-	1,260,877
Special Appropriations 2008	10350	8,163,000	-	8,163,000
GF Appropriations Reserved for CP	11800	5,974,791	-	5,974,791
Special Appropriations 1996	11900	(87,485)	-	(87,485)
Special Appropriations 2004	12000	408,939	-	408,939
Responsible Party Reimbursement Fund	24800	503,920	-	503,920
Hazardous Waste Fund	33900	1,146,521	-	1,146,521
Liquid Waste	34000	87,584	-	87,584
Water Quality Management Fund	34100	1,066,497	-	1,066,497
Emergency Response Fund	40000	395,562	-	395,562
Water Conservation Fund	56700	2,284,384	-	2,284,384
Colinias Wastewater Grants Fund	58200	3,960	-	3,960
Operation Certification Fund	58400	193,732	-	193,732
Radiation Protection	59200	1,129,076	-	1,129,076
Air Quality Fund	63100	2,175,647	-	2,175,647
Solid Waste Facility Loan/Grant Fund	63200	1,469,732	-	1,469,732
Special Appropriation	65500	2,874,463	-	2,874,463
Special Appropriation - 2002	70300	-	-	-
Solid Waste Permit Fees	78300	30,646	-	30,646
Emergency Hazardous Waste Penalties	95700	3,652,027	-	3,652,027
Radiology Technology	98700	179,996	-	179,996
Underground Storage Tank	98900	864,383	-	864,383
Food Service Sanitation	99100	259,177	-	259,177
Total Other Non-Major Governmental Funds		<u>\$ 36,034,669</u>	<u>\$ -</u>	<u>\$ 36,034,669</u>
Proprietary Funds:				
Clean Water State Revolving Fund	12100	\$ 71,034,947		
Clean Water Administrative Fund	32700	983,071		
Rural Infrastructure Loan Fund	33700	20,791,708		
Rural Infrastructure Emergency	61900	174,591		
Total Proprietary Funds		<u>\$ 92,984,317</u>		
Suspense/Reverting to State General Fund	65200	95,268		
Total Cash and Cash Equivalents - All funds		225,588,492		
Less: Fiduciary cash not included in financial statements		<u>(95,268)</u>		
Total - Statement of Net Assets		<u>\$ 225,493,224</u>		

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

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

The Office did not have any other investments during the year ended June 30, 2008. The participation in the investment pool is statutorily required. 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, 2008.

There is one investment not held with the State of New Mexico:

<u>Bank of Albuquerque</u>	<u>Total to Collateralize</u>	<u>102% Requirement</u>	<u>Collateral</u>	<u>Over (Under)</u>
Mutual fund	788,235	Collateralized in a pooled account	N/A	N/A

At June 30, 2008, 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>
Accounts Receivable:	
Voluntary Remediation (066)	\$ 1,650
Air Quality Title V Operating Permit Fees (092)	145,656
Hazardous Waste Fund (339)	81,500
Tank Fund (989)	1,825
General Fund (064)	<u>64,068</u>
Total receivables, net	<u>\$ 294,699</u>
	<u>Proprietary Funds</u>
Interest Receivable:	
Interest on loans	\$ 2,716,204
Interest due from Office of the State Treasurer	<u>534,468</u>
	<u>\$ 3,250,672</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

2. Accounts and Interest Receivable – Continued

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, 2008, 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, 2008 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 \$47,242,881 represents the amount of severance tax bonds that are available and consists of the following.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
70300	Severance tax bonds	\$ 25,021
12000	Severance tax bonds	175,720
65500	Severance tax bonds	2,464,729
11800	Severance tax bonds	6,333,890
69400	Severance tax bonds	7,115,870
22100	Severance tax bonds	17,779,453
10360	Severance tax bonds	<u>13,348,198</u>
		<u>\$ 47,242,881</u>

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 completed loans represent completed projects and the Department is receiving payments of principal and interest.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

3. Construction and Mortgage Loans -- Continued

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 completed loans upon completion of the project.

Completed 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.

Any 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. The allowance balance totals \$378,231 at June 30, 2008 for loans contained in the Rural Infrastructure Loan Fund.

The following is a detailed summary of major borrowers and loan balances for construction and mortgage loans at June 30, 2008.

Construction loans in progress:

Community	12100 - Wastewater Facility Construction Loan Fund	33700/61900 - Rural Infrastructure Revolving Loan Fund	Total
Hobbs	\$ 21,351,995	\$ -	\$ 21,351,995
Los Alamos	12,741,785	-	12,741,785
Espanola	5,936,787	-	5,936,787
Las Vegas	5,686,875	-	5,686,875
Lovington	4,914,079	-	4,914,079
Dona Ana	4,010,698	-	4,010,698
Los Lunas	1,263,033	-	1,263,033
Bayard	809,159	-	809,159
Paako	-	520,848	520,848
Other communities	-	556,207	556,207
	<u>\$ 56,714,411</u>	<u>\$ 1,077,055</u>	<u>\$ 57,791,466</u>

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

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
Farmington	\$ 13,107,057	Paa-Ko CSA	\$ 502,934
Las Vegas	8,869,817	Paa-Ko CSA	485,508
Clovis	8,739,412	City of Bloomfield	481,392
Albuquerque	8,520,382	Dona Ana MDWCA	462,226
Rio Rancho	8,414,644	Entranosa Water & Wastewater Assoc., Inc.	422,152
Albuquerque Nitro	5,762,920	Entranosa Water & Wastewater Assoc., Inc.	422,152
Gallup	3,706,350	City of Aztec	422,152
Grants	3,671,002	City of Aztec	422,152
Belen	3,182,318	City of Belen	414,620
Village of Los Lunas	2,994,097	City of Truth or Consequences	383,041
Los Lunas	2,978,334	City of Bayard	357,983
Los Lunas	2,949,550	City of Bayard	357,470
Albuquerque Compost	2,600,935	City of Texico	309,579
Bloomfield	2,581,075	Roosevelt County Water Coop	300,986
Silver City	2,383,465	City of Lordsburg	298,380
Espanola	2,240,085	City of Truth or Consequences	291,330
Taos Ski Valley	1,580,658	Village of Tularosa	278,786
Socorro	1,317,892	Garfield MDWCA	267,040
Ruidoso	1,256,475	Twin Forks MDWCA	227,782
Los Alamos	797,437	Upper La Plata	213,257
Dona Ana	500,019	Canoncito at Apache Canyon	142,605
Estancia	315,000	Ilfeld MDWCA	140,412
Silver City	247,390	Upper La Plata DWC	134,544
Sunland Park	174,515	Village of Tularosa	133,009
Anthony	96,740	La Mesa MDWCA	123,729
Las Vegas	67,624	Jemez Springs DWCA	122,074
Pecos	63,194	Village of Cimarron	117,224
Yah-Ta-Hay W&SD	53,425	City of Bayard	100,772
Willard	51,383	Other Communities	<u>2,796,668</u>
Bloomfield	37,780		
Hatch	17,491		
Albuquerque Dechlor	-		
Albuquerque Intercept	-		
	<u>\$ 89,278,466</u>		<u>\$ 11,131,959</u>

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

3. Construction and Mortgage Loans – Continued

The following is a schedule of future annual payments including interest, as of June 30, 2008:

Years Ending June 30,	12100 - Wastewater Facility Construction Loan Fund	33700/61900 - Rural Infrastructure Revolving Loan Fund	Total
2009	\$ 8,854,923	\$ 1,343,742	\$ 10,198,665
2010	8,854,924	1,304,849	10,159,773
2011	8,820,094	1,244,109	10,064,203
2012	8,781,900	1,144,251	9,926,151
2013	7,112,705	1,318,143	8,430,848
Thereafter	<u>65,774,742</u>	<u>7,484,778</u>	<u>73,259,520</u>
Completed projects	<u>\$ 108,199,288</u>	<u>\$ 13,839,872</u>	<u>\$ 122,039,160</u>

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, 2008:

Agency	Amount
General Fund-	
U.S. Environmental Protection Agency	\$ 2,507,234
U.S. Department of Energy	177,748
U.S. Department of Defense	53,392
U.S. Department of Labor	58,044
Other Federal agencies – pass-through	<u>63,791</u>
Total due from federal programs	<u>\$ 2,860,209</u>

5. Due to/from Other Department Funds

Due to/from other funds are amounts due from/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, 2008, are as follows:

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

5. Due to/from Other Department Funds - Continued

Inter Fund Receivables:

Amount Due from Other Funds			Amount Due to Other Funds		
SHARE Fund #	Fund Description	Amount	SHARE Fund #	Fund Description	Amount
06400	General Fund	\$ 317,215	24800	Responsible Party	\$ 317,215
06400	General Fund	238,340	34100	Water Quality Management Fund	238,340
06400	General Fund	120,200	40000	Water Recreation Facilities	120,200
06400	General Fund	344,168	56700	Water Conservation Fund	344,168
06400	General Fund	47,800	58400	Water Operation Certification Fund	47,800
06400	General Fund	59,158	59200	Radiation Protection Fund	59,158
06400	General Fund	461,709	63100	Air Quality Permit Fund	461,709
06400	General Fund	48,618	95700	Hazardous Waste Emergency Fund	48,618
06400	General Fund	270,450	99100	Food Service Sanitation Fund	270,450
99100	Food Sanitation	571,045	06400	General Fund	571,045
06400	General Fund	250,656	09200	Air Quality Fund	250,656
02600	Tire Recycling Fund	55,268	06400	General Fund	55,268
09200	Air Quality - Title v	222,164	06400	General Fund	222,164
33900	Hazardous Waste Fund	860,117	0400	General Fund	860,117
34000	Liquid Waste Fund	78,017	06400	General Fund	78,017
98700	Radiologic Technology	61,945	06400	General Fund	61,945
98900	Underground Storage Tank	28,878	06400	General Fund	28,878
99000	Ground Water Corrective Action Fund	2,416,518	06400	General Fund	2,416,518
34100	Water Quality Management Fund	397,839	06400	General Fund	397,839
56700	Water Conservation Fund	18,150	06400	General Fund	18,150
59200	Radiation Protection Fund	11,318	06400	General Fund	11,318
78300	Solid Waste Permit	23,703	06400	General Fund	23,703
95700	Emergency Hazardous Fund	61,764	06400	General Fund	61,764
06400	General Fund	<u>281,470</u>	98900	Underground Storage Tank Fund	<u>281,470</u>
		<u>\$ 7,246,510</u>			<u>\$ 7,246,510</u>

The General Fund and Fund 99000 Ground Water Corrective Action Fund are major funds. Fund 22100 and 69400 are major funds and do not have due to or due from balances with any other funds.

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

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>To</u>	<u>From</u>
Major Funds			
General Fund	064	\$ 24,351,893	
Special Revenue Funds:			
	02600		\$ 256,612
	06400		861,136
	09200		3,524,036
	24800		317,217
	33900		2,590,292
	34000		879,310
	34100		238,340
	40000		120,200
	56700		2,671,268
	58400		47,800
	59200		682,458
	63100		2,225,400
	65500		90,000
	78300		76,500
	95700		284,418
	98700		88,673
	98900		617,822
	99000		7,346,111
	99100		1,434,300
		<u>\$ 24,351,893</u>	<u>\$ 24,351,893</u>

b. Other Sources/Transfers In

The statement of revenues, expenditures and changes in fund balance also reports other funding sources in addition to transfers in (out). The amount of \$26,064,893 and \$26,421,921 contained in Other Sources and Other Uses, respectively, consist of the following:

<u>Fund</u>	<u>Amount</u>	<u>Description</u>	<u>Agency</u>
22100	\$ 1,339,000	Reauthorization transfers from Higher Ed	Various (not in SHARE)
22100	<u>350,000</u>	Reauthorization transfers from Dept of Transportation	805
	<u>\$ 1,689,000</u>		

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

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

c. Other Uses/Transfers Out

Fund	Amount	Description	Agency
06400	\$ 349,416	Transfer to Energy and Minerals-JPA	521
06400	511,720	Transfer to Energy and Minerals-JPA	521
Various	172,449	Reversions to State General fund	853
22100	1,000,000	Reauthorization transfers to Office of State engineer	550
22100	<u>12,443</u>	Transfer for Art in Public Places- Office of Cultural Affairs	505
	<u>\$ 2,046,028</u>		

7. Other Financing Sources

The following is a summary of other financing sources appropriations for the year ended June 30, 2008:

Fund	Amount	Description	Agency
06400	\$ 18,255,400	General Fund appropriations	341 85300
10350	<u>8,163,000</u>	General Fund appropriation for special project	341 85300
	<u>\$ 26,418,400</u>		

The following is a summary of other financing sources – bond proceeds for the year ended June 30, 2008:

Fund	Amount	Description	Agency
86700	\$ 50,000	Draws from Board of Finance	394-A
70300	90,107	Draws from Board of Finance	394-A
12000	904,234	Draws from Board of Finance	394-A
65500	2,483,283	Draws from Board of Finance	394-A
11800	3,316,312	Draws from Board of Finance	394-A
69400	<u>5,758,932</u>	Draws from Board of Finance	394-A
	12,602,868	Total draws	
	<u>13,348,198</u>	Amount accrued on new appropriation	
	<u>\$ 25,951,066</u>	Total bonds proceeds appropriation	

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

8. Capital Assets

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Reportable IT maintenance	\$ 52,475	\$ -	\$ -	\$ 52,475
Reportable IT services	50,486	-	-	50,486
Furniture and fixtures	87,533	-	-	87,533
Data processing equipment	6,540,084	12,610	(47,747)	6,504,947
Machinery and equipment	3,470,495	152,716	(1,399)	3,621,812
Library and museum	37,890	-	-	37,890
Automotive	395,051	210,256	-	605,307
Buildings and structures	32,209	-	-	32,209
	<u>10,666,223</u>	<u>375,582</u>	<u>(49,146)</u>	<u>10,992,659</u>
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Furniture and fixtures	(38,115)	(11,404)	-	(49,519)
Data processing equipment	(5,811,960)	(206,895)	-	(6,018,855)
Machinery and equipment	(2,917,091)	(275,317)	-	(3,192,408)
Library and museum	(17,056)	(5,102)	-	(22,158)
Automotive	(123,331)	(88,009)	-	(211,340)
Buildings and structures	(8,629)	(1,034)	-	(9,663)
Reportable IT services	(17,371)	(9,726)	-	(27,097)
Reportable IT maintenance	(4,115)	(10,312)	-	(14,427)
Total	<u>(8,937,668)</u>	<u>(607,799)</u>	<u>-</u>	<u>(9,545,467)</u>
Net capital assets	<u>\$ 1,728,555</u>	<u>\$ (232,217)</u>	<u>\$ (49,146)</u>	<u>\$ 1,447,192</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, 2008, 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, 2008.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

8. Capital Assets – Continued

Depreciation expense for the year ended June 30, 2008 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 (P-567)	\$	85,092
Water Quality (P-568)		212,730
Field Operations Program (P-569)		164,106
Environmental Protection Program (P-570)		<u>145,871</u>
 Total depreciation expense	 \$	 <u>607,799</u>

9. Compensated Absences

The following is a summary of compensated absences of the Department for the year ended June 30, 2008:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Amount due within one year	\$ 1,811,707	\$ 3,584,635	\$ 3,427,281	\$ 1,969,061
Amount due in more than one year	<u>293,689</u>	<u>107,539</u>	<u>116,634</u>	<u>284,594</u>
Accrued compensated absence	<u>\$ 2,105,396</u>	<u>\$ 3,692,174</u>	<u>\$ 3,543,915</u>	<u>\$ 2,253,655</u>

Compensated absences have been and will continue to be liquidated by the General Fund.

10. 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, 2008, is comprised of the following:

	<u>Due From</u> <u>General</u> <u>Operating</u>	<u>Paid to State</u> <u>General Fund</u> <u>by Non-Major</u> <u>Funds</u>
08 Fiscal year reversion	<u>\$ -</u>	<u>\$ 172,449</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 and by the Board of Finance. Reversions are automatically recorded by the Board of Finance. The detail of these appropriations and related reversion amounts are presented in Supplemental Schedules 2 and 3.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE D – DETAIL NOTES ON ALL FUNDS – CONTINUED

11. Other Revenue

	Total Ground Water Corrective Action
Gasoline tax revenue	\$ 19,460,207
Total other revenue	\$ 19,460,207

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 financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

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, 2008, 2007 and 2006 were \$5,392,570, \$4,955,549, and \$4,775,566, respectively, equal to the amount of the required contributions for each year.

POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN

Plan Description. The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

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 RHCA plan on the person's behalf, unless the person retires before the employee's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for the healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses to the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Department's contributions to the RHCA for the years ended June 30, 2008, 2007, and 2006 were \$407,448, \$383,794, and \$371,550, respectively, which equal the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE E – OTHER INFORMATION – CONTINUED

2. Commitments

COOPERATIVE AND JOINT POWER AGREEMENTS

During the fiscal year ended June 30, 2008, 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, 2008, 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.

LOAN COMMITMENTS

Wastewater Loan Construction Fund

As of June 30, 2008, the Department has executed binding commitments to disburse \$31,000,000 for future loans.

Rural Infrastructure Loan Fund

As of June 30, 2008, 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, 2008 was \$3,101,639.

The minimum lease payments under operating leases for the year ended June 30, 2008 are \$3,008,067.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE E – OTHER INFORMATION – CONTINUED

2. Commitments – Continued

SEVERANCE TAX BOND PROCEEDS

Bond proceeds are allocated by the legislature to the Department to administer disbursements to the project recipients. During fiscal year 2008, the accounting for severance tax proceeds was amended by state audit rule. As a result, adjustments were made to properly state the funds that administrator severance tax bond proceeds (See note E5). The requirements for subrecipients of these proceeds did not materially change from the prior year. These requirements 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.

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. No settlement amounts have exceeded insurance coverage for the past 3 years.

State of New Mexico
Environment Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE E – OTHER INFORMATION – CONTINUED

5. Prior Period Restatement

Two prior period adjustments were posted for the year ended June 30, 2008.

The Department has recorded severance tax bond receivables related to capital projects equal to the full amount of available bond proceeds in accordance with certain transition instructions from the State of New Mexico. A corresponding liability to project recipients recorded in previous years has not been recorded to effect the transition. Accounting principles generally accepted in the United States of America requires that bond proceeds accounting take into account the impact of eligibility requirements. Under the modified accrual basis of accounting GASB 33 requires that the recognition of revenues and expenditures occur only when the applicable eligibility requirements have been met. For FY 2008, the recognition of the entire amount of bond proceeds related to capital projects is premature. It is expected that a full implementation of GASB 33 including eligibility requirements will occur in FY 2009. Beginning net assets receivable from other governments was decreased by \$49,125 to reconcile beginning net assets. This affected fund 655.

A prior period adjustment was posted to the beginning net assets of the Clean Water State Revolving Fund 12100 in order to accelerate the amortization of deferred origination fees in accordance with the interest method. The interest method recognizes a greater portion of amortization in the early years of the loans. The Clean Water Fund had been using the straight line method. Beginning net assets were increased by \$439,203.

	Beginning Balance As Previously Reported	Increase (decrease) in Fund Balance	Beginning Fund Balance As Restated
SHARE 12000	\$ 540,985	\$ 175,719	\$ 716,704
SHARE 11800	5,882,727	7,234,855	13,117,582
SHARE 69400	39,647,544	6,915,870	46,563,414
SHARE 65500	4,834,910	2,464,729	7,299,639
SHARE 70300	31,256	25,021	56,277
SHARE 06400	2,566,795	367,623	2,934,418
SHARE 59200	1,302,891	(203,356)	1,099,535
SHARE 86800	47,500	(47,500)	-
SHARE 22100	<u>49,751,495</u>	<u>21,992,570</u>	<u>71,744,065</u>
	<u>\$ 104,606,103</u>	<u>\$ 38,925,531</u>	<u>\$ 143,531,634</u>

SPECIAL REVENUE FUNDS – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2008

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. The 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 2007 (11800): Created 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 bonds.

Special Appropriations 2006 (11900) Created by State Statute 74-4G-11 NMSA 1978. The fund was established to account for the Brownsfield Cleanup 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 bonds, 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, 2008

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, 2008

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. This fund is reverting.

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. Earning on the fund shall be credited to the fund.

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.

SPECIAL REVENUE FUNDS – NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED

June 30, 2008

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 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, 2008

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.

Special Appropriation 2008 (10350): Created by the Laws of 2008, Chapter 92, Section 48. 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 appropriations.

Severance Tax Bonds 2008 (10360): Created by the Laws of 2008, Chapter 92, Section 48. This fund was established to account for the sale of severance tax bonds to provide funds for various waste handling projects. This fund is a reverting fund. Source of funding: severance tax bonds.

State of New Mexico
Environment Department

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2008

	02600 - Tire Recycling Fund	06600 - Voluntary Remediation Fund	09200 - Air Quality Title V Fund	11700 - Special Appropriation 2000	11800 - Special Appropriations 2007
ASSETS					
Investments, State Treasurer	\$ 1,946,201	\$ 51,039	\$ 1,260,877	\$ -	\$ 5,974,791
Taxes receivable, net	-	-	-	-	-
Due from other funds	55,268	-	222,164	-	-
Receivable from federal governments	-	-	-	-	-
Receivable from state and local governments	-	-	-	-	6,333,890
Other receivables	-	1,650	145,656	-	-
Inventories	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Total assets	\$ 2,001,469	\$ 52,689	\$ 1,628,697	\$ -	\$ 12,308,681
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 65,645	\$ -	\$ -	\$ -	\$ 18,265
Due to other funds	-	-	250,656	-	-
Payable to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Other accrued expenses	-	-	-	-	-
Due to project recipients	-	-	-	-	-
Total liabilities	65,645	-	250,656	-	18,265
Fund balances:					
Reserved for:					
Statutory requirements	-	-	-	-	-
Subsequent year disbursements (STB)	-	-	-	-	-
Special revenue funds	1,935,824	52,689	1,378,041	-	12,290,416
Unreserved (deficit)	-	-	-	-	-
Total fund balances	1,935,824	52,689	1,378,041	-	12,290,416
Total liabilities and fund balances	\$ 2,001,469	\$ 52,689	\$ 1,628,697	\$ -	\$ 12,308,681

11900 - Special Appropriations 2006	120000 - Special Appropriations 2004	24800 - Responsible Party Reimb. Fund	33900 - Hazardous Waste Fund	34000 - Liquid Waste	34100 - Water Quality Management Fund
\$ (87,485)	\$ 408,939	\$ 503,920	\$ 1,146,521	\$ 87,584	\$ 1,066,497
-	-	-	-	-	-
-	-	-	860,117	78,017	397,839
-	-	-	-	-	-
234,448	160,187	-	-	443	-
-	-	-	81,500	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 146,963</u>	<u>\$ 569,126</u>	<u>\$ 503,920</u>	<u>\$ 2,088,138</u>	<u>\$ 166,044</u>	<u>\$ 1,464,336</u>
\$ 146,963	\$ 299,703	\$ -	\$ -	\$ -	\$ -
-	-	317,217	-	-	238,340
-	-	-	-	-	540,924
-	-	-	-	-	-
-	-	-	-	-	-
146,963	299,703	317,217	-	-	779,264
-	-	-	-	-	-
-	-	-	-	-	-
-	653,355	186,703	2,088,138	166,044	685,072
-	(383,932)	-	-	-	-
-	269,423	186,703	2,088,138	166,044	685,072
<u>\$ 146,963</u>	<u>\$ 569,126</u>	<u>\$ 503,920</u>	<u>\$ 2,088,138</u>	<u>\$ 166,044</u>	<u>\$ 1,464,336</u>

State of New Mexico
Environment Department

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - CONTINUED

June 30, 2008

	40000 - Emergency Response Fund	56700 - Water Conservation Fund	58200 - Colonias Wastewater Grants Fund	58400 - Operator Certification Fund
ASSETS				
Investments, State Treasurer	\$ 395,562	\$ 2,284,384	\$ 3,960	\$ 193,732
Taxes receivable, net	-	-	-	-
Due from other funds	-	18,150	-	-
Receivable from federal governments	-	-	-	-
Receivable from state and local governments	-	-	-	1,109
Other receivables	-	-	-	-
Inventories	-	-	-	-
Prepaid expenses	-	-	-	-
	<u>395,562</u>	<u>2,302,534</u>	<u>3,960</u>	<u>194,841</u>
Total assets	<u>\$ 395,562</u>	<u>\$ 2,302,534</u>	<u>\$ 3,960</u>	<u>\$ 194,841</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	120,200	344,168	-	47,800
Payable to other governments	-	-	-	-
Deferred revenue	-	-	-	-
Other accrued expenses	-	-	-	-
Due to project recipients	-	-	-	-
	<u>120,200</u>	<u>344,168</u>	<u>-</u>	<u>47,800</u>
Total liabilities	120,200	344,168	-	47,800
Fund balances:				
Reserved for:				
Statutory requirements	-	-	-	-
Subsequent year disbursements (STB)	-	-	-	-
Special revenue funds	275,362	1,958,366	3,960	147,041
Unreserved (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>275,362</u>	<u>1,958,366</u>	<u>3,960</u>	<u>147,041</u>
Total liabilities and fund balances	<u>\$ 395,562</u>	<u>\$ 2,302,534</u>	<u>\$ 3,960</u>	<u>\$ 194,841</u>

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
\$ 1,129,076	\$ 2,175,647	\$ 1,469,732	\$ 2,874,463	\$ -	\$ 30,646
-	-	-	-	-	-
11,318	-	-	-	-	23,703
-	-	-	-	-	-
6,255	-	3,898	2,480,262	25,021	-
-	500	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,146,649</u>	<u>\$ 2,176,147</u>	<u>\$ 1,473,630</u>	<u>\$ 5,354,725</u>	<u>\$ 25,021</u>	<u>\$ 54,349</u>
\$ -	\$ -	\$ 175,213	\$ 2,364	\$ -	\$ -
59,158	461,708	-	-	-	-
-	-	900	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
59,158	461,708	176,113	2,364	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,087,491	1,714,439	1,283,708	5,352,361	32,128	54,349
-	-	13,809	-	(7,107)	-
<u>1,087,491</u>	<u>1,714,439</u>	<u>1,297,517</u>	<u>5,352,361</u>	<u>25,021</u>	<u>54,349</u>
<u>\$ 1,146,649</u>	<u>\$ 2,176,147</u>	<u>\$ 1,473,630</u>	<u>\$ 5,354,725</u>	<u>\$ 25,021</u>	<u>\$ 54,349</u>

State of New Mexico
Environment Department

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - CONTINUED

Year ended June 30, 2008

	86700 - Special Appropriations STB 1998-1	86800 - Special Appropriation STB 1998-2	95700 - Emergency Hazardous Fund	98700 - Radiologic Technology Fund
ASSETS				
Investments, State Treasurer	\$ -	\$ -	\$ 3,652,027	\$ 179,996
Taxes receivable, net	-	-	-	-
Due from other funds	-	-	61,764	61,945
Receivable from federal governments	-	-	-	-
Receivable from state and local governments	-	-	-	-
Other receivables	-	-	-	-
Inventories	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,713,791</u>	<u>\$ 241,941</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	48,618	-
Payable to other governments	-	-	-	-
Deferred revenue	-	-	-	-
Other accrued expenses	-	-	-	-
Due to project recipients	-	-	-	-
Total liabilities	-	-	48,618	-
Fund balances:				
Reserved for:				
Statutory requirements	-	-	-	-
Subsequent year disbursements (STB)	-	-	-	-
Special revenue funds	-	-	3,665,173	241,941
Unreserved (deficit)	-	-	-	-
Total fund balances	-	-	<u>3,665,173</u>	<u>241,941</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,713,791</u>	<u>\$ 241,941</u>

STATEMENT A-1 – CONTINUED

98800 - Special Appropriation STB 2000	98900 - Underground Storage Tank Fund	99100 - Food Service Sanitation Fund	10350 - Special Appropriation 2008	10360 - Severance Tax Bonds 2008	Total Governmental Funds
\$ -	\$ 864,383	\$ 259,177	\$ 8,163,000	\$ -	\$ 36,034,669
-	-	-	-	-	-
-	28,878	571,045	-	-	2,390,208
-	-	-	-	-	-
-	-	-	-	13,348,198	22,593,711
-	1,125	200	-	-	230,631
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 894,386</u>	<u>\$ 830,422</u>	<u>\$ 8,163,000</u>	<u>\$ 13,348,198</u>	<u>\$ 61,249,219</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 708,153
-	281,470	270,450	-	-	2,439,785
-	-	-	-	-	541,824
-	-	-	-	-	-
-	-	-	-	-	-
-	281,470	270,450	-	-	3,689,762
-	-	-	-	-	-
-	-	-	-	13,348,198	13,348,198
-	612,916	559,972	8,163,000	-	44,588,489
-	-	-	-	-	(377,230)
-	612,916	559,972	8,163,000	13,348,198	57,559,457
<u>\$ -</u>	<u>\$ 894,386</u>	<u>\$ 830,422</u>	<u>\$ 8,163,000</u>	<u>\$ 13,348,198</u>	<u>\$ 61,249,219</u>

State of New Mexico
Environment Department

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

Year ended June 30, 2008

	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	-	-	-	-
Charges for services	1,013,050	14,595	3,354,677	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	1,013,050	14,595	3,354,677	-
EXPENDITURES				
Current:				
Personal services	-	-	-	-
Contractual services	-	-	-	-
Maintenance and repairs	-	-	-	-
Employee benefits	-	-	-	-
Supplies and other	-	-	-	-
In state travel	-	-	-	-
Grants and services-STB's	424,866	-	-	-
Grants and services-GF appropriations	-	-	-	-
Miscellaneous	62,702	-	-	-
Debt Service:	-	-	-	-
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	-	-	-	-
Total expenditures	487,568	-	-	-
Excess (deficiency) of revenues over expenditures	525,482	14,595	3,354,677	-
OTHER FINANCING SOURCES (USES)				
Other source - State General Fund appropriations	-	-	-	-
Other source - STB bond appropriation	-	-	-	-
Other use	-	-	-	-
Transfers in:				
From special revenue funds	-	-	-	-
From enterprise funds	-	-	-	-
From other agencies	-	-	-	-
Transfers out:				
To general operating fund	(256,612)	-	(3,524,036)	-
To other governments	-	-	-	-
To state general fund-reversions FY08	-	-	-	(14,901)
Total other financing sources and uses	(256,612)	-	(3,524,036)	(14,901)
Net change in fund balances	268,870	14,595	(169,359)	(14,901)
Fund balances - beginning - as restated (see note E5)	1,666,954	38,094	1,547,400	14,901
Fund balances - ending	\$ 1,935,824	\$ 52,689	\$ 1,378,041	\$ -

STATEMENT A-2

11800 - Special Appropriations 2007	11900 - Special Appropriations 2006	12000 - Special Appropriations 2004	24800 - Responsible Party Reimb. Fund	33900 - Hazardous Waste Fund	34000 - Liquid Waste	34100 - Water Quality Management Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	514,912	3,105,371	568,205	219,332
-	-	-	-	-	10,270	-
-	-	-	-	-	-	-
-	-	-	514,912	3,105,371	578,475	219,332
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,099,986	-	893,032	-	-	-	-
935,773	-	458,483	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,035,759	-	1,351,515	-	-	-	-
(4,035,759)	-	(1,351,515)	514,912	3,105,371	578,475	219,332
-	-	-	-	-	-	-
3,316,312	-	904,234	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(317,217)	(2,590,292)	(879,310)	(238,340)
(107,719)	-	-	-	-	-	-
3,208,593	-	904,234	(317,217)	(2,590,292)	(879,310)	(238,340)
(827,166)	-	(447,281)	197,695	515,079	(300,835)	(19,008)
13,117,582	-	716,704	(10,992)	1,573,059	466,879	704,080
\$ 12,290,416	\$ -	\$ 269,423	\$ 186,703	\$ 2,088,138	\$ 166,044	\$ 685,072

State of New Mexico
Environment Department

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

Year ended June 30, 2008

	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	-	-	-	-
Charges for services	120,006	2,821,552	-	63,390
Investment earnings	-	-	-	7,048
Miscellaneous	-	-	-	-
Total revenues	120,006	2,821,552	-	70,438
EXPENDITURES				
Current:				
Personal services	-	-	-	-
Contractual services	-	-	-	-
Maintenance and repairs	-	-	-	-
Employee benefits	-	-	-	-
Supplies and other	-	-	-	-
In state travel	-	-	-	-
Grants and services-STB's	-	-	-	-
Grants and services-GF appropriations	-	-	-	-
Miscellaneous	-	-	-	-
Debt Service:	-	-	-	-
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	120,006	2,821,552	-	70,438
OTHER FINANCING SOURCES (USES)				
Other source - State General Fund	-	-	-	-
Other source - STB bond appropriation	-	-	-	-
Other use	-	-	-	-
Transfers in:				
From special revenue funds	-	-	-	-
From enterprise funds	-	-	-	-
From other agencies	-	-	-	-
Transfers out:				
To general operating fund	(120,200)	(2,671,268)	-	(47,800)
To other governments	-	-	-	-
To state general fund-reversions FY08	-	-	-	-
Total other financing sources and uses	(120,200)	(2,671,268)	-	(47,800)
Net change in fund balances	(194)	150,284	-	22,638
Fund balances - beginning - as restated (see note E5)	275,556	1,808,082	3,960	124,403
Fund balances - ending	\$ 275,362	\$ 1,958,366	\$ 3,960	\$ 147,041

STATEMENT A-2 – CONTINUED

59200 - Radiation Protection Fund	63100 - Air Quality Fund	63200 - Solid Waste Facility Grant Fund	65500 - Special Appropriation STB 2004	70300 - Special Appropriation 2002	78300 - Other Revenue Fund - Solid Waste Permit Fees
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
622,560	2,114,521	151,124	-	-	21,000
47,854	-	54,541	-	-	-
-	-	34,433	-	-	-
<u>670,414</u>	<u>2,114,521</u>	<u>240,098</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	252,854	4,329,095	83,000	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>252,854</u>	<u>4,329,095</u>	<u>83,000</u>	<u>-</u>
<u>670,414</u>	<u>2,114,521</u>	<u>(12,756)</u>	<u>(4,329,095)</u>	<u>(83,000)</u>	<u>21,000</u>
-	-	-	-	-	-
-	-	-	2,483,283	90,107	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(682,458)	(2,225,400)	-	(90,000)	-	(76,500)
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,466)</u>	<u>(38,363)</u>	<u>-</u>
<u>(682,458)</u>	<u>(2,225,400)</u>	<u>-</u>	<u>2,381,817</u>	<u>51,744</u>	<u>(76,500)</u>
(12,044)	(110,879)	(12,756)	(1,947,278)	(31,256)	(55,500)
1,099,535	1,825,318	1,310,273	7,299,639	56,277	109,849
<u>\$ 1,087,491</u>	<u>\$ 1,714,439</u>	<u>\$ 1,297,517</u>	<u>\$ 5,352,361</u>	<u>\$ 25,021</u>	<u>\$ 54,349</u>

State of New Mexico
Environment Department

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

Year ended June 30, 2008

	86700 - Special Appropriations STB 1998-1	86800 - Special Appropriations STB 1998-2	95700 - Emergency Hazardous Fund	98700 - Radiologic Technology Fund
REVENUES				
Sales and miscellaneous taxes	\$ -	\$ -	\$ -	\$ -
Fees and fines	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	1,469,584	91,585
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>1,469,584</u>	<u>91,585</u>
EXPENDITURES				
Current:				
Personal services	-	-	-	-
Contractual services	-	-	-	-
Maintenance and repairs	-	-	-	-
Employee benefits	-	-	-	-
Supplies and other	-	-	-	-
In state travel	-	-	-	-
Grants and services-STB's	50,000	-	-	-
Grants and services-GF appropriations	-	-	-	-
Miscellaneous	-	-	-	-
Debt Service:	-	-	-	-
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	-	-	-	-
Total expenditures	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>-</u>	<u>1,469,584</u>	<u>91,585</u>
OTHER FINANCING SOURCES (USES)				
Other source - State General Fund	-	-	-	-
Other source - STB bond appropriation	50,000	-	-	-
Other use	-	-	-	-
Transfers in:				
From special revenue funds	-	-	-	-
From enterprise funds	-	-	-	-
From other agencies	-	-	-	-
Transfers out:				
To general operating fund	-	-	(284,418)	(88,673)
To other governments	-	-	-	-
To state general fund-reversions FY08	-	-	-	-
Total other financing sources and uses	<u>50,000</u>	<u>-</u>	<u>(284,418)</u>	<u>(88,673)</u>
Net change in fund balances	-	-	1,185,166	2,912
Fund balances - beginning - as restated (see note E5)	<u>-</u>	<u>-</u>	<u>2,480,007</u>	<u>239,029</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,665,173</u>	<u>\$ 241,941</u>

STATEMENT A-2 – CONTINUED

98800 - Special Appropriation STB 2000	98900 - Underground Storage Tank Fund	99100 - Food Storage Sanitation Fund	10350 - Special Appropriation 2008	10360 - Severance Tax Bonds 2008	Total-Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	569,806	1,140,240	-	-	17,975,510
-	-	-	-	-	119,713
-	-	-	-	-	34,433
-	569,806	1,140,240	-	-	18,129,656
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	9,132,833
-	-	-	-	-	1,394,256
-	-	-	-	-	62,702
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	10,589,791
-	569,806	1,140,240	-	-	7,539,865
-	-	-	8,163,000	-	8,163,000
-	-	-	-	13,348,198	20,192,134
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(617,822)	(1,434,300)	-	-	(16,144,646)
-	-	-	-	-	-
-	-	-	-	-	(172,449)
-	(617,822)	(1,434,300)	8,163,000	13,348,198	12,038,039
-	(48,016)	(294,060)	8,163,000	13,348,198	19,577,904
-	660,932	854,032	-	-	37,981,553
\$ -	\$ 612,916	\$ 559,972	\$ 8,163,000	\$ 13,348,198	\$ 57,559,457

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**

Year ended June 30, 2008

	TIRE RECYCLING FUND - 02600			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	928,500	918,500	1,013,050	94,550
Other	-	-	-	-
Total revenues	928,500	918,500	1,013,050	94,550
Budgeted fund balance	300,000	300,000	-	(300,000)
Total revenues and budgeted fund balance	\$ 1,228,500	\$ 1,218,500	\$ 1,013,050	\$ (205,450)
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	950,000	950,000	487,568	462,432
Other financing uses	278,500	268,500	256,612	11,888
Total expenditures	\$ 1,228,500	\$ 1,218,500	\$ 744,180	\$ 474,320

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**

Year ended June 30, 2008

	VOLUNTARY REMEDIATION FUND - 06600			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	14,595	14,595
Other	-	-	-	-
Total revenues	-	-	14,595	14,595
Budgeted fund balance	-	-	-	-
Total revenues and budgeted fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,595</u>	<u>\$ 14,595</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 FY08.

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**

Year ended June 30, 2008

	AIR QUALITY TITLE V - 09200			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	3,400,000	3,342,800	3,354,677	11,877
Other	-	-	-	-
Total revenues	3,400,000	3,342,800	3,354,677	11,877
Budgeted fund balance	403,400	403,400	-	(403,400)
Total revenues and budgeted fund balance	\$ 3,803,400	\$ 3,746,200	\$ 3,354,677	\$ (391,523)
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	3,803,400	3,746,200	3,524,036	222,164
Total expenditures	\$ 3,803,400	\$ 3,746,200	\$ 3,524,036	\$ 222,164

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**

Year ended June 30, 2008

	SPECIAL APPROPRIATION 2000 - 11700			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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	-	-	14,901	(14,901)
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,901</u>	<u>\$ (14,901)</u>

Note: There was no budget prepared for this fund in fiscal year 2008 and consequently no activity. The balance of the fund reverted back to the State General Fund.

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**

Year ended June 30, 2008

	SPECIAL APPROPRIATION 2007 - 11800			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Total Actual	
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	-	-
Other	-	-	3,316,312	3,316,312
Total revenues	-	-	3,316,312	3,316,312
Budgeted fund balance	5,944,146	5,944,146	719,447	(5,224,699)
Total revenues and budgeted fund balance	<u>\$ 5,944,146</u>	<u>\$ 5,944,146</u>	<u>\$ 4,035,759</u>	<u>\$ (1,908,387)</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	4,035,759	4,035,759	4,035,759	-
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 4,035,759</u>	<u>\$ 4,035,759</u>	<u>\$ 4,035,759</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**

Year ended June 30, 2008

	SPECIAL APPROPRIATION 2006 - 11900			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	<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 FY08.

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**

Year ended June 30, 2008

	SPECIAL APPROPRIATION 2004 - 12000			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	-	-
Other	-	-	904,234	904,234
Total revenues	-	-	904,234	904,234
Budgeted fund balance	2,514,256	2,514,256	447,281	(2,066,975)
Total revenues and budgeted fund balance	\$ 2,514,256	\$ 2,514,256	\$ 1,351,515	\$ (1,162,741)
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	2,514,256	2,514,256	1,351,515	1,162,741
Other financing uses	-	-	-	-
Total expenditures	\$ 2,514,256	\$ 2,514,256	\$ 1,351,515	\$ 1,162,741

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**

Year ended June 30, 2008

	RESPONSIBLE PARTY REIMBURSEMENT - 24800			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	-	-
Other	397,900	397,900	514,912	117,012
Total revenues	397,900	397,900	514,912	117,012
Budgeted fund balance	108,000	108,000	-	(108,000)
Total revenues and budgeted fund balance	\$ 505,900	\$ 505,900	\$ 514,912	\$ 9,012
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	505,900	505,900	317,217	188,683
Total expenditures	\$ 505,900	\$ 505,900	\$ 317,217	\$ 188,683

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**

Year ended June 30, 2008

	RURAL INFRASTRUCTURE REV. LOAN FUND - 33700/61900			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	-	-
Other	-	-	1,285,668	1,285,668
Total revenues	-	-	1,285,668	1,285,668
Budgeted fund balance	-	456,400	-	(456,400)
Total revenues and budgeted fund balance	<u>\$ -</u>	<u>\$ 456,400</u>	<u>\$ 1,285,668</u>	<u>\$ 829,268</u>
EXPENDITURES				
Contractual services	\$ -	\$ 84,000	\$ 82,574	\$ 1,426
Other	-	115,000	51,934	63,066
Other financing uses	-	257,400	142,024	115,376
Total expenditures	<u>\$ -</u>	<u>\$ 456,400</u>	<u>\$ 276,532</u>	<u>\$ 179,868</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**

Year ended June 30, 2008

	HAZARDOUS WASTE FUND - 33900			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	2,893,800	2,752,800	3,105,371	352,571
Other	-	-	-	-
Total revenues	2,893,800	2,752,800	3,105,371	352,571
Budgeted fund balance	-	-	-	-
Total revenues and budgeted fund balance	<u>\$ 2,893,800</u>	<u>\$ 2,752,800</u>	<u>\$ 3,105,371</u>	<u>\$ 352,571</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	2,893,800	2,752,800	2,590,292	162,508
Total expenditures	<u>\$ 2,893,800</u>	<u>\$ 2,752,800</u>	<u>\$ 2,590,292</u>	<u>\$ 162,508</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**

Year ended June 30, 2008

	LIQUID WASTE FUND - 34000			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	760,000	760,000	568,205	(191,795)
Other	-	-	10,270	10,270
Total revenues	760,000	760,000	578,475	(181,525)
Budgeted fund balance	127,500	127,500	300,835	173,335
Total revenues and budgeted fund balance	<u>\$ 887,500</u>	<u>\$ 887,500</u>	<u>\$ 879,310</u>	<u>\$ (8,190)</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	887,500	887,500	879,310	8,190
Total expenditures	<u>\$ 887,500</u>	<u>\$ 887,500</u>	<u>\$ 879,310</u>	<u>\$ 8,190</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**

Year ended June 30, 2008

	WATER QUALITY MANAGEMENT FUND - 34100			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	219,332	219,332
Other	-	-	-	-
Total revenues	-	-	219,332	219,332
Budgeted fund balance	-	300,600	19,008	(281,592)
Total revenues and budgeted fund balance	<u>\$ -</u>	<u>\$ 300,600</u>	<u>\$ 238,340</u>	<u>\$ (62,260)</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	-	300,600	238,340	62,260
Total expenditures	<u>\$ -</u>	<u>\$ 300,600</u>	<u>\$ 238,340</u>	<u>\$ 62,260</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**

Year ended June 30, 2008

	EMERGENCY RESPONSE FUND - 40000			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	55,200	55,200	120,006	64,806
Other	-	-	-	-
Total revenues	55,200	55,200	120,006	64,806
Budgeted fund balance	65,000	65,000	194	(64,806)
Total revenues and budgeted fund balance	\$ 120,200	\$ 120,200	\$ 120,200	\$ -
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	120,200	120,200	120,200	-
Total expenditures	\$ 120,200	\$ 120,200	\$ 120,200	\$ -

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**

Year ended June 30, 2008

	WATER CONSERVATION FUND - 56700			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	2,327,100	2,327,100	2,821,552	494,452
Other	-	-	-	-
Total revenues	2,327,100	2,327,100	2,821,552	494,452
Budgeted fund balance	-	411,270	-	(411,270)
Total revenues and budgeted fund balance	<u>\$ 2,327,100</u>	<u>\$ 2,738,370</u>	<u>\$ 2,821,552</u>	<u>\$ 83,182</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	2,327,100	2,738,370	2,671,268	67,102
Total expenditures	<u>\$ 2,327,100</u>	<u>\$ 2,738,370</u>	<u>\$ 2,671,268</u>	<u>\$ 67,102</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**

Year ended June 30, 2008

	COLONIAS WASTEWATER GRANTS PROGRAM - 58200			
	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 legally adopted budget for this fund in FY08.

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**

Year ended June 30, 2008

	OPERATOR CERTIFICATION FUND - 58400			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	16,700	16,700	63,390	46,690
Other	-	-	7,048	7,048
Total revenues	16,700	16,700	70,438	53,738
Budgeted fund balance	31,100	31,100	-	(31,100)
Total revenues and budgeted fund balance	\$ 47,800	\$ 47,800	\$ 70,438	\$ 22,638
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	47,800	47,800	47,800	-
Total expenditures	\$ 47,800	\$ 47,800	\$ 47,800	\$ -

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**

Year ended June 30, 2008

	RADIATION PROTECTION - 59200			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	510,000	510,000	622,560	112,560
Other	-	-	47,854	47,854
Total revenues	510,000	510,000	670,414	160,414
Budgeted fund balance	113,300	184,725	12,044	(172,681)
Total revenues and budgeted fund balance	<u>\$ 623,300</u>	<u>\$ 694,725</u>	<u>\$ 682,458</u>	<u>\$ (12,267)</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	623,300	694,725	682,458	12,267
Total expenditures	<u>\$ 623,300</u>	<u>\$ 694,725</u>	<u>\$ 682,458</u>	<u>\$ 12,267</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**

Year ended June 30, 2008

	AIR QUALITY PERMIT FUND - 63100			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	2,142,200	2,249,400	2,114,521	(134,879)
Other	-	-	-	-
Total revenues	2,142,200	2,249,400	2,114,521	(134,879)
Budgeted fund balance	-	-	110,879	110,879
Total revenues and budgeted fund balance	<u>\$ 2,142,200</u>	<u>\$ 2,249,400</u>	<u>\$ 2,225,400</u>	<u>\$ (24,000)</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	2,142,200	2,249,400	2,225,400	24,000
Total expenditures	<u>\$ 2,142,200</u>	<u>\$ 2,249,400</u>	<u>\$ 2,225,400</u>	<u>\$ 24,000</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**

Year ended June 30, 2008

	SOLID WASTE FACILITY LOAN/GRANT FUND - 63200			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	151,124	151,124
Other	-	-	88,974	88,974
Total revenues	-	-	240,098	240,098
Budgeted fund balance	-	260,500	-	(260,500)
Total revenues and budgeted fund balance	\$ -	\$ 260,500	\$ 240,098	\$ (20,402)
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	260,500	252,854	7,646
Other financing uses	-	-	-	-
Total expenditures	\$ -	\$ 260,500	\$ 252,854	\$ 7,646

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**

Year ended June 30, 2008

	SPECIAL APPROPRIATIONS - 65500			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	-	-
Other	18,000,000	18,000,000	2,483,283	(15,516,717)
Total revenues	18,000,000	18,000,000	2,483,283	(15,516,717)
Budgeted fund balance	1,947,277	1,947,277	1,947,277	-
Total revenues and budgeted fund balance	<u>\$ 19,947,277</u>	<u>\$ 19,947,277</u>	<u>\$ 4,430,560</u>	<u>\$ (15,516,717)</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ 4,329,094	\$ (4,329,094)
Other	19,798,175	19,798,175	101,466	19,696,709
Other financing uses	92,500	92,500	-	92,500
Total expenditures	<u>\$ 19,890,675</u>	<u>\$ 19,890,675</u>	<u>\$ 4,430,560</u>	<u>\$ 15,460,115</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**

Year ended June 30, 2008

	SPECIAL APPROPRIATIONS 2002 - 70300			
	Original Budget	Revised Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	-	-
Other	-	-	90,107	90,107
Total revenues	-	-	90,107	90,107
Budgeted fund balance	-	-	31,286	31,286
Total revenues and budgeted fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,393</u>	<u>\$ 121,393</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	1,103,080	1,103,080	121,363	981,717
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 1,103,080</u>	<u>\$ 1,103,080</u>	<u>\$ 121,363</u>	<u>\$ 981,717</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**

Year ended June 30, 2008

	OTHER REVENUE - 78300			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Total Actual	
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	35,500	76,500	21,000	(55,500)
Other	-	-	-	-
Total revenues	35,500	76,500	21,000	(55,500)
Budgeted fund balance	-	-	-	-
Total revenues and budgeted fund balance	<u>\$ 35,500</u>	<u>\$ 76,500</u>	<u>\$ 21,000</u>	<u>\$ (55,500)</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	35,500	76,500	76,500	-
Total expenditures	<u>\$ 35,500</u>	<u>\$ 76,500</u>	<u>\$ 76,500</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**

Year ended June 30, 2008

	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
Total revenues	-	-	50,000	50,000
Budgeted fund balance	-	50,000	-	-
Total revenues and budgeted fund balance	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	50,000	50,000	50,000	-
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</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**

Year ended June 30, 2008

	SPECIAL APPROPRIATION STB 1998 - 86800			
	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 legally adopted budget for this fund in FY08.

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**

Year ended June 30, 2008

	<u>HAZARDOUS WASTE EMERGENCY FUND - 95700</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	235,800	235,800	1,469,586	1,233,786
Other	-	-	-	-
Total revenues	<u>235,800</u>	<u>235,800</u>	<u>1,469,586</u>	<u>1,233,786</u>
Budgeted fund balance	<u>-</u>	<u>678,135</u>	<u>-</u>	<u>(678,135)</u>
Total revenues and budgeted fund balance	<u>\$ 235,800</u>	<u>\$ 913,935</u>	<u>\$ 1,469,586</u>	<u>\$ 555,651</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	<u>235,800</u>	<u>913,935</u>	<u>284,418</u>	<u>629,517</u>
Total expenditures	<u>\$ 235,800</u>	<u>\$ 913,935</u>	<u>\$ 284,418</u>	<u>\$ 629,517</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**

Year ended June 30, 2008

	RADIOLOGIC TECHNOLOGY - 98700			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	117,200	117,200	91,585	(25,615)
Other	-	-	-	-
Total revenues	117,200	117,200	91,585	(25,615)
Budgeted fund balance	-	-	-	-
Total revenues and budgeted fund balance	<u>\$ 117,200</u>	<u>\$ 117,200</u>	<u>\$ 91,585</u>	<u>\$ (25,615)</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	117,200	117,200	88,673	28,527
Total expenditures	<u>\$ 117,200</u>	<u>\$ 117,200</u>	<u>\$ 88,673</u>	<u>\$ 28,527</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**

Year ended June 30, 2008

	SPECIAL APPROPRIATION STB 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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Reversion expense	-	-	-	-
Other financing uses	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No legally adopted budget for this fund in FY08.

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**

Year ended June 30, 2008

	UNDERGROUND STORAGE TANK - 98900			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	550,000	510,000	569,805	59,805
Other	-	-	-	-
Total revenues	550,000	510,000	569,805	59,805
Budgeted fund balance	136,700	136,700	48,017	(88,683)
Total revenues and budgeted fund balance	<u>\$ 686,700</u>	<u>\$ 646,700</u>	<u>\$ 617,822</u>	<u>\$ (28,878)</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	686,700	646,700	617,822	28,878
Total expenditures	<u>\$ 686,700</u>	<u>\$ 646,700</u>	<u>\$ 617,822</u>	<u>\$ 28,878</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**

Year ended June 30, 2008

	FOOD SERVICE SANITATION FUND - 99100			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	950,000	950,000	1,140,240	190,240
Other	-	-	-	-
Total revenues	950,000	950,000	1,140,240	190,240
Budgeted fund balance	461,800	461,800	294,060	(167,740)
Total revenues and budgeted fund balance	\$ 1,411,800	\$ 1,411,800	\$ 1,434,300	\$ 22,500
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	1,411,800	1,411,800	1,434,300	(22,500)
Total expenditures	\$ 1,411,800	\$ 1,411,800	\$ 1,434,300	\$ (22,500)

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**

Year ended June 30, 2008

	SPECIAL APPROPRIATION 2008 - 10350			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	-	-
Other	-	-	8,163,000	8,163,000
Total revenues	-	-	8,163,000	8,163,000
Budgeted fund balance	-	-	-	-
Total revenues and budgeted fund balance	\$ -	\$ -	\$ 8,163,000	\$ 8,163,000
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -

This is a new fund for FY08.

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**

Year ended June 30, 2008

	SPECIAL APPROPRIATION STB 2008 - 10360			
	Original Budget	Final Budget	Total Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Permits and other fees	-	-	-	-
Other	-	-	13,348,198	13,348,198
Total revenues	-	-	13,348,198	13,348,198
Budgeted fund balance	-	-	-	-
Total revenues and budgeted fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,348,198</u>	<u>\$ 13,348,198</u>
EXPENDITURES				
Contractual services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Other financing uses	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This is a new fund for FY08.

OTHER SUPPLEMENTARY INFORMATION

State of New Mexico
Environment Department

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2008

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Accounts Receivable as of June 30, 2007	Receipts	Expenditures	Accounts Receivable as of June 30, 2008
U.S. Environmental Protection Agency Direct Programs:						
Air Quality Grant FY07	66.001		\$ 362,334	\$ 362,334	\$ -	\$ -
Voluntary Program for Ozone Reductions	66.001		7,375	11,510	4,135	-
Four Corners Region	66.001		31,068	57,688	36,034	9,414
Air Quality Grant FY08	66.001		-	986,601	1,365,778	379,177
Indoor Radon FY07	66.032		199,577	199,577	-	-
Indoor Radon Outreach Program FY08	66.032		-	156,091	194,403	38,312
Tools for Schools	66.034		11,638	11,638	-	-
PM 2.5 Ambient Air Monitoring Network	66.034		131,840	371,699	239,883	24
Tools for Schools	66.034		-	24,888	31,179	6,291
PM 2.5 Ambient Air Monitoring Network	66.034		-	40,318	50,866	10,548
Paseo Del Norte Particulate Study	66.034		-	194,737	215,528	20,791
Assistance for NM FY04 Earmarks	66.202		19,973	59,035	39,614	552
NM FY05 Earmark Set Aside	66.202		-	37,362	41,298	3,936
FY06 STAG Setaside	66.202		-	29,329	34,956	5,627
Ground Water 106 FY 2005-2007	66.419		71,086	71,086	-	-
Surface Water 106 FY 2005-2007	66.419		234,683	216,683	-	18,000
Ground Water 106 FY 2008-2011	66.419		-	213,072	237,818	24,746
Surface Water 106 FY 2008-2011	66.419		-	1,123,210	1,350,992	227,782
Water Supply Supervision FY07 & FY08	66.432		269,525	1,212,009	987,770	45,286
Underground Injection Energy and Minerals FY07	66.433		104,214	104,214	-	-
Underground Injection Energy & Minerals FY08	66.433		-	45,299	104,939	59,640
Rio Puerco Part 2	66.436		6,059	6,059	-	-
Rio Puerco Watershed	66.439		11,077	137,946	126,869	-
Water Quality Management FY 05, 06 & 07	66.454		37,393	56,148	18,755	-
Water Quality Management FY 08-11	66.454		-	12,025	18,974	6,949
Construction Loan, Administration-CS350002-07	66.458		121,554	171,125	49,570	-
Construction Loan, Construction-CS350002-07	66.458		1,976,000	4,071,175	2,095,175	-
Construction Loan, Administration	66.458		-	127,589	178,761	51,172
Construction Loan, Construction	66.458		-	4,979,808	4,979,808	-
Stewart Meadows Waterfowl Habitat Improvement	66.460		-	10,855	27,391	16,537
'319 NPS Groundwater	66.460		150,671	150,671	-	-
319 NPS FY 05,06,07	66.460		551,266	1,481,538	930,273	-
319 NPS Implementation FY08-11	66.460		-	1,698,716	1,842,397	143,681
319 NPS Implementation FY03-04 Core	66.460		(157,202)	795,081	987,305	35,022
319 NPS Groundwater FY 08-11	66.460		-	90,585	93,406	2,821
319 NPS Implementation FY02	66.460		289,622	298,622	9,000	-
Rio de las Vacas Wetlands	66.461		3,586	27,871	64,932	40,647
Hydrogeomorphic Modeling	66.461		36,567	119,691	80,756	(2,368)

State of New Mexico
Environment Department

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2008

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Accounts Receivable as of June 30, 2007	Receipts	Expenditures	Accounts Receivable as of June 30, 2008
Valles Caldera	66.461		-	22,389	25,210	2,821
Galisteo Watershed	66.461		11,412	45,970	38,515	3,957
Cedro Creek Restoration	66.461		99	8,467	8,371	3
EI Restauro Phase I	66.461		780	32,789	32,009	-
NMED 2007 Wetlands	66.461		-	53,048	59,984	6,936
Nutrient Threshold Development	66.463		25,112	60,807	38,596	2,901
Biological Criteria Development and Nutrient Monitoring	66.463		38,853	88,215	49,362	-
New Mexico Drinking Water Set-Asides	66.468		1,702,388	3,908,922	3,018,043	811,509
Operator Certification Expense	66.471		83,208	321,651	279,073	40,630
Counter Terrorism Activities For Infrastructure Protection	66.474		23,615	23,615	-	-
FY NMED Counter Terrorism	66.474		18,900	62,875	49,268	5,293
FY 06 Exchange Network	66.508		-	57,899	57,899	-
Set-Aside Funds For Various Cities	66.606		36,106	36,106	-	-
FY03 STAG 3% Set-Aside	66.606		34,109	74,190	40,081	-
NPDES Permit Development	66.606		-	68,570	68,570	-
Exchange Network Node	66.608		18,105	54,318	36,214	1
FY07 Exchange Network-Water DFI	66.608		-	-	561	561
Pollution Prevention/Green Zia	66.708		436	437	-	-
Pollution Prevention/Green Zia	66.708		28,961	50,513	21,552	-
NMED Pollution Prevention Program	66.708		-	46,971	52,571	5,600
Pilot Strategy for CAFO's	66.709		34,373	34,787	414	-
Hazardous Waste FY07	66.801		562,500	562,500	-	-
Hazardous Waste FY08	66.801		-	1,315,000	1,315,000	-
Multi-Site Superfund Bulk Funding	66.802		384,847	1,254,486	995,121	125,482
Remedial Action at North Railroad Ave. Plume Site	66.802		183,169	936,352	976,465	223,282
NM FY08 Underground Storage Tank	66.804		-	317,055	379,310	62,255
LUST FY 06 & 07	66.805		32,360	32,360	-	-
Lust FY08	66.805		-	397,977	397,977	-
Brownfield Cleanup Rev Loan Fund	66.811		(4,616)	220,858	230,429	4,956
NM Subtitle C State Response	66.817		160,957	722,258	626,684	65,383
Ensuring Success Border 2012	66.931		39,301	63,985	24,685	-
NMED 2012 Project	66.931		-	4,101	5,177	1,076
Total U.S. Environmental Protection Agency			7,884,881	30,643,356	25,265,706	2,507,233
BUREAU OF LAND MANAGEMENT						
BLM-San Juan County	15.DAM		93,074	93,074	63,793	63,793
Total Bureau of Land Management			93,074	93,074	63,793	63,793

State of New Mexico
Environment Department

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2008

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Accounts Receivable as of June 30, 2007	Receipts	Expenditures	Accounts Receivable as of June 30, 2008
U.S. Department of Energy Direct Programs:						
DOE WIPP Oversight	81.807		252,253	1,763,759	1,631,418	119,912
GNOME Coach and Gasbuggy Nuclear Test Sites			-	-	796	796
WIPP Emergency Response FY07 & FY08	81.502		110,159	206,081	152,963	57,041
Total U.S. Department of Energy			362,412	1,969,840	1,785,177	177,749
U.S. Department of Defense Direct Programs:						
DOD FY07 & FY08	12.113		225,280	416,465	244,577	53,392
Total U.S. Department of Defense			225,280	416,465	244,577	53,392
U.S. Department of Labor Direct Programs:						
OSHA Statistics FY07	17.005		11,052	23,649	12,597	-
OSHA Statistics FY08	17.005		-	34,236	37,538	3,302
OSHA Implementation FY07(23G)	17.500		134,769	349,406	214,636	-
OSHA Implementation FY08(23G)	17.500		-	570,396	614,353	43,957
OSHA Data Collection FY07	17.504		-	5,750	5,750	-
OSHA Data Collection FY08	17.504		-	-	-	-
OSHA Consultation Program FY07	17.504		115,059	238,559	123,500	-
OSHA Consultation Program FY08	17.504		-	342,064	352,847	10,783
Total U.S. Department of Labor			260,880	1,564,060	1,361,221	58,042
TOTAL FEDERAL			\$ 8,826,527	\$ 34,686,795	\$ 28,720,474	\$ 2,860,209
Reconciliation to Financial Statements:						
General Fund:						
U.S.Environmental Protection Agency			\$ 7,884,881	\$ 30,643,355	\$ 25,265,707	\$ 2,507,233
Other U.S. Agencies			941,647	4,043,440	3,454,767	352,976
Total General Fund			8,826,527	34,686,795	28,720,474	2,860,209
TOTAL FEDERAL			\$ 8,826,527	\$ 34,686,795	\$ 28,720,474	\$ 2,860,209

State of New Mexico
Environment Department

NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2008

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 loan proceeds to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipients</u>
Waste Water Revolving Loan Fund	66.458	\$ <u>33,317,308</u>

State of New Mexico
Environment Department

SUPPLEMENTAL SCHEDULE OF SEVERANCE TAX BONDS

June 30, 2008

<u>Laws</u>	<u>Chapter</u>	<u>Fund</u>	Amount <u>Appropriated</u>	Amount Reverted/ <u>Transferred Out</u>	Amount Transferred to NMED from <u>Other Agencies</u>	<u>Bonds Unsold</u>
1998	7 & 118	86700	\$ 6,716,400	\$ 44,260	\$ -	\$ -
1999	2	86800	4,954,938	191,471	-	-
2002	99 & 110	70300	6,079,120	220,121	-	-
2003	429	12000	6,344,703	187,752	-	-
2004	126	65500	15,620,738	50,000	-	-
2005	347	11800	18,148,860	555,000	-	-
2006	107 & 111	69400	14,676,000	-	60,000	-
2007	42,334	22100	20,952,570	-	1,115,000	-
2008	92	10360	<u>15,783,198</u>	<u>-</u>	<u>-</u>	<u>2,435,000</u>
			<u>\$ 109,276,527</u>	<u>\$ 1,248,604</u>	<u>\$ 1,175,000</u>	<u>\$ 2,435,000</u>

SCHEDULE 2

Amount Available	Art in Public Places	Expenditures Reported Prior Years	Expenditures Reported Current Year	Total Expenditures	Reversions/ Transfers Out Reported Current Year	Current Year Proceeds Recognized	June 30, 2008 Unused Balance
\$ 6,672,140	\$ -	\$ 6,622,140	\$ 50,000	\$ 6,672,140	\$ -	\$ 50,000	\$ -
4,763,467	-	4,715,968	-	4,715,968	-	-	-
5,858,999	-	5,704,430	83,000	5,787,430	46,547	90,107	25,021
6,156,951	-	4,938,198	893,033	5,831,231	150,000	904,234	175,720
15,570,738	-	11,085,081	2,020,928	13,106,009	-	2,483,283	2,464,729
17,593,860	31,000	8,128,984	3,099,986	11,228,970	-	3,316,312	6,333,890
14,736,000	3,000	2,474,354	5,042,776	7,517,130	100,000	5,758,932	7,115,870
22,067,570	7,200	-	4,280,917	4,280,917	-	-	17,779,453
13,348,198	-	-	-	-	-	13,348,198	13,348,198
<u>\$ 106,767,923</u>	<u>\$ 41,200</u>	<u>\$ 43,669,155</u>	<u>\$ 15,470,640</u>	<u>\$ 59,139,795</u>	<u>\$ 296,547</u>	<u>\$ 25,951,066</u>	<u>\$ 47,242,881</u>

State of New Mexico
Environment Department

SUPPLEMENTAL SCHEDULE OF SPECIAL APPROPRIATIONS

June 30, 2008

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriation	Reauthorization
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	1,000,000	-
	Total General Fund			3,000,000	-
SPECIAL REVENUE FUNDS					
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	100,000
			22100	49,751,495	1,689,000
	Ch 92, Sec 8, Laws 2008		10350	8,233,000	-
Capital projects appropriations	Ch 429, Laws 2003	2003-2008	12000	1,773,900	430,000
Capital projects appropriations	Ch 126, Laws 2004	2004-2005	65500	14,172,000	100,000
Capital projects appropriations	Ch 115, Laws 2005	2005-2006	11800	13,778,851	-
Capital projects appropriations	Ch 111, Sec 45, Laws 2006	2006-2011	69400	46,856,633	768,867
	Total Special Revenue			135,651,563	3,087,867
	Total - All Funds			\$ 138,651,563	\$ 3,087,867

<u>Total Appropriation</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Prior Year Reversion Amount</u>	<u>Transfer out to Other State Agencies</u>	<u>Current Year Reversion Amount</u>	<u>Unencumbered Balance</u>
\$ 2,000,000	\$ 1,328,993	\$ 135,317	\$ -	\$ -	\$ -	\$ 535,690
1,000,000	705,000	134,492	-	-	-	160,508
3,000,000	2,033,993	269,809	-	-	-	696,198
162,684	124,321	-	-	-	38,363	-
1,023,000	550,460	337,204	-	-	-	135,336
51,440,495	-	6,886,634	-	1,012,443	-	43,541,418
8,233,000	-	-	-	-	-	8,233,000
2,203,900	2,078,799	121,279	-	-	-	3,822
14,272,000	8,324,057	2,958,844	-	-	11,466	2,977,633
13,778,851	6,791,209	935,777	-	-	107,719	5,944,146
47,625,500	7,461,800	9,007,772	-	-	-	31,155,928
138,739,430	25,330,646	20,247,510	-	1,012,443	157,548	91,991,283
<u>\$ 141,739,430</u>	<u>\$ 27,364,639</u>	<u>\$ 20,517,319</u>	<u>\$ -</u>	<u>\$ 1,012,443</u>	<u>\$ 157,548</u>	<u>\$ 92,687,481</u>

State of New Mexico
Environment Department

SUPPLEMENTAL SCHEDULE OF JOINT POWERS AGREEMENTS

June 30, 2008

Responsible Party	Description	Term
NMED	Complete the tasks of the development of a stormwater Mngmt. Plan and Implementation of measures in the Pueblo Canyon Watershed.	7/1/04 - 6/30/08
Carson National Forest	To complete the tasks for the Carson National Forest Stewart Meadows Wetland Waterfowl Habitat Partnership Project.	3/2004 - 6/30/08
NMED	To complete the tasks for the Rio Puerco Project per the workplan and requirements of the Watershed Initiative.	11/2004 - 9/30/07
NMED	To complete the tasks of the Cutthroat Trout in the Comanche Creek Project, Taos County per the workplan and requirements of the CWA 319.	8/16/04 - 12/31/08
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.	8/23/04 - 12/30/07
NMED	To complete the Rio Puerco de Chama Watershed and to reduce specific pollutants identified by NMED as turbidity and stream bottom deposits.	9/28/04 - 6/30/08
NMED	To improve water quality on the Jemez Watershed, hydrologic unit 13020202 in accordance with the "Respect the Rio-Phase II" project workplan and requirements of the CWA 319(h) NPS Implementation Program.	8/2005 - 12/31/08
NMED	Assure safe drinking water is available to all New Mexicans.	8/25/06 - 10/15/10
NMED	Review/Develop a capacity assessment that is current and appropriate for NM.	06/30/06-06/30/08
NMED	Gila River Black Canyon Creek.	6/11/08 to 11/30/08
NMED	Term Extension.	11/30/08 to 12/30/2010
NMED	Mimbres River Streambank Revetment Fence Project.	7/11/07 to 6/30/2010
NMED	Increase comp.	11/30/08 to 12/30/2010
NMED	Sapello watershed restoration project Phase II.	7/11/07 to 6/30/2010
NMED	Escherichia coli Westwater arroyo Ute Mountain.	8/24/07 to 12/30/2008
NMED	Tularosa Watershed Restoration improvement project.	7/1/07 to 6/30/09
NMED	Pecos River at Bitter Lake repairing floodplain connectivity.	10/17/07 to 6/30/2011
NMED, DFA	Bottomless Lakes wetland project and Gila River project to restore 22 acres floodplain.	10/16/07 to 6/3/2010
NMED	NMSU/WERC and the NMED P2 program pollution prevention outreach.	10/31/07 to 9/30/2008
NMED	Solar project within State Parks Div and biomass boiler Ft. Bayard Hospital and school bus biodiesel system.	10/17/07 to 6/30/2008
NMED	Respect the RIO FY08/ULO.	5/28/08 to 2/28/2011

Total Amount of Project	Amount Applicable to NMED	Amount NMED Contributed During FY 08	Audit Responsibility	Agency Reporting Revenue & Expense
\$ 148,000	\$ 148,000	\$ 32,963	N/A	NMED
100,000	100,000	10,855	N/A	NMED
658,900	658,900	126,819	N/A	NMED
143,510	143,510	28,352	N/A	NMED
547,000	547,000	217,275	N/A	NMED
202,820	202,820	103,156	N/A	NMED
481,058	481,058	164,316	N/A	NMED
4,330,000	4,330,000	35,010	N/A	NMED
320,000	320,000	4,000	N/A	NMED
19,191	19,191	9,263	N/A	NMED
		-	N/A	NMED
65,000	43,936	27,825	N/A	NMED
70,000	47,268	-	N/A	NMED
210,000	210,000	33,000	N/A	NMED
19,122	19,122	-	N/A	NMED
36,700	36,700	7,450	N/A	NMED
518,500	518,500	2,650	N/A	NMED
511,720	511,720	511,720	N/A	NMED
32,100	32,100	-	N/A	NMED
492,000	492,000	-	N/A	NMED
485,000	485,000	-	N/A	NMED

State of New Mexico
Environment Department

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

June 30, 2008

	<u>Balance as of June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance as of June 30, 2008</u>
ASSETS				
Cash on deposit	\$ 247,530	\$ -	\$ 152,262	\$ 95,268
Total assets	<u>\$ 247,530</u>			<u>\$ 95,268</u>
LIABILITIES				
Due to State General Fund	\$ 247,530	\$ -	\$ 152,262	\$ 95,268
Total liabilities	<u>\$ 247,530</u>			<u>\$ 95,268</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, 2008. We also have audited the financial statements of each of the Department's nonmajor governmental 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, 2008, and have issued our report thereon dated May 22, 2009 which was qualified as to bond accounting. 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, 07-01, and 07-05.

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 we believe that none of the significant deficiencies described above is 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.

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 and 06-07.

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 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
May 22, 2009



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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, 2008. 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.

In our opinion, the Department has 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, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 06-08.

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.

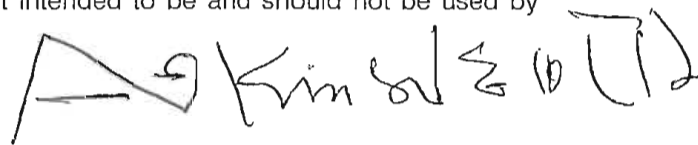
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal 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.

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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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 management, others within the Department, 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
May 22, 2009

State of New Mexico
Environment Department

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2008

Summary of Auditors' Results

FINANCIAL STATEMENTS

Type of auditor's report issued: Qualified for
Bond Accounting

Type of report issued on compliance with major programs Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

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? No

Material weakness in internal control over major programs? No

Type of report issued on compliance for major programs? Unqualified

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	Air Quality Grant
CFDA	66.419	Ground Surface H2O
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	Hazardous Waste FY 2008
CFDA	66.802	Multisite Bulk Funding
CFDA	66.804	State & Tribal Underground Storage Tank Program

The threshold for distinguishing Type A and B programs was \$642,515.

The State of New Mexico Environment Department was determined to be a high-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2008

FINANCIAL STATEMENT FINDINGS

- 06-01 Capital Assets (Significant Deficiency)
- 07-01 Financial Statement Preparation and Required Adjustments (Significant Deficiency)

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC

- 06-05 Procurement Code Compliance
- 06-07 Budget Overspending
- 07-05 Late Audit Report

FINDINGS IN ACCORDANCE WITH OMB CIRCULAR A-133

- 06-08 Reporting

STATUS OF PRIOR YEAR FINDINGS

- 06-01 Capital assets - Repeated
- 06-02 Accounts Receivable - Resolved
- 06-03 Centralization of Records - Resolved
- 06-04 Reversions - Resolved
- 06-05 Procurement Code Compliance - Repeated
- 06-06 Cellular Phone Policy - Resolved
- 06-07 Budget Overspending – Modified and Repeated
- 06-08 Reporting – Repeated
- 07-01 Financial Statement Preparation – Repeated
- 07-02 Leases – Resolved
- 07-03 Investment Accounts not Reconciled to the SHARE System – Resolved
- 07-04 Per Diem and Travel Reimbursement Compliance – Resolved
- 07-05 Late Audit Report – Repeated
- 07-06 Schedule of Expenditures Federal Awards - Resolved

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2008

FINANCIAL STATEMENT FINDING

06-01 Capital Assets (Significant Deficiency)

Condition

Capital asset records were not maintained during the year. The capital asset schedules were received on November 26, 2008 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 including new policy and procedures to ensure that capital asset records are recorded timely, accurately and reconciled monthly. In addition, the Department has filled its vacant position to manage the capital asset function.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2008

FINANCIAL STATEMENT FINDING

07-01 Financial Statement Preparation and Required Adjustments (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. Audit adjustments are required in excess of customary year-end adjustments.

Criteria

In accordance with Statement of Auditing Standards 112, *Communicating Internal Control Related Matters in an Audit*, 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). Under SAS 112, it is considered a control deficiency if material misstatements exist in the financial statements. Model Accounting Practices FIN 3 requires closing procedures.

Cause

The Department does not have on staff an employee who is capable of producing a complete financial statement. New software for the State of New Mexico and changes in bond accounting has required priority level of effort.

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. Interim financial information may be incomplete.

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. A consistent closing procedure for interim periods should be continued.

Managements' Response

The Department has staff that understand and is knowledgeable of generally accepted accounting principles, financial statements reporting and can collectively prepare its annual financial statement. However, the Department will ensure that its financial staff is trained and capable of preparing its annual financial statement.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2008

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC

06-05 Procurement Code Compliance

Condition

During testing of a sample of disbursements made by the Department, it was found that 5 out of 40 warrants were not in compliance with State's Model Accounting Practices (MAP), specifically:

- Invoices were received prior to the purchase order being generated.

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 prior to ordering.

Cause

In the instances noted, 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 purchase order could result in goods and services not being properly authorized. Inappropriate purchases could result.

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 is currently updating its purchasing/contracting policy and procedures to eliminate procurement errors. In addition, the Department will conduct ongoing training of purchasing and contracting staff to ensure that all personnel follow procurement policies and procedures.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2008

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 fund:

<u>Fund Description</u>	<u>Fund Number</u>	<u>Amount</u>
Food Service Sanitation	99100	\$ (22,500)

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 fund listed above. The Department's budget monitoring function did not identify the overage or need for budget or expenditure adjustments for this particular fund.

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.

Managements' Response

The Department worked hard to eliminate all budget overages from the prior year. This particular fund overage was an isolated lack of oversight. The amount of the overage was small compared to fund expenditures. The Department has implemented a monthly reconciliation process to prevent future budget overages.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2008

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC

07-05 Late Audit Report (Significant Deficiency)

Condition

Financial statements were not submitted to the New Mexico State Auditor's Office on or before December 15, 2008. The audit report was submitted on June 4, 2009.

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

FY07 was closed late due to new software issues which delayed the start of the FY08 audit. The new treatment of the severance tax bonds (STB), required the Department to make adjustments to record the bonds in accordance with state guidance. Additional time was required for account reconciliations to be completed.

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

The FY08 audit was delayed due in part to the Severance Tax Bond restatement to comply with recent accounting guidance; critical staff turnover at the IPA and the reconciling issues in SHARE.

The Department has selected a new IPA firm to perform its financial statement audit in FY09 and will comply with the December 15th deadline.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2008

FINDINGS IN ACCORDANCE WITH OMB CIRCULAR A-133

06-08 Reporting

Condition

The 272 reports for federal funds that were due in December 2007 had not been filed as of June 30, 2008. This condition applies to all major programs identified on page 125. They were filed on February 7, 2009.

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, the Department did not have the necessary information to produce the reports.

Effect

By not being in compliance with the grants by not properly filing the proper 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

The EPA-Las Vegas Finance Center changed the 272 "Federal Cash Transaction Report" deadline to once per calendar year, which is due 15 workdays after the end of the prior calendar year, effective January 1, 2007. Further, EPA requested that the Department revise its 272 reports for the period of 2004 thru current, which delayed the submission of the 272 report for calendar year 2008. However, with the new requirement to file 272 reports based on actual draws as of December 31st, the Department will meet the reporting deadline in the future.

State of New Mexico
Environment Department

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2008

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 NMED is responsible for the contents of the audit report.

State of New Mexico
Environment Department

EXIT CONFERENCE

For the year ended June 30, 2008

An exit conference was held at the Environment Department on June 2, 2009. The following attended:

<u>Name</u>	<u>Title</u>
<u>State of New Mexico Environment Department</u>	
Jim Perry	ASD Director and Secretary Designate
Clancy Roberts	CFO
Ed Smith	Financial Services Bureau Chief
Lorie Blea	Senior Accountant
Dyanne Salazar	Grants Manager
<u>Atkinson & Co., Ltd.</u>	
Martin E. Mathisen, CPA	Audit Director

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, 2008</u>
Telephone Number:	<u>(505) 843-6492</u>
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