

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Financial Statements
for the Year Ended
June 30, 2009,
and Independent
Auditors' Report**

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

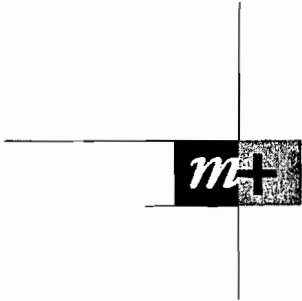


Table of Contents

Official Roster..... 1

Independent Auditors’ Report..... 2 – 4

Management’s Discussion and Analysis 5 – 14

Financial Statements:

Statement of Net Assets 16

Statement of Activities..... 17 – 18

Fund Financial Statements:

Governmental Fund Financial Statements:

Balance Sheet - Governmental Funds 19

Reconciliation of the Balance Sheet to the Statement
of Net Assets - Governmental Funds 20

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds 21

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances--
Governmental Funds to the Statement of
Activities - Governmental Funds 22

Statement of Revenues and Expenditures - Major
Governmental Funds - Budget and Actual (Modified Accrual Basis) 23 – 27

Statement of Net Assets – Proprietary Funds..... 28

Statement of Revenues, Expenses and Changes in
Fund Net Assets – Proprietary Funds 29

Statement of Cash Flows – Proprietary Funds 30 – 31

Statement of Fiduciary Assets and Liabilities – Agency Funds 32

Notes to the Financial Statements 33 – 65

Supplementary Information:

Special Revenue Funds – Non-major Governmental Funds..... 67 – 71

Combining Balance Sheet - Non-Major Special Revenue Funds..... 72 – 77

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Non-Major Special Revenue Funds 78 – 82

Tire Recycling Fund (02600) - Statement of Revenues and
Expenditures - Budget and Actual (Modified Accrual Basis) 83

Voluntary Remediation Fund (06600) - Statement of Revenues and
Expenditures - Budget and Actual (Modified Accrual Basis) 84

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Table of Contents - continued

Supplementary Information: -continued:

Air Quality Title V (09200) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	85
Special Appropriation 2000 (11700) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	86
Special Appropriation 2007 (11800) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	87
Brownfield Cleanup Revolving Loan Fund (11900) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis).....	88
Special Appropriation 2003 (12000) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis).....	89
Responsible Party Reimbursement (24800) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	90
Hazardous Waste Fund (33900) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	91
Liquid Waste Fund (34000) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	92
Water Quality Management Fund (34100) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	93
Water Recreation Facilities Fund (40000) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	94
Water Conservation Fund (56700) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	95
Colonias Wastewater Grants Program (58200) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	96
Operator Certification Fund (58400) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	97
Radiation Protection (59200) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	98
Air Quality Permit Fund (63100) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	99
Solid Waste Facility Loan/Grant Fund (63200) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis).....	100
Special Appropriation 2004 (65500) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	101
Special Appropriations 2002 (70300) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	102
Other Revenue Fund – Solid Waste Permit Fees (78300) – Statement of Revenues and Expenditures – Budget and Actual (Modified Accrual Basis)	103
Special Appropriation STB 1998-1 (86700) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis).....	104

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Table of Contents - continued

Supplementary Information: -continued:

Special Appropriation STB 1998-2 (86800) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	105
Hazardous Waste Emergency Fund (95700) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	106
Radiologic Technology (98700) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis).....	107
Special Appropriations STB 2000 (98800) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	108
Underground Storage Tank (98900) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	109
Food Service Sanitation Fund (99100) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis).....	110
Special Appropriation 2008 (10350) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	111
Severance Tax Bonds 2008 (10360) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	112
Wastewater Facility Construction Loan Fund (12100) - Statement of Revenues and Expenses - Budget and Actual (Accrual Basis).....	113
Clean Water Administrative Fund (32700) - Statement of Revenues and Expenses - Budget and Actual (Accrual Basis)	114
Rural Infrastructure Revolving Loan Fun (33700/61900) - Statement of Revenues and Expenses - Budget and Actual (Accrual Basis)	115

Supplemental Schedules:

Schedule 1 – Schedule of Individual Deposit Accounts	117 – 118
Schedule 2 – Supplemental Schedule of Severance Tax Bonds	119
Schedule 3 – Supplemental Schedule of Special Appropriations	120 – 121
Schedule 4 – Joint Powers Agreements	122 – 125
Schedule 5 – Memorandum of Agreements.....	126 – 127
Schedule 6 – Fiduciary Fund – Agency – Schedule of Changes in Assets and Liabilities.....	128

Single Audit:

Schedule of Expenditures of Federal Awards.....	130 – 135
Notes to the Supplemental Schedule of Expenditures of Federal Awards	136
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	137 – 139
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	140 – 142

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Table of Contents - continued

Schedule of Findings and Questioned Costs.....	143 – 153
Summary Schedule of Prior Year Audit Findings	154
Exit Conference.....	155

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Official Roster

Year Ended June 30, 2009

Office of the Secretary

Title

Ron Curry

Secretary

Jon Goldstein

Deputy Secretary

Division Directors

Jim Perry

Administrative Services Division

Lynn Harris

Information Technology Division

Marcy Leavitt

Water and Waste Management Division

Jim Norton

Environmental Protection Division

Carlos Romero

Environmental Health Division

Karen Gallegos

Water and Wastewater Infrastructure
Development Division

INDEPENDENT AUDITORS' REPORT

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

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 State of New Mexico Environment Department (the Department) as of and for the year ended June 30, 2009, 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 non-major governmental and fiduciary funds, and respective budgetary comparisons for the non-major governmental and the major enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, the financial statements of the Department are intended to present the respective financial position of the governmental activities, 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 Department as of June 30, 2009, and the changes in financial position and cash flows, where applicable, of those activities and funds. They do not purport to, and do not, present fairly the financial position of the



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

entire State of New Mexico as of June 30, 2009, or the respective changes in the financial position and cash flows, where applicable, thereof, in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2009, 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 non-major governmental and fiduciary funds of the Department as of June 30, 2009, and the respective changes in financial position thereof, and the respective budgetary comparisons for all non-major governmental and the major enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Government Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in November 2006, which affects the Department beginning in fiscal year 2009. The Statement provides accounting and financial reporting standards for pollution remediation obligations, as well as disclosure requirements. In accordance with this Statement, the Department expenses environmental expenditures and records liabilities when obligations have been incurred and the costs can be reasonably estimated. Disclosure related to that liability is discussed in Note 10. Upon adoption of this Statement, the Department recorded the cumulative effect of a change in accounting by increasing the liability for remediation costs and reducing net assets, as well as reclassifying several asset and liability accounts. The adoption of GASB 49 required the beginning net assets of the fiscal year 2009 financial statements to be restated.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 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, 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 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.

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

The Management's Discussion and Analysis on pages 5 through 14 are not a required part of the basic financial statements but are supplemental 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, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 basic financial statements. The schedules listed as supplementary information in the table of contents (Schedules 1 through 6) are presented for purposes of additional analysis and are not a required part of the basic 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.

Mayners + Company, LLC

November 23, 2009

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Management's Discussion and Analysis

Executive Summary

The management of the New Mexico Department of Environment (the Department) is proud to present this *Management's Discussion and Analysis (MD&A)* of its financial statements for the fiscal year ending June 30, 2009. This overview and analysis summarizes the Department's financial activities and operations for the state fiscal year 2009, which is the period between July 1, 2008–to–June 30, 2009 (*FY09*). This report is targeted at consumers of financial information including state legislators, citizens, federal entities and the public. It contains a synopsis of operational highlights for the five budgetary programs within Department in accordance with the laws it is charged to administer and enforce.

We encourage readers to consider this *MD&A* 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, which includes five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) other required supplemental information and schedules, and 5) single audit of federal programs.

MD&A	Management's Discussion and Analysis
Basis Financial Statements	Government-wide Financial Statements
	Fund Financial Statements
Notes	Notes to the Financial Statements
Other Required Supplementary Information	Supplementary Fund Information
	Supplementary Schedules
Single Audit	Single Audit of Federal Programs

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Management's Discussion and Analysis - continued

Overview of the Financial Statements - continued

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, Corrective Action Fund and two Special Appropriation Funds.

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, proprietary funds and fiduciary 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.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Management's Discussion and Analysis - continued

Overview of the Financial Statements - continued

Fund Financial Statements - continued

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 through 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 trustee 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. With the implementation of Governmental Accounting Standards Board (GASB) Number 34, agency 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.

Statewide Highlights

Fiscal Year 2009 represents the third year of the implementation of the Statewide Human Resources, Accounting, and Management REporting (*SHARE*) system. The SHARE system combined the State's accounting, human resource, payroll, and purchasing functions into an integrated statewide system and became the State's official financial "book of records". It transferred financial controls from the agencies to the oversight agencies like the Department of Finance and Administration and State Treasurer Office.

The Department has accepted the SHARE system processes and continues to modify its business processes accordingly to comply with SHARE. During FY09, the Department experienced some timing issues when reconciling transactions between SHARE and its ancillary systems. However, the Department is 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.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Management's Discussion and Analysis - continued

Department Highlights

The Department's mission is to provide the highest quality of life throughout the state by promoting a safe, clean and productive environment. 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. The Governor's Fiscal Year 2009 Executive Budget Recommendation declared:

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

During fiscal year 2009, the Department operated with six divisions but five budgetary programs. Through these programs, which include *Program Support, Water Quality, Environmental Health, Environmental Protection, Water and Wastewater Infrastructure Development*, the Department was able to administer and enforce the state and federal laws with which it is charged. In addition, the Department operated at a reduced capacity during FY09 from the hiring freeze in effective due to economic challenges facing the state of New Mexico.

Following is a summation of the five budgetary programs and their purposes within the Department:

I. Program Support Program (P567):

This program is comprised of the Office of the Secretary, Office of the General Counsel, Administrative Services Division that includes the Budget, Financial Services, Human Resources, and Purchasing Bureaus and Information Technology Division that includes the Application Services and Technology Services 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.

A. Accomplishments

Program Support successfully managed the Department's operating budget, revenues and expenditures during the General Fund Appropriation reduction. Department staff played a leading role in managing the American Recovery and Reinvestment Act Funding (Stimulus Grants) awarded to agencies within the State of New Mexico. In addition, stakeholders and the public received improved customer to Program Support staff.

Department Highlights - continued

II. 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.

A. Accomplishments

The Department took aggressive enforcement actions to protect New Mexico's ground water supply including actions against Kirtland Air Force, joined independent entities to prevent ground water contamination, conducted independent air sampling and analysis for potential contaminants, issued permits to cleanup hazardous waste facilities, and conducted community outreach to educate the public.

III. 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 places.

A. Accomplishments

The Program took aggressive compliance actions to protect New Mexico's Food establishments, Swimming pools, prevent radiation and liquid waste contamination. Successfully completed multiple community outreach activities to educate and train the public including New Mexico tribal communities.

Department Highlights - continued

IV. 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 inspects for workplace safety and healthy working conditions for New Mexico's workers.

A. Accomplishments

The Program took aggressive actions to protect New Mexico's environment from greenhouse gas emissions, ozone depletion, petroleum storage tank contaminations including successful pursuit of legislative authority to enforce state and federal environmental regulations. Successfully completed multiple stakeholder outreach activities to educate and train the public.

V. Water and wastewater infrastructure development (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.

A. Accomplishments

The Program took aggressive enforcement actions to prevent contamination of New Mexico's drinking water supply in compliance the federal Safe Drinking Water Act including the completion of approximately 400 sanitary surveys/inspections and 2415 enforcements actions. In addition, the Program implemented a single access point for communities seeking financing for water and wastewater infrastructure projects and administered/oversaw 710 projects costing approximately \$110 million. Program staff successfully collaborated with stakeholders to complete multiple community outreach activities to educate the public.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Management's Discussion and Analysis - continued

Financial Highlights

The Department's FY09 financial portfolio included thirty-five (35) funds comprised of Governmental, Proprietary, and Fiduciary funds. The Governmental Funds included four major funds: the General Fund (06400), Special Appropriation Fund (69400), Special Appropriation Fund (22100) and the Corrective Action Fund (99000); the Proprietary Funds included two major funds: Clean Water Revolving Loan Fund (12100 and 32700) and Rural Infrastructure Revolving Loan Fund (33700 and 61900). The special revenue funds including the Fiduciary Fund (65200) made the remainder of the Department financial portfolio for the year.

During FY09, the Department recorded total net assets of \$334,750,815, which represents a decrease of \$92,786,982 or 22% from FY08. The Departments' governmental net assets decreased by \$99,628,080 along with its business-type net assets, which increased by \$6,841,098 from FY08.

The business-type activities operating revenues for FY09 was \$4,799,729 and the non operating income was \$3,133,353. The total cost of all Department programs increased by \$11,703,651 or 10% over the previous fiscal year, growing from \$114,459,996 to \$126,163,647 during FY09.

Analysis of Individual Balances and Transactions

Overall, all funds including the Governmental and Proprietary funds experienced a reduction in revenue due to the state revenue shortfall during the year. The economic down turn limited the state's ability to collect projected revenue for the year. In addition, the reductions in General Fund appropriations necessitated the reliance on special revenue funds resulting in the depletion of these fund balances. The Department also experienced a decrease in federal revenue, which exerted additional pressure on the special funds.

Financial Analysis of the Department as a Whole

Net Assets

Table A-1 summarizes the Department net assets for the fiscal year ending June 30, 2009. Net assets for the Governmental Activities and Business-type Activities were \$72,013,137 and \$262,737,678 respectively. The total Department net assets for fiscal year 2009 are \$334,750,815. All nets assets of the Department are restricted. The significant decrease in net assets is largely due to the restatement of approximately \$47.1 million for prematurely recognizing severance tax bonds proceeds prior to meeting all the reimbursement requirements. In addition, the Department expended approximately \$31.3 million on projects from special appropriations, which were reconciled to fund balance, but only received minimal additional special appropriations in FY09. Finally, the adoption and implementation of GASBS #49 *Accounting and Financial Reporting for Pollution Remediation Obligations*, further reduced net assets by approximately \$8 million.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Management's Discussion and Analysis - continued

Financial Analysis of the Department as a Whole – continued

Net Assets - continued

**Table A-1
The Department's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	FY2009	FY2008	FY2009	FY2008	FY2009	FY2008
Assets:						
Current and other assets	\$ 92,972,785	183,092,817	87,398,424	106,416,692	180,371,209	289,509,509
Capital and non-current assets	<u>828,669</u>	<u>1,447,193</u>	<u>175,362,487</u>	<u>149,295,243</u>	<u>176,191,156</u>	<u>151,442,436</u>
Total assets	\$ <u>93,801,454</u>	<u>184,540,010</u>	<u>262,760,911</u>	<u>256,411,935</u>	<u>356,562,365</u>	<u>440,951,945</u>
Liabilities:						
Current liabilities	\$ 21,788,317	12,614,199	23,233	515,355	21,811,550	13,129,554
Long-term liabilities	<u>-</u>	<u>284,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,594</u>
Total liabilities	21,788,317	12,898,793	23,233	515,355	21,811,550	13,414,148
Net assets:						
Invested in capital assets, net of related debt	828,669	1,447,193	-	-	828,669	1,447,193
Restricted	72,132,802	170,820,910	262,737,678	255,896,580	334,870,480	426,717,490
Unrestricted	<u>(948,334)</u>	<u>(626,886)</u>	<u>-</u>	<u>-</u>	<u>(948,334)</u>	<u>(626,886)</u>
Total net assets	<u>72,013,137</u>	<u>171,641,217</u>	<u>262,737,678</u>	<u>255,896,580</u>	<u>334,750,815</u>	<u>427,537,797</u>
Total liabilities and net assets	\$ <u>93,801,454</u>	<u>184,540,010</u>	<u>262,760,911</u>	<u>256,411,935</u>	<u>356,562,365</u>	<u>440,951,945</u>

Changes in Net Assets

Table A-2 summarizes the Department change in net assets for the fiscal year ending June 30, 2009. The Department's change in net assets for fiscal year 2009 was a decrease in net assets of \$36,409,466. Program revenues for governmental activities remained unchanged when compared to fiscal year 2008. Program revenues for business-type activities decreased approximately \$8.3 million, of this approximately \$5.7 million is due to a decrease in federal funding in the Clean Water State Revolving Fund. General revenues decreased approximately \$28.5 million due to the following reasons: an increase of approximately \$9 million in reversions, a decrease of approximately \$8 million in special appropriations for projects, the remaining decrease is due to bond proceeds prematurely recognized in fiscal year 2008. Total expenses increased approximately \$11.7 million due to an increase of approximately \$10.8 million of expenditures related to projects from special appropriations.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Management's Discussion and Analysis - continued

Financial Analysis of the Department as a Whole – continued

Change in Net Assets - continued

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

	Governmental Activities		Business-Type Activities		Total	
	FY2009	FY2008	FY2009	FY2008	FY2009	FY2008
Revenues:						
Program revenues:						
Charges for services	\$ 37,446,575	37,593,626	4,799,729	7,958,188	42,246,304	45,551,814
Operating grants & contributions	19,917,000	19,729,835	3,133,353	8,803,315	23,050,353	28,533,150
General revenues:						
Transfers, net	(9,536,884)	(1,184,892)	-	-	(9,536,884)	(1,184,892)
Bond proceeds/ appropriations	33,975,804	54,058,466	-	-	33,975,804	54,058,466
Investment income	18,604	119,713	-	-	18,604	119,713
Total revenues	81,821,099	110,316,748	7,933,082	16,256,638	89,754,181	127,078,251
Expenses:						
Governmental	125,300,382	113,955,131	863,265	504,865	126,163,647	114,459,996
Total expenses	125,300,382	113,955,131	863,265	504,865	126,163,647	114,459,996
Changes in net assets	(43,479,283)	(3,638,383)	7,069,817	16,256,638	(36,409,466)	12,618,255
Beginning net assets, as restated	115,492,420	175,279,600	255,667,861	239,639,942	371,160,281	414,919,542
Ending net assets	\$ 72,013,137	171,641,217	262,737,678	255,896,280	334,750,815	427,537,797

Budgetary Highlights

The Department general fund appropriations were reduced by approximately \$843,000 or 5% during the special legislative session convened to address the state revenue shortfall. In addition, the Department took actions to comply with the Governor's "Executive Plan to Reduce State Spending" and the hiring freeze implemented during the year, which restricted general fund expenditures including recruitment. The general fund reduction affected the Department's ability to complete approved projects, hire staff to oversee its statutory responsibilities and limited its efforts to leverage federal revenue the require matching funds.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Management's Discussion and Analysis - continued

Capital Assets and Debt Administration

As of June 30, 2009 the Department's net capital assets were \$828,669. This amount represents a net decrease of \$618,524 (including additions, deletions, and depreciation) compared to fiscal year 2008.

As of June 30, 2009 the Department's total compensated absence liability was approximately \$2.2 million, this is a \$76,187 decrease compared to fiscal year 2008. This amount is expected to be paid from the general fund and is expected to be paid within one year.

During the year ending June 30, 2009 the Department adopted and implemented GASBS #49 *Accounting and Financial Reporting for Pollution Remediation Obligations*. This required a retroactive implementation restatement of net assets of approximately \$8.8 million. The pollution remediation obligations at June 30, 2009 were approximately \$8 million.

Economic Factors and Next Year's Budget - Outlook

Those items to be included as economic indicators that will have Departmental impact include Government Gross Receipts Tax Rates, Severance Tax Rates, Petroleum Loading Fees, and Federal Grants and State Appropriations. The budget authority becomes effective in FY09. The State Legislature appropriates revenue annually for the operations of the Department. As these rates, fees and appropriations increase or decrease the Department's budget will be 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. In addition, reductions in revenue to the state general fund necessitate the reliance on special revenue funds resulting in a depletion of these fund balances. Likewise, the decrease in the Department's federal revenue will exert additional pressure on these special funds. Furthermore, the current hiring freeze and the anticipated additional vacancies due to normal attrition because of resignations, retirement, or transfers will increase the burden on current staff in the form of increase workload without adequate compensation.

Contacting the Department's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators, investors and creditors with a general overview of the Department 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 Services Division
P.O. Box 5469,
1190 St. Francis Drive,
Santa Fe, NM New Mexico 87502

FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Statement of Net Assets

AS OF JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash	\$ 543,559	-	543,559
Investment in State General Fund			
Investment Pool	87,113,094	74,697,912	161,811,006
Due from federal government	2,795,828	-	2,795,828
Due from other state agencies	1,226,438	13,021	1,239,459
Loans for completed projects, current	-	9,472,389	9,472,389
Interest on loans	-	3,215,102	3,215,102
Other receivables	1,285,301	-	1,285,301
Prepaid expenses	<u>8,565</u>	<u>-</u>	<u>8,565</u>
TOTAL CURRENT ASSETS	92,972,785	87,398,424	180,371,209
NON-CURRENT ASSETS:			
Projects in progress, non-current	-	65,397,487	65,397,487
Loans for completed projects, non-current, net	-	109,965,000	109,965,000
Capital assets	6,049,935	-	6,049,935
Less: accumulated depreciation	<u>(5,221,266)</u>	<u>-</u>	<u>(5,221,266)</u>
TOTAL NON CURRENT ASSETS	<u>828,669</u>	<u>175,362,487</u>	<u>176,191,156</u>
TOTAL ASSETS	\$ <u>93,801,454</u>	<u>262,760,911</u>	<u>356,562,365</u>
LIABILITIES:			
Accounts payable and accrued expenses	9,962,243	23,233	9,985,476
Due to other state agencies	566,722	-	566,722
Due to State General Fund	1,089,598	-	1,089,598
Pollution remediation obligations	7,992,286	-	7,992,286
Compensated absences	<u>2,177,468</u>	<u>-</u>	<u>2,177,468</u>
TOTAL CURRENT LIABILITIES	21,788,317	23,233	21,811,550
TOTAL LIABILITIES	21,788,317	23,233	21,811,550
NET ASSETS:			
Invested in capital assets, net of any related debt	828,669	-	828,669
Restricted for:			
Special revenue funds	71,132,802	-	71,132,802
Statutory requirements	1,000,000	-	1,000,000
Loans for capital projects	-	262,737,678	262,737,678
Unrestricted	<u>(948,334)</u>	<u>-</u>	<u>(948,334)</u>
TOTAL NET ASSETS	<u>72,013,137</u>	<u>262,737,678</u>	<u>334,750,815</u>
TOTAL LIABILITIES AND NET ASSETS	<u>93,801,454</u>	<u>262,760,911</u>	<u>356,562,365</u>

YEAR ENDED JUNE 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>
PRIMARY GOVERNMENT:	
GOVERNMENTAL ACTIVITIES:	
Program support	\$ 8,406,162
Water Quality	18,912,225
Environmental health	10,283,955
Environmental protection	15,386,256
Water and wastewater infrastructure development	9,327,995
Other environmental initiatives	<u>62,983,789</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 125,300,382
 BUSINESS-TYPE ACTIVITIES	
12100/32700 - Clean Water State Revolving Fund	169,529
33700/61900 - Rural Infrastructure Revolving Fund	<u>693,736</u>
 TOTAL BUSINESS-TYPE ACTIVITIES	 <u>863,265</u>
 TOTAL PRIMARY GOVERNMENT	 \$ <u>126,163,647</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Statement of Activities

<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Primary Government</u>		
<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
-	18,070,085	9,663,923	-	9,663,923
4,490,371	1,214,151	(13,207,703)	-	(13,207,703)
2,649,364	-	(7,634,591)	-	(7,634,591)
26,701,787	-	11,315,531	-	11,315,531
2,986,384	632,764	(5,708,847)	-	(5,708,847)
<u>618,669</u>	<u>-</u>	<u>(62,365,120)</u>	<u>-</u>	<u>(62,365,120)</u>
37,446,575	19,917,000	(67,936,807)	-	(67,936,807)
4,216,857	3,133,353	-	7,180,681	-
<u>582,872</u>	<u>-</u>	<u>-</u>	<u>(110,864)</u>	<u>-</u>
<u>4,799,729</u>	<u>3,133,353</u>	<u>-</u>	<u>7,069,817</u>	<u>7,069,817</u>
<u>42,246,304</u>	<u>23,050,353</u>	<u>(67,936,807)</u>	<u>7,069,817</u>	<u>(60,866,990)</u>
General revenues:				
General fund appropriations		16,057,800	-	16,057,800
Severance Tax Bond draws		17,918,004	-	17,918,004
Investment earnings		18,604	-	18,604
Reversions FY09		(9,128,117)	-	(9,128,117)
Transfers in		688,000	-	688,000
Transfers out		<u>(1,096,767)</u>	<u>-</u>	<u>(1,096,767)</u>
		172,000		
Total general revenues, reversions and transfers		<u>24,457,524</u>	<u>-</u>	<u>24,457,524</u>
Change in net assets		(43,479,283)	7,069,817	(36,409,466)
Net assets - beginning		171,641,217	255,896,580	427,537,797
Restatement		<u>(56,148,797)</u>	<u>(228,719)</u>	<u>(56,377,516)</u>
Net assets - beginning, restated		<u>115,492,420</u>	<u>255,667,861</u>	<u>371,160,281</u>
Net assets - ending		<u>72,013,137</u>	<u>262,737,678</u>	<u>334,750,815</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2009

	Major Funds					Total Governmental
	(06400)	(22100)	(69400)	(99000)	Other	
	General Fund	Special Appropriations 2007	Special Appropriations 2006	Corrective Action Fund	Governmental Funds	
ASSETS:						
Cash	\$ 4,960	-	-	-	538,599	543,559
Investment in State General Fund						
Investment Pool	2,672,733	27,100,052	14,305,464	14,513,572	28,521,273	87,113,094
Due from other funds	690,415	-	-	582,328	1,691,314	2,964,057
Due from federal government	2,795,828	-	-	-	-	2,795,828
Due from other state agencies	9,342	185,274	-	-	1,031,822	1,226,438
Other receivables	12,607	-	-	-	1,272,694	1,285,301
Prepaid expenses	8,565	-	-	-	-	8,565
TOTAL ASSETS	\$ 6,194,450	27,285,326	14,305,464	15,095,900	33,055,702	95,936,842
LIABILITIES:						
Accounts payable	\$ 2,053,905	777,775	283,216	3,435,331	1,217,637	7,767,864
Due to other funds	2,273,642	-	-	-	690,415	2,964,057
Due to other state agencies	98	-	-	-	566,624	566,722
Due to State General Fund	620,760	35,169	40,036	-	393,633	1,089,598
Accrued payroll liabilities	2,194,379	-	-	-	-	2,194,379
TOTAL LIABILITIES	7,142,784	812,944	323,252	3,435,331	2,868,309	14,582,620
FUND BALANCES:						
Reserved for:						
Statutory requirements	-	-	-	1,000,000	-	1,000,000
Special revenue funds	-	26,472,382	13,982,212	10,660,569	30,187,393	81,302,556
Unreserved	(948,334)	-	-	-	-	(948,334)
TOTAL FUND BALANCES	(948,334)	26,472,382	13,982,212	11,660,569	30,187,393	81,354,222
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,194,450	27,285,326	14,305,464	15,095,900	33,055,702	95,936,842

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Reconciliation of the Balance Sheet to the
Statement of Net Assets - Governmental Funds**

YEAR ENDED JUNE 30, 2009

Total Fund Balance - Governmental Funds
(Governmental Fund Balance Sheet) **\$ 81,354,222**

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

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

The cost of capital assets is	6,049,935
Accumulated depreciation is	<u>(5,221,266)</u>

Total capital assets	828,669
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Long-term and certain other liabilities, are note due and payable
in the current period and therefore are not reported as liabilities in the funds.

Long-term and other liabilities at year end consist of:

Pollution remediation obligations	(7,992,286)
Compensated absences payable	<u>(2,177,468)</u>

Total long-term and other liabilities	<u>(10,169,754)</u>
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Net assets of governmental activities (Statement of Net Assets)	\$ <u>72,013,137</u>
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STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds

YEAR ENDED JUNE 30, 2009

	Major Funds					Total Governmental
	(06400) General Fund	(22100) Special Appropriations 2007	(69400) Special Appropriations 2006	(99000) Corrective Action Fund	Other Governmental Funds	
REVENUES:						
Sales and miscellaneous taxes	\$ -	-	-	18,582,287	18,245,619	36,827,906
Federal grant revenue	19,291,730	-	-	-	625,270	19,917,000
Investment earnings	-	-	-	-	18,604	18,604
Miscellaneous	<u>618,669</u>	-	-	-	-	<u>618,669</u>
TOTAL REVENUES	<u>19,910,399</u>	-	-	<u>18,582,287</u>	<u>18,889,493</u>	<u>57,382,179</u>
EXPENDITURES:						
Current:						
Program support	8,203,375	-	-	-	-	8,203,375
Water Quality	18,702,225	-	-	-	-	18,702,225
Environmental health	10,115,509	-	-	-	-	10,115,509
Environmental protection	16,064,765	-	-	-	-	16,064,765
Water and wastewater infrastructure development	9,281,070	-	-	-	-	9,281,070
Other environmental initiatives	757,519	19,398,785	15,938,842	12,461,275	14,427,368	62,983,789
Capital outlay	<u>227,850</u>	-	-	-	-	<u>227,850</u>
TOTAL EXPENDITURES	<u>63,352,313</u>	<u>19,398,785</u>	<u>15,938,842</u>	<u>12,461,275</u>	<u>14,427,368</u>	<u>125,578,583</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(43,441,914)	(19,398,785)	(15,938,842)	6,121,012	4,462,125	(68,196,404)
OTHER FINANCING SOURCES (USES):						
General fund appropriation	16,057,800	-	-	-	-	16,057,800
Severance Tax Bond draws	-	6,199,918	3,183,259	-	8,534,827	17,918,004
Transfers in:						
Interfund	25,190,285	-	-	-	-	25,190,285
Other	418,000	-	-	-	270,000	688,000
Transfers out:						
Interfund	-	-	-	(8,263,072)	(16,927,213)	(25,190,285)
Other	-	(85,000)	(348,867)	-	(662,900)	(1,096,767)
Reversions-FY09	<u>(630,259)</u>	<u>(3,785,169)</u>	<u>(4,069,266)</u>	-	<u>(643,423)</u>	<u>(9,128,117)</u>
NET OTHER FINANCING SOURCES (USES)	<u>41,035,826</u>	<u>2,329,749</u>	<u>(1,234,874)</u>	<u>(8,263,072)</u>	<u>(9,428,709)</u>	<u>24,438,920</u>
NET CHANGE IN FUND BALANCES	<u>(2,406,088)</u>	<u>(17,069,036)</u>	<u>(17,173,716)</u>	<u>(2,142,060)</u>	<u>(4,966,584)</u>	<u>(43,757,484)</u>
FUND BALANCES, BEGINNING	446,542	61,253,071	38,271,798	14,916,811	57,559,457	172,447,679
RESTATEMENT	<u>1,011,212</u>	<u>(17,711,653)</u>	<u>(7,115,870)</u>	<u>(1,114,182)</u>	<u>(22,405,480)</u>	<u>(47,335,973)</u>
FUND BALANCES, BEGINNING, RESTATED	<u>1,457,754</u>	<u>43,541,418</u>	<u>31,155,928</u>	<u>13,802,629</u>	<u>35,153,977</u>	<u>125,111,706</u>
FUND BALANCES, ENDING	<u>\$ (948,334)</u>	<u>26,472,382</u>	<u>13,982,212</u>	<u>11,660,569</u>	<u>30,187,393</u>	<u>81,354,222</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities - Governmental Funds**

YEAR ENDED JUNE 30, 2009

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (43,757,484)

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

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid).

The decrease in compensated absences for the fiscal year was: 76,187

The decrease in pollution remediation obligations (Note 10)
for the fiscal year was: 820,538

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital outlay	227,850
Depreciation expense	<u>(610,038)</u>

Excess of depreciation expense over capital outlay (382,188)

Proceeds from sale of assets	-
Loss/Adjustments on disposal of assets	<u>(236,336)</u>

Excess of proceeds over the gain on disposal (236,336)

Change in net assets of governmental activities (Statement of Activities) **\$ (43,479,283)**

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	GENERAL FUND - TOTAL			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
General fund appropriations	\$ 15,865,300	15,865,300	16,057,800	192,500
Federal award programs	26,168,900	23,714,623	19,291,730	(4,422,893)
Permits and other fees	-	-	-	-
Other	<u>27,980,800</u>	<u>30,279,725</u>	<u>26,226,954</u>	<u>(4,052,771)</u>
TOTAL REVENUES	\$ <u>70,015,000</u>	<u>69,859,648</u>	<u>61,576,484</u>	<u>(8,283,164)</u>
P-567 PROGRAM SUPPORT:				
Expenditures:				
Personal services and benefits	\$ 6,788,500	6,884,246	6,670,720	213,526
Contractual services	1,200,900	1,257,823	763,153	494,670
Other	<u>1,155,000</u>	<u>1,143,855</u>	<u>927,257</u>	<u>216,598</u>
TOTAL EXPENDITURES	9,144,400	9,285,924	8,361,130	924,794
P-568 WATER QUALITY:				
Expenditures:				
Personal services and benefits	14,385,900	14,133,727	13,621,645	512,082
Contractual services	5,872,800	5,227,800	3,898,479	1,329,321
Other	<u>2,054,400</u>	<u>2,134,873</u>	<u>1,641,918</u>	<u>492,955</u>
TOTAL EXPENDITURES	22,313,100	21,496,400	19,162,042	2,334,358
P-569 ENVIRONMENTAL HEALTH PROGRAM:				
Expenditures:				
Personal services and benefits	7,896,200	8,514,470	8,434,334	80,136
Contractual services	230,200	126,380	115,277	11,103
Other	<u>2,083,600</u>	<u>1,736,450</u>	<u>1,565,396</u>	<u>171,054</u>
TOTAL EXPENDITURES	10,210,000	10,377,300	10,115,007	262,293
P-570 ENVIRONMENTAL PROTECTION PROGRAM:				
Expenditures:				
Personal services and benefits	13,640,600	13,765,500	13,618,156	147,344
Contractual services	851,800	831,900	470,656	361,244
Other	<u>2,980,600</u>	<u>2,837,200</u>	<u>2,040,271</u>	<u>796,929</u>
TOTAL EXPENDITURES	17,473,000	17,434,600	16,129,083	1,305,517

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2009

	GENERAL FUND - TOTAL - continued			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
P-774 WASTE & WASTEWATER INFRASTRUCTURE				
Expenditures:				
Personal services and benefits	\$ 6,327,000	6,350,689	5,644,591	706,098
Contractual services	3,354,800	3,685,200	3,052,476	632,724
Other	<u>1,192,700</u>	<u>1,229,535</u>	<u>887,984</u>	<u>341,551</u>
TOTAL EXPENDITURES	10,874,500	11,265,424	9,585,051	1,680,373
TOTAL EXPENDITURES:				
Expenditures:				
Personal services and benefits	49,038,200	49,648,632	47,989,446	1,659,186
Contractual services	11,510,500	11,129,103	8,300,041	2,829,062
Other	<u>9,466,300</u>	<u>9,081,913</u>	<u>7,062,826</u>	<u>2,019,087</u>
TOTAL EXPENDITURES	\$ <u>70,015,000</u>	<u>69,859,648</u>	<u>63,352,313</u>	<u>6,507,335</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES), EXCLUDING REVERSIONS			\$ (1,775,829)	
REVERSIONS TO STATE GENERAL FUND (NOT BUDGETED)			<u>(630,259)</u>	
NET CHANGE IN FUND BALANCE			\$ <u>(2,406,088)</u>	

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2009

	SPECIAL APPROPRIATIONS 2007 (22100)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
		(Budgetary Basis)	Positive (Negative)	
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other financing sources	-	6,199,918	6,199,918	-
Budgeted fund balance	<u>43,541,418</u>	<u>43,541,418</u>	<u>13,283,867</u>	<u>(30,257,551)</u>
TOTAL REVENUES	\$ <u>43,541,418</u>	<u>49,741,336</u>	<u>19,483,785</u>	<u>(30,257,551)</u>
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	43,541,418	49,656,336	19,398,785	30,257,551
Other financing uses	<u>-</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>43,541,418</u>	<u>49,741,336</u>	<u>19,483,785</u>	<u>30,257,551</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ -	
BUDGETED FUND BALANCE			(13,283,867)	
REVERSIONS TO STATE GENERAL FUND (NOT BUDGETED)			<u>(3,785,169)</u>	
NET CHANGE IN FUND BALANCE			\$ <u>(17,069,036)</u>	

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2009

	SPECIAL APPROPRIATIONS 2006 (69400)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive (Negative)
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other financing sources	-	3,183,259	3,183,259	-
Budgeted fund balance	<u>31,155,928</u>	<u>31,155,928</u>	<u>13,104,450</u>	<u>(18,051,478)</u>
TOTAL REVENUES	\$ <u>31,155,928</u>	<u>34,339,187</u>	<u>16,287,709</u>	<u>(18,051,478)</u>
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	31,155,928	33,990,320	15,938,842	18,051,478
Other financing uses	<u>-</u>	<u>348,867</u>	<u>348,867</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>31,155,928</u>	<u>34,339,187</u>	<u>16,287,709</u>	<u>18,051,478</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ -	
BUDGETED FUND BALANCE			(13,104,450)	
REVERSIONS TO STATE GENERAL FUND (NOT BUDGETED)			<u>(4,069,266)</u>	
NET CHANGE IN FUND BALANCE			\$ <u><u>(17,173,716)</u></u>	

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2009

	CORRECTIVE ACTION FUND (99000)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
		(Budgetary Basis)	Positive (Negative)	
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	18,438,100	18,438,100	18,582,287	144,187
Other financing sources	-	-	-	-
Budgeted fund balance	<u>2,407,300</u>	<u>2,407,300</u>	<u>2,142,060</u>	<u>(265,240)</u>
TOTAL REVENUES	\$ <u>20,845,400</u>	<u>20,845,400</u>	<u>20,724,347</u>	<u>(121,053)</u>
EXPENDITURES - current:				
Contractual services	\$ 3,000,000	4,000,000	3,244,443	755,557
Other operating costs	9,000,000	8,000,000	8,847,027	(847,027)
Other financing uses	<u>8,845,400</u>	<u>8,845,400</u>	<u>8,263,072</u>	<u>582,328</u>
TOTAL EXPENDITURES	\$ <u>20,845,400</u>	<u>20,845,400</u>	<u>20,354,542</u>	<u>490,858</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			\$ 369,805	
BUDGETED FUND BALANCE			(2,142,060)	
FISCAL 2009 BILLS PAID OUT OF FISCAL 2010 BUDGET			<u>(369,805)</u>	
NET CHANGE IN FUND BALANCE			\$ <u>(2,142,060)</u>	

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Statement of Net Assets - Proprietary Funds

AS OF JUNE 30, 2009

	ENTERPRISE FUNDS			Total
	(12100) Wastewater Facility Construction Loan Fund	(32700) Clean Water Administrative Fund	(33700/61900) Rural Infrastructure Revolving Loan Fund	
ASSETS:				
Current assets:				
Investments in State General Fund				
Investment Pool	\$ 56,652,734	1,028,311	17,016,867	74,697,912
Accounts receivable:				
Loans for completed projects, current	7,650,711	-	1,821,678	9,472,389
Interest on loans	2,912,921	-	302,181	3,215,102
Due from other state agencies	<u>9,857</u>	<u>175</u>	<u>2,989</u>	<u>13,021</u>
Total current assets	67,226,223	1,028,486	19,143,715	87,398,424
Non-current assets:				
Projects in progress, non-current	62,411,006	-	2,986,481	65,397,487
Loans for completed projects, non-current	98,764,409	-	11,578,822	110,343,231
Allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>(378,231)</u>	<u>(378,231)</u>
Total non-current assets	<u>161,175,415</u>	<u>-</u>	<u>14,187,072</u>	<u>175,362,487</u>
TOTAL ASSETS	\$ <u>228,401,638</u>	<u>1,028,486</u>	<u>33,330,787</u>	<u>262,760,911</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ <u>-</u>	<u>-</u>	<u>23,233</u>	<u>23,233</u>
TOTAL LIABILITIES	-	-	23,233	23,233
NET ASSETS:				
Restricted for capital projects	228,401,638	-	33,307,554	261,709,192
Restricted for other purposes	-	1,028,486	-	1,028,486
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>228,401,638</u>	<u>1,028,486</u>	<u>33,307,554</u>	<u>262,737,678</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>228,401,638</u>	<u>1,028,486</u>	<u>33,330,787</u>	<u>262,760,911</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Statement of Revenues, Expenses and
Changes in Fund Net Assets - Proprietary Funds**

YEAR ENDED JUNE 30, 2009

	ENTERPRISE FUNDS			Total
	(12100) Wastewater Facility Construction Loan Fund	(32700) Clean Water Administrative Fund	(33700/61900) Rural Infrastructure Revolving Loan Fund	
OPERATING REVENUES:				
Interest and investment revenue	\$ 4,171,442	7,346	582,872	4,761,660
Debt service fees	<u>-</u>	<u>38,069</u>	<u>-</u>	<u>38,069</u>
TOTAL OPERATING REVENUES	4,171,442	45,415	582,872	4,799,729
OPERATING EXPENSES:				
Administrative charges	169,529	-	538,377	707,906
Grants and services	<u>-</u>	<u>-</u>	<u>155,359</u>	<u>155,359</u>
TOTAL OPERATING EXPENSES	<u>169,529</u>	<u>-</u>	<u>693,736</u>	<u>863,265</u>
OPERATING INCOME (LOSS)	4,001,913	45,415	(110,864)	3,936,464
NON-OPERATING REVENUES:				
Grants and contributions	<u>3,133,353</u>	<u>-</u>	<u>-</u>	<u>3,133,353</u>
TOTAL NON-OPERATING REVENUE	<u>3,133,353</u>	<u>-</u>	<u>-</u>	<u>3,133,353</u>
CHANGE IN NET ASSETS	7,135,266	45,415	(110,864)	7,069,817
TOTAL NET ASSETS, BEGINNING	221,266,372	983,071	33,647,137	255,896,580
RESTATEMENT	<u>-</u>	<u>-</u>	<u>(228,719)</u>	<u>(228,719)</u>
TOTAL NET ASSETS, BEGINNING BEGINNING RESTATED	<u>221,266,372</u>	<u>983,071</u>	<u>33,418,418</u>	<u>255,667,861</u>
TOTAL NET ASSETS, ENDING	\$ <u>228,401,638</u>	<u>1,028,486</u>	<u>33,307,554</u>	<u>262,737,678</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Statement of Cash Flows - Proprietary Funds

YEAR ENDED JUNE 30, 2009

	ENTERPRISE FUNDS			Total
	(12100) Wastewater Facility Construction Loan Fund	(32700) Clean Water Administrative Fund	(33700/61900) Rural Infrastructure Revolving Loan Fund	
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES:				
Cash received on repayment of loan principal	\$ 7,215,245	-	1,082,316	8,297,561
Cash received on interest from loans	2,272,905	-	389,206	2,662,111
Interest payments received from banks/STO	891,617	7,171	267,725	1,166,513
Cash payments to suppliers of goods/services	-	38,069	(706,338)	(668,269)
Cash payments made to borrowers	<u>(30,079,090)</u>	<u>-</u>	<u>(4,982,341)</u>	<u>(35,061,431)</u>
NET CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES	(19,699,323)	45,240	(3,949,432)	(23,603,515)
CASH FLOWS PROVIDED BY CAPITAL AND RELATED ACTIVITIES:				
Grant proceeds - EPA	2,963,824	-	-	2,963,824
Special appropriation proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY CAPITAL AND RELATED ACTIVITIES	2,963,824	-	-	2,963,824
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES:	<u>2,353,286</u>	<u>-</u>	<u>-</u>	<u>2,353,286</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>2,353,286</u>	<u>-</u>	<u>-</u>	<u>2,353,286</u>
NET INCREASE (DECREASE) IN CASH	(14,382,213)	45,240	(3,949,432)	(18,286,405)
INVESTMENTS IN STATE GENERAL FUND INVESTMENT POOL, BEGINNING OF YEAR	<u>71,034,947</u>	<u>983,071</u>	<u>20,966,299</u>	<u>92,984,317</u>
INVESTMENTS IN STATE GENERAL FUND INVESTMENT POOL, END OF YEAR	\$ <u>56,652,734</u>	<u>1,028,311</u>	<u>17,016,867</u>	<u>74,697,912</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Statement of Cash Flows - Proprietary Funds - continued

YEAR ENDED JUNE 30, 2009

	ENTERPRISE FUNDS			Total
	(12100) Wastewater Facility Construction Loan Fund	(32700) Administrative Fund	(33700/61900) Rural Infrastructure Revolving Loan Fund	
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (Loss)	\$ 4,001,913	45,415	(110,864)	3,936,464
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Administrative expenses	169,529	-	-	169,529
Change in assets and liabilities:				-
Loans receivable	(22,833,249)	-	(3,893,340)	(26,726,589)
Loan interest receivable	(961,115)	-	(51,129)	(1,012,244)
Interest on investments receivable	383,889	(175)	118,503	502,217
Accounts payable	(460,290)	-	(12,602)	(472,892)
Total reconciling adjustments	<u>(23,701,236)</u>	<u>(175)</u>	<u>(3,838,568)</u>	<u>(27,539,979)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ <u>(19,699,323)</u>	<u>45,240</u>	<u>(3,949,432)</u>	<u>(23,603,515)</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Statement of Fiduciary Assets and Liabilities - Agency Fund

AS OF JUNE 30, 2009

	(65200) Agency Fund
	<u> </u>
ASSETS:	
Cash	\$ <u> 47,988</u>
LIABILITIES AND NET ASSETS:	
Funds held for others	\$ <u> 47,988</u>

NATURE OF ORGANIZATION

Reporting Entity

The State of New Mexico Environment 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 held 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.

Environmental Health (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 business.

Environmental Protection Program (P-570) – The purpose of the Environment 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.

Water and Wastewater Infrastructure Development Program (P-774) – 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 applications 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

In June 1999, the GASB unanimously approved GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This statement provides for the most significant change in financial reporting in over 20 years and is scheduled for a phased implementation based on size of government. The Department has implemented the provisions of GASB No. 34. As a part of this statement, there is a reporting requirement regarding the Department's infrastructure (road, bridges, etc.) The Department does not own any infrastructure assets and, therefore, is unaffected by this requirement.

• **Financial Reporting Entity - GASB Statement No. 34**

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.

The net cost (by function) is normally covered by general revenues (intergovernmental revenues, interest income, etc). Historically, the previous model did not summarize or present net cost by function or activity. The Department does not currently employ indirect cost allocation systems.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Financial Reporting Entity - GASB Statement No. 34 - continued**

This government-wide focus is more on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major fund in the governmental category.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Department actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

The Department's fiduciary fund (agency funds) is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

The Department is a "department" of the State of New Mexico and will be included in any statewide comprehensive Annual Financial Report. In accordance with the criteria set forth in GASB No. 14 (as amended by GASB No. 39) for determining component units, the Department does not have any component units.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Department first uses restricted resources, then unrestricted resources.

• **Basis of Presentation - Fund Accounting**

The accounts of the Department are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. The various funds are summarized by type in the accompanying financial statements. The following fund types and account groups are used by the Department:

Governmental Funds - All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Basis of Presentation - Fund Accounting - continued

Governmental Funds – continued

(expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Major Funds: The Department reports the following major governmental funds:

General Fund (06400) - The General Fund is the operating fund of the Department. It is used to account for all operating activities of the Department, except those requiring other governmental fund types. The General Fund is a reverting fund. Source of funding: General fund appropriation. As of June 30, 2009 the general fund had a fund balance deficit. The deficit was eliminated subsequent to year end with transfers from special revenue funds.

Special Appropriations Fund-2007 (22100) - Created by the Laws of 2007, Chapters 429 and 4. This fund was established to account for the sale of severance tax bonds, capital project appropriations, and general fund appropriations in order to provide funds for various waste handling projects. This fund is a reverting fund.

Special Appropriations Fund -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.

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Basis of Presentation - Fund Accounting - continued

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 business 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.

The Department reports the following major proprietary funds:

Clean Water State Revolving Fund (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.

Rural Infrastructure Revolving Loan Fund (33700 and 61900) - 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Basis of Presentation - Fund Accounting - 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 accrual.

Change in Accounting Principles

The Department has changed its manner of accounting for pollution remediation obligations. Effective June 30, 2009, the Department adopted the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This change is retroactive and requires the restatement of beginning net assets.

• Basis of Accounting

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.

Governmental 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, 2009 has been reported only in the government-wide financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Basis of Accounting – continued**

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.

• **Budgets and Budgetary Accounting**

The state Legislature makes annual appropriations to the Department. Annual appropriations lapse at fiscal year end unless otherwise specified in the legislation. Legal compliance is monitored through the establishment of a budget (modified accrual) and a financial control system that permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the category level. Budgeted category amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration (DFA) within the limitations as specified in the General Appropriations Act.

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. The legal level of budgetary control is at the appropriation unit level.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **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 are outlined at Note 7.

- **Modified Accrual**

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to Governmental Accounting Standards Board Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

- **Receivables**

Accrued Interest Receivable: Accrued interest receivable represents amounts due from other State Agencies for monies invested in the State General Fund Investment Pool and interest receivable on construction loans in the proprietary funds.

Petroleum Storage Tank Bureau: The Petroleum Storage Tank Bureau has a database of receivable balances from various prior periods which are deemed uncollectible due to their age.

However, the Department has an ongoing project to investigate and resolve all outstanding balances. As of the end of the 2009 fiscal year, 270 cases have been deemed resolved. Collection efforts have been successful in some of the resolved cases. In other cases, the Bureau determined that the balances were uncollectible. This effort is still ongoing and will take three to five years before completion.

- **Capital Assets**

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays exceeding \$5,000 that significantly extend the useful life of an asset are capitalized per Section 12-6-10 NMSA 1978. Other costs incurred for repairs and maintenance are expensed as incurred.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Capital Assets - continued**

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives in years:

Reportable IT maintenance	5
Reportable IT services	5
Furniture and fixtures	7
Data processing equipment	5
Machinery and equipment	5
Library and museum	7
Automotive	5
Buildings and structures	27 ½

The Department capitalizes computer software, whether purchased or developed internally, in accordance with guidelines provided by the GSD Rule NMAC Chapter 20, Part 1, Sections 2.20.1.9C(5) and 2.20.1.10C, and FASB 86 accounting principles. Museum acquisitions are considered inexhaustible assets and therefore are not deferred.

• **Compensated Absences**

Accrued vacation up to 240 hours is recorded in the Statement of Net Assets at 100% of the employee's hourly wage. In addition, accrued sick leave over 600 and up to 720 hours less the amount classified as current is recorded in the Statement of Net Assets at 50% of the employee's hourly wage.

Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour. The accrual for compensated absences is calculated at pay rates in effect at June 30, 2009, and includes direct and incremental salary related payments, such as the employees' share of social security taxes.

• **Restricted Expendable Net Assets**

GASB Pronouncement Number 46 states that net assets are legally enforceable, meaning that a government can be compelled by an external party (i.e., citizen, public interest group, etc.) to use resources only as created by the legislation.

Restricted expendable net assets are created to either: 1) satisfy legal covenants that required a portion of the fund balance to be segregated, or 2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific restricted net asset accounts are summarized below:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Restricted Expendable Net Assets - continued**

Restricted – For statutory requirements, loans on capital projects and special revenue funds. 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.”

Unrestricted – Funds that are without any legal restrictions.

- **Reservations of Fund Balances**

Reserved for Statutory Requirement – Reserved in the Corrective Action Fund to comply with state statutes and underground storage tank regulations

Reserved for Capital Projects – Resources that must be used to acquire capital assets.

- **Net Assets**

The three categories of net assets are;

Invested in capital assets, net of any related debt – capital assets that have outstanding debt.

Restricted – as outlined above.

Unrestricted – as outlined above.

- **Reserves – Government Fund Financial Statements**

The following table identifies the funds that are affected by enabling legislation and the respective balances:

RESERVED – MAJOR FUNDS

<u>Fund</u>	<u>Description</u>	<u>Enabling Legislation</u>	<u>Reserved Fund Balance</u>
22100	Capital Projects Appropriation	Laws 2007, Chapters 2, 42, 334	\$ 26,472,382
69400	Capital Projects Appropriation	Laws 2006, Chapter 11	13,982,212
99000	Corrective Action Fund	NM 74-6B-7	10,660,569
99000	Corrective Action Fund	NM 74-6B-7	<u>1,000,000</u>
		Subtotal – Reserved - Major Funds	52,115,163

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Reserves – Government Fund Financial Statements - continued**

RESERVED – OTHER GOVERNMENTAL FUNDS

<u>Fund</u>	<u>Description</u>	<u>Enabling Legislation</u>	<u>Reserved Fund Balance</u>
02600	Tire Recycling Fund	Tire Recycling Act	\$ 1,843,738
06600	Voluntary Remediation Fund	NM 74-4G-11	58,039
09200	Air Quality Title V Fund	NM 74-2-15	2,183,090
11800	Special Appropriations Brownfield Cleanup Revolving	Laws 2006, Chapter 115	3,908,121
11900	Loan Fund	NM 74-4G-11.1	729,544
24800	Responsible Party Reimb. Fund	Chapter 74, Art. 6, Water Quality Act	303,458
33900	Hazardous Waste Fund	NM 74-4-4.5	2,320,099
34000	Liquid Waste	Laws 2000, Chapter 96, Sect. 3	69,768
34100	Water Quality Mgt. Fund	NM 74-6-5.2	582,684
40000	Water Recreation Facilities Fund	NM 74-1-16	270,939
56700	Water Conservation Fund	NM 74-1-13	2,117,212
58400	Operator Certification Fund	Administratively Established	85,110
59200	Radiation Protection Fund	Laws 2000, Chapter 86, Section 6	961,913
63100	Air Quality Fund	NM 74-2-15	1,026,897
63200	Solid Waste Facility Grant Fund	NM 74-10-2	1,405,556
65500	Special Appropriations	Laws 2004, Chapter 126	71,590
78300	Solid Waste Permit Fees	NM 74-9-1	110,854
95700	Emergency Hazardous Fund	NM 74-4-8	3,625,213
98700	Radiologic Technology Fund	Laws 1983, Chapter 317	248,490
98900	Underground Storage Tank Fund	NM 74-4-4.8	567,961
99100	Food Storage Sanitation Fund	NM 25-1-5.1	568,208
10350	Special Appropriations Fund	Laws 2008, Chapter 92	<u>7,128,909</u>
		Subtotal – Reserved - Other Governmental Funds	<u>30,187,393</u>
		Total – All Governmental Funds	\$ <u>82,302,556</u>

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Short-Term Debt**

The Department did not have any short-term debt activity during the year.

• **Use of Estimates**

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

• **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.

• **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.

• **Risk Management**

The Department, as a "State Agency" defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. The Department pays annual premiums to the Risk Management Division for coverage provided in the following areas:

- Liability and civil rights protection for claims made by others against the State of New Mexico.
- Coverage to protect the State of New Mexico's property and assets.
- Fringe benefit coverage for State of New Mexico employees.

At June 30, 2009, the Department had no claims that the Risk Management Division has returned as not covered that would become the responsibility of the Department.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

2. CASH DEPOSIT ACCOUNTS AND INVESTMENTS

Cash, other than petty cash, is deposited by the Department into its accounts at the State's fiscal agent bank and is pooled and invested by the State Treasurer. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Department. The New Mexico State General Fund Investment Pool does not have a credit risk rating. For additional GASB 40 disclosure information related to the above investment pool, the reader should refer to the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2009.

Other bank accounts are used by the Department to deposit revenue from its various locations in order to transfer the funds into its accounts with the State Treasurer. The Department's investments are held by agents of the Department in the Department's name. All funds deposited at financial institutions were fully insured by the Federal Deposit Insurance Corporation up to \$250,000 at June 30, 2009.

The Department has one investment not held in the State General Fund Investment Pool during the year ended June 30, 2009. The mutual fund is held at the Bank of Albuquerque, recorded in the Department's fund 63200 in the amount of \$538,599.

At June 30, 2009, 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.

3. OTHER RECEIVABLES

Other receivables:

Brownfield Cleanup Revolving Loan Fund (11900)	\$ 729,544
Air Quality Title V Operating Permit Fees (09200)	495,150
Hazardous Waste Fund (33900)	48,000
General Fund (06400)	<u>12,607</u>
Total other receivables, net	\$ <u>1,285,301</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

3. OTHER RECEIVABLES - continued

The Brownfield Cleanup Revolving Loan Fund provides loans from federal grant proceeds to various parties to carry out cleanup activities at Brownfield sites. At June 30, 2009, the fund consisted of three loans with various private parties with terms ranging from three to five years, with monthly payments ranging from approximately \$1,500 to \$14,000 per month. These receivables are considered fully collectible.

The Air Quality Title V Operating permit fee is a fee charged on approximately 140 source companies within the State of New Mexico based on an air emission discharge fee of \$21 per ton of allowable pollutants per year. For the fiscal year ending June 30, 2009, each owner or operator's annual payment fee was due June 1, 2009.

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.

4. CONSTRUCTION AND MORTGAGE LOANS

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

The allowance for uncollectible accounts is based on estimated collectible balances using an analysis of an aging of outstanding accounts and historical collection experience. The Department may not forgive a loan without Legislative approval. Construction and mortgage loans as of June 30, 2009 consist of the following:

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

4. CONSTRUCTION AND MORTGAGE LOANS - continued

	(12100) Wastewater Facility Construction <u>Loan Fund</u>	(33700/61900) Rural Infrastructure Revolving <u>Loan Fund</u>	<u>Total</u>
Construction loans in progress	\$ 62,411,006	2,986,481	65,397,487
Mortgage loans on completed projects non-current and current	106,415,120	13,400,500	119,815,620
Accrued interest	2,912,921	302,181	3,215,102
Allowance for uncollectible accounts	<u>-</u>	<u>(378,231)</u>	<u>(378,231)</u>
Construction and mortgage loans, net	\$ <u>171,739,047</u>	<u>16,310,931</u>	<u>188,049,978</u>

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

Mortgage loans are paid in annual installments, including interest, ranging from \$3,491 to \$1,587,627 through April 16, 2029, in the Wastewater Construction Loan Fund and \$318 to \$414,141 through April 16, 2029, in the Rural Infrastructure Loan Fund.

The following is a schedule of future annual payments including principal, interest and administrative fee, as of June 30, 2009:

<u>Years Ending June 30,</u>	(12100) Wastewater Facility Construction <u>Loan Fund</u>	(33700/61900) Rural Infrastructure Revolving <u>Loan Fund</u>	<u>Total</u>
2010	\$ 10,082,731	1,821,678	11,904,409
2011	10,047,901	1,760,938	11,808,839
2012	9,993,110	1,665,827	11,658,937
2013	8,340,512	1,549,120	9,889,632
2014	7,764,337	1,422,223	9,186,560
2015 and thereafter	<u>80,441,298</u>	<u>8,026,363</u>	<u>88,467,661</u>
Less interest and administrative	(20,254,769)	(2,845,649)	(23,100,418)
Completed projects	\$ <u>106,415,120</u>	<u>13,400,500</u>	<u>119,815,620</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

4. CONSTRUCTION AND MORTGAGE LOANS - continued

The following is a detailed summary of major borrowers and loan balances for construction and mortgage loans at June 30, 2009.

Construction loans in progress:

<u>Community</u>		(12100) Wastewater Facility Construction <u>Loan Fund</u>	(33700/61900) Rural Infrastructure Revolving <u>Loan Fund</u>	<u>Total</u>
Hobbs	\$	29,987,933	-	29,987,933
Los Lunas		14,191,288	-	14,191,288
Los Alamos		12,741,785	-	12,741,785
Lovington		5,490,000	-	5,490,000
City of Portales		-	1,140,269	1,140,269
Estancia Valley Solid Waste Authority		-	909,328	909,328
City of Elephant Butte		-	615,102	615,102
Town of Red River		-	216,887	216,887
Other Communities		<u>-</u>	<u>104,895</u>	<u>104,895</u>
Total	\$	<u>62,411,006</u>	<u>2,986,481</u>	<u>65,397,487</u>

Mortgage loans on completed projects:

<u>Community</u>		(12100) Wastewater Facility Construction <u>Loan Fund</u>	(33700/61900) Rural Infrastructure Revolving <u>Loan Fund</u>	<u>Total</u>
Farmington	\$	12,547,273	-	12,547,273
Las Vegas		8,481,482	-	8,481,482
Clovis		8,379,728	-	8,379,728
Albuquerque		8,128,849	-	8,128,849
Rio Rancho		7,962,219	-	7,962,219
Las Vegas		7,146,582	-	7,146,582
Espanola		6,138,344	-	6,138,344
Dona Ana County		4,740,014	-	4,740,014
Albuquerque - Nitro		4,405,810	-	4,405,810

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

4. CONSTRUCTION AND MORTGAGE LOANS - continued

Mortgage loans on completed projects – continued:

<u>Community</u>	<u>(12100) Wastewater Facility Construction Loan Fund</u>	<u>(33700/61900) Rural Infrastructure Revolving Loan Fund</u>	<u>Total</u>
Gallup	\$ 3,383,043	-	3,383,043
Grants	3,335,743	-	3,335,743
Village of Los Lunas	2,863,010	-	2,863,010
Los Lunas	2,811,799	-	2,811,799
Los Lunas	2,706,333	-	2,706,333
Silver City	2,205,755	-	2,205,755
Albuquerque – Compost	2,111,037	-	2,111,037
City of Espanola	2,035,505	-	2,035,505
Taos Ski Valley	1,517,726	-	1,517,726
City of Socorro	1,197,534	-	1,197,534
Ruidoso	1,189,065	-	1,189,065
Dona Ana	458,928	-	458,928
Estancia	270,000	-	270,000
Silver City	187,367	-	187,367
Sunland	146,148	-	146,148
Anthony	64,493	-	64,493
Willard	48,405	-	48,405
Ya-Ta-Hey	48,082	-	48,082
Las Vegas	34,147	-	34,147
Pecos	32,223	-	32,223
Bloomfield	30,664	-	30,664
Hatch	11,720	-	11,720
Santa Fe Solid Waste Mgmt. Agency	-	1,896,644	1,896,644
Paa-Ko CSA	-	1,444,556	1,444,556
City of Aztec	5,000,000	878,597	5,878,597
Entranosa Water & Wastewater Assoc., Inc.	-	795,632	795,632
City of Bayard	1,326,952	759,082	2,086,034
City of Bloomfield	2,470,841	690,281	3,161,122

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

4. CONSTRUCTION AND MORTGAGE LOANS - continued

<u>Community</u>	<u>(12100) Wastewater Facility Construction Loan Fund</u>	<u>(33700/61900) Rural Infrastructure Revolving Loan Fund</u>	<u>Total</u>
City of Truth or Consequences	\$ -	626,539	626,539
Dona Ana MDWCA	-	442,485	442,485
City of Belen	2,998,299	396,912	3,395,211
Village of Tularosa	-	382,342	382,342
Upper La Plata DWC	-	349,098	349,098
City of Texico	-	297,253	297,253
Roosevelt County Water Co-op	-	274,730	274,730
City of Lordsburg	-	272,352	272,352
Garfield MDWCA	-	239,172	239,172
Desert Sands MDWCA	-	221,391	221,391
Village of Bosque Farms	-	205,116	205,116
Twin Forks MDWCA	-	200,720	200,720
Canoncito at Apache Canyon	-	191,158	191,158
Village of Cimarron	-	151,799	151,799
Gamerco Water & Sanitation District	-	144,418	144,418
Ifeld MDWCA	-	131,882	131,882
Jemez Springs DWCA	-	118,070	118,070
La Mesa MDWCA	-	107,677	107,677
Other Communities	<u>-</u>	<u>2,182,594</u>	<u>2,182,594</u>
	\$ <u>106,415,120</u>	<u>13,400,500</u>	<u>119,815,620</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

5. DUE FROM AND DUE TO OTHER FUNDS

Due from/to other funds are amounts due from and to other funds within the Department. A significant portion of these balances represents the differences between the amounts transferred from the Special Revenue Funds to the General Fund and the amounts expended in the General Fund on behalf of the Special Revenue Funds. All Inter-Fund balances are expected to be paid within one year. Due from/to other Department funds as of June 30, 2009, are as follows:

Amount Due from Other Funds

<u>SHARE</u>	<u>Fund</u>	<u>Amount</u>
Tire Recycling Fund	02600	\$ 41,988
Air Quality – Title V	09200	161,740
Hazardous Waste Fund	33900	226,170
Liquid Waste Fund	34000	19,851
Water Quality Mgt. Fund	34100	104,069
Water Conservation Fund	56700	217,963
Air Quality Permit Fund	63100	733,782
Other Revenue Fund	78300	32,204
Haz-Waste Emergency Fund	95700	46,800
Radiologic Technology Fund	98700	12,448
Underground Storage Tank Fund	98900	94,299
Ground Water Corrective Action Fund	99000	582,328
General Fund	06400	122
General Fund	06400	327,004
General Fund	06400	\$ 135,345
General Fund	06400	133,941
General Fund	06400	53,569
General Fund	06400	<u>40,434</u>
Total		\$ <u>2,964,057</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

5. DUE FROM AND DUE TO OTHER FUNDS - continued

Amount Due to Other Funds

SHARE	Fund	Amount
General Fund	06400	\$ 41,988
General Fund	06400	161,740
General Fund	06400	226,170
General Fund	06400	19,851
General Fund	06400	104,069
General Fund	06400	217,963
General Fund	06400	733,782
General Fund	06400	32,204
General Fund	06400	46,800
General Fund	06400	12,448
General Fund	06400	94,299
General Fund	06400	582,328
Brownfield Cleanup Rev. Loan Fund	11900	122
Responsible Parties Prepayment	24800	327,004
Water Recreation Facilities	40000	135,345
Public Water Supply System OPF	58400	133,941
Radiation Protection	59200	53,569
Food Service Sanitation Fund	99100	<u>40,434</u>
		 \$ <u>2,964,057</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

6. DUE FROM AND DUE TO OTHER STATE AGENCIES

Transactions that occur among state agencies legislative mandate, exchange transactions and other situations are accounted for in the financial statements which make up the due from and due to other state agencies. The due from and due to other agencies balances at June 30, 2009 consist of the following:

- **Due From Other State Agencies**

NMED SHARE Fund	Agency	Other Agency's Fund	Amount
Governmental Funds:			
34000	Department of Finance & Administration	39400	\$ 4
58400	Department of Finance & Administration	39400	45
59200	Department of Finance & Administration	39400	177
63200	Department of Finance & Administration	39400	145
02600	Department of Finance & Administration	39400	80,955
06400	Office of The Governor	35600	9,342
10360	DFA – State Board of Finance	73000	231,209
11800	DFA – State Board of Finance	73000	81,164
12000	DFA – State Board of Finance	73000	38,477
22100	DFA – State Board of Finance	73000	185,274
65500	DFA – State Board of Finance	73000	<u>599,646</u>
Total Governmental Funds			1,226,438
Enterprise Funds:			
12100	Department of Finance & Administration	39400	9,857
32700	Department of Finance & Administration	39400	175
33700	Department of Finance & Administration	39400	<u>2,989</u>
Total Enterprise Funds			<u>13,021</u>
Total All Funds			\$ <u>1,239,459</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

6. DUE FROM AND DUE TO OTHER STATE AGENCIES - continued

• Due To Other State Agencies

NMED SHARE Fund	Agency	Other Agency's Fund	Amount
Governmental Funds:			
06400	Taxation and Revenue Department	17200	\$ 98
34100	Energy, Minerals & Nat. Resources Dept.	19900	<u>566,624</u>
Total Governmental Funds			\$ <u>566,722</u>

7. TRANSFERS

Interfund transfers as of June 30, 2009 are as follows:

Fund	Transfers In	Transfers Out
General Fund – 06400	\$ 25,190,285	-
Special Revenue Funds		
02600	-	261,812
09200	-	3,224,060
24800	-	327,004
33900	-	3,393,730
34000	-	538,483
34100	-	329,031
40000	-	135,345
56700	-	2,827,537
58400	-	133,941
59200	-	744,669
63100	-	2,747,418
78300	-	7,796
95700	-	206,300
98700	-	110,952
98900	-	598,701
99000	-	8,263,072
99100	-	<u>1,340,434</u>
Total Interfund Transfers	\$ <u>25,190,285</u>	<u>25,190,285</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements – continued

7. TRANSFERS – continued

Interfund 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.

Inter-agency transfers as of June 30, 2009 are as follows:

• **Inter-agency Transfers Out**

NMED Fund	Agency	Other Agency's Fund	Description	Amount
69400	Public Education Dept.-92400	81800	Project reauthorization transfers	\$ 25,000
69400	Dept. of Finance & Admin.-34100	52900	Transfer funds for project	293,867
69400	Dept. of Finance & Admin.-34100	52900	Project reauthorization transfers	30,000
11800	Dept. of Finance & Admin.-34100	52900	Project reauthorization transfers	75,000
22100	Dept. of Finance & Admin.-34100	52900	Project reauthorization transfers	50,000
22100	Dept. of Transportation-80500	10070	Transfer funds for project	35,000
34100	Energy, Mins. & Nat. Res. Dept.	19900	Transfer EMNRD portion from Water Quality Fund	117,900
65500	Higher Education Dept.-95000	64400	Project reauthorization transfers	<u>470,000</u>
				\$ <u>1,096,767</u>

• **Inter-agency Transfers In**

NMED Fund	Agency	Other Agency's Fund	Description	Amount
10350	Dept. of Transportation-80500	10070	Project reauthorization transfers	\$ 150,000
10350	Indian Affairs Dept.-60900	10000	Project reauthorization transfers	70,000
10350	Dept. of Finance & Admin.-34100	52900	Project reauthorization transfers	50,000
06400	Office of Attorney General-30500	17000	Transfer funds for water litigation	120,000
06400	Dept. of Finance & Admin.-34100	85300	Compensation package	<u>298,000</u>
				\$ <u>688,000</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

8. CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Type Activities</u>	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance June 30, 2009</u>
Reportable IT maintenance	\$ 52,475	5,364	-	57,839
Reportable IT services	50,486	133,363	-	183,849
Furniture and fixtures	87,533	25,229	(5,498)	107,264
Data processing equipment	6,504,948	8,121	(4,689,702)	1,823,367
Machinery and equipment	3,621,812	31,553	(457,544)	3,195,821
Library and museum	37,890	-	-	37,890
Automotive	605,307	24,220	(2,431)	627,096
Buildings and structures	<u>32,209</u>	<u>-</u>	<u>(15,400)</u>	<u>16,809</u>
Total	10,992,660	227,850	(5,170,575)	6,049,935
Accumulated depreciation:				
Reportable IT maintenance	(14,427)	(11,418)	(1,875)	(27,720)
Reportable IT services	(49,519)	(14,682)	6,642	(57,559)
Furniture and fixtures	(27,097)	(32,458)	(399)	(59,954)
Data processing equipment	(6,018,855)	(236,890)	4,486,039	(1,769,706)
Machinery and equipment	(3,192,408)	(196,644)	438,337	(2,950,715)
Library and museum	(22,158)	(5,413)	(326)	(27,897)
Automotive	(211,340)	(111,361)	32	(322,669)
Buildings and structures	<u>(9,663)</u>	<u>(1,172)</u>	<u>5,789</u>	<u>(5,046)</u>
Total accumulated depreciation	<u>(9,545,467)</u>	<u>(610,038)</u>	<u>4,934,239</u>	<u>(5,221,266)</u>
Net capital assets	\$ * <u>1,447,193</u>	<u>(382,188)</u>	<u>(236,336)</u>	<u>828,669</u>

*Rounding error in FY 2008 financial statements between Statement of Net Assets and Capital Assets footnote.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

8. CAPITAL ASSETS - continued

Depreciation expense for the year ended June 30, 2009 was allocated to the following activities in the Statement of Activities. All assets are held by the primary government. Depreciation was allocated based on the relative percentages to the total governmental expenses.

Program support	\$	42,638
Water quality		210,000
Environmental Health Program		168,446
Environmental Protection Program		142,029
Water and Wastewater Infrastructure Development		<u>46,925</u>
 Total depreciation expense	 \$	 <u>610,038</u>

9. COMPENSATED ABSENCES

The following is a summary of compensated absences of the Department for the year ended June 30, 2009:

		<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Amount due within one year	\$	1,969,061	2,090,100	(1,881,693)	2,177,468
Amount due in more than one year		<u>284,594</u>	-	<u>(284,594)</u>	-
Accrued compensated absence		<u>2,253,655</u>	<u>2,090,100</u>	<u>(2,166,287)</u>	<u>2,177,468</u>

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

10. POLLUTION REMEDIATION OBLIGATIONS

The Department, as obligated by various federal and state laws, is responsible for the cleanup of leaking petroleum storage tanks, hazardous waste contamination sites and ground water contamination sites. During FY09, the Department completed approximately \$14.3M of pollution (including contamination) remediation obligations. These obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

The following is a summary of pollution remediation obligations as of June 30, 2009. The Department calculated the liability based on the expected cash flow technique using expected outlays from work plans on active sites the Department is responsible for as of June 30, 2009. The estimate is subject to change due to price changes, technology changes or other changes. The Department does not expect any recoveries from other responsible parties that would reduce this liability.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

10. POLLUTION REMEDIATION OBLIGATIONS - continued

	Balance, June 30,	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, 2009
Pollution Remediation Obligations	\$ <u>8,812,824*</u>	<u>13,472,009</u>	<u>(14,292,547)</u>	<u>7,992,286</u>

This liability is paid from the Department's special revenue funds and the state general fund.

*Restatement – due to implementation of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

11. REVERSIONS

The following reversions are special appropriations accrued during fiscal year 2009:

Laws of 2002	\$ 535,690
Laws of 2003	74,679
Laws of 2004	635,373
Laws of 2005	269
Laws of 2006	4,069,266
Laws of 2007	3,785,169
Laws of 2008	23,711
Colonias Wastewater Fund Balance Reversion	<u>3,960</u>
 Total	 \$ <u>9,128,117</u>

The Department did not have any additional reversions for FY09. A total of \$8,038,519 was paid to the State General Fund during the year. \$1,089,598 is payable at June 30, 2009 and within 45 days of the release of this audit by the New Mexico Office of the State Auditor. In accordance with statute, unexpended funds in the Department's General Fund revert.

12. OTHER REVENUE

The following is the summary of the gasoline loading fees received from the New Mexico Department of Taxation and Revenue, recorded in the Corrective Action Fund (99000).

	<u>Total</u>
Gasoline tax revenue	\$ <u>18,582,287</u>
Total other revenue	\$ <u>18,582,287</u>

13. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

• **Plan Description**

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 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% of the gross covered salary. From the 2009 legislative session House Bill 854 temporarily shifts the burden of 1.5% of employer PERA contributions to state employees whose annual salaries exceed \$20,000. For the two-year period from July 1, 2009 to June 30, 2011, the employer contribution rates will be reduced by 1.5% and the employee contribution rates will be increased by 1.5%. After this temporary shift the burden will return to the employer. The contribution requirements of plan members and the Department are established in State statute 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 fiscal years ending June 30, 2009, 2008 and 2007 were \$5,782,281, \$5,402,869, and \$4,955,549, respectively, which equal the amount of the required contributions for each fiscal year.

14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE 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.

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 that person retires before the employer's RHCA effective

14. **POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN -
continued**

• **Plan Description – continued**

date, in which the 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 to the 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 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 of 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 1/1/98 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, 2009, 2008 and 2007 were \$440,996, \$408,255 and \$383,794, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

15. COMMITMENTS

- **Corrective Action Fund (99000)**

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 New Mexico Department of Taxation and Revenue for gasoline loading fees.

- **Loan Commitments**

Wastewater Loan Construction Fund - As of June 30, 2009, the Department has executed binding commitments to disburse \$11,675,589 for future loans.

Rural Infrastructure Loan Fund - As of June 30, 2009, the Department has executed binding commitments to disburse \$4,290,800 for loans and grants from the fund.

- **Operating Leases**

The Department leases equipment under operating leases. Operating leases do not give rise to eventual property rights or lease obligations and, therefore, the effect of the lease obligations are not reflected in the Department's liabilities. Operating leases are subject to future appropriations and are cancelable by the Department at the end of each fiscal year. The Department has commitments for lease obligations for the following periods in the following amounts:

Years ending June 30,		
2010	\$	2,412,891
2011		2,309,413
2012		2,236,898
2013		2,146,292
2014		2,115,178
2015 and thereafter		<u>4,391,686</u>
Total	\$	<u>15,612,358</u>

Rental expenditures for the fiscal year ended June 30, 2009 were approximately \$3,020,000.

16. CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS)

The Department, as a State Agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the General Services Department of the State of New Mexico. The Office of Risk Management Division pays annual premiums for coverage provided in the following areas:

- Liability and civil rights protection for claims made by others against the State of New Mexico;
- Coverage to protect the State of New Mexico's property and assets; and
- Fringe benefit coverage for State of New Mexico employees.

In the case of civil actions or claims against the Department for financial damages, the Department's certificate of insurance with Risk Management does not cover claims for back wages but does cover civil rights claims for other compensatory damages.

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.

17. RISK MANAGEMENT

The Department is exposed to various risks of loss for which the Department carries insurance with the State of New Mexico Risk Management Division (i.e., auto, employee fidelity bond, general liability, civil rights and foreign jurisdiction, money and securities, property and workers' compensation).

18. FUND BALANCE AND NET ASSET RESTATEMENTS

To comply with Governmental Accounting Standards Board Statement No. 33 (GASBS 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the Department has changed its accounting treatment of capital project appropriations financed with bond proceeds.

Prior to the change, the Department recognized – in the year the capital project appropriations were authorized by the Legislature – the entire amount of bond proceeds related to capital project appropriations. It also recognized a corresponding liability, due to project recipients, and the expenditure related to that. It did not take into account the impact of eligibility requirements. Under the modified accrual basis of accounting, GASBS 33 requires that the recognition of revenues and expenditures occur only when all applicable eligibility requirements have been met. Since all of the eligibility requirements established by the State Board of Finance had not been met by the end of last fiscal year, the Department's recognition of bond proceeds and the related liability to recipients was premature. As a result of this change, beginning fund balances were restated as follows:

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

18. **FUND BALANCE AND NET ASSET RESTATEMENTS - continued**

Fund 69400 – Major Fund

Fund balance as originally reported, June 30, 2008	\$ 38,271,798
Restatement	<u>(7,115,870)</u>
Fund balance, July 1, 2008, restated	\$ <u>31,155,928</u>

Fund 22100 – Major Fund

Fund balance as originally reported, June 30, 2008	\$ 61,253,071
Restatement	<u>(17,711,653)</u>
Fund balance, July 1, 2008, restated	\$ <u>43,541,418</u>

Fund 11800

Fund balance as originally reported, June 30, 2008	\$ 12,290,416
Restatement	<u>(6,326,267)</u>
Fund balance, July 1, 2008, restated	\$ <u>5,964,149</u>

Fund 12000

Fund balance as originally reported, June 30, 2008	\$ 269,423
Restatement	<u>(130,266)</u>
Fund balance, July 1, 2008, restated	\$ <u>139,157</u>

Fund 65500

Fund balance as originally reported, June 30, 2008	\$ 5,352,361
Restatement	<u>(2,464,729)</u>
Fund balance, July 1, 2008, restated	\$ <u>2,887,632</u>

Fund 70300

Fund balance as originally reported, June 30, 2008	\$ 25,021
Restatement	<u>(25,021)</u>
Fund balance, July 1, 2008, restated	\$ <u> -</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

18. FUND BALANCE AND NET ASSET RESTATEMENTS - continued

Fund 10360

Fund balance as originally reported, June 30, 2008	\$ 13,348,198
Restatement	<u>(13,348,198)</u>
 Fund balance, July 1, 2008, restated	 \$ <u> -</u>

The 2008 financial statements were issued with fund balances in the Solid Waste Grant Fund (63200) overstated by \$252,854, due to expenditures that were not properly recognized. As a result of this error, beginning fund balances were restated as follows:

Fund balance as originally reported, June 30, 2008	\$ 1,297,517
Restatement	<u>(252,854)</u>
 Fund balance, July 1, 2008, restated	 \$ <u>1,044,663</u>

The 2008 financial statements were issued with fund balances in the Corrective Action Fund (99000) overstated by \$1,114,182, due to \$345,862 in liabilities related to completed projects not previously recorded and an amount of \$760,320 due to the general fund not recorded. As a result of these errors, beginning fund balances were restated as follows:

Fund balance as originally reported, June 30, 2008	\$ 14,916,811
Restatement	<u>(1,114,182)</u>
 Fund balance, July 1, 2008, restated	 \$ <u>13,802,629</u>

The 2008 financial statements were issued with fund balances in the General Fund (06400) understated by \$1,011,212, due to \$242,892 in revenue held in receipts held in suspense that should have been recognized in prior years and an amount of \$760,320 due from the Corrective Action Fund (99000) not recorded. As a result of these errors, beginning fund balances were restated as follows:

Fund balance as originally reported, June 30, 2008	\$ 446,542
Restatement	<u>1,011,212</u>
 Fund balance, July 1, 2008, restated	 \$ <u>1,457,754</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

18. FUND BALANCE AND NET ASSET RESTATEMENTS - continued

The 2008 financial statements were issued with fund balances in the Brownfield Cleanup Revolving Loan Fund (11900) understated by \$141,855 due to \$141,855 in receivables not recorded as of June 30, 2008. As a result of these errors, beginning fund balances were restated as follows

Fund balance as originally reported, June 30, 2008	\$	-
Restatement		<u>141,855</u>
Net assets, July 1, 2008, restated	\$	<u><u>141,855</u></u>

The 2008 financial statements were issued with net assets in the Rural Infrastructure Revolving Loan Fund (33700) overstated by \$228,719, due to a difference in the loan schedule and the general ledger from prior year errors that was not corrected. As a result of this error, beginning fund balances were restated as follows:

Net assets as originally reported, June 30, 2008	\$	33,647,137
Restatement		<u>(228,719)</u>
Net assets, July 1, 2008, restated	\$	<u><u>33,418,418</u></u>

As a result of these errors and the retroactive implementation of GASB 49 (Note 10), beginning net assets were restated as follows:

Net assets as originally reported, June 30, 2008	\$	427,537,797
Restatement, due to errors		(47,564,692)
Restatement, implementation of GASB 49		<u>(8,812,824)</u>
Total restatement		<u>(56,377,516)</u>
Net assets, July 1, 2008, restated	\$	<u><u>371,160,281</u></u>

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Revenue Funds –
Non-Major Governmental Funds**

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 74-1 1-1 through 74-1 1-1 7. The purpose of this fund is for abatement of tire dumps, for reprocessing, transportation or recycling of scrap tires, for providing annual retread rebates and for carrying out the provisions of the Tire Recycling Act. This fund is reverting.

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

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

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

Special Appropriations 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.

Brownfield Cleanup Revolving Loan Fund (11900) - Created by State Statute 74-4G-11.1 NMSA 1978. The fund was established to account for the Brownsfield Clean-up Revolving Loan Fund. The funds are obtained through a grant from the Environmental Protection Agency. The funds are for the repayments of loans and interest. Income is accrued on the balance of the fund. This fund is non-reverting.

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

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

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

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Revenue Funds –
Non-Major Governmental Funds - continued**

Liquid Waste (34000) - Created by State Statute 74-1-1 5. The fund was established for the administration of liquid waste regulations. Source of funding: Permits and fees. This fund is non-reverting.

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 7,600 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 non-reverting.

Water Recreation Facilities 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 New Mexico 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 New Mexico Taxation and Revenue Department by each person in the manner required by the Department on or before the twenty-fifth of the month following

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Revenue Funds –
Non-Major Governmental Funds - continued**

Water Conservation Fund (56700) - continued

the month in which the water is produced. All water conservation fees collected by the New Mexico Taxation and Revenue Department, less the administrative fee, are deposited into the Water Conservation Fund.

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 19781 and providing training for all public water supply operators.

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

Public Water Supply System Operator and Public Wastewater Facility Operator Certification 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. This fund is non-reverting.

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

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

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

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Revenue Funds –
Non-Major Governmental Funds - continued**

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

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

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

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

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

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

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

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

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Revenue Funds –
Non-Major Governmental Funds - continued**

Radiologic Technology Fund (98700) - continued

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.

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 Storage 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 Appropriations Fund-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. 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.

AS OF JUNE 30, 2009

	02600	06600	09200	11700
	Tire Recycling Fund	Voluntary Remediation Fund	Air Quality Title V Fund	Special Appropriations 2000
ASSETS:				
Cash	\$ -	-	-	-
Investment in State Treasurer General Fund Investment Pool	1,842,419	58,039	1,526,200	-
Due from other funds	41,988	-	161,740	-
Due from other state agencies	80,955	-	-	-
Other receivables	-	-	495,150	-
TOTAL ASSETS	\$ <u>1,965,362</u>	<u>58,039</u>	<u>2,183,090</u>	<u>-</u>
LIABILITIES:				
Accounts payable	\$ 121,624	-	-	-
Due to other funds	-	-	-	-
Due to other state agencies	-	-	-	-
Due to State General Fund	-	-	-	-
TOTAL LIABILITIES	121,624	-	-	-
FUND BALANCES:				
Reserved for Special Revenue Funds	1,843,738	58,039	2,183,090	-
Unreserved, undesignated (deficit)	-	-	-	-
TOTAL FUND BALANCES	<u>1,843,738</u>	<u>58,039</u>	<u>2,183,090</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,965,362</u>	<u>58,039</u>	<u>2,183,090</u>	<u>-</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Combining Balance Sheet -
Non-Major Special Revenue Funds

11800	11900	12000	24800	33900	34000
Special Appropriations 2007	Brownfield Cleanup Revolving Loan Fund	Special Appropriations 2004	Responsible Party Reimbursement Fund	Hazardous Waste Fund	Liquid Waste
-	-	-	-	-	-
3,939,656	122	-	630,462	2,045,929	50,013
-	-	-	-	226,170	19,851
81,164	-	38,477	-	-	4
<u>-</u>	<u>729,544</u>	<u>-</u>	<u>-</u>	<u>48,000</u>	<u>-</u>
<u>4,020,820</u>	<u>729,666</u>	<u>38,477</u>	<u>630,462</u>	<u>2,320,099</u>	<u>69,868</u>
112,430	-	38,477	-	-	100
-	122	-	327,004	-	-
-	-	-	-	-	-
<u>269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
112,699	122	38,477	327,004	-	100
3,908,121	729,544	-	303,458	2,320,099	69,768
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,908,121</u>	<u>729,544</u>	<u>-</u>	<u>303,458</u>	<u>2,320,099</u>	<u>69,768</u>
<u>4,020,820</u>	<u>729,666</u>	<u>38,477</u>	<u>630,462</u>	<u>2,320,099</u>	<u>69,868</u>

AS OF JUNE 30, 2009

	34100 Water Quality Management Fund	40000 Water Recreation Facilities Fund	56700 Water Conservation Fund	58200 Colonias Wastewater Grants Fund
ASSETS:				
Cash	\$ -	-	-	-
Investment in State Treasurer General Fund Investment Pool	1,045,239	406,284	1,899,249	-
Due from other funds	104,069	-	217,963	-
Due from other state agencies	-	-	-	-
Other receivables	-	-	-	-
TOTAL ASSETS	\$ <u>1,149,308</u>	<u>406,284</u>	<u>2,117,212</u>	<u>-</u>
LIABILITIES:				
Accounts payable	\$ -	-	-	-
Due to other funds	-	135,345	-	-
Due to other state agencies	566,624	-	-	-
Due to State General Fund	-	-	-	-
TOTAL LIABILITIES	566,624	135,345	-	-
FUND BALANCES:				
Reserved for Special Revenue Funds	582,684	270,939	2,117,212	-
Unreserved, undesignated (deficit)	-	-	-	-
TOTAL FUND BALANCES	<u>582,684</u>	<u>270,939</u>	<u>2,117,212</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,149,308</u>	<u>406,284</u>	<u>2,117,212</u>	<u>-</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Combining Balance Sheet -
Non-Major Special Revenue Funds - continued**

58400	59200	63100	63200	65500	70300
Operator Certification Fund	Radiation Protection Fund	Air Quality Fund	Solid Waste Facility Grant Fund	Special Appropriations 2004	Special Appropriation 2002
-	-	-	538,599	-	-
219,006	1,015,305	293,115	867,712	578,205	-
-	-	733,782	-	-	-
45	177	-	145	599,646	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>219,051</u>	<u>1,015,482</u>	<u>1,026,897</u>	<u>1,406,456</u>	<u>1,177,851</u>	<u>-</u>
-	-	-	-	713,797	-
133,941	53,569	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>900</u>	<u>392,464</u>	<u>-</u>
133,941	53,569	-	900	1,106,261	-
85,110	961,913	1,026,897	1,405,556	71,590	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>85,110</u>	<u>961,913</u>	<u>1,026,897</u>	<u>1,405,556</u>	<u>71,590</u>	<u>-</u>
<u>219,051</u>	<u>1,015,482</u>	<u>1,026,897</u>	<u>1,406,456</u>	<u>1,177,851</u>	<u>-</u>

AS OF JUNE 30, 2009

	78300	86700	86800	95700	98700
	Other Revenue				
	Fund	Special	Special	Emergency	Radiologic
	Solid Waste	Appropriations	Appropriations	Hazardous	Technology
	Permit Fees	STB 1998-1	STB 1998-2	Fund	Fund
ASSETS:					
Cash	\$ -	-	-	-	-
Investment in State Treasurer					
General Fund Investment Pool	78,650	-	-	3,578,413	236,042
Due from other funds	32,204	-	-	46,800	12,448
Due from other state agencies	-	-	-	-	-
Other receivables	-	-	-	-	-
TOTAL ASSETS	\$ <u>110,854</u>	<u>-</u>	<u>-</u>	<u>3,625,213</u>	<u>248,490</u>
LIABILITIES:					
Accounts payable	\$ -	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other state agencies	-	-	-	-	-
Due to State General Fund	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES:					
Reserved for Special Revenue Funds	110,854	-	-	3,625,213	248,490
Unreserved, undesignated (deficit)	-	-	-	-	-
TOTAL FUND BALANCES	<u>110,854</u>	<u>-</u>	<u>-</u>	<u>3,625,213</u>	<u>248,490</u>
TOTAL LIABILITIES	-	-	-	-	-
AND FUND BALANCES	\$ <u>110,854</u>	<u>-</u>	<u>-</u>	<u>3,625,213</u>	<u>248,490</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Combining Balance Sheet -
Non-Major Special Revenue Funds - continued**

98800 Special Appropriations STB 2000	98900 Underground Storage Tank Fund	99100 Food Storage Sanitation Fund	10350 Special Appropriations 2008	10360 Severance Tax Bonds 2008	Total
-	-	-	-	-	538,599
-	473,662	608,642	7,128,909	-	28,521,273
-	94,299	-	-	-	1,691,314
-	-	-	-	231,209	1,031,822
-	-	-	-	-	<u>1,272,694</u>
-	<u>567,961</u>	<u>608,642</u>	<u>7,128,909</u>	<u>231,209</u>	<u>33,055,702</u>
-	-	-	-	231,209	1,217,637
-	-	40,434	-	-	690,415
-	-	-	-	-	566,624
-	-	-	-	-	<u>393,633</u>
-	-	40,434	-	231,209	2,868,309
-	567,961	568,208	7,128,909	-	30,187,393
-	-	-	-	-	-
-	<u>567,961</u>	<u>568,208</u>	<u>7,128,909</u>	-	<u>30,187,393</u>
-	<u>567,961</u>	<u>608,642</u>	<u>7,128,909</u>	<u>231,209</u>	<u>33,055,702</u>

YEAR ENDED JUNE 30, 2009

	02600	06600	09200	11700	11800	11900
	Tire Recycling Fund	Voluntary Remediation Fund	Air Quality Title V Fund	Special Appropriations 2000	Special Appropriations 2007	Brownfield Cleanup Revolving Loan Fund
REVENUES:						
Sales and miscellaneous taxes	\$ 893,831	5,350	4,029,109	-	-	-
Federal grant revenue	-	-	-	-	-	625,270
Investment earnings	-	-	-	-	-	-
TOTAL REVENUES	<u>893,831</u>	<u>5,350</u>	<u>4,029,109</u>	<u>-</u>	<u>-</u>	<u>625,270</u>
EXPENDITURES:						
Current:						
Other environmental initiatives	724,105	-	-	-	4,773,474	37,581
TOTAL EXPENDITURES	<u>724,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,773,474</u>	<u>37,581</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	169,726	5,350	4,029,109	-	(4,773,474)	587,689
OTHER FINANCING SOURCES:						
STB Draws	-	-	-	-	2,792,715	-
Transfers in:						
Interfund	-	-	-	-	-	-
Other	-	-	-	-	-	-
Transfers out:						
Interfund	(261,812)	-	(3,224,060)	-	-	-
Other	-	-	-	-	(75,000)	-
Reversions-FY09	-	-	-	-	(269)	-
TOTAL OTHER FINANCING SOURCES	<u>(261,812)</u>	<u>-</u>	<u>(3,224,060)</u>	<u>-</u>	<u>2,717,446</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(92,086)</u>	<u>5,350</u>	<u>805,049</u>	<u>-</u>	<u>(2,056,028)</u>	<u>587,689</u>
FUND BALANCES, BEGINNING	1,935,824	52,689	1,378,041	-	12,290,416	-
RESTATEMENT	-	-	-	-	(6,326,267)	141,855
FUND BALANCES, BEGINNING RESTATED	<u>1,935,824</u>	<u>52,689</u>	<u>1,378,041</u>	<u>-</u>	<u>5,964,149</u>	<u>141,855</u>
FUND BALANCES, ENDING	\$ <u>1,843,738</u>	<u>58,039</u>	<u>2,183,090</u>	<u>-</u>	<u>3,908,121</u>	<u>729,544</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Non-Major Special Revenue Funds

12000 Special Appropriations 2004	24800 Responsible Party Reimbursement Fund	33900 Hazardous Waste Fund	34000 Liquid Waste	34100 Water Quality Management Fund	40000 Water Recreation Facilities Fund	56700 Water Conservation Fund	58200 Colonias Wastewater Grants Fund
-	443,759	3,625,691	441,850	344,543	130,922	2,986,383	-
-	-	-	-	-	-	-	-
-	-	-	357	-	-	-	-
-	443,759	3,625,691	442,207	344,543	130,922	2,986,383	-
49,371	-	-	-	-	-	-	-
49,371	-	-	-	-	-	-	-
(49,371)	443,759	3,625,691	442,207	344,543	130,922	2,986,383	-
49,371	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(327,004)	(3,393,730)	(538,483)	(329,031)	(135,345)	(2,827,537)	-
-	-	-	-	(117,900)	-	-	-
(139,157)	-	-	-	-	-	-	(3,960)
(89,786)	(327,004)	(3,393,730)	(538,483)	(446,931)	(135,345)	(2,827,537)	(3,960)
(139,157)	116,755	231,961	(96,276)	(102,388)	(4,423)	158,846	(3,960)
269,423	186,703	2,088,138	166,044	685,072	275,362	1,958,366	3,960
(130,266)	-	-	-	-	-	-	-
139,157	186,703	2,088,138	166,044	685,072	275,362	1,958,366	3,960
-	303,458	2,320,092	69,768	582,684	270,939	2,117,212	-

YEAR ENDED JUNE 30, 2009

	58400	59200	63100	63200	65500	70300
	Operator Certification Fund	Radiation Protection Fund	Air Quality Fund	Solid Waste Facility Grant Fund	Special Appropriations 2004	Special Appropriations 2002
REVENUES:						
Sales and miscellaneous taxes	\$ 70,430	611,020	2,059,876	352,297	-	-
Federal grant revenue	-	-	-	-	-	-
Investment earnings	1,580	8,071	-	8,596	-	-
TOTAL REVENUES	<u>72,010</u>	<u>619,091</u>	<u>2,059,876</u>	<u>360,893</u>	<u>-</u>	<u>-</u>
EXPENDITURES:						
Current:						
Other environmental initiatives	-	-	-	-	4,010,928	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,010,928</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	72,010	619,091	2,059,876	360,893	(4,010,928)	-
OTHER FINANCING SOURCES:						
STB Draws	-	-	-	-	2,164,923	-
Transfers in:						
Interfund	-	-	-	-	-	-
Other	-	-	-	-	-	-
Transfers out:						
Interfund	(133,941)	(744,669)	(2,747,418)	-	-	-
Other	-	-	-	-	(470,000)	-
Reversions-FY09	-	-	-	-	(500,037)	-
TOTAL OTHER FINANCING SOURCES	<u>(133,941)</u>	<u>(744,669)</u>	<u>(2,747,418)</u>	<u>-</u>	<u>1,194,886</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(61,931)</u>	<u>(125,578)</u>	<u>(687,542)</u>	<u>360,893</u>	<u>(2,816,042)</u>	<u>-</u>
FUND BALANCES, BEGINNING	147,041	1,087,491	1,714,439	1,297,517	5,352,361	25,021
RESTATEMENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>(252,854)</u>	<u>(2,464,729)</u>	<u>(25,021)</u>
FUND BALANCES, BEGINNING RESTATED	<u>147,041</u>	<u>1,087,491</u>	<u>1,714,439</u>	<u>1,044,663</u>	<u>2,887,632</u>	<u>-</u>
FUND BALANCES, ENDING	\$ <u>85,110</u>	<u>961,913</u>	<u>1,026,897</u>	<u>1,405,556</u>	<u>71,590</u>	<u>-</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Non-Major Special Revenue Funds - continued

78300 Other Revenue Fund Solid Waste Permit Fees	86700 Special Appropriations STB 1998-1	86800 Special Appropriations STB 1998-2	95700 Emergency Hazardous Fund	98700 Radiologic Technology Fund	98800 Special Appropriations STB 2000	98900 Underground Storage Tank Fund	99100 Food Storage Sanitation Fund
64,301	-	-	166,340	117,501	-	553,746	1,348,670
-	-	-	-	-	-	-	-
<u>64,301</u>	<u>-</u>	<u>-</u>	<u>166,340</u>	<u>117,501</u>	<u>-</u>	<u>553,746</u>	<u>1,348,670</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
64,301	-	-	166,340	117,501	-	553,746	1,348,670
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(7,796)	-	-	(206,300)	(110,952)	-	(598,701)	(1,340,434)
-	-	-	-	-	-	-	-
<u>(7,796)</u>	<u>-</u>	<u>-</u>	<u>(206,300)</u>	<u>(110,952)</u>	<u>-</u>	<u>(598,701)</u>	<u>(1,340,434)</u>
<u>56,505</u>	<u>-</u>	<u>-</u>	<u>(39,960)</u>	<u>6,549</u>	<u>-</u>	<u>(44,955)</u>	<u>8,236</u>
54,349	-	-	3,665,173	241,941	-	612,916	559,972
-	-	-	-	-	-	-	-
<u>54,349</u>	<u>-</u>	<u>-</u>	<u>3,665,173</u>	<u>241,941</u>	<u>-</u>	<u>612,916</u>	<u>559,972</u>
<u>110,854</u>	<u>-</u>	<u>-</u>	<u>3,625,213</u>	<u>248,490</u>	<u>-</u>	<u>567,961</u>	<u>568,208</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Non-Major Special Revenue Funds - continued

YEAR ENDED JUNE 30, 2009

	10350	10360	
	Special Appropriations 2008	Severance Tax Bonds 2008	Total
REVENUES:			
Sales and miscellaneous taxes	\$ -	-	18,245,619
Federal grant revenue	-	-	625,270
Investment earnings	-	-	18,604
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>18,889,493</u>
EXPENDITURES:			
Current:			
Other environmental initiatives	1,304,091	3,527,818	14,427,368
TOTAL EXPENDITURES	<u>1,304,091</u>	<u>3,527,818</u>	<u>14,427,368</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,304,091)	(3,527,818)	4,462,125
OTHER FINANCING SOURCES:			
STB Draws	-	3,527,818	8,534,827
Transfers in:			
Interfund	-	-	-
Other	270,000	-	270,000
Transfers out:			
Interfund	-	-	(16,927,213)
Other	-	-	(662,900)
Reversions-FY09	-	-	(643,423)
TOTAL OTHER FINANCING SOURCES	<u>270,000</u>	<u>3,527,818</u>	<u>(9,428,709)</u>
NET CHANGE IN FUND BALANCES	<u>(1,034,091)</u>	<u>-</u>	<u>(4,966,584)</u>
FUND BALANCES, BEGINNING	8,163,000	13,348,198	57,559,457
RESTATEMENT	<u>-</u>	<u>(13,348,198)</u>	<u>(22,405,480)</u>
FUND BALANCES, BEGINNING RESTATED	<u>8,163,000</u>	<u>-</u>	<u>35,153,977</u>
FUND BALANCES, ENDING	\$ <u>7,128,909</u>	<u>-</u>	<u>30,187,393</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Tire Recycling Fund (02600) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	881,000	881,000	893,831	12,831
Other	-	-	-	-
Budgeted fund balance	372,800	676,800	92,086	(584,714)
TOTAL REVENUES	\$ 1,253,800	1,557,800	985,917	(571,883)
EXPENDITURES - current:				
Contractual services	\$ -	300,000	14,765	285,235
Other operating costs	950,000	950,000	709,340	240,660
Other financing uses	303,800	307,800	261,812	45,988
TOTAL EXPENDITURES	\$ 1,253,800	1,557,800	985,917	571,883
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ -	
BUDGETED FUND BALANCE			(92,086)	
NET CHANGE IN FUND BALANCE			\$ (92,086)	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Voluntary Remediation Fund (06600) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
Federal award programs	\$	-	-	-	-
Permits and other fees		-	-	-	-
Other		-	-	5,350	5,350
Budgeted fund balance		-	-	-	-
TOTAL REVENUES	\$	-	-	5,350	5,350
EXPENDITURES - current:					
Contractual services	\$	-	-	-	-
Other operating costs		-	-	-	-
Other financing uses		-	-	-	-
TOTAL EXPENDITURES	\$	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				\$ 5,350	
BUDGETED FUND BALANCE				-	
NET CHANGE IN FUND BALANCE				\$ 5,350	

No Legally adopted budget was required.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Air Quality Title V (09200) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	3,385,800	3,385,800	4,029,109	643,309
Other	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ <u>3,385,800</u>	<u>3,385,800</u>	<u>4,029,109</u>	<u>643,309</u>
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	3,385,800	3,385,800	3,224,060	161,740
TOTAL EXPENDITURES	\$ <u>3,385,800</u>	<u>3,385,800</u>	<u>3,224,060</u>	<u>161,740</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ 805,049	
BUDGETED FUND BALANCE			-	
NET CHANGE IN FUND BALANCE			\$ <u>805,049</u>	

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Appropriations 2000 (11700) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)**

YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other	-	-	-	-
Budgeted fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Appropriations 2007 (11800) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)**

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other	-	-	2,792,715	2,792,715
Budgeted fund balance	5,964,149	5,964,149	2,055,759	(3,908,390)
TOTAL REVENUES	\$ 5,964,149	5,964,149	4,848,474	(1,115,675)
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	5,964,149	5,889,149	4,773,474	1,115,675
Other financing uses	-	75,000	75,000	-
TOTAL EXPENDITURES	\$ 5,964,149	5,964,149	4,848,474	1,115,675
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES), EXCLUDING REVERSIONS			\$ -	
BUDGETED FUND BALANCE			(2,055,759)	
REVERSIONS (NOT BUDGETED)			(269)	
NET CHANGE IN FUND BALANCE			\$ (2,056,028)	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Brownfield Cleanup Revolving Loan Fund (11900) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	625,270	625,270	-
Permits and other fees	-	-	-	-
Other	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	625,270	625,270	-
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	625,270	37,581	587,689
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	625,270	37,581	587,689
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ 587,689	
BUDGETED FUND BALANCE			-	
NET CHANGE IN FUND BALANCE			\$ 587,689	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Special Appropriations 2003 (12000) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
Federal award programs	\$	-	-	-	-
Permits and other fees		-	-	-	-
Other		100,000	100,000	49,371	(50,629)
Budgeted fund balance		-	-	-	-
TOTAL REVENUES	\$	100,000	100,000	49,371	(50,629)
EXPENDITURES - current:					
Contractual services	\$	-	-	-	-
Other operating costs		100,000	100,000	49,371	50,629
Other financing uses		-	-	-	-
TOTAL EXPENDITURES	\$	100,000	100,000	49,371	50,629
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES), EXCLUDING REVERSIONS				\$	-
BUDGETED FUND BALANCE					-
REVERSIONS (NOT BUDGETED)					(139,157)
NET CHANGE IN FUND BALANCE				\$	(139,157)

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Responsible Party Reimbursement (24800) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	380,000	380,000	443,759	63,759
Other	-	-	-	-
Budgeted fund balance	26,500	31,900	-	(31,900)
TOTAL REVENUES	\$ 406,500	411,900	443,759	31,859
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	406,500	411,900	327,004	84,896
TOTAL EXPENDITURES	\$ 406,500	411,900	327,004	84,896
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ 116,755	
BUDGETED FUND BALANCE			-	
NET CHANGE IN FUND BALANCE			\$ 116,755	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Hazardous Waste Fund (33900) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	3,619,900	3,619,900	3,625,691	5,791
Other	-	-	-	-
Budgeted fund balance	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
TOTAL REVENUES	\$ <u>3,619,900</u>	<u>3,659,900</u>	<u>3,625,691</u>	<u>(34,209)</u>
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	<u>3,619,900</u>	<u>3,659,900</u>	<u>3,393,730</u>	<u>266,170</u>
TOTAL EXPENDITURES	\$ <u>3,619,900</u>	<u>3,659,900</u>	<u>3,393,730</u>	<u>266,170</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ 231,961	
BUDGETED FUND BALANCE			<u>-</u>	
NET CHANGE IN FUND BALANCE			\$ <u>231,961</u>	

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Liquid Waste Fund (34000) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)**

YEAR ENDED JUNE 30, 2009

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
Federal award programs	\$	-	-	-	-
Permits and other fees		672,200	555,100	441,850	(113,250)
Other		-	-	357	357
Budgeted fund balance		27,800	27,800	96,276	68,476
TOTAL REVENUES	\$	700,000	582,900	538,483	(44,417)
EXPENDITURES - current:					
Contractual services	\$	-	-	-	-
Other operating costs		-	-	-	-
Other financing uses		700,000	582,900	538,483	44,417
TOTAL EXPENDITURES	\$	700,000	582,900	538,483	44,417
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				\$	-
BUDGETED FUND BALANCE					(96,276)
NET CHANGE IN FUND BALANCE				\$	(96,276)

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Water Quality Management Fund (34100) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	433,100	433,100	344,543	(88,557)
Other	-	-	-	-
Budgeted fund balance	-	685,072	102,388	(582,684)
TOTAL REVENUES	\$ 433,100	1,118,172	446,931	(671,241)
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	433,100	1,118,172	446,931	671,241
TOTAL EXPENDITURES	\$ 433,100	1,118,172	446,931	671,241
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ -	
BUDGETED FUND BALANCE			(102,388)	
NET CHANGE IN FUND BALANCE			\$ (102,388)	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Water Recreation Facilities Fund (40000) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	111,500	111,500	130,922	19,422
Other	-	-	-	-
Budgeted fund balance	27,800	27,800	4,423	(23,377)
TOTAL REVENUES	\$ 139,300	139,300	135,345	(3,955)
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	139,300	139,300	135,345	3,955
TOTAL EXPENDITURES	\$ 139,300	139,300	135,345	3,955
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ -	
BUDGETED FUND BALANCE			(4,423)	
NET CHANGE IN FUND BALANCE			\$ (4,423)	

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Water Conservation Fund (56700) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)**

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	2,555,800	2,855,800	2,986,383	130,583
Other	-	-	-	-
Budgeted fund balance	489,700	534,200	-	(534,200)
TOTAL REVENUES	\$ 3,045,500	3,390,000	2,986,383	(403,617)
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	3,045,500	3,390,000	2,827,537	562,463
TOTAL EXPENDITURES	\$ 3,045,500	3,390,000	2,827,537	562,463
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ 158,846	
BUDGETED FUND BALANCE			-	
NET CHANGE IN FUND BALANCE			\$ 158,846	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Colonias Wastewater Grants Program (58200) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	-	-	-
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES), EXCLUDING REVERSIONS			\$ -	
BUDGETED FUND BALANCE			-	
REVERSIONS (NOT BUDGETED)			(3,960)	
NET CHANGE IN FUND BALANCE			\$ (3,960)	

No legally adopted budget was required.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Operator Certification Fund (58400) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)**

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	45,000	45,000	70,430	25,430
Other	-	-	1,580	1,580
Budgeted fund balance	4,000	112,165	61,931	(50,234)
TOTAL REVENUES	\$ 49,000	157,165	133,941	(23,224)
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	49,000	157,165	133,941	23,224
TOTAL EXPENDITURES	\$ 49,000	157,165	133,941	23,224
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ -	
BUDGETED FUND BALANCE			(61,931)	
NET CHANGE IN FUND BALANCE			\$ (61,931)	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Radiation Protection (59200) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	604,900	604,900	611,020	6,120
Other	-	-	8,071	8,071
Budgeted fund balance	86,200	156,300	125,578	(30,722)
TOTAL REVENUES	\$ 691,100	761,200	744,669	(16,531)
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	691,100	761,200	744,669	16,531
TOTAL EXPENDITURES	\$ 691,100	761,200	744,669	16,531
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ -	
BUDGETED FUND BALANCE			(125,578)	
NET CHANGE IN FUND BALANCE			\$ (125,578)	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Air Quality Permit Fund (63100) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	3,017,100	3,017,100	2,059,876	(957,224)
Other	-	-	-	-
Budgeted fund balance	464,100	464,100	687,542	223,442
TOTAL REVENUES	\$ 3,481,200	3,481,200	2,747,418	(733,782)
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	3,481,200	3,481,200	2,747,418	733,782
TOTAL EXPENDITURES	\$ 3,481,200	3,481,200	2,747,418	733,782
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ -	
BUDGETED FUND BALANCE			(687,542)	
NET CHANGE IN FUND BALANCE			\$ (687,542)	

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Solid Waste Facility Loan/Grant Fund (63200) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)**

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	352,297	352,297
Other	-	-	8,596	8,596
Budgeted fund balance	-	250,000	-	(250,000)
TOTAL REVENUES	\$ -	250,000	360,893	110,893
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	250,000	-	250,000
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	250,000	-	250,000
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ 360,893	
BUDGETED FUND BALANCE			-	
NET CHANGE IN FUND BALANCE			\$ 360,893	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Special Appropriations 2004 (65500) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other	2,164,923	2,164,923	2,164,923	-
Budgeted fund balance	<u>2,316,005</u>	<u>2,316,005</u>	<u>2,316,005</u>	<u>-</u>
TOTAL REVENUES	\$ <u>4,480,928</u>	<u>4,480,928</u>	<u>4,480,928</u>	<u>-</u>
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	4,010,928	4,010,928	4,010,928	-
Other financing uses	<u>470,000</u>	<u>470,000</u>	<u>470,000</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>4,480,928</u>	<u>4,480,928</u>	<u>4,480,928</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES), EXCLUDING REVERSIONS			\$ -	
BUDGETED FUND BALANCE			(2,316,005)	
REVERSIONS (NOT BUDGETED)			<u>(500,037)</u>	
NET CHANGE IN FUND BALANCE			\$ <u>(2,816,042)</u>	

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Appropriations 2002 (70300) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)**

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	-	-	-
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Other Revenue Fund - Solid Waste Permit Fees (78300) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	10,000	10,000	64,301	54,301
Other	-	-	-	-
Budgeted fund balance	30,000	30,000	-	(30,000)
TOTAL REVENUES	\$ 40,000	40,000	64,301	24,301
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	40,000	40,000	7,796	32,204
TOTAL EXPENDITURES	\$ 40,000	40,000	7,796	32,204
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ 56,505	
BUDGETED FUND BALANCE			-	
NET CHANGE IN FUND BALANCE			\$ 56,505	

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Appropriation STB 1998-1 (86700) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)**

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	-	-	-
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Appropriation STB 1998-2 (86800) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)**

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	-	-	-
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Hazardous Waste Emergency Fund (95700) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	253,100	253,100	166,340	(86,760)
Other	-	-	-	-
Budgeted fund balance	-	630,700	39,960	(590,740)
TOTAL REVENUES	\$ 253,100	883,800	206,300	(677,500)
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	253,100	883,800	206,300	677,500
TOTAL EXPENDITURES	\$ 253,100	883,800	206,300	677,500
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ -	
BUDGETED FUND BALANCE			(39,960)	
NET CHANGE IN FUND BALANCE			\$ (39,960)	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Radiologic Technology (98700) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	100,000	100,000	117,501	17,501
Other	-	-	-	-
Budgeted fund balance	23,400	24,700	-	(24,700)
TOTAL REVENUES	\$ 123,400	124,700	117,501	(7,199)
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	123,400	124,700	110,952	13,748
TOTAL EXPENDITURES	\$ 123,400	124,700	110,952	13,748
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ 6,549	
BUDGETED FUND BALANCE			-	
NET CHANGE IN FUND BALANCE			\$ 6,549	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Special Appropriations STB 2000 (98800) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	-	-	-
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Underground Storage Tank (98900) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
Federal award programs	\$	-	-	-	-
Permits and other fees		546,800	546,800	553,746	6,946
Other		-	-	-	-
Budgeted fund balance		146,200	155,400	44,955	(110,445)
TOTAL REVENUES	\$	693,000	702,200	598,701	(103,499)
EXPENDITURES - current:					
Contractual services	\$	-	-	-	-
Other operating costs		-	-	-	-
Other financing uses		693,000	702,200	598,701	103,499
TOTAL EXPENDITURES	\$	693,000	702,200	598,701	103,499
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				\$	-
BUDGETED FUND BALANCE				(44,955)	
NET CHANGE IN FUND BALANCE				\$	(44,955)

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Food Service Sanitation Fund (99100) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)**

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	1,300,000	1,300,000	1,348,670	48,670
Other	-	-	-	-
Budgeted fund balance	-	125,900	-	(125,900)
TOTAL REVENUES	\$ 1,300,000	1,425,900	1,348,670	(77,230)
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	13,000,000	1,425,900	1,340,434	85,466
TOTAL EXPENDITURES	\$ 13,000,000	1,425,900	1,340,434	85,466
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ 8,236	
BUDGETED FUND BALANCE			-	
NET CHANGE IN FUND BALANCE			\$ 8,236	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Special Appropriations 2008 (10350) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other	-	220,000	270,000	50,000
Budgeted fund balance	8,163,000	7,943,000	1,034,091	(6,908,909)
TOTAL REVENUES	\$ 8,163,000	8,163,000	1,304,091	(6,858,909)
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	8,163,000	8,163,000	1,304,091	6,858,909
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 8,163,000	8,163,000	1,304,091	6,858,909
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ -	
BUDGETED FUND BALANCE			(1,034,091)	
NET CHANGE IN FUND BALANCE			\$ (1,034,091)	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Severance Tax Bonds 2008 (10360) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
Federal award programs	\$	-	-	-	-
Permits and other fees		-	-	-	-
Other		-	3,527,818	3,527,818	-
Budgeted fund balance		-	-	-	-
TOTAL REVENUES	\$	-	3,527,818	3,527,818	-
EXPENDITURES - current:					
Contractual services	\$	-	-	-	-
Other operating costs		-	3,527,818	3,527,818	-
Other financing uses		-	-	-	-
TOTAL EXPENDITURES	\$	-	3,527,818	3,527,818	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				\$ -	
BUDGETED FUND BALANCE				-	
NET CHANGE IN FUND BALANCE				\$ -	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Wastewater Facility Construction Loan Fund (12100) -
Statement of Revenues and Expenses -
Budget and Actual (Accrual Basis)

YEAR ENDED JUNE 30, 2009

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
Federal award programs	\$	-	-	-	-
Permits and other fees		-	-	-	-
Other		-	-	-	-
Budgeted net assets		-	-	-	-
TOTAL REVENUES	\$	-	-	-	-
EXPENDITURES - current:					
Contractual services	\$	-	-	-	-
Other operating costs		-	-	-	-
Other financing uses		-	-	-	-
TOTAL EXPENDITURES	\$	-	-	-	-

No legally adopted budget for federal revenue and expenses. No state monies were budgeted or received in FY09.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Clean Water Administrative Fund (32700) -
Statement of Revenues and Expenses -
Budget and Actual (Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other	-	-	45,415	45,415
Budgeted net assets	-	190,200	-	(190,200)
TOTAL REVENUES	\$ -	190,200	45,415	(144,785)
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	190,200	-	190,200
TOTAL EXPENDITURES	\$ -	190,200	-	190,200
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			\$ 45,415	

No original budget final was a budget adjustment request.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Rural Infrastructure Revolving Loan Fund (33700/61900) -
Statement of Revenues and Expenses -
Budget and Actual (Accrual Basis)

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal award programs	\$ -	-	-	-
Permits and other fees	-	-	-	-
Other	-	-	582,872	582,872
Budgeted net assets	208,491	491,158	110,864	(380,294)
TOTAL REVENUES	\$ 208,491	491,158	693,736	202,578
EXPENDITURES - current:				
Personal services and benefits	\$ 246,700	397,640	395,995	1,645
Contractual services	-	54,000	40,000	14,000
Other operating costs	208,491	437,158	257,741	179,417
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 208,491	491,158	693,736	(202,578)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			\$ -	
BUDGETED NET ASSETS			(110,864)	
CHANGE IN NET ASSETS			(110,864)	

SUPPLEMENTAL SCHEDULES

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule 1

Schedule of Individual Deposit Accounts

AS OF JUNE 30, 2009

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
Governmental Funds with State Treasurer (with SHARE fund numbers):				
General Fund	06400 State Treasurer	\$ 2,672,733	-	2,672,733
Special Appropriations 2007	22100 State Treasurer	27,100,052	-	27,100,052
Special Appropriations 2006	69400 State Treasurer	14,305,464	-	14,305,464
Corrective Action Fund	99000 State Treasurer	14,513,572	-	14,513,572
Tire Recycling	02600 State Treasurer	1,842,419	-	1,842,419
Voluntary Remediation	06600 State Treasurer	58,039	-	58,039
Air Quality Title V Fund	09200 State Treasurer	1,526,200	-	1,526,200
Special Appropriations 2008	10350 State Treasurer	7,128,909	-	7,128,909
GF Appropriations Reserved for CP	11800 State Treasurer	3,939,656	-	3,939,656
Brownfield Cleanup Revolving Loan Fund	11900 State Treasurer	122	-	122
Responsible Party Reimbursement Fund	24800 State Treasurer	630,462	-	630,462
Hazardous Waste Fund	33900 State Treasurer	2,045,929	-	2,045,929
Liquid Waste	34000 State Treasurer	50,013	-	50,013
Water Quality Management Fund	34100 State Treasurer	1,045,239	-	1,045,239
Water Recreation Facilities Fund	40000 State Treasurer	406,284	-	406,284
Water Conservation Fund	56700 State Treasurer	1,899,249	-	1,899,249
Operation Certification Fund	58400 State Treasurer	219,006	-	219,006
Radiation Protection	59200 State Treasurer	1,015,305	-	1,015,305
Air Quality Fund	63100 State Treasurer	293,115	-	293,115
Solid Waste Facility Loan/Grant Fund	63200 State Treasurer	867,712	-	867,712
Special Appropriations 2004	65500 State Treasurer	578,205	-	578,205
Solid Waste Permit Fees	78300 State Treasurer	78,650	-	78,650
Emergency Hazardous Waste Penalties	95700 State Treasurer	3,578,413	-	3,578,413
Radiology Technology	98700 State Treasurer	236,042	-	236,042
Underground Storage Tank	98900 State Treasurer	473,662	-	473,662
Food Service Sanitation	99100 State Treasurer	<u>608,642</u>	-	<u>608,642</u>
Total Governmental with State Treasurer		87,113,094	-	87,113,094
Governmental Funds Cash in Banks:				
Solid Waste Facility Loan/Grant Fund	63200 Bank of Albuquerque	538,599	-	538,599
Governmental Funds Petty Cash - General Fund - 06400		<u>4,960</u>	-	<u>4,960</u>
Total Governmental Funds		87,656,653	-	87,656,653

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule 1 - continued

Schedule of Individual Deposit Accounts - continued

AS OF JUNE 30, 2009

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
Proprietary Funds with State Treasurer (with SHARE fund numbers):				
Clean Water State Revolving Fund	12100 State Treasurer	\$ 56,652,734	-	56,652,734
Clean Water State Administrative Fund	32700 State Treasurer	1,028,311	-	1,028,311
Rural Infrastructure Loan Fund	33700 State Treasurer	<u>17,016,867</u>	<u>-</u>	<u>17,016,867</u>
Total Proprietary with State Treasurer		74,697,912	-	74,697,912
Trust and Agency Funds with State Treasurer (with SHARE fund numbers):				
Fiduciary Fund - 65200	State Treasurer	<u>47,988</u>	<u>-</u>	<u>47,988</u>
Total Trust and Agency with State Treasurer		<u>47,988</u>	<u>-</u>	<u>47,988</u>
Department Total - all funds		\$ <u>162,402,553</u>	<u>-</u>	<u>162,402,553</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule 2

Supplemental Schedule of Severance Tax Bonds

YEAR ENDED JUNE 30, 2009

<u>Laws</u>	<u>Chapter</u>	<u>Amount Appropriated</u>	<u>Amount Reverted</u>	<u>Amount Reauthorized</u>	<u>Art in Public Places</u>	<u>Amount Available</u>	<u>Expenditures Reported Prior Years</u>	<u>Expenditures Reported Current Years</u>	<u>6/30/09 Balance Available</u>
2000	23	\$ 4,202,995	(355,553)	-	(2,000)	3,845,442	3,674,756	-	170,686
2002	110 & 99	6,318,741	(46,256)	(220,000)	-	6,052,485	5,975,784	-	76,701
2003	429	9,203,892	(32,795)	(425,000)	-	8,746,097	8,587,721	49,371	109,005
2004	126	15,587,738	-	(100,000)	-	15,487,738	12,473,364	2,164,923	849,451
2005	347	17,803,860	(6)	(555,000)	(31,000)	17,217,854	10,928,970	2,792,715	3,496,169
2006	111	15,026,000	(4,255)	250,000	(3,000)	14,768,745	8,334,626	3,183,259	3,250,860
2007	42,334,341	21,952,570	-	-	(7,200)	21,945,370	4,247,618	6,199,918	11,497,834
2008	92	15,683,198	-	-	(25,150)	15,658,048	-	3,527,818	12,130,230
2009	128	<u>4,271,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,271,087</u>	<u>-</u>	<u>-</u>	<u>4,271,087</u>
		\$ <u>110,050,081</u>	<u>(438,865)</u>	<u>(1,050,000)</u>	<u>(68,350)</u>	<u>107,992,866</u>	<u>54,222,839</u>	<u>17,918,004</u>	<u>35,852,023</u>

Schedule 3

YEAR ENDED JUNE 30, 2009

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriation	Reauthorization
GENERAL FUND:					
Superfund	Ch 4, Sec 5, Laws 2002	2002-2008	06400	\$ 2,000,000	-
Terrorro Mines Clean-up	Ch 76, Sec 5, Laws 2003	2002-2009	06400	1,000,000	-
General projects	Ch 6, Laws 2008	2009	06400	<u>192,500</u>	<u>-</u>
TOTAL GENERAL FUND				3,192,500	-
SPECIAL REVENUE FUNDS:					
Capital project appropriations	Ch 385, Laws 2004	2002-2008	12000	923,000	100,000
Capital project appropriations	Ch 429, Laws 2003	2002-2008	12000	1,773,900	430,000
Capital project appropriations	Ch 126, Laws 2004	2002-2010	65500	14,172,000	100,000
Capital project appropriations	Ch 115, Laws 2005	2002-2010	11800	13,779,851	-
Capital project appropriations	Ch 111, Laws 2006	2006-2011	69400	46,856,633	768,867
Capital project appropriations	Ch 2, Ch 42, Ch 334, Laws 2007	2007-2011	22100	49,751,495	1,689,000
Capital project appropriations	Ch 92, Laws 2008.	2008-2012	10350	<u>8,163,000</u>	<u>-</u>
TOTAL SPECIAL REVENUE				<u>135,419,879</u>	<u>3,087,867</u>
TOTAL - ALL FUNDS				\$ <u>138,612,379</u>	<u>3,087,867</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Supplemental Schedule of Special Appropriations

<u>Total Appropriation</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Prior Year Transfers/Reversions</u>	<u>Current Year Transfers</u>	<u>Current Year Reversion Amount</u>	<u>Unencumbered Balance</u>
2,000,000	(1,464,310)		-	-	(535,690)	-
1,000,000	(839,492)	(89,650)	-	-	(70,858)	-
<u>192,500</u>	<u>-</u>	<u>(168,789)</u>	<u>-</u>	<u>-</u>	<u>(23,711)</u>	<u>-</u>
3,192,500	(2,303,802)	(258,439)	-	-	(630,259)	-
1,023,000	(887,664)	-	-	-	(135,336)	-
2,203,900	(2,200,079)	-	-	-	(3,821)	-
14,272,000	(11,372,902)	(1,846,005)	(11,466)	(470,000)	(500,037)	71,590
13,779,851	(7,707,983)	(1,980,759)	(107,719)	(75,000)	(269)	3,908,121
47,625,500	(16,469,572)	(12,755,583)	-	(348,867)	(4,069,266)	13,982,212
51,440,495	(6,886,634)	(13,198,867)	(1,012,443)	(85,000)	(3,785,169)	26,472,382
<u>8,163,000</u>	<u>-</u>	<u>(1,304,091)</u>	<u>-</u>	<u>270,000</u>	<u>-</u>	<u>7,128,909</u>
<u>138,507,746</u>	<u>(45,524,834)</u>	<u>(31,085,305)</u>	<u>(1,131,628)</u>	<u>(708,867)</u>	<u>(8,493,898)</u>	<u>51,563,214</u>
<u>141,700,246</u>	<u>(47,828,636)</u>	<u>(31,343,744)</u>	<u>(1,131,628)</u>	<u>(708,867)</u>	<u>(9,124,157)</u>	<u>51,563,214</u>

Schedule 4

YEAR ENDED JUNE 30, 2009

The following is a list of Joint Powers Agreements the Department has entered into:

JPA #	Participants / Description	Term	Total Amount of Agreement
2112	NMED/USFS SW Region Gila National Forest Respect the Rio	12/31/2008	\$ 455,133
2988	NMED/USFS SW Region SF National Rio Puerco Riparian Restoration	9/30/2008	144,626
05-667-JPA-004	NMED/Taos Soil and Water Conservation District Restoration of Lower Rio Grande Comanche Creek	12/31/2008	143,510
06-667-JPA-001	NMED/Carson National Forest Upper Rio Vallecitos Turbidity	6/30/2009	150,280
06-JPA	NMED/NMDOH NMED/NMDOH/SLD (DWB)	3/15/2010	4,330,000
07-667-JPA-002	NMED/USFS SW Region Gila National Forest Whitewater Creek Gila National Forest Project	12/31/2009	43,200
07-667-JPA-003	NMED/USFS SW Region Gila National Forest Reduce Pollutants - San Fran. River & Centerfire Creek	6/30/2009	41,000
07-667-JPA-004	NMED/USGS Middle Rio Grande Basin	12/31/2009	32,100
07-J00740	NMED/NMDOT Joint Sponsor FTE - Environ. Spec. Ops.	6/30/2010	75,000
06-667-JPA-0009	NMED/USFS SW Region SF National Respect the Rio FY08/ULO	2/28/2011	485,000
08-667-JPA-001	NMED/Grant Soil/Water Conservation Dist. Gila River Black Canyon Creek	11/30/2010	19,191
08-667-JPA-002	NMED/Grant Soil/Water Conservation Dist. Mimbres River Streambank Revetment Fence Project	6/30/2010	135,000
08-667-JPA-003	NMED/Tierra & Montes SWCD Sapello Watershed Restoration Project Phase II	6/30/2010	210,000
08-667-JPA-004	NMED/Ute Mountain Ute Tribe Escherichia Coli Westwater Arroyo Ute Mountain	12/31/2008	19,122

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Joint Powers Agreements

Amount Applicable to NMED	Amount NMED Contributed in FY09	Fiscal Agent	Agency Reporting Rev. & Exp.
481,058	23,318	NMED	NMED
202,820	22,438	NMED	NMED
143,510	10,552	NMED	NMED
150,280	862	NMED	NMED
437,500		NMED/DOH	NMED
43,200	5,000	NMED	NMED
41,000	542	NMED	NMED
32,100	1,292	NMED	NMED
N/A	N/A	NMED	NMED/DOT
485,000	156,330	NMED	NMED
19,191	5,106	NMED	NMED
65,000	2,578	NMED	NMED
160,000	62,072	NMED	NMED
19,122	14,427	NMED	NMED

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Schedule 4 - continued

YEAR ENDED JUNE 30, 2009

<u>JPA #</u>	<u>Participants / Description</u>	<u>Term</u>	<u>Total Amount of Agreement</u>
08-667-JPA-005	NMED/Gila National Forest Tularosa Watershed Restoration Improvement Project	6/30/2009	\$ 36,700
08-667-JPA-006	NMED/US Fish and Wildlife Services Pecos River at Bitter Lake Repairing Floodplain Connectivity	6/30/2011	518,500
08-667-JPA-007	NMED/NMEMNRD Bottomless Lakes Wetland Project and Gila River Project to Restore 22 Acres Floodplain	1/12/2008	511,720
08-667-JPA-009	NMED/NMEMNRD Solar Project within State Parks Div. and Biomass Boiler Ft. Bayard Hospital & School Bus Biodiesel System	Until Completed	492,000
09-667-JPA-0001	NMED/USFS SW Region SF National Polvadera Creek Restoration	9/24/2011	49,560
09-667-JPA-0002	NMED/Valles Caldera Trust Upper San Antonio Creek	9/24/2011	43,478

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Joint Powers Agreements - continued

<u>Amount Applicable to NMED</u>	<u>Amount NMED Contributed in FY09</u>	<u>Fiscal Agent</u>	<u>Agency Reporting Rev. & Exp.</u>
36,700	-	NMED	NMED
518,500	73,553	NMED	NMED
511,720	-	NMED	NMED
492,000	-	NMED	NMED/EMNRD
49,560	-	NMED	NMED
73,478	-	NMED	NMED

Schedule 5**YEAR ENDED JUNE 30, 2009**

The following is a list of Memorandum of Agreements (MOA) the Department has entered into:

MOA #	Participants / Description	Term	Total Amount of Agreement
05-MOU	NMED/DFA - Office of the Governor Collective Bargaining Negotiations	Until Terminated	\$ -
05-MOU	NMED/DFA - Office of the Governor Collective Bargaining Negotiations		-
07-MOU	NMED/NM Tax & Rev Office of the Governor - Initiative Compliance (Office Space)	Terminated	8,704
08-667-MOU-0001	NMED/Instate Streams Comm. MOU Water Reserve Acquisition	6/30/2010	2,500,000
09-667-MOA-0002	NMED/Western NMU La Cieniga Watershed San Vicente	12/31/2012	25,000
09-667-JPA-001	NMED/Town of Silver City San Vicente Creek Restoration	12/31/2022	-
09-667-MOA-002	NMED/NM Tax & Rev Office of the Governor - Initiative Compliance		-
09-667-MOU-001	NMED/Santa Fe County Historical Wetlands Projects	9/30/2010	100,000
09-668-MOA-0001	NMED/NMENV-ONRT Ground Water Quality Bureau	6/24/2012	4,000,000
09-MOU	NMED/DFA Surface Water Quality Bureau Restore Instate Streams (RERI)	9/30/2012	2,800,000
09-MOU	NMED/Expo NM Expo NM Exhibit	12/31/2009	-
2007-NTN1-22	NMED/Univ. of Illinois Capulin Volcano	9/30/2009	11,588
2008-MDN4-080	NMED/Univ. of Illinois NM99 Navajo Lake (AQB)	9/30/2009	13,822

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Memorandum of Agreements

<u>Amount Applicable to NMED</u>	<u>Amount NMED Contributed in FY09</u>	<u>Fiscal Agent</u>	<u>Agency Reporting Rev. & Exp.</u>
-	-	NMED	NMED
-	-	NMED	NMED
-	-	NMED	N/A
2,350,000	-	NMED	ISC
25,000	2,000	NMED	NMED
-	-	NMED	N/A
-	-	NMED	N/A
-	-	NMED	N/A
-	-	NMED	ONRT
-	-	NMED	NMED
-	-	NMED	NMED
11,588	11,588	NMED	NMED
13,822	13,822	NMED	NMED

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Fiduciary Fund - Agency
Schedule of Changes in Assets and Liabilities**

Schedule 6

YEAR ENDED JUNE 30, 2009

	2008	Additions	Deletions	2009
ASSETS:				
Cash on deposit	\$ <u>95,268</u>	<u>8,551,190</u>	<u>(8,598,470)</u>	<u>47,988</u>
TOTAL ASSETS	\$ <u><u>95,268</u></u>	<u><u>8,551,190</u></u>	<u><u>(8,598,470)</u></u>	<u><u>47,988</u></u>
LIABILITIES:				
Funds held for others	\$ <u>95,268</u>	<u>8,551,190</u>	<u>(8,598,470)</u>	<u>47,988</u>
TOTAL LIABILITIES	\$ <u><u>95,268</u></u>	<u><u>8,551,190</u></u>	<u><u>(8,598,470)</u></u>	<u><u>47,988</u></u>

SINGLE AUDIT

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule of Expenditures of Federal Awards

YEAR ENDED JUNE 30, 2009

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Air Pollution Control Program Support:		
Four Corners Region	66.001	\$ 10,519
Air Quality 105 FY09	66.001	<u>1,243,768</u>
		1,254,287
State Indoor Radon Grants:		
Indoor Radon Outreach Program FY 09	66.032	232,432
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act:		
Paseo Del Norte Particulate Study	66.034	13,195
Tools for Schools	66.034	28,820
PM 2.5 Ambient Air Monitoring Network	66.034	<u>223,388</u>
		265,403
Clean School Bus USA:		
NM State Clean Diesel Grant	66.040	58,354
Congressionally Mandated Projects:		
FY06 Stag Set Aside	66.202	42,646
NM FY05 Earmark Set Aside	66.202	58,532
Assistance for NM FY04 Earmarks	66.202	<u>92,094</u>
		193,272
Water Pollution Control State, Interstate, and Tribal Program Support:		
Surface Water 106 FY 2008-2011-Supplemental	66.419	143,911
Ground Water 106 FY 2008-2011	66.419	464,982
Surface Water 106 FY 2008-2011-106	66.419	<u>1,132,955</u>
		1,741,848

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2009

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
State Public Water System Supervision:		
Water Supply Supervision FY09 & FY11	66.432	\$ 775,776
State Underground Water Source Protection:		
Underground Injection Energy & Minerals FY09	66.433	102,321
Water Quality Management Planning:		
Water Quality Management FY08-11	66.454	131,687
Capitalization Grants for Clean Water State Revolving Funds:		
Construction Loan, Administration CS350002-08	66.458	28,731
Construction Loan, Administration-CS350002-09	66.458	140,791
Construction Loan, Construction-CS350002-09	66.458	<u>2,963,816</u>
		3,133,338
Nonpoint Source Implementation Grants:		
Stewart Meadows Waterfowl Habitat Improvement	66.460	51,176
319 NPS Groundwater FY 08-11	66.460	142,397
319 NPS Implementation FY08-11	66.460	<u>2,052,315</u>
		2,245,888
Regional Wetland Program Development Grants:		
Rio de las Vacas Wetlands	66.461	5,430
Valles Caldera	66.461	7,625
El Restauro Phase I	66.461	14,303
Cedro Creek Restoration	66.461	16,877
Galisteo Watershed	66.461	17,134
NMED 2008 Wetlands	66.461	18,011
Hydrogeomorphic Modeling	66.461	115,734
NMED 2007 Wetlands	66.461	<u>201,937</u>
		397,051
Water Quality Cooperative Agreements:		
Nutrient Threshold Development	66.463	42,061

See Independent Auditors' Report.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2009

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
Capitalization Grants for Drinking Water State Revolving Funds:		
New Mexico Drinking Water Set-Asides	66.468	\$ 3,218,807
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs:		
Operator Certification Expense	66.471	338,058
Water Protection Grants to the States:		
Counter Terrorism Activities For Infrastructure Protection	66.474	45,877
Senior Environmental Employment Program:		
FY06 Exchange Network	66.508	124,337
Clean Energy Project:		
Clean Energy Project	66.601	12,548
Environmental Information Exchange Network Grant Program and Related Assistance:		
FY 07 Exchange Network-Water DFI	66.608	119,933
Exchange Network Node	66.608	<u>159,973</u>
		279,906
Pollution Prevention Grants Program:		
NMED Pollution Prevention Program	66.708	15,109
Pollution Prevention/Green Zia	66.708	21,802
NMED Pollution Prevention Program	66.708	<u>24,126</u>
		61,037
Hazardous Waste Management State Program Support:		
Hazardous Waste FY09	66.801	900,000

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2009

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements:		
Remedial Action at North Railroad Ave. Plume Site	66.802	\$ 400,734
Multi-Site Superfund Bulk Funding	66.802	<u>1,140,466</u>
		1,541,200
Underground Storage Tank Prevention, Detection and Compliance Program:		
GIS Data Gathering	66.804	68,241
NM FY09 UST	66.804	<u>396,655</u>
		464,896
Leaking Underground Storage Tank Trust Fund Corrective Action Program:		
LUST FY09	66.805	513,305
Brownfields Assessment and Cleanup Cooperative Agreements:		
Brownfield Cleanup Rev Loan Fund	66.818	653,289
State and Tribal Response Program Grants:		
NM Subtitle C State Response	66.817	200,361
NM State Response Program	66.817	<u>334,400</u>
		534,761
International Financial Assistance Projects Sponsored by the Office of International Affairs:		
NMED 2012 Project	66.931	<u>84,822</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		19,346,561

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2009

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S.DEPARTMENT OF ENERGY		
Renewable Energy Research and Development:		
DOE WIPP Oversight	81.807	\$ 1,903,681
GNOME Coach and Gasbuggy Nuclear Test Sites:		
GNOME Coach and Gasbuggy Nuclear Test Sites	81.unknown	4,071
WIPP Emergency Response FY09 & FY10:		
WIPP Emergency Response FY09 & FY10	81.502	<u>128,535</u>
TOTAL U.S.DEPARTMENT OF ENERGY		2,036,287
U.S.DEPARTMENT OF DEFENSE		
State Memorandum of Agreement Program for the Reimbursement of Technical Services:		
DOD FY09 & 10	12.113	<u>168,473</u>
TOTAL U.S.DEPARTMENT OF DEFENSE		168,473
U.S. DEPARTMENT OF LABOR		
Compensation and Working Conditions:		
OSHA Statistics FY08	17.005	16,095
OSHA Statistics FY09	17.005	<u>34,816</u>
		50,911
OSHA Implementation:		
OSHA Implementation FY08 (23G)	17.500	203,147
OSHA Implementation FY09 (23G)	17.500	<u>666,979</u>
		870,126

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2009

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
Consultation Agreements:		
OSHA Data Collection FY08	17.504	\$ 5,705
OSHA Consultation Program FY08	17.504	134,751
OSHA Consultation Program FY09	17.504	<u>381,615</u>
		522,071
TOTAL U.S. DEPARTMENT OF LABOR		1,443,108
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Mammography Inspections:		
Mammography Inspections	93.unknown	<u>55,924</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>55,924</u>
TOTAL EXPENDITURES FEDERAL AWARDS		\$ <u><u>23,050,353</u></u>
RECONCILIATION TO FINANCIAL STATEMENTS		
Governmental Funds - Federal Grant Revenue		\$ 19,917,000
Enterprise Funds - Federal Grant Revenue		<u>3,133,353</u>
		\$ <u><u>23,050,353</u></u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to the Supplemental Schedule of Expenditures of Federal Awards

GENERAL

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

BASIS OF ACCOUNTING

The accompanying Supplemental Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Department's general purpose financial statements.

NON-CASH ASSISTANCE

The Department did not receive any federal non-cash assistance during the year ended June 30, 2009.

**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***

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

We have audited the 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 State of New Mexico Environment Department (the Department) as of and for the year ended June 30, 2009. We also have audited the financial statements of each of the Department's non-major governmental and fiduciary funds, and respective budgetary comparisons for the non-major governmental and major enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, and have issued our report thereon dated November 23, 2009. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department'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.



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

Internal Control Over Financial Reporting - continued

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 a combination of control deficiencies, that adversely affects the Department'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 Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. Significant deficiencies are described in the accompanying schedule of findings and questioned costs as items 06-08, 07-01, 09-02, 09-04, 09-05, 09-06 and 09-07.

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 considered to be material weaknesses. However, of the significant deficiencies described above, we consider none of the items to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 09-01 and 06-07.

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

Compliance and Other Matters - continued

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* 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 09-01, 09-02 and 06-07.

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

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

Maynard + Company, LLC

November 23, 2009

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

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

Compliance

We have audited the compliance of the State of New Mexico Environment Department (the 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, 2009. 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 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-01, 09-03 and 06-08.

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

Internal Control over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

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

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 significant deficiency is described in the accompanying schedule of findings and questioned costs as item 06-08.

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.

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 responses and, accordingly, we express no opinion on them.

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

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

Meyers + Company, LLC

November 23, 2009

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Schedule of Findings and Questioned Costs

YEAR ENDED JUNE 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the State of New Mexico Environment Department (the Department).
2. Seven significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. There were no instances of noncompliance material to the financial statements disclosed during the audit of the Department.
4. One significant deficiency was disclosed during the audit of the major federal award programs as reported in the Report on Compliance with the Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133. Of these deficiencies, none are considered to be material weaknesses.
5. The auditors' report on compliance for the major federal award programs for the Department expresses an unqualified opinion.
6. The programs tested as the major programs included:

U.S. Department of Environmental Protection:	
EPA Air Quality Grant	66.001
Ground/Surface Water	66.419
Water Supply Supervision	66.432
Capitalization Grants for Clean Water State Revolving Funds	66.458
NPS Implementation	66.460
NM Drinking Water Set-Asides	66.468
Hazardous Waste	66.801
Multi-Site Bulk Fund	66.802
U.S. Department of Energy:	
WIPP Oversight	81.087
U.S. Department of Labor:	
OSHA Implementation	17.500
7. The threshold for distinguishing Types A and B programs was \$691,511.
8. The Department was not determined to be a low-risk auditee.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT

09-01 NPS IMPLEMENTATION – 66.460 – UNALLOWABLE COSTS

Condition: During the Per Diem test work it was noted that on 1 out of 40 travel reimbursements that an employee was reimbursed for alcoholic beverages for a total of \$10.00 that was charged to the NPS implementation federal grant.

Criteria: Per OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, alcoholic beverages are un-allowable costs.

Cause: Management oversight. During the review of the travel reimbursement process, it was noted that the alcoholic beverage was not easily identifiable as an alcoholic beverage.

Effect: The Department is in violation of the federal grant.

Auditors' Recommendation: We recommend that management establish effective controls necessary to ensure that only allowable costs as outlined in OMB Circular A-87 are charged to federal grants.

Management's Response: This reimbursement was an anomaly and an oversight by staff. Department's Policy # 02-38 does not permit staff to use, possess, distribute, sell or be under the influence of alcohol or illegal drugs while conducting business-related activities and does reimburse for alcoholic beverages. The one travel reimbursement error for alcohol was recognized and the responsible employee refunded the Department. To prevent a repeat of this condition, effective Friday, October 16, 2009, the Department will no longer accept for reimbursement a receipt with alcoholic beverages listed on it. This requirement will be codified in a revised Accounts Payable policy to be released soon.

09-02 UNTIMELY REVERSION TO STATE GENERAL FUND (Significant Deficiency)

Condition: It was noted that the Department did not revert the remaining unexpended funds of \$535,690 related to the \$2,000,000 Superfund Cleanup Special Appropriation from the Laws of 2005 Ch.33 extended through fiscal year 2008 in a timely manner. The funds were reverted in September 2009.

Criteria: Per Audit Rule 2.2.2.12 A(6) authorized by Section 6-5-10(A) NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds as of June 30 shall revert by September 30 to the general fund. Failure to transfer funds in a timely in compliance with statute requires a finding.

Cause: Failure or lack of internal controls to ensure all funds subject to reversion are reverted in a timely manner as required by Statute.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

**09-02 UNTIMELY REVERSION TO STATE GENERAL FUND
(Significant Deficiency) - continued**

Effect: The Department is not in compliance with State Auditor Rule and state Statute.

Auditors' Recommendation: We recommend that management establish effective controls necessary to ensure the all reverting funds are reverting in a timely manner.

Management's Response: The Department will implement better internal control to ensure that all reversions are completed in a timely manner. This control will be manifested in the Department's revised year-end instructions and at its monthly financial managers meetings.

**09-03 BROWNFIELD CLEANUP REVOLVING LOAN FUND - 66.818 – LOAN
REPAYMENTS/LOANS RECEIVABLE MANAGEMENT**

Condition: The Department is not actively managing the loan repayments related to the Brownfield Cleanup Revolving Loan Fund.

Criteria: Per grant agreement, the Department is required to establish procedures for handling the day to day management and processing of loans and repayments. In addition, as a state agency, the Department must follow the existing Manual of Model Accounting Practices' (MAPs) procedures regarding the management of accounts receivable. MAPs (FIN 11.1), authorized by Section 6-5-2, NMSA 1978 states that to protect assets, accounts receivable should be actively managed.

Cause: Failure or lack of internal controls over reporting requirements established by the Federal government for state agencies receiving federal funds.

Effect: The Department is in violation of federal requirements. Furthermore, without active collection of loan repayments, the Department is unable to make additional loans for cleanup projects to fulfill the purpose of the loan fund.

Auditors' Recommendation: We recommend that management establish effective controls necessary to ensure the active management and processing of the loans and repayments.

Management's Response: The Department has an auxiliary system in place to control the issuance and repayments of loans. It has been in control of this fund since its inception. To comply with the MAPs requirements, the Department will establish an Account Receivable for the outstanding loan repayments at the end of the fiscal year.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

09-04 RECORDING OF SEVERANCE TAX BONDS (Significant Deficiency)

Condition: Approximately \$1.1 million in audit adjustments to due from Board of Finance were required because the Department is not recognizing a “due from Board of Finance and the bond revenue” and “accounts payable and expense” once the state agency approves the grantee’s request for reimbursement.

Criteria: Per GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and DFA guidelines for bond accounting states that, “For those state agencies requesting the draw down on behalf of local governments, the appropriated bond proceeds should be recognized as "Due from other state agencies/Revenue" and "Accounts Payable/Expense" once the state agency approves the grantee's request for reimbursement.”

Cause: Lack of effective internal controls surrounding the severance tax bonds to ensure proper recognition as outlined in GASB 33 and DFA guidelines.

Effect: Possible misstatement of financial statements surrounding the severance tax bonds.

Auditors’ Recommendation: We recommend that management establish effective controls necessary to ensure proper recognition of severance tax bonds.

Management’s Response: The Board of Finance (BOF) no longer post draws for Severance Tax Bonds to “Due form Other State Agencies”, instead, they are posted to Revenue Account (499705) and Cash. At the end of the fiscal year, the Department will establish an account receivable for all draw requests submitted to BOF but were not received

**09-05 RECORDING OF CORRECTIVE ACTION LIABILITIES –
FUND 99000 (Significant Deficiency)**

Condition: Approximately \$1.3 million in audit adjustments were required because the Department is not properly recognizing liabilities in the Corrective Action Fund – 99000 in the correct period.

Criteria: In accordance with GAAP, the Department should recognize the liability when it is incurred. For the Corrective Action Fund – 99000 the completion date of the deliverable should be the date used to recognize the liability.

Cause: Lack of effective internal controls surrounding the recognition of Corrective Action Fund liabilities.

Effect: Possible misstatement of financial statements.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

**09-05 RECORDING OF CORRECTIVE ACTION LIABILITIES –
FUND 99000 (Significant Deficiency) - continued**

Auditors' Recommendation: We recommend that management establish effective controls necessary to ensure proper recognition of these liabilities.

Management's Response: On a regular basis, The Department monitors and controls the budget and expenditures for Fund 990. We submit budget adjustment requests to account for additional expenditures during the fiscal year. To recognize liabilities, we will establish an account payable at the end of the fiscal year for work received, reviewed, and approved via an acceptance letter issued by the Department.

09-06 JOURNAL ENTRY REVIEW (Significant Deficiency)

Condition: It was noted that 1 out of 16 journal entries initiated by the Department and posted by the Department of Finance and Administration (DFA) did not have evidence of appropriate internal review and approval.

Criteria: The Department should have an internal review process on all journal entries prior to submission to DFA for approval.

Cause: Lack of effective controls and procedures surrounding the journal entry process

Effect: If journal entries are not reviewed and approved, it is possible that inappropriate entries may be made that may result in misstatements to the financial statements.

Recommendation: We recommend the Department implement effective internal control procedures to ensure proposed journal entries are properly reviewed and approved internally prior to DFA submission.

Management's Response: All journal entries initiated by the Department's five programs are reviewed and approved prior to posting. However, the Finance Manager or Chief Financial Officer will review and approve all adjusting journal entries prior to posting.

**09-07 RECONCILIATION OF RURAL INFRASTRUCTURE PROGRAM (RIP) LOAN
SCHEDULE TO SHARE (Significant Deficiency)**

Condition: It was noted that the Department is not reconciling the external loan schedule of the RIP fund loan to the Statewide Human Resources, Accounting, and Management REporting System (SHARE).

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

09-07 RECONCILIATION OF RURAL INFRASTRUCTURE PROGRAM (RIP) LOAN SCHEDULE TO SHARE (Significant Deficiency) - continued

Criteria: as a state agency, the Department must follow the existing Manual of Model Accounting Practices' (MAPs) procedures to ensure the complete, accurate and timely recording of accounting transactions originating from a subsidiary system into SHARE, the central reporting system. MAPs (FIN 13.1), authorized by Section 6-5-2.1, NMSA 1978 states that agencies must record financial transactions occurring within a subsidiary system through an appropriate interface with SHARE.

Cause: Lack of effective controls and procedures surrounding RIP fund to ensure timely and accurate reconciliation of the RIP loan schedule to SHARE.

Effect: Possible misstatements of the financial statements.

Recommendation: We recommend the Department implement effective internal control procedures to ensure that the RIP fund loan schedule is reconciled to SHARE.

Management's Response: The Department does regularly reconcile its RIP Fund with SHARE. However, the Department will review fund activities and submit any adjustment to DFA/FCD for posting on an ongoing basis throughout the fiscal year.

07-01 FINANCIAL STATEMENT PREPARATION SAS-112 (Significant Deficiency) - Repeated

Condition: Audit adjustments required in excess of customary year-end adjustments. Financial statements were not prepared by the Department. The Department's internal control system over financial reporting does not extend to the financial statement preparation function.

Criteria: In accordance with 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 financial statements. The Department is not currently capable of producing a complete set of financial statements, including required footnote disclosures.

Cause: Lack of effective internal controls surrounding the financial reporting process.

Effect: 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. The Department is unable to produce accurate interim financial statements.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

**07-01 FINANCIAL STATEMENT PREPARATION SAS-112
(Significant Deficiency) – Repeated - continued**

Auditors' Recommendation: We recommend the Department develop and implement internal controls over the financial reporting process.

Management's Response: The Department will continue to provide training and professional development through workshops and continuing professional education (CPE) to ensure that its financial staffs are trained and capable of preparing its annual financial statement.

06-07 BUDGET OVERAGES – Repeated/Updated

Condition: In FY09, the Department overspent budget in the Other Operating Costs category in the Corrective Action Fund (99000) by \$847,027.

Criteria: According to State Auditor Rule 2.2.2.10, if an agency's expenditures exceed its budget in any category, this fact must be disclosed in a finding.

Cause: In prior years the contractor had up to 2 years to submit an invoice, effective June 15, 2009 this has been changed to 90 days. Because of this, the Department was not recording liabilities for completed deliverables and the Department booked a significant liability during the FY09 audit for deliverables completed in FY09 that caused the Department to be over-expended in this category.

Effect: The Department is not in compliance with statutory requirements to obtain approval prior to making expenditures.

Recommendation: The budget needs to be monitored and adjustments made on a timely basis in order to avoid overages.

Management's Response: The Department does monitor and control the expenditures in Fund 990 on regular basis. We also submit budget adjustment requests (BAR) to account for additional expenditures during the fiscal year. In addition, the Department will establish an account payable (AP) for any outstanding liabilities for work that is completed at the end of the fiscal year.

06-08 FEDERAL GRANT REPORTING (Significant Deficiency) – Repeated/Updated

Condition: During A-133 single audit test work, we noted that management was unable to provide the required SF-269 and SF-272 financial reports for DOE-WIPP Oversight, CFDA 81.087. It was also noted that the required SF-269 and SF-272 financial reports for DOL-OSHA Implementation, CFDA 17.500 were filed late for one quarter during FY09.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

**06-08 FEDERAL GRANT REPORTING (Significant Deficiency) – Repeated/Updated -
continued**

Criteria: Per OMB Circular A-133, *Compliance Requirements Reporting - Financial Reporting*, the Department is required to maintain reports specified by the Federal agency.

Cause: Failure or lack of internal controls over reporting requirements established by the Federal government for state agencies receiving federal funds.

Effect: The Department is in violation of federal requirements.

Auditors' Recommendation: We recommend that management establish effective controls necessary to ensure the maintenance of reports mandated by the federal government for state agencies receiving federal funds. Additionally, we recommend that the Department designate an individual to be responsible for meeting these requirements.

Management's Response: The Department has restructured its Grant Management Bureau with new personnel and additional resources and is implementing new policies to effectively control all grant activities. The EPA eliminated the 272 report and the 269 report is replaced by the 425 report. To comply with the deadlines, the Department plans to file its reports with preliminary numbers and provide amendments as necessary.

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT

09-01 NPS IMPLEMENTATION – 66.460 – UNALLOWABLE COSTS

Condition: During the Per Diem test work it was noted that on 1 out of 40 travel reimbursements that an employee was reimbursed for alcoholic beverages for a total of \$10.00 that was charged to the NPS implementation federal grant.

Criteria: Per OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, alcoholic beverages are un-allowable costs.

Cause: Management oversight. During the review of the travel reimbursement process, it was noted that the alcoholic beverage was not easily identifiable as an alcoholic beverage.

Effect: The Department is in violation of the federal grant.

Auditors' Recommendation: We recommend that management establish effective controls necessary to ensure that only allowable costs as outlined in OMB Circular A-87 are charged to federal grants.

Management's Response: This reimbursement was an anomaly and an oversight by staff. Department's Policy # 02-38 does not permit staff to use, possess, distribute, sell or be under the influence of alcohol or illegal drugs while conducting business-related activities and does reimburse for alcoholic beverages. The one travel reimbursement error for alcohol was recognized and the responsible employee refunded the Department. To prevent a repeat of this condition, effective Friday, October 16, 2009, the Department will no longer accept for reimbursement a receipt with alcoholic beverages listed on it. This requirement will be codified in a revised Accounts Payable policy to be released soon.

09-03 BROWNFIELD CLEANUP REVOLVING LOAN FUND - 66.818 – LOAN
REPAYMENTS/LOANS RECEIVABLE MANAGEMENT

Condition: The Department is not actively managing the loan repayments related to the Brownfield Cleanup Revolving Loan Fund.

Criteria: Per grant agreement, the Department is required to establish procedures for handling the day to day management and processing of loans and repayments. In addition, as a state agency, the Department must follow the existing Manual of Model Accounting Practices' (MAPs) procedures regarding the management of accounts receivable. MAPs (FIN 11.1), authorized by Section 6-5-2, NMSA 1978 states that to protect assets, accounts receivable should be actively managed.

Cause: Failure or lack of internal controls over reporting requirements established by the Federal government for state agencies receiving federal funds.

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT - continued

09-03 BROWNFIELD CLEANUP REVOLVING LOAN FUND - 66.818 – LOAN
REPAYMENTS/LOANS RECEIVABLE MANAGEMENT - continued

Effect: The Department is in violation of federal requirements. Furthermore, without active collection of loan repayments, the Department is unable to make additional loans for cleanup projects to fulfill the purpose of the loan fund.

Auditors' Recommendation: We recommend that management establish effective controls necessary to ensure the active management and processing of the loans and repayments.

Management's Response: The Department has an auxiliary system in place to control the issuance and repayments of loans. It has been in control of this fund since its inception. To comply with the MAPs requirements, the Department will establish an Account Receivable for the outstanding loan repayments at the end of the fiscal year.

06-08 FEDERAL GRANT REPORTING (Significant Deficiency) – Repeated/Updated

Condition: During A-133 single audit test work, we noted that management was unable to provide the required SF-269 and SF-272 financial reports for DOE-WIPP Oversight, CFDA 81.087. It was also noted that the required SF-269 and SF-272 financial reports for DOL-OSHA Implementation, CFDA 17.500 were filed late for one quarter during FY09.

Criteria: Per OMB Circular A-133, *Compliance Requirements Reporting - Financial Reporting*, the Department is required to maintain reports specified by the Federal agency.

Cause: Failure or lack of internal controls over reporting requirements established by the Federal government for state agencies receiving federal funds.

Effect: The Department is in violation of federal requirements.

Auditors' Recommendation: We recommend that management establish effective controls necessary to ensure the maintenance of reports mandated by the federal government for state agencies receiving federal funds. Additionally, we recommend that the Department designate an individual to be responsible for meeting these requirements.

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT - continued

06-08 FEDERAL GRANT REPORTING (Significant Deficiency) – Repeated/Updated -
continued

Management's Response: The Department has restructured its Grant Management Bureau with new personnel and additional resources and is implementing new policies to effectively control all grant activities. The EPA eliminated the 272 report and the 269 report is replaced by the 425 report. To comply with the deadlines, the Department plans to file its reports with preliminary numbers and provide amendments as necessary.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Summary Schedule of Prior Year Audit Findings

- 06-01 Capital Assets (Significant Deficiency) – Resolved
- 06-05 Procurement Code Compliance – Resolved
- 06-07 Budget Overspending – Repeated/Updated
- 06-08 Federal Grant Reporting – Repeated/Updated (Significant Deficiency)
- 07-01 Financial Statement Preparation SAS 112 (Significant Deficiency) – Repeated
- 07-05 Late Audit Report (Significant Deficiency) – Resolved

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Exit Conference

An exit conference was held with the Department on November 23, 2009. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT

Ron Curry	Cabinet Secretary
Jim Perry	ASD Director
Clancy Roberts	Chief Financial Officer
Lorie Blea	Senior Accountant
Barbara MacLellan	Budget Director
Karen Martinez	Accounts Payable Supervisor
Cathy Atencio	Financial Manager

MEYNNERS + COMPANY, LLC

Georgie Ortiz, CPA, CGFM	Audit Partner
Javier Machuca, CPA, CGFM	Audit Senior Manager
Matt Bone	Senior Accountant
Tasha Bochkova	Staff Accountant

PREPARATION OF FINANCIAL STATEMENTS

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