

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Financial Statements
for the Year Ended
June 30, 2010,
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 – 15
Financial Statements:	
Statement of Net Assets.....	17
Statement of Activities.....	18 – 19
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	23
Statement of Revenues and Expenditures - Major Governmental Funds - Budget and Actual (Modified Accrual Basis).....	24 – 28
Statement of Net Assets – Proprietary Funds.....	29
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	30
Statement of Cash Flows – Proprietary Funds.....	31 – 32
Statement of Fiduciary Assets and Liabilities – Agency Fund.....	33
Notes to the Financial Statements.....	34 – 69
Supplementary Information:	
Special Revenue Funds/Capital Project Funds – Non-Major Governmental Funds.....	71 – 75
Combining Balance Sheet – Non-major Governmental Funds.....	76 – 81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds.....	82 – 87
Special Appropriations 2007 (22100) - Statement of Revenues and Expenditures – Budget and Actual (Modified Accrual Basis).....	88
Special Appropriations 2006 (69400) - Statement of Revenues and Expenditures – Budget and Actual (Modified Accrual Basis).....	89

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Table of Contents - continued

Supplementary Information: -continued:

Tire Recycling Fund (02600) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	90
Voluntary Remediation Fund (06600) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	91
Air Quality Title V Fund (09200) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	92
Brownfield Cleanup Revolving Loan Fund (11900) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	93
Responsible Party Reimbursement Fund (24800) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	94
Hazardous Waste Fund (33900) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	95
Liquid Waste Fund (34000) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	96
Water Quality Management Fund (34100) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	97
Water Recreation Facilities Fund (40000) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	98
Water Conservation Fund (56700) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	99
Colonias Wastewater Grants Fund (58200) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	100
Operator Certification Fund (58400) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	101
Radiation Protection Fund (59200) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	102
Air Quality Fund (63100) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	103
Solid Waste Facility Grant Fund (63200) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	104
Other Revenue Fund – Solid Waste Permit Fees (78300) – Statement of Revenues and Expenditures – Budget and Actual (Modified Accrual Basis)	105
Emergency Hazardous Fund (95700) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	106
Radiologic Technology Fund (98700) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	107
Underground Storage Tank Fund (98900) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	108
Food Service Sanitation Fund (99100) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	109

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Table of Contents - continued

Supplementary Information: -continued:

Special Appropriations 2000 (11700) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	110
Special Appropriations 2007 (11800) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	111
Special Appropriations 2004 (12000) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	112
Special Appropriations 2004 (65500) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	113
Special Appropriations 2002 (70300) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	114
Special Appropriations STB 1998-1 (86700) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	115
Special Appropriations STB 1998-2 (86800) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	116
Special Appropriations STB 2000 (98800) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	117
Special Appropriations 2008 (10350) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	118
Severance Tax Bonds 2008 (10360) - Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis)	119
Wastewater Facility Construction Loan Fund (12100) - Statement of Revenues and Expenses - Budget and Actual (Accrual Basis)	120
Clean Water Administrative Fund (32700) - Statement of Revenues and Expenses - Budget and Actual (Accrual Basis)	121
Rural Infrastructure Revolving Loan Fun (33700/61900) - Statement of Revenues and Expenses - Budget and Actual (Accrual Basis)	122

Supplemental Schedules:

Schedule 1 – Schedule of Individual Deposit Accounts	124 – 125
Schedule 2 – Supplemental Schedule of Severance Tax Bonds	126
Schedule 3 – Supplemental Schedule of Special Appropriations	127 – 128
Schedule 4 – Joint Powers Agreements	129 – 130
Schedule 5 – Memoranda of Agreement	131 – 132
Schedule 6 – Memoranda of Understanding	133 – 134
Schedule 7 – Fiduciary Fund – Agency – Schedule of Changes in Assets and Liabilities	135

Single Audit:

Schedule of Expenditures of Federal Awards	137 – 142
Notes to the Supplemental Schedule of Expenditures of Federal Awards	143

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Table of Contents - continued

Single Audit - continued:

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>	144 – 146
Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	147 – 149
Schedule of Findings and Questioned Costs.....	150 – 161
Summary Schedule of Prior Year Audit Findings	162
Exit Conference.....	163

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Official Roster

Year Ended June 30, 2010

Office of the Secretary

Title

Ron Curry

Secretary

Sarah Cottrell

Deputy Secretary

Division Directors

Jim Perry

Administrative Services Division

Lynn Harris

Information Technology Division

Marcy Leavitt (Acting)

Water and Waste Management Division

Jim Norton

Environment Protection Division

Carlos Romero

Environmental Health Division

Karen Gallegos

Water and Wastewater Infrastructure
Development Division

INDEPENDENT AUDITORS' REPORT

Mr. Ron Curry
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 aggregate remaining fund information and the budgetary comparisons for the general fund and other major special revenue funds of the State of New Mexico Environment Department (the Department) as of and for the year ended June 30, 2010, 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, the budgetary comparisons for the major capital project funds and major enterprise funds, and all non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, 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, 2010, and the changes in financial position and cash flows, where applicable, of those activities and



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

funds. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2010, 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, 2010, 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 fund of the Department as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for all major capital project, non-major governmental and major enterprise funds and all non-major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010, 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 15 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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 additional schedules listed as supplemental schedules in the table of contents (Schedules 1 through 7) 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.

Mejers + Company, LLC

November 29, 2010

**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, 2010. This overview and analysis summarizes the Department's financial activities and operations for the state fiscal year 2010, which is the period between July 1, 2009–to–June 30, 2010 (**FY10**). 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 the 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

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 and capital project funds and various federal grant activities. The Department has classified five funds as major funds: the General Fund, the Corrective Action Fund, two Capital Project Funds and the ARRA Fund.

Business-type Activities. The Department's Wastewater Facility Construction Loan Fund, the Clean Water Administrative Fund and the Rural Infrastructure Revolving Loan Fund comprise the Department's business activities. The Wastewater Facility Construction Loan Fund and the Rural Infrastructure Revolving Loan Fund provide low interest rate loans to communities throughout the state for water and wastewater treatment facilities and for rural infrastructure projects. The Clean Water Administrative Fund is used to administer the Wastewater Facility Construction Loan Fund.

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

Overview of the Financial Statements - continued

Fund Financial Statements - continued

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.

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 2010 represents the fourth 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's Office.

The Department has accepted the SHARE system processes and continues to modify its business processes accordingly to comply with SHARE. During FY10, 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, Capital Project 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 2010 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 2010, the Department operated with six divisions but five budgetary programs. Through these programs, which include *Program Support, Water Quality, Environmental Health, Environmental Protection, and 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 FY10 from the hiring freeze in effect 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 service 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 undertook several projects to amend existing water quality protection regulations including development of dairy-specific permitting regulations and increased protection for New Mexico's headwater streams. Site-wide hazardous waste management permits were completed for Kirtland Air Force Base, Los Alamos National Laboratory, and WIPP. These efforts included extensive community outreach and stakeholder input. The Department undertook several special studies to evaluate impacts to water quality including a Middle Rio Grande storm water study and intensive water quality surveys for the Upper Pecos and San Juan watersheds.

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 worked actively with indigent populations in Dona Ana, Sandoval, Socorro and Valencia counties to assist the population in upgrading failed or failing liquid waste systems by either connecting the building sewer to centralized sewer or by upgrading the disposal system to current standards. Using the regulations, the Program worked with swimming pool facilities to approve variances which would bring the facilities into compliance with Program rules and federal law. The Program also worked with interested parties to amend rules to allow for home-based processing of foods.

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 received legislative authority for delivery prohibition and implemented the Operator Training Program as 2005 federal Energy Policy Act requirements. PSTB Remedial Action Program issued notices of no further action for 46 contaminated sites statewide. The program expended \$10,051,466 in Corrective Action Funds for Leaking Underground Storage Tank Cleanups. The Solid Waste Bureau has increased statewide recycling rates from 12.4% to 14.6%. Forty-eight grants issued to eligible applicants for recycling purposes and improvements of Solid Waste Facilities expending \$1,155,300 out of the Tire Recycling and Solid Waste Facility Grant Fund. OSHA continues to promote cooperative programs with major industry groups in the state. Individual companies can qualify for certain benefits if they demonstrate implementation of a comprehensive health and safety program that exceeds OSHA requirements and they have achieved injury and illness rates that are below the national average for their industry.

The Air Quality Bureau developed a program and regulations to address greenhouse gas emissions from regulated facilities. Regulations were developed for certifying solar thermal and recycled projects for tax credits. The EPA and BLM awarded project funds to the Bureau under 5 grant programs to: aid local vehicle fleets in reducing diesel emissions, train citizens in voluntary clean energy and conservation practices, and refine air pollution modeling for the Four Corners Region. The Bureau worked with citizen groups including the Mexico-Texas-New Mexico Joint Advisory Committee and the Four Corners Air Quality Task Force Report to address air pollution in those regions. The Bureau operated its statewide ambient air monitoring network to achieve a 90% data capture percentage. The Bureau processed 706 air quality permit applications and 106 air quality permits were issued, with 98.7% of the permits issued within the statutory deadline. The Bureau completed inspections at the 103 facilities in NM with the greatest emissions of air pollutants. The Bureau took 74 enforcement actions and collected \$3,933,457 in penalties, deposited into the General Fund.

Department Highlights - continued

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 protect public drinking water through the implementation and enforcement of state and federal drinking water regulations and oversee state and federal grant and loan funds for water, wastewater, and solid waste projects. Additionally, the program was created to streamline the funding process for water and wastewater infrastructure projects and ensure the effective and efficient use of all available public funds for sustainable water and wastewater infrastructure development throughout New Mexico.

A. Accomplishments

The Program undertook aggressive oversight actions to prevent contamination of New Mexico's drinking water supply in compliance with the federal Safe Drinking Water Act and the State Drinking Water regulations, including the completion of approximately 270 sanitary surveys/inspections and providing 3,870 assistance actions. The Program maintained and coordinated a single access point for communities seeking public financing for water and wastewater infrastructure projects. In addition, the Program administered and/or provided oversight to approximately 600 infrastructure development projects with a cumulative value of over \$130 million including allocating more than \$23 million in American Recovery and Reinvestment Act funding to 17 New Mexico communities for improvements to wastewater systems. Program staff successfully collaborated with stakeholders to complete multiple community outreach activities to educate the public and improve the financial, managerial, and technical capacity of public water systems across the state.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Management's Discussion and Analysis - continued

Financial Highlights

The Department's FY10 financial portfolio included thirty-nine (39) funds comprised of Governmental, Proprietary and Fiduciary funds. The Governmental Funds included five major funds: the General Fund (06400), the Special Appropriation Fund (69400), the Special Appropriation Fund (22100), the ARRA Fund (89000) and the Corrective Action Fund (99000). The Proprietary Funds included three major funds: the Wastewater Facility Construction Loan Fund (12100), the Clean Water Administrative Fund (32700) and the Rural Infrastructure Revolving Loan Fund (33700 and 61900). The Special Revenue and Capital Project Funds and the Fiduciary Fund (65200) made up the remainder of the Department financial portfolio for the year.

During FY10, the Department recorded total net assets of \$217,418,345, which represents a decrease of \$117,332,470 or 35% from FY09. The Department's governmental net assets decreased by \$120,840,482, along with its business-type net assets, which increased by \$3,508,012 from FY09.

The business-type activities operating revenues for FY10 was \$4,511,319 and the non operating income was \$7,606,038. The total cost of all Department programs increased by \$70,164,840 or 56% over the previous fiscal year, growing from \$126,163,647 to \$196,328,487 during FY10.

Analysis of Individual Balances and Transactions

Governmental funds experienced a reduction in revenue due to the state revenue shortfall during the year, while the Business-Type revenue increased due to additional ARRA funds made available to CPB – Clean Water State Revolving Fund. The reductions in General Fund appropriations continue to increase 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, 2010. Net assets for the Governmental Activities and Business-type Activities were \$(48,827,345) and \$266,245,690, respectively. The total Department net assets for fiscal year 2010 are \$217,418,345. The significant decrease in net assets is largely due to an approximate \$78.3 million increase in the pollution remediation liability as a result of a change in the estimate. In addition, the Department expended approximately \$21 million on projects from special appropriations and reverted approximately \$24 million from capital project funds, which were reconciled to fund balance.

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	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Assets:						
Current and other assets	\$ 49,684,617	92,972,785	95,388,958	87,398,424	145,073,575	180,371,209
Capital and non-current assets	<u>863,737</u>	<u>828,669</u>	<u>171,580,777</u>	<u>175,362,487</u>	<u>172,444,514</u>	<u>176,191,156</u>
Total assets	\$ <u>50,548,354</u>	<u>93,801,454</u>	<u>266,969,735</u>	<u>262,760,911</u>	<u>317,518,089</u>	<u>356,562,365</u>
Liabilities:						
Current liabilities	\$ 16,648,150	21,788,317	724,045	23,233	17,372,195	21,811,550
Long-term liabilities	<u>82,727,549</u>	-	-	-	<u>82,727,549</u>	-
Total liabilities	99,375,699	21,788,317	724,045	23,233	100,099,744	21,811,550
Net assets:						
Invested in capital assets, net of related debt	863,737	828,669	-	-	863,737	828,669
Restricted	40,957,808	72,132,802	266,245,690	262,737,678	307,203,498	334,870,480
Unrestricted	<u>(90,648,890)</u>	<u>(948,334)</u>	-	-	<u>(90,648,890)</u>	<u>(948,334)</u>
Total net assets	<u>(48,827,345)</u>	<u>72,013,137</u>	<u>266,245,690</u>	<u>262,737,678</u>	<u>217,418,345</u>	<u>334,750,815</u>
Total liabilities and net assets	\$ <u>50,548,354</u>	<u>93,801,454</u>	<u>266,969,735</u>	<u>262,760,911</u>	<u>317,518,089</u>	<u>356,562,365</u>

Changes in Net Assets

Table A-2 summarizes the Department change in net assets for the fiscal year ending June 30, 2010. The Department's change in net assets for fiscal year 2010 was a decrease in net assets of \$117,332,470. Program revenues for governmental activities remained unchanged when compared to fiscal year 2009. Program revenues for business-type activities increased approximately \$4.2 million; of this, approximately \$4.5 million is due to an increase in federal funding in the Clean Water State Revolving Fund. General revenues decreased approximately \$17.5 million due to the following reasons: an increase of approximately \$15.9 million in reversions; and a decrease of approximately \$1.0 million in bond proceeds. Total expenses increased approximately \$70.2 million due to an increase of approximately \$78.3 million of expenditures related to the change in the pollution remediation liability, a decrease of approximately \$24.9 million in capital projects expenditures from special appropriations and severance tax bonds, and an increase of approximately \$7.3 million in the business-type activities due to the increase in ARRA federal funding in the Clean Water State Revolving Fund used as grants to various communities.

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	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Revenues:						
Program revenues:						
Charges for services	\$ 21,927,561	18,864,288	4,511,319	4,799,729	26,438,880	23,664,017
Operating grants & contributions	38,006,984	38,499,287	7,606,038	3,133,353	45,613,022	41,632,640
General revenues:						
Transfers, net	(25,581,877)	(9,536,884)	(477,129)	-	(26,059,006)	(9,536,884)
Bond proceeds/ appropriations	33,000,135	33,975,804	-	-	33,000,135	33,975,804
Investment income	2,986	18,604	-	-	2,986	18,604
Total revenues	67,355,789	81,821,099	11,640,228	7,933,082	78,996,017	89,754,181
Expenses:						
Governmental	188,196,271	125,300,382	8,132,216	863,265	196,328,487	126,163,647
Total expenses	188,196,271	125,300,382	8,132,216	863,265	196,328,487	126,163,647
Changes in net assets	(120,840,482)	(43,479,283)	3,508,012	7,069,817	(117,332,470)	(36,409,466)
Beginning net assets	72,013,137	115,492,420	262,737,678	255,667,861	334,750,815	371,160,281
Ending net assets	\$ (48,827,345)	72,013,137	266,245,690	262,737,678	217,418,345	334,750,815

Budgetary Highlights

The Department general fund appropriations were reduced by approximately \$477,600, or 3.2%, 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, 2010, the Department's net capital assets were \$863,737. This amount represents a net increase of \$35,068 (including additions, deletions, and depreciation) compared to fiscal year 2009.

As of June 30, 2010, the Department's total compensated absence liability was approximately \$2.2 million; this is a \$3,003 increase compared to fiscal year 2009. This amount is expected to be paid from the general fund and is expected to be paid within one year.

As of June 30, 2010, the Department's total pollution remediation liability at June 30, 2010 was approximately \$86.3 million; this is an approximately \$78.3 million increase compared to fiscal year 2009.

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 became 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 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 increased 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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash	\$ 543,859	-	543,859
Investment in state general fund investment pool	41,528,334	80,805,762	122,334,096
Due from federal government	5,693,002	900,740	6,593,742
Due from other state agencies	735,148	11,568	746,716
Due from enterprise funds	330,348	-	330,348
Loans for completed projects, current	-	10,491,683	10,491,683
Interest on loans	-	3,179,205	3,179,205
Other receivables	844,505	-	844,505
Prepaid expenses	9,421	-	9,421
TOTAL CURRENT ASSETS	49,684,617	95,388,958	145,073,575
NON-CURRENT ASSETS:			
Projects in progress, non-current	-	49,105,447	49,105,447
Loans for completed projects, non-current, net	-	122,475,330	122,475,330
Capital assets	6,329,779	-	6,329,779
Less: accumulated depreciation	(5,466,042)	-	(5,466,042)
TOTAL NON CURRENT ASSETS	863,737	171,580,777	172,444,514
TOTAL ASSETS	\$ 50,548,354	266,969,735	317,518,089
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 8,064,308	393,697	8,458,005
Due to other state agencies	499,324	-	499,324
Due to federal government	125,433	-	125,433
Due to state general fund	2,217,269	-	2,217,269
Due to governmental funds	-	330,348	330,348
Pollution remediation liability - Due within one year	3,561,345	-	3,561,345
Compensated absences - Due within one year	2,180,471	-	2,180,471
TOTAL CURRENT LIABILITIES	16,648,150	724,045	17,372,195
NON-CURRENT LIABILITIES:			
Pollution remediation liability - Due in more than one year	82,727,549	-	82,727,549
TOTAL LIABILITIES	99,375,699	724,045	100,099,744
NET ASSETS:			
Invested in capital assets	863,737	-	863,737
Restricted	40,957,808	266,245,690	307,203,498
Unrestricted	(90,648,890)	-	(90,648,890)
TOTAL NET ASSETS	(48,827,345)	266,245,690	217,418,345
TOTAL LIABILITIES AND NET ASSETS	\$ 50,548,354	266,969,735	317,518,089

YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
PRIMARY GOVERNMENT:		
GOVERNMENTAL ACTIVITIES:		
Program support	\$ 7,711,985	197,828
Water quality	58,852,931	4,906,739
Environmental health	9,626,758	2,676,004
Environmental protection	65,736,981	11,469,536
Water and wastewater infrastructure development	8,237,076	2,677,454
Other environmental initiatives	<u>38,030,540</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	188,196,271	21,927,561
BUSINESS-TYPE ACTIVITIES		
12100/32700 - Clean Water State Revolving Fund	7,606,038	4,014,706
33700/61900 - Rural Infrastructure Revolving Fund	<u>526,178</u>	<u>496,613</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>8,132,216</u>	<u>4,511,319</u>
TOTAL PRIMARY GOVERNMENT	\$ <u>196,328,487</u>	<u>26,438,880</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Statement of Activities

Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
420,554	-	(7,093,603)	-	(7,093,603)
9,850,860	-	(44,095,332)	-	(44,095,332)
417,829	-	(6,532,925)	-	(6,532,925)
22,945,669	-	(31,321,776)	-	(31,321,776)
4,372,072	-	(1,187,550)	-	(1,187,550)
-	-	(38,030,540)	-	(38,030,540)
38,006,984	-	(128,261,726)	-	(128,261,726)
7,606,038	-	-	4,014,706	-
-	-	-	(29,565)	-
7,606,038	-	-	3,985,141	3,985,141
45,613,022	-	(128,261,726)	3,985,141	(124,276,585)
General revenues:				
General fund appropriations		15,998,700	-	15,998,700
Severance tax bonds		17,001,435	-	17,001,435
Investment earnings		2,986	-	2,986
Transfers:				
Transfers in		2,208,815	-	2,208,815
Transfers out		(2,745,700)	(477,129)	(3,222,829)
Reversions FY10		(25,044,992)	-	(25,044,992)
Total general revenues and transfers		7,421,244	(477,129)	6,944,115
Change in net assets		(120,840,482)	3,508,012	(117,332,470)
Net assets - beginning		72,013,137	262,737,678	334,750,815
Net assets - ending		\$ (48,827,345)	266,245,690	217,418,345

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2010

	Major Funds						Total Governmental
	(06400) General Fund	(22100) Special Appropriations 2007	(69400) Special Appropriations 2006	(89000) ARRA Fund	(99000) Corrective Action Fund	Other Governmental Funds	
ASSETS:							
Cash	\$ 4,960	-	-	-	-	538,899	543,859
Investment in state general fund investment pool	720,798	6,290,614	2,366,469	-	11,794,635	20,355,818	41,528,334
Due from other governmental funds	1,196,251	-	-	-	412,541	2,723,304	4,332,096
Due from enterprise funds	330,348	-	-	-	-	-	330,348
Due from federal government	4,953,302	-	-	739,700	-	-	5,693,002
Due from other state agencies	-	179,089	309,745	-	-	246,314	735,148
Other receivables	6,039	-	-	10,127	-	828,339	844,505
Prepaid expenses	9,421	-	-	-	-	-	9,421
TOTAL ASSETS	\$ 7,221,119	6,469,703	2,676,214	749,827	12,207,176	24,692,674	54,016,713
LIABILITIES:							
Accounts payable	\$ 2,555,300	869,640	1,354,410	41,869	542,707	522,352	5,886,278
Due to other governmental funds	3,135,245	-	-	596,039	-	600,812	4,332,096
Due to other state agencies	-	-	-	-	-	499,324	499,324
Due to federal government	73,368	-	-	52,065	-	-	125,433
Due to state general fund	1,015,700	38,954	1,096,804	-	-	65,811	2,217,269
Accrued payroll liabilities	2,118,176	-	-	59,854	-	-	2,178,030
TOTAL LIABILITIES	8,897,789	908,594	2,451,214	749,827	542,707	1,688,299	15,238,430
FUND BALANCES:							
Reserved	502,855	5,561,109	225,000	-	11,664,469	23,004,375	40,957,808
Unreserved	(2,179,525)	-	-	-	-	-	(2,179,525)
TOTAL FUND BALANCES	(1,676,670)	5,561,109	225,000	-	11,664,469	23,004,375	38,778,283
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,221,119	6,469,703	2,676,214	749,827	12,207,176	24,692,674	54,016,713

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

AS OF JUNE 30, 2010

Total Fund Balance - Governmental Funds
(Governmental Fund Balance Sheet)

\$ 38,778,283

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	6,329,779
Accumulated depreciation is	<u>(5,466,042)</u>
Total capital assets	863,737

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	(86,288,894)
Compensated absences payable	<u>(2,180,471)</u>
Total long-term and other liabilities	<u>(88,469,365)</u>

Net assets of governmental activities (Statement of Net Assets)

\$ (48,827,345)

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

	Major Funds					Other Governmental Funds	Total Governmental
	(06400) General Fund	(22100) Special Appropriations 2007	(69400) Special Appropriations 2006	(89000) ARRA Fund	(99000) Corrective Action Fund		
REVENUES:							
Sales and miscellaneous taxes	-	-	-	-	18,095,925	21,729,733	39,825,658
Federal grant revenue	17,688,875	-	-	2,191,404	-	-	19,880,279
Investment earnings	-	-	-	-	-	2,986	2,986
Miscellaneous	228,608	-	-	-	-	-	228,608
TOTAL REVENUES	17,917,483	-	-	2,191,404	18,095,925	21,732,719	59,937,531
EXPENDITURES:							
Current:							
Program support	7,668,446	-	-	-	-	-	7,668,446
Water quality	18,205,045	-	-	89,894	-	-	18,294,939
Environmental health	9,563,692	-	-	-	-	-	9,563,692
Environmental protection	15,243,280	-	-	716,503	10,051,466	1,761,288	27,772,537
Water and wastewater infrastructure development	6,843,336	-	-	1,385,007	-	-	8,228,343
Other environmental initiatives	589,182	14,877,709	9,858,359	-	-	12,705,290	38,030,540
Capital outlay	373,231	-	-	-	-	-	373,231
TOTAL EXPENDITURES	58,486,212	14,877,709	9,858,359	2,191,404	10,051,466	14,466,578	109,931,728
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(40,568,729)	(14,877,709)	(9,858,359)	-	8,044,459	7,266,141	(49,994,197)
OTHER FINANCING SOURCES (USES):							
General fund appropriation	15,998,700	-	-	-	-	-	15,998,700
Severance tax bonds	-	6,053,888	3,298,395	-	-	7,649,152	17,001,435
Transfers in:							
Interfund	24,138,041	-	-	-	-	-	24,138,041
Other	719,352	-	-	-	-	1,489,463	2,208,815
Transfers out:							
Interfund	-	-	-	-	(8,040,559)	(16,097,482)	(24,138,041)
Other	-	(130,000)	-	-	-	(2,615,700)	(2,745,700)
Reversions-FY10	(1,015,700)	(11,957,452)	(7,197,248)	-	-	(4,874,592)	(25,044,992)
NET OTHER FINANCING SOURCES (USES)	39,840,393	(6,033,564)	(3,898,853)	-	(8,040,559)	(14,449,159)	7,418,258
NET CHANGE IN FUND BALANCES	(728,336)	(20,911,273)	(13,757,212)	-	3,900	(7,183,018)	(42,575,939)
FUND BALANCES, BEGINNING	(948,334)	26,472,382	13,982,212	-	11,660,569	30,187,393	81,354,222
FUND BALANCES, ENDING	\$(1,676,670)	5,561,109	225,000	-	11,664,469	23,004,375	38,778,283

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

YEAR ENDED JUNE 30, 2010

Net Changes in Fund Balances - Total Governmental Funds

(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (42,575,939)

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 increase in compensated absences for the fiscal year was: (3,003)

The increase in pollution remediation liability (Note 10)
for the fiscal year was: (78,296,608)

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 373,231
Depreciation expense (356,258)

Excess of depreciation expense over capital outlay 16,973

Loss/Adjustments on disposal of assets 18,095

Change in net assets of governmental activities (Statement of Activities) \$ (120,840,482)

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

	GENERAL FUND - TOTAL			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
P-567 REVENUES:				
Federal funds	\$ 3,025,200	2,927,500	420,554	(2,506,946)
General fund	3,477,700	3,477,700	3,477,700	-
Other state funds	-	70,000	197,831	127,831
Inter-agency transfers	<u>2,243,300</u>	<u>2,243,300</u>	<u>2,063,203</u>	<u>(180,097)</u>
TOTAL P-567 REVENUES	\$ <u>8,746,200</u>	<u>8,718,500</u>	<u>6,159,288</u>	<u>(2,559,212)</u>
P-567 EXPENDITURES:				
Personal services and employee benefits	\$ 6,813,600	6,558,400	6,117,260	441,140
Contractual services	707,700	931,700	773,215	158,485
Other	<u>1,224,900</u>	<u>1,228,400</u>	<u>877,625</u>	<u>350,775</u>
TOTAL P-567 EXPENDITURES	\$ <u>8,746,200</u>	<u>8,718,500</u>	<u>7,768,100</u>	<u>950,400</u>
P-568 REVENUES:				
Federal funds	\$ 11,013,900	11,253,950	9,760,966	(1,492,984)
General Fund	3,029,000	3,029,000	3,029,000	-
Other state funds	-	18,757	-	(18,757)
Inter-agency transfers	<u>7,512,300</u>	<u>8,396,700</u>	<u>6,180,605</u>	<u>(2,216,095)</u>
TOTAL P-568 REVENUES	\$ <u>21,555,200</u>	<u>22,698,407</u>	<u>18,970,571</u>	<u>(3,727,836)</u>
P-568 EXPENDITURES:				
Personal services and employee benefits	\$ 14,316,200	14,259,300	12,576,148	1,683,152
Contractual services	4,960,700	6,131,950	3,881,683	2,250,267
Other	<u>2,278,300</u>	<u>2,307,157</u>	<u>1,747,214</u>	<u>559,943</u>
TOTAL P-568 EXPENDITURES	\$ <u>21,555,200</u>	<u>22,698,407</u>	<u>18,205,045</u>	<u>4,493,362</u>
P-569 REVENUES:				
Federal funds	\$ 294,900	320,100	417,829	97,729
General Fund	6,263,800	6,263,800	6,263,800	-
Other state funds	-	-	-	-
Inter-agency transfers	<u>3,949,500</u>	<u>3,518,773</u>	<u>3,132,028</u>	<u>(386,745)</u>
TOTAL P-569 REVENUES	\$ <u>10,508,200</u>	<u>10,102,673</u>	<u>9,813,657</u>	<u>(289,016)</u>
P-569 EXPENDITURES:				
Personal services and employee benefits	\$ 8,344,900	8,105,134	7,839,719	265,415
Contractual services	162,200	95,139	55,634	39,505
Other	<u>2,001,100</u>	<u>1,902,400</u>	<u>1,668,339</u>	<u>234,061</u>
TOTAL P-569 EXPENDITURES	\$ <u>10,508,200</u>	<u>10,102,673</u>	<u>9,563,692</u>	<u>538,981</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, 2010

	GENERAL FUND - TOTAL - continued			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
P-570 REVENUES:				
Federal funds	\$ 3,899,300	3,899,300	4,133,241	233,941
General Fund	2,780,800	2,780,800	2,780,800	-
Other state funds	-	-	-	-
Inter-agency transfers	<u>10,634,000</u>	<u>9,923,000</u>	<u>9,093,228</u>	<u>(829,772)</u>
TOTAL P-570 REVENUES	\$ <u>17,314,100</u>	<u>16,603,100</u>	<u>16,007,269</u>	<u>(595,831)</u>
P-570 EXPENDITURES:				
Personal services and employee benefits	\$ 13,983,200	13,071,800	12,575,440	496,360
Contractual services	721,900	696,500	422,790	273,710
Other	<u>2,609,000</u>	<u>2,834,800</u>	<u>2,513,327</u>	<u>321,473</u>
TOTAL P-570 EXPENDITURES	\$ <u>17,314,100</u>	<u>16,603,100</u>	<u>15,511,557</u>	<u>1,091,543</u>
P-774 REVENUES:				
Federal funds	\$ 5,143,300	3,106,500	2,956,285	(150,215)
General fund	447,400	447,400	447,400	-
Other state funds	-	-	30,777	30,777
Inter-agency transfers	<u>5,217,500</u>	<u>5,258,700</u>	<u>4,388,329</u>	<u>(870,371)</u>
TOTAL P-774 REVENUES	\$ <u>10,808,200</u>	<u>8,812,600</u>	<u>7,822,791</u>	<u>(989,809)</u>
P-774 EXPENDITURES:				
Personal services and employee benefits	\$ 6,142,500	4,668,300	3,778,724	889,576
Contractual services	3,387,100	3,128,200	2,298,167	830,033
Other	<u>1,278,600</u>	<u>1,016,100</u>	<u>771,745</u>	<u>244,355</u>
TOTAL P-774 EXPENDITURES	\$ <u>10,808,200</u>	<u>8,812,600</u>	<u>6,848,636</u>	<u>1,963,964</u>
SPECIAL APPROPRIATIONS:				
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Inter-agency transfers	1,500,000	1,500,000	-	(1,500,000)
Budgeted fund balance	<u>1,092,037</u>	<u>1,092,037</u>	<u>589,182</u>	<u>(502,855)</u>
TOTAL REVENUES	\$ <u>2,592,037</u>	<u>2,592,037</u>	<u>589,182</u>	<u>(2,002,855)</u>
EXPENDITURES:				
Personal services and employee benefits	\$ -	-	-	-
Contractual services	2,592,037	2,592,037	589,182	2,002,855
Other	-	-	-	-
TOTAL EXPENDITURES	\$ <u>2,592,037</u>	<u>2,592,037</u>	<u>589,182</u>	<u>2,002,855</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, 2010

	GENERAL FUND - TOTAL - continued			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
ALL REVENUES:				
Federal funds	\$ 23,376,600	21,507,350	17,688,875	(3,818,475)
General Fund	15,998,700	15,998,700	15,998,700	-
Other state funds	-	88,757	228,608	139,851
Inter-agency transfers	31,056,600	30,840,473	24,857,393	(5,983,080)
Budgeted fund balance *	<u>1,092,037</u>	<u>1,092,037</u>	<u>589,182</u>	<u>(502,855)</u>
TOTAL ALL REVENUES	\$ <u>71,523,937</u>	<u>69,527,317</u>	59,362,758	<u>(10,164,559)</u>
ALL EXPENDITURES:				
Personal services and employee benefits	\$ 49,600,400	46,662,934	42,887,291	3,775,643
Contractual services	12,531,637	13,575,526	8,020,671	5,554,855
Other	<u>9,391,900</u>	<u>9,288,857</u>	<u>7,578,250</u>	<u>1,710,607</u>
TOTAL ALL EXPENDITURES	\$ <u>71,523,937</u>	<u>69,527,317</u>	<u>58,486,212</u>	<u>11,041,105</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			876,546	
BUDGETED FUND BALANCE			(589,182)	
REVERSIONS TO STATE GENERAL FUND (NOT BUDGETED)			<u>(1,015,700)</u>	
NET CHANGE IN FUND BALANCE **			\$ <u>(728,336)</u>	

* As of June 30, 2009, the Department had a deficit fund balance in the amount of \$948,334. However, the Department had available fund balance in the amount of \$1,092,037 to budget for multi-year appropriations.

** Refer to pages 38-39 regarding the General Fund deficit as of June 30, 2010.

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, 2010

**AMERICAN RECOVERY AND REINVESTMENT
ACT (ARRA) (89000)**

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
Federal funds	\$	-	3,746,700	2,191,404	(1,555,296)
General Fund		-	-	-	-
Other state funds		-	2,450,000	-	(2,450,000)
Inter-agency transfers		-	-	-	-
Budgeted fund balance		-	-	-	-
TOTAL REVENUES	\$	-	6,196,700	2,191,404	(4,005,296)
EXPENDITURES - current:					
Personal services & empl. ben.	\$	-	2,779,455	1,452,829	1,326,626
Contractual services		-	1,518,014	602,692	915,322
Other		-	1,899,231	135,883	1,763,348
Other financing uses		-	-	-	-
TOTAL EXPENDITURES	\$	-	6,196,700	2,191,404	4,005,296
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				-	
NET CHANGE IN FUND BALANCE				\$ -	

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, 2010

	CORRECTIVE ACTION FUND (99000)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	19,310,700	18,760,700	18,095,925	(664,775)
Inter-agency transfers	-	-	-	-
Budgeted fund balance	<u>1,692,400</u>	<u>5,692,400</u>	<u>365,905</u>	<u>(5,326,495)</u>
TOTAL REVENUES	\$ <u>21,003,100</u>	<u>24,453,100</u>	18,461,830	<u>(5,991,270)</u>
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	3,000,000	7,000,000	6,415,341	584,659
Other	9,000,000	9,000,000	4,005,930	4,994,070
Other financing uses	<u>9,003,100</u>	<u>8,453,100</u>	<u>8,040,559</u>	<u>412,541</u>
TOTAL EXPENDITURES	\$ <u>21,003,100</u>	<u>24,453,100</u>	<u>18,461,830</u>	<u>5,406,611</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			-	
BUDGETED FUND BALANCE			(365,905)	
FISCAL 2009 BILLS PAID OUT OF FISCAL 2010 BUDGET			<u>369,805</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 3,900</u>	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Statement of Net Assets - Proprietary Funds

AS OF JUNE 30, 2010

	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	\$ 61,112,663	2,402,370	17,290,729	80,805,762
Accounts receivable:				
Loans for completed projects, current	8,593,076	-	1,898,607	10,491,683
Due from other enterprise funds *	1,411,395	-	-	1,411,395
Due from federal government	900,740	-	-	900,740
Interest on loans	2,827,611	-	351,594	3,179,205
Due from other state agencies	<u>8,815</u>	<u>206</u>	<u>2,547</u>	<u>11,568</u>
Total current assets	74,854,300	2,402,576	19,543,477	96,800,353
Non-current assets:				
Projects in progress, non-current	47,314,729	-	1,790,718	49,105,447
Loans for completed projects, non-current	110,516,630	-	12,336,931	122,853,561
Allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>(378,231)</u>	<u>(378,231)</u>
Total non-current assets	<u>157,831,359</u>	<u>-</u>	<u>13,749,418</u>	<u>171,580,777</u>
TOTAL ASSETS	\$ <u>232,685,659</u>	<u>2,402,576</u>	<u>33,292,895</u>	<u>268,381,130</u>
LIABILITIES:				
Current liabilities:				
Accounts payable and other accrued liabilities	\$ 378,791	-	14,906	393,697
Due to other enterprise funds *	-	1,411,395	-	1,411,395
Due to other governmental funds	<u>3,400</u>	<u>326,948</u>	<u>-</u>	<u>330,348</u>
TOTAL LIABILITIES	382,191	1,738,343	14,906	2,135,440
NET ASSETS:				
Restricted	232,303,468	664,233	33,277,989	266,245,690
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>232,303,468</u>	<u>664,233</u>	<u>33,277,989</u>	<u>266,245,690</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>232,685,659</u>	<u>2,402,576</u>	<u>33,292,895</u>	<u>268,381,130</u>

* Inter-fund balances within enterprise funds are eliminated on the government-wide statement of net assets.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

	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	\$ 3,901,830	1,428	496,613	4,399,871
Debt service fees	-	111,448	-	111,448
TOTAL OPERATING REVENUES	3,901,830	112,876	496,613	4,511,319
OPERATING EXPENSES:				
Transfers (06400) Admin expenses	-	477,129	-	477,129
Administrative expenses	503,557	-	526,178	1,029,735
TOTAL OPERATING EXPENSES	503,557	477,129	526,178	1,506,864
OPERATING INCOME (LOSS)	3,398,273	(364,253)	(29,565)	3,004,455
NON-OPERATING REVENUES (EXPENSES):				
Grants and contributions	7,606,038	-	-	7,606,038
Grants to other organizations	(7,102,481)	-	-	(7,102,481)
TOTAL NON-OPERATING REVENUES (EXPENSES)	503,557	-	-	503,557
CHANGE IN NET ASSETS	3,901,830	(364,253)	(29,565)	3,508,012
TOTAL NET ASSETS, BEGINNING	228,401,638	1,028,486	33,307,554	262,737,678
TOTAL NET ASSETS, ENDING	\$ 232,303,468	664,233	33,277,989	266,245,690

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Statement of Cash Flows - Proprietary Funds

YEAR ENDED JUNE 30, 2010

	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	\$ 7,650,711	-	1,644,308	9,295,019
Cash received on interest from loans	2,342,494	-	414,750	2,757,244
Interest payments received from banks/STO	83,514	1,397	24,736	109,647
Cash received for debt service fees	-	111,448	-	111,448
Cash payments for administrative expenses	(476,384)	(150,181)	-	(626,565)
Cash payments to suppliers of goods/services	-	-	(534,505)	(534,505)
Cash payments made to borrowers	<u>(3,686,846)</u>	<u>-</u>	<u>(1,275,427)</u>	<u>(4,962,273)</u>
NET CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES	5,913,489	(37,336)	273,862	6,150,015
CASH FLOWS PROVIDED BY (USED IN)				
CAPITAL AND RELATED ACTIVITIES:				
Grant proceeds - EPA	6,700,069	-	-	6,700,069
Grants to other organizations	<u>(6,742,234)</u>	<u>-</u>	<u>-</u>	<u>(6,742,234)</u>
NET CASH PROVIDED BY (USED IN)				
CAPITAL AND RELATED ACTIVITIES	(42,165)	-	-	(42,165)
CASH FLOWS PROVIDED BY (USED IN)				
NON-CAPITAL FINANCING ACTIVITIES:	<u>(1,411,395)</u>	<u>1,411,395</u>	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN)				
NON-CAPITAL FINANCING ACTIVITIES	<u>(1,411,395)</u>	<u>1,411,395</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	4,459,929	1,374,059	273,862	6,107,850
INVESTMENTS IN STATE GENERAL FUND INVESTMENT POOL, BEGINNING OF YEAR	<u>56,652,734</u>	<u>1,028,311</u>	<u>17,016,867</u>	<u>74,697,912</u>
INVESTMENTS IN STATE GENERAL FUND INVESTMENT POOL, END OF YEAR	\$ <u>61,112,663</u>	<u>2,402,370</u>	<u>17,290,729</u>	<u>80,805,762</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Statement of Cash Flows - Proprietary Funds - continued

YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUNDS			Total
	(12100) Wastewater Facility Construction Loan Fund	(32700) Clean Water 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)	\$ 3,398,273	(364,253)	(29,565)	3,004,455
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Administrative expenses				
(Change in cap grant receivable)	5,229	-	-	5,229
Change in assets and liabilities:				
Loans receivable	2,401,691	-	360,725	2,762,416
Loan interest receivable	85,310	-	(49,413)	35,897
Interest on investments receivable	1,042	(31)	442	1,453
Due to other governmental funds	3,400	326,948	-	330,348
Accounts payable and accrued liabilities	<u>18,544</u>	<u>-</u>	<u>(8,327)</u>	<u>10,217</u>
Total reconciling adjustments	<u>2,515,216</u>	<u>326,917</u>	<u>303,427</u>	<u>3,145,560</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ <u>5,913,489</u>	<u>(37,336)</u>	<u>273,862</u>	<u>6,150,015</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Statement of Fiduciary Assets and Liabilities - Agency Fund

AS OF JUNE 30, 2010

	<u>(65200) Agency Fund</u>
ASSETS:	
Investment in state general fund investment pool	\$ <u>21,972</u>
LIABILITIES:	
Funds held for others	\$ <u>21,972</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 hold the Department accountable.

Water Quality Program (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 Program (P-569) – The purpose of the Environmental Health 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 to 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 (roads, bridges, etc.) The Department does not own any infrastructure assets and, therefore, is unaffected by this requirement.

• New Pronouncements

Effective for fiscal years beginning after June 15, 2010, *GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions*, will provide modifications to, and additional types of, fund balance classifications. This statement will enhance the usefulness of fund balance information to provide more consistency among the classifications and will establish reporting standards for all governments that report governmental funds. Although early implementation is encouraged, the State of New Mexico has decided to implement this new pronouncement for fiscal year ending June 30, 2011. The impact on the Department's financial statements has not yet been determined.

Effective for fiscal years beginning after June 15, 2010, *GASB 59, Financial Instruments Omnibus*, will update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement provides for the following amendments:

- National Council on Governmental Accounting Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, is updated to be consistent with the amendments to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, regarding certain financial guarantees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• New Pronouncements - continued

- Statements No. 25, *Financial Reporting for Defined Benefit Pensions Plans and Note Disclosures for Defined Contribution Plans*, and No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.
- Statement 31 is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.
- Statement No. 40, *Deposit and Investment Risk Disclosures*, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools – such as bond mutual funds and external bond investment pools – that do not meet the requirements to be reported as a 2a7-like pool.

Statement 53 is amended to:

- Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance.
- Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be *investment* derivative instruments entered into primarily for the purpose of obtaining income or profit.
- Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53.
- Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield.

Although early implementation is encouraged, the State of New Mexico has decided to implement this new pronouncement for fiscal year ending June 30, 2011. The impact on the Department's financial statements has not yet been determined.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **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.

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 fund) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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 Fund Types

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 (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.

The Department currently has a negative Fund Balance in the General Fund of approximately \$1.7 million. This is attributed to consecutive budget cuts of 5% and 3.2% to the Department’s General Fund. The Department will use a possible

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Basis of Presentation - Fund Accounting - continued

Governmental Fund Types - continued

combination of budget reductions and Special Revenue Fund Balances to eliminate the negative Fund Balance in the General Fund by December 31, 2011.

Special Appropriations Fund-2007 (22100) - Created by the Laws of 2007, Chapters 429 and 4. This Capital Project 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 (69400) - The main purpose of this Capital Project fund is to utilize a fund already assigned to the Environment Department for Capital Projects appropriated by the 2006 Legislature. This fund is a reverting fund.

ARRA Fund (89000) - The Department ARRA Special Revenue Fund was administratively created by NM Department of Finance and Administration and is used to account for the activity related to the funding provided by the federal government under the American Recovery and Reinvestment Act. The fund is a non-reverting fund. All activity is segregated to ensure:

- Funds are awarded and distributed in a prompt, fair and reasonable manner;
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately and in a timely manner;
- Funds are used for authorized purposes and instances of fraud, waste, error and abuse are mitigated;
- Projects funded under this Act avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

Corrective Action Fund (99000) - Created by State Statute 74-6B-7. This Special Revenue 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- Basis of Presentation - Fund Accounting - continued

Governmental Fund Types - continued

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.

Capital Project Funds: The Capital Project Funds are used to account for the appropriations and expenditures relating to capital construction and improvement projects appropriated by the Legislature for various water, wastewater and solid waste projects.

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 (FASB) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Basis of Presentation - Fund Accounting - continued

Proprietary Fund Types - continued

The Department reports the following major proprietary funds:

Wastewater Facility Construction Loan Fund (12100) – 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.

Clean Water Administrative Fund (32700) – Created by State Statute 75-6A-4.1. The Clean Water Administrative Fund is a dedicated fund, and all money in the Clean Water Administrative Fund is appropriated to the Department to be used solely to administer the Wastewater Facility Construction Loan Fund. The 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.

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.

Fund 65200 - Fund 65200 is an Agency Fund used to account for settlements, penalties, fees and reimbursements. All settlements, penalties, fees and reimbursements are reverted back to the State General Fund. The Fund is custodial in nature and does not involve measurement of results of operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **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, 2010 has been reported only in the government-wide financial statements.

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

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

- **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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Budgets and Budgetary Accounting - continued**

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.

• **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 is outlined at Note 7.

• **Modified Accrual**

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33), 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Receivables - continued**

However, the Department has an ongoing project to investigate and resolve all outstanding balances. As of the end of the 2010 fiscal year, 331 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.

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, 2010, and includes direct and incremental salary related payments, such as the employees' share of social security taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Net Assets**

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Invested in capital assets (net of any related debt) – reflects the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Department has no debt related to capital assets.

Restricted – Restricted assets are liquid assets generated from revenues but not bond proceeds which have third-party (statutory, bond covenant or granting agency) limitations on their use. Of the reported restricted net assets on the government-wide statement of net assets all are restricted by enabling legislation. Specific purposes of restrictions are for statutory requirements, loans on water & wastewater 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 – Represents assets that do not have third-party limitations on their use. The Department has an unrestricted deficit as of June 30, 2010 as a result of long-term liabilities that are to be funded as they become due rather than when they are incurred.

- **Reservations of Fund Balances**

Reservations of fund balances on the governmental funds are created to either (1) satisfy legal covenants that require 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 reservations of fund balance accounts are summarized below:

Reserved– This reserve represents the portion of fund balance that relates to multi-year appropriations that are reserved for subsequent period expenditures and amounts within special revenue funds to be expended in subsequent periods. In addition, the Corrective Action Fund has reserved fund balance to comply with state statutes and underground storage tank regulations. Specific legislation related to these reserved fund balances is further detailed below.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• 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>
06400	Capital Projects Appropriation	Laws 2007, Chapter 42	\$ 502,855
22100	Capital Projects Appropriation	Laws 2007, Chapters 2, 42, 334	5,561,109
69400	Capital Projects Appropriation	Laws 2006, Chapter 11	225,000
99000	Corrective Action Fund	NM 7-13A-1	<u>11,664,469</u>
		Subtotal – Reserved - Major Funds	17,953,433

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	964,498
06600	Voluntary Remediation Fund	NM 74-4G-11	67,019
09200	Air Quality Title V Fund	NM 74-2-15	2,298,502
11900	Brownfield Cleanup Revolving Loan Fund	NM 74-4G-11.1	729,544
24800	Responsible Party Reimb. Fund	Chapter 74, Art. 6, Water Quality Act	548,138
33900	Hazardous Waste Fund	NM 74-4-4.5	2,759,294
34000	Liquid Waste	Laws 2000, Chapter 96, Sect. 3	154,452
34100	Water Quality Mgt. Fund	NM 74-6-5.2	765,565
40000	Water Recreation Facilities Fund	NM 74-1-16	281,324
56700	Water Conservation Fund	NM 74-1-13	2,738,866
58400	Operator Certification Fund	Administratively Established	90,936
59200	Radiation Protection Fund	Laws 2000, Chapter 86, Section 6	827,477
63100	Air Quality Fund	NM 74-2-15	1,570,457
63200	Solid Waste Facility Grant Fund	NM 74-10-2	1,316,153
78300	Solid Waste Permit Fees	NM 74-9-1	140,289
95700	Emergency Hazardous Fund	NM 74-4-8	3,560,155
98700	Radiologic Technology Fund	Laws 1983, Chapter 317	271,353

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

RESERVED – OTHER GOVERNMENTAL FUNDS - continued

<u>Fund</u>	<u>Description</u>	<u>Enabling Legislation</u>	<u>Reserved Fund Balance</u>
98900	Underground Storage Tank Fund	NM 74-4-4.8	\$ 572,707
99100	Food Service Sanitation Fund	NM 25-1-5.1	720,293
10350	Special Appropriations Fund	Laws 2008, Chapter 92	<u>2,627,353</u>
		Subtotal – Reserved - Other Governmental Funds	<u>23,004,375</u>
		Total – All Governmental Funds	\$ <u>40,957,808</u>

• **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.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **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, 2010, the Department had no claims that the Risk Management Division has returned as not covered that would become the responsibility of the Department.

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, 2010.

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, 2010. Amounts over \$250,000 must be secured in accordance with 6-10-17 NMSA 1978, which requires that banks pledge collateral valued at 50% of the uninsured amount deposited.

The Department has one investment not held in the State General Fund Investment Pool during the year ended June 30, 2010. The mutual fund is held at the Bank of New York Mellon, recorded in the Department's fund 63200 in the amount of \$538,899.

At June 30, 2010 there are no differences between bank and book balances for the Bank of New York Mellon 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.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

2. CASH DEPOSIT ACCOUNTS AND INVESTMENTS - continued

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)	\$ 601,947
Hazardous Waste Fund (33900)	177,000
Air Quality Title V Operating Permit Fees (09200)	47,917
ARRA Fund (89000)	10,127
General Fund (06400)	6,039
Underground Storage Tank Fund (98900)	<u>1,475</u>

Total other receivables, net	\$ <u>844,505</u>
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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, 2010, 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, 2010, each owner or operator's annual payment fee was due June 1, 2010.

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.

The other receivable amounts in the General Fund and the ARRA Fund represent contract billings with NMFA for the DWSRF program.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

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. For Fund 12100, no provision for uncollectible accounts has been made as all loans are current, and management believes that all loans will be repaid according to the loan terms. The Department may not forgive a loan without Legislative approval. Construction and mortgage loans as of June 30, 2010 consist of the following:

	(12100) Wastewater Facility Construction <u>Loan Fund</u>	(33700/61900) Rural Infrastructure Revolving <u>Loan Fund</u>	<u>Total</u>
Construction loans in progress	\$ 47,314,729	1,790,718	49,105,447
Mortgage loans on completed projects non-current and current	119,109,706	14,235,538	133,345,244
Accrued interest	2,827,611	351,594	3,179,205
Allowance for uncollectible accounts	<u> -</u>	<u>(378,231)</u>	<u>(378,231)</u>
Construction and mortgage loans, net	\$ <u>169,252,046</u>	<u>15,999,619</u>	<u>185,251,665</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.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

4. CONSTRUCTION AND MORTGAGE LOANS - continued

The following is a schedule of future annual payments including principal, interest and administrative fee, as of June 30, 2010:

<u>Years Ending June 30,</u>	<u>(12100) Wastewater Facility Construction Loan Fund</u>	<u>(33700/61900) Rural Infrastructure Revolving Loan Fund</u>	<u>Total</u>
2011	\$ 14,378,905	1,898,607	16,277,512
2012	11,324,114	1,808,629	13,132,743
2013	9,671,517	1,720,222	11,391,739
2014	9,095,341	1,580,055	10,675,396
2015	9,065,229	1,143,399	10,208,628
2016 and thereafter	<u>89,672,138</u>	<u>9,041,870</u>	<u>98,714,008</u>
	143,207,244	17,192,782	160,400,026
Less interest and administrative	<u>(24,097,538)</u>	<u>(2,957,244)</u>	<u>(27,054,782)</u>
Completed projects	\$ <u>119,109,706</u>	<u>14,235,538</u>	<u>133,345,244</u>

The following is a detailed summary of major borrowers and loan balances for construction and mortgage loans at June 30, 2010.

Construction loans in progress:

<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 Hobbs	\$ 29,987,933	-	29,987,933
Village of Los Lunas	15,880,562	-	15,880,562
City of Elephant Butte	406,693	-	406,693
Village of Logan	361,784	-	361,784
Town of Taos	236,768	-	236,768
Other communities	214,789	100,840	315,629

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

4. CONSTRUCTION AND MORTGAGE LOANS - continued

Construction loans in progress - continued:

<u>Community</u>	(12100) Wastewater Facility Construction Loan Fund	(33700/61900) Rural Infrastructure Revolving Loan Fund	<u>Total</u>
Village of Eagle Nest	\$ 126,200	-	126,200
City of Ruidoso Downs	100,000	-	100,000
Estancia Valley Solid Waste Authority	-	931,596	931,596
Town of Edgewood	-	419,211	419,211
Lincoln County SWA	<u>-</u>	<u>339,071</u>	<u>339,071</u>
 Total	 \$ <u>47,314,729</u>	 <u>1,790,718</u>	 <u>49,105,447</u>

Mortgage loans on completed projects:

<u>Community</u>	(12100) Wastewater Facility Construction Loan Fund	(3370/61900) Rural Infrastructure Revolving Loan Fund	<u>Total</u>
Las Vegas	\$ 14,874,632	20,125	14,894,757
Los Alamos County	14,355,105	-	14,355,105
Farmington	11,970,694	-	11,970,694
Clovis	8,012,849	-	8,012,849
Los Lunas	7,829,488	60,631	7,890,119
Albuquerque	7,725,569	-	7,725,569
Espanola	7,712,545	-	7,712,545
Rio Rancho	7,496,219	-	7,496,219
Lovington	5,813,966	-	5,813,966
Aztec	4,794,216	823,677	5,617,893
Dona Ana County	4,544,930	-	4,544,930
Gallup	3,050,037	-	3,050,037
Albuquerque Nitro	2,994,415	-	2,994,415
Grants	2,993,777	-	2,993,777
Belen	2,810,600	378,673	3,189,273

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>	(12100) Wastewater Facility Construction Loan Fund	(33700/61900) Rural Infrastructure Revolving Loan Fund	<u>Total</u>
Bloomfield	\$ 2,380,635	655,593	3,036,228
Silver City	2,150,635	-	2,150,635
Albuquerque Compost	1,606,442	-	1,606,442
Taos Ski Valley	1,452,906	-	1,452,906
Bayard	1,266,688	700,226	1,966,914
Ruidoso	1,221,458	-	1,221,458
Socorro	1,149,843	-	1,149,843
Dona Ana	417,015	-	417,015
Estancia	225,000	87,570	312,570
Other communities	142,545	1,732,419	1,874,964
Sunland Park	117,497	-	117,497
Santa Fe Solid Waste Mgmt. Agency	-	1,539,402	1,539,402
Paa-Ko CSA	-	1,385,694	1,385,694
Portales	-	1,159,156	1,159,156
Elephant Butte	-	1,000,000	1,000,000
Entranosa Water/Wastewater Assoc.	-	743,082	743,082
Truth or Consequences	-	577,274	577,274
Dona Ana MDWCA	-	422,152	422,152
Tularosa	-	352,005	352,005
Upper La Plata	-	318,952	318,952
Red River	-	299,773	299,773
Texico	-	284,558	284,558
Roosevelt County Water Coop	-	247,688	247,688
Lordsburg	-	245,544	245,544
Garfield MDWCA	-	210,337	210,337
Twin Forks MDWCA	-	186,577	186,577
Canoncito at Apache Canyon	-	180,731	180,731
Cimarron	-	141,266	141,266

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>	(12100) Wastewater Facility Construction Loan Fund	(33700/61900) Rural Infrastructure Revolving Loan Fund	<u>Total</u>
Gamerco Water & Sanitation District \$	-	138,668	138,668
Ifeld MDWCA	-	123,096	123,096
Bosque Farms	-	111,962	111,962
Brazos MDWCA	-	<u>108,707</u>	<u>108,707</u>
	\$ <u>119,109,706</u>	<u>14,235,538</u>	<u>133,345,244</u>

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 and the Clean Water Admin Fund to the General Fund and the amounts expended in the General Fund on behalf of the Special Revenue Funds. The amount due between fund 12100 and 32700 for \$1,411,395 is a result of a deposit near year-end deposited to the incorrect fund. There is an amount due between 06400 and 89000 due to a cash overdraft of \$383,899 that was a result of the federal draw activity related to the ARRA funds that are to be drawn subsequent to disbursement. In addition, the \$212,140 due from 89000 to 06400 is a result of indirect expenditures allocated to fund 89000. All inter-fund balances are expected to be paid within one year. Due from/to other Department funds as of June 30, 2010, are as follows:

5. DUE FROM AND DUE TO OTHER FUNDS

Amount Due from Other Funds

SHARE	Fund	Amount
Governmental Funds:		
Tire Recycling Fund	02600	\$ 124,331
Air Quality – Title V	09200	12,406
Hazardous Waste Fund	33900	726,899
Liquid Waste Fund	34000	76,737
Water Quality Mgt. Fund	34100	494,321
Water Conservation Fund	56700	874,301
Air Quality Permit Fund	63100	25,486
Other Revenue Fund	78300	82,810
Haz-Waste Emergency Fund	95700	34,335
Radiologic Technology Fund	98700	24,793
Underground Storage Tank Fund	98900	163,315
Ground Water Corrective Action Fund	99000	412,541
Food Service Sanitation Fund	99100	82,970
Underground Storage Tank Fund	98900	600
General Fund	06400	374,352
General Fund	06400	142,340
General Fund	06400	58,575
General Fund	06400	24,945
General Fund	06400	212,140
General Fund	06400	383,899
General Fund	06400	3,400
General Fund	06400	326,948
Enterprise Funds:		
Clean Water State Revolving Fund	12100	<u>1,411,395</u>
Total		\$ <u>6,073,839</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

Amount Due to Other Funds

SHARE	Fund	Amount
Governmental Funds		
General Fund	06400	\$ 124,331
General Fund	06400	12,406
General Fund	06400	726,899
General Fund	06400	76,737
General Fund	06400	494,321
General Fund	06400	874,301
General Fund	06400	25,486
General Fund	06400	82,810
General Fund	06400	34,335
General Fund	06400	24,793
General Fund	06400	163,315
General Fund	06400	412,541
General Fund	06400	82,970
Food Service Sanitation Fund	99100	600
Responsible Parties Prepayment	24800	374,352
Water Recreation Facilities	40000	142,340
Public Water Supply System OPF	58400	58,575
Haz-Waste Emergency Fund	95700	24,945
ARRA	89000	212,140
ARRA	89000	383,899
Enterprise Funds:		
Clean Water State Revolving Fund	12100	3,400
Clean Water Administrative Fund	32700	326,948
Clean Water Administrative Fund	32700	<u>1,411,395</u>
Total		\$ <u>6,073,839</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, 2010 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	\$ 7
58400	Department of Finance & Administration	39400	22
59200	Department of Finance & Administration	39400	114
63200	Department of Finance & Administration	39400	131
10360	DFA – State Board of Finance	73000	141,170
11800	DFA – State Board of Finance	73000	104,870
22100	DFA – State Board of Finance	73000	179,089
69400	DFA – State Board of Finance	73000	<u>309,745</u>
Total Governmental Funds			735,148
Enterprise Funds:			
12100	Department of Finance & Administration	39400	8,815
32700	Department of Finance & Administration	39400	206
33700	Department of Finance & Administration	39400	<u>2,547</u>
Total Enterprise Funds			<u>11,568</u>
Total All Funds			\$ <u>746,716</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:			
34100	Energy, Minerals & Nat. Resources Dept.	19900	\$ <u>499,324</u>
Total Governmental Funds			\$ <u>499,324</u>

7. TRANSFERS

Inter-fund transfers as of June 30, 2010 are as follows:

Fund	Transfers In	Transfers Out
Governmental Funds Inter-fund Transfers:		
General Fund – 06400	\$ 24,138,041	-
Special Revenue Funds:		
99000 (Major)	-	8,040,559
02600	-	266,369
09200	-	3,960,194
24800	-	374,352
33900	-	3,377,601
34000	-	294,702
34100	-	139,179
40000	-	142,341
56700	-	2,055,799
58400	-	58,575
59200	-	743,414
63100	-	2,050,290
78300	-	5,665
95700	-	693,245
98700	-	85,907
98900	-	574,685
99100	-	<u>1,275,164</u>
Total Governmental Funds Inter-fund Transfers	\$ <u>24,138,041</u>	<u>24,138,041</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements – continued

7. TRANSFERS – continued

Fund	Transfers In	Transfers Out
Other Inter-fund Transfers:		
06400	\$ 477,129	-
32700	<u> -</u>	<u>477,129</u>
Total Other Inter-fund Transfers	\$ <u>477,129</u>	<u>477,129</u>

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, 2010 are as follows:

- **Inter-agency Transfers Out**

NMED Fund	Agency	Other Agency's Fund	Description	Amount
10350	Dept. of Finance & Admin.-34100	52900	Project reauthorization transfers	\$ 40,000
22100	Dept. of Finance & Admin.-34100	52900	Project reauthorization transfers	130,000
95700	Dept. of Finance & Admin.-34100	85300	Transfer funds to General Fund per Laws of 2009	2,500,000
34100	Energy, Minerals & Natural Resources Dept.-52109	19900	Transfer EMNRD portion from Water Quality Fund	<u>75,700</u>
				\$ <u>2,745,700</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

7. TRANSFERS – continued

• **Inter-agency Transfers In**

NMED Fund	Agency	Other Agency's Fund	Description	Amount
10350	Dept. of Transportation-80500	10070	Project reauthorization transfers	\$ 229,065
10350	Office of State Engineer-55000	26700	Project reauthorization transfers	70,000
10350	Dept. of Finance & Admin.-34100	52900	Project reauthorization transfers	40,000
10350	Dept. of Finance & Admin.-34100	52900	Project reauthorization transfers	1,150,398
06400	Office of Attorney General-30500	17000	Transfer funds for water litigation	175,000
06400	Office of Nat. Res. Trustee-66800	90000	MOU	<u>67,223</u>
Total Inter-agency Transfers In				1,731,686
Total Other Inter-fund Transfers In				<u>477,129</u>
Total Other Transfers In				\$ <u>2,208,815</u>

8. CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Type Activities</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance June 30, 2010</u>
Reportable IT maintenance	\$ 57,839	-	-	57,839
Reportable IT services	183,849	-	-	183,849
Furniture and fixtures	107,264	15,196	-	122,460
Data processing equipment	1,823,367	99,654	-	1,923,021
Machinery and equipment	3,195,821	35,884	(93,387)	3,138,318
Library and museum	37,890	-	-	37,890
Automotive	627,096	222,497	-	849,593
Buildings and structures	<u>16,809</u>	<u>-</u>	<u>-</u>	<u>16,809</u>
Total	6,049,935	373,231	(93,387)	6,329,779

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

8. CAPITAL ASSETS - continued

<u>Governmental Type Activities</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance June 30, 2010</u>
Accumulated depreciation:				
Reportable IT maintenance	\$ (27,720)	(11,567)	-	(39,287)
Reportable IT services	(59,954)	(35,886)	-	(95,840)
Furniture and fixtures	(57,559)	(15,530)	-	(73,089)
Data processing equipment	(1,769,706)	(30,583)	-	(1,800,289)
Machinery and equipment	(2,950,715)	(139,685)	111,482	(2,978,918)
Library and museum	(27,897)	(5,413)	-	(33,310)
Automotive	(322,669)	(116,983)	-	(439,652)
Buildings and structures	<u>(5,046)</u>	<u>(611)</u>	<u>-</u>	<u>(5,657)</u>
Total accumulated depreciation	<u>(5,221,266)</u>	<u>(356,258)</u>	<u>111,482</u>	<u>(5,466,042)</u>
Net capital assets	\$ <u>828,669</u>	<u>16,973</u>	<u>18,095</u>	<u>863,737</u>

Depreciation expense for the year ended June 30, 2010 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	\$ 58,631
Water quality	50,467
Environmental health program	63,066
Environmental protection program	175,361
Water and wastewater infrastructure development	<u>8,733</u>
Total depreciation expense	\$ <u>356,258</u>

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Notes to Financial Statements - continued

9. COMPENSATED ABSENCES

The following is a summary of compensated absences of the Department for the year ended June 30, 2010:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Amount due within one year	\$ 2,177,468	2,052,619	(2,049,616)	2,180,471
Amount due in more than one year	-	-	-	-
Accrued compensated absence	\$ <u>2,177,468</u>	<u>2,052,619</u>	<u>(2,049,616)</u>	<u>2,180,471</u>

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

10. POLLUTION REMEDIATION OBLIGATIONS

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49), became effective in fiscal year 2009. GASB 49 provides guidance in estimating and reporting the potential costs of pollution remediation. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post closure care. While GASB 49 does not require the Department to search for pollution, it does require the Department to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the Department is compelled to take action,
- The Department is found in violation of a pollution related permit or license,
- The Department is named, or has evidence that it will be named as a responsible party by a regulator,
- The Department is named, or has evidence that it will be named in a lawsuit to enforce a cleanup, or
- The Department commences or legally obligates itself to conduct remediation activities.

For FY09, the initial implementation of GASB 49 for all contaminated sites, the Department used the expected cash flow technique using expected outlays from actual work plan obligations on active sites the Department is responsible for as of the end of the fiscal year. Since the initial implementation of GASB 49, the Department has gained additional experience and knowledge regarding the identification and estimation of contaminated sites and has changed the methodology in estimating pollution

10. POLLUTION REMEDIATION OBLIGATIONS - continued

remediation liabilities for FY10 to provide the most reasonable estimate given the information available as of June 30, 2010.

The nature of the identified sites, the methodology used in the estimate and the estimated liability is further explained below.

- **Leaking Petroleum Storage Tanks (LPST)**

The Department oversees cleanups of LPST sites and reimburses eligible parties from the PST corrective action fund, which has paid for the vast majority of LPST cleanups. In addition, the Department takes the lead at high priority sites where owners and operators are unknown, unwilling or unable to take corrective action. The corrective action fund is funded by a per load fee collected at the loading dock from wholesale distributors of petroleum products.

The Department identified 886 responsible party and state lead active LPST sites as of June 30, 2010. To estimate the liability, the Department assessed each individual site and estimated the expected cash outlays based on knowledge of current site conditions and anticipated correction that will be required. The Department estimated the amount of direct salaries and benefits using the expected cash outlays over the average number of years expected to achieve cleanup standards at these sites. The Department reduces the estimated liability with expected recoveries through loading fees (Section 7-13A-1 NMSA 1978) not yet realized or realizable. The Department only recognizes the recoveries in its financial statements as they become probable. The amount of recoveries estimated to reduce the liability is based on a weighted average of the number of years estimated to clean up the different types of priority sites. As of June 30, 2010 the estimated pollution remediation liability for LPST sites is \$258,451,821, with expected recoveries of \$214,077,888, for a total liability of \$44,373,933. The estimate is subject to change due to price changes, technology changes, changes in applicable laws and regulation or other unforeseen conditions.

- **Superfund**

The Superfund Oversight Section of the Department assists the United States Environmental Protection Agency (EPA) in characterization of inactive hazardous waste sites; identifies sites which warrant remedial or removal action under Superfund (CERCLA); and oversees remedial activities and provides management assistance to EPA at Superfund sites listed on the National Priorities List. There are currently 13 listed Superfund sites, 1 proposed site and 4 deleted sites in New Mexico which are in various stages of investigation and remediation

The primary objective of the Superfund Oversight Section is to address releases or threatened releases of hazardous substances that pose an imminent or substantial endangerment to public health and safety or the environment. The major functions of the Superfund Program are to investigate and evaluate the release or threatened release of hazardous substances, identify responsible parties and remediate sites on the National Priorities List to ensure protection of human health and the environment.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

10. POLLUTION REMEDIATION OBLIGATIONS - continued

• **Superfund - continued**

The pollution remediation liability for Superfund sites was calculated by estimating the remediation liabilities for active sites in New Mexico. Sites for which one or more Potentially Responsible Parties is performing or funding the investigation and cleanup were excluded from the estimate. In cases where a viable potential responsible party has not been identified, federal funds will cover 100 percent of the investigation costs and 90 percent of the cleanup costs for up to 10 years. The state must assure payment of 10 percent of the cleanup costs for the first 10 years and 100 percent of the costs for any cleanup actions required beyond 10 years. Although there is no cost share requirement for sites where removal actions are performed, the state is responsible for 100% of post removal operation and maintenance.

Site estimates were based on budget projections to cover necessary activities for the upcoming fiscal year, along with estimated costs for future years and phases, plus direct salaries and benefits. For sites or phases without budget projections, Superfund Program and Project Managers estimated costs for the Superfund phases of investigation and cleanup, based on experience with similar sites. Site estimates may change drastically from one year to another as the investigations continue or remediation progresses. The estimate is subject to change due to price changes, technology changes, changes in applicable laws and regulations, or other unforeseen conditions. The Department does not expect any recoveries from other responsible parties that would reduce this liability. As of June 30, 2010, the estimated pollution remediation liability for Superfund sites is \$41,914,961.

		<u>Balance,</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>June 30, 2010</u>
Amount due within one year	\$	7,992,286	14,222,320	(18,653,261)	3,561,345
Amount due in more than one year		-	<u>82,727,549</u>	-	<u>82,727,549</u>
Total Pollution Remediation Liabilities	\$	<u>7,992,286</u>	<u>96,849,869</u>	<u>(18,653,261)</u>	<u>86,288,894</u>

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

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

11. REVERSIONS

The following reversions are special appropriations accrued during fiscal year 2010:

Laws of 2004	\$	71,590
Laws of 2005		1,911,770
Laws of 2006		7,197,248
Laws of 2007		11,957,452
Laws of 2008		2,891,232
General Fund Executive Order 2009-044 Reversion		<u>1,015,700</u>
 Total		 25,044,992
 Paid during FY2010		 <u>22,827,723</u>
 Total reversions – due to State General Fund	\$	 <u>2,217,269</u>

In accordance with statute Section 6-5-10(A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert. The Department did not have any additional reversions for FY10. A total of \$22,827,723 was paid to the State General Fund during the year. \$2,217,269 is payable at June 30, 2010 and due by September 30, 2010. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

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).

		Total
Gasoline tax revenue	\$	<u>18,095,925</u>
 Total other revenue	 \$	 <u>18,095,925</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 8.92% of their gross salary. The Department is required to contribute 15.09% of the gross covered salary. 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, 2010, 2009 and 2008 were \$4,972,500, \$5,782,281 and \$5,402,869, 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 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.

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

• **Plan Description – continued**

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. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan, the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

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

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

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Notes to Financial Statements - continued

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

- **Funding Policy - continued**

The Department's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$421,844, \$440,996 and \$408,255, respectively, which equal the required contributions for each year.

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, 2010, the Department has executed binding commitments to disburse \$60,223,410 for future loans.

Rural Infrastructure Loan Fund - As of June 30, 2010, the Department has executed binding commitments to disburse \$3,872,000 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,

2011	\$	3,114,818
2012		2,397,116
2013		2,295,191
2014		2,262,883
2015		2,025,728
2016 and thereafter		<u>5,374,096</u>
 Total	 \$	 <u>17,469,832</u>

Rental expenditures for the fiscal year ended June 30, 2010 were approximately \$3,305,000.

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).

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Revenue/Capital Project Funds –
Non-Major Governmental Funds**

SPECIAL REVENUE 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; reprocessing, transportation or recycling of scrap tires; providing annual retread rebates; and carrying out the provisions of the Tire Recycling Act. This fund is reverting.

Voluntary Remediation Fund (06600) - Created by State Statute NMSA 1978, Section 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.

Brownfield Cleanup Revolving Loan Fund (11900) - Created by State Statute NMSA 1978, Section 74-4G-11.1. 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.

Responsible Party Reimbursement Fund (24800) - Created by State Statute NMSA 1978, Section 74-6B-7 for the purpose of removing leaking underground storage tanks. This fund is reverting.

Hazardous Waste Fund (33900) - Created by State Statute NMSA 1978, Section 74-4-4.5. The purpose of the fund is to meet necessary expenditures in the administration and operation of the hazardous waste program. This fund is reverting.

Liquid Waste (34000) - Created by State Statute NMSA 1978, Section 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.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Revenue/Capital Project Funds –
Non-Major Governmental Funds - continued**

Water Quality Management Fund (34100) - Created by State Statute NMSA 1978, Section 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 NMSA 1978, Section 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 NMSA 1978, Section 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 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 1978] and providing training for all public water supply operators.

Colonias Wastewater Grants 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.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Revenue/Capital Project Funds –
Non-Major Governmental Funds - continued**

Public Water Supply System Operator and Public Wastewater Facility Operator Certification Fund (58400) - Created by State Statute NMSA 1978, Section 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 NMSA 1978, Section 74-3-5.1. The fund was established to carry out provisions of the Radiation Protection Act. This fund is non-reverting. Source of funding: Fees and licenses.

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

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

Air Quality Fund (63100) - Created by State Statute NMSA 1978, Section 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 NMSA 1978, Section 74-10-2. 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.

Other Revenue Fund – Solid Waste Permit Fees (78300) - Created by State Statute NMSA 1978, Section 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.

Emergency Hazardous Fund (95700) - Created by State Statute NMSA 1978, Section 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.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Revenue/Capital Project Funds –
Non-Major Governmental Funds - continued**

Radiologic Technology Fund (98700) - Created by State Statute NMSA 1978, Section 61-14E-10C. The purpose of the fund is to meet necessary expenditures incurred in the enforcement of the Medical Radiation Health and Safety Act. The Act established standards and requirements for the education and training of persons operating medical equipment emitting ionizing radiation. This fund is non-reverting. Source of funding: Fees. Radiologic Technologists' fees are collected upon the receipt of applications for new and certification renewals. The Radiation Bureau collects the fees and certification is renewed biannually. Certification is not approved until adequate documentation of the required continuing education credits and the applicable fee are submitted.

Underground Storage Tank Fund (98900) - Created by State Statute NMSA 1978, Section 74-4-4.8. The sole purpose of the fund is to meet necessary expenditures in the administration and operation of the underground storage tank program: specifically, to (1) review and act upon applications for the registration of underground storage tanks, (2) review and act upon applications for the certification of tank installers, and (3) implement and enforce any provision of the Hazardous Waste Act applicable to underground storage tanks and tank installers, including standards for the installation, operation and maintenance of underground storage tanks and for the certification of tank installers. This fund is non-reverting.

Food Service Sanitation Fund (99100) - Created by State Statute NMSA 1978, Section 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.

CAPITAL PROJECT FUNDS – The Capital Project Funds are used to account for the appropriations and expenditures relating to capital construction and improvement projects appropriated by the Legislature for various water, wastewater and solid waste projects.

Special Appropriations 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.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

**Special Revenue/Capital Project Funds –
Non-Major Governmental Funds - continued**

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

Special Appropriations 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.

Special Appropriations – 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 – 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.

Special Appropriations – 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 Appropriations – 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.

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

Special Appropriations – 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, 2010

	02600	06600	09200	11900	24800
	Tire Recycling Fund	Voluntary Remediation Fund	Air Quality Title V Fund	Brownfield Cleanup Revolving Loan Fund	Responsible Party Reimbursement Fund
ASSETS:					
Cash	\$ -	-	-	-	-
Investment in state general fund investment pool	902,173	67,019	2,238,179	127,597	922,490
Due from other governmental funds	124,331	-	12,406	-	-
Due from other state agencies	-	-	-	-	-
Other receivables	-	-	47,917	601,947	-
TOTAL ASSETS	\$ <u>1,026,504</u>	<u>67,019</u>	<u>2,298,502</u>	<u>729,544</u>	<u>922,490</u>
LIABILITIES:					
Accounts payable	\$ 62,006	-	-	-	-
Due to other governmental funds	-	-	-	-	374,352
Due to other state agencies	-	-	-	-	-
Due to state general fund	-	-	-	-	-
TOTAL LIABILITIES	62,006	-	-	-	374,352
FUND BALANCES:					
Reserved	964,498	67,019	2,298,502	729,544	548,138
Unreserved	-	-	-	-	-
TOTAL FUND BALANCES	<u>964,498</u>	<u>67,019</u>	<u>2,298,502</u>	<u>729,544</u>	<u>548,138</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,026,504</u>	<u>67,019</u>	<u>2,298,502</u>	<u>729,544</u>	<u>922,490</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Combining Balance Sheet -
Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

33900	34000	34100	40000	56700	58200	58400
Hazardous Waste Fund	Liquid Waste	Water Quality Management Fund	Water Recreation Facilities Fund	Water Conservation Fund	Colonias Wastewater Grants Fund	Operator Certification Fund
-	-	-	-	-	-	-
1,855,395	77,908	770,568	423,664	1,864,565	-	149,489
726,899	76,737	494,321	-	874,301	-	-
-	7	-	-	-	-	22
<u>177,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,759,294</u>	<u>154,652</u>	<u>1,264,889</u>	<u>423,664</u>	<u>2,738,866</u>	<u>-</u>	<u>149,511</u>
-	200	-	-	-	-	-
-	-	-	142,340	-	-	58,575
-	-	499,324	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	200	499,324	142,340	-	-	58,575
2,759,294	154,452	765,565	281,324	2,738,866	-	90,936
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,759,294</u>	<u>154,452</u>	<u>765,565</u>	<u>281,324</u>	<u>2,738,866</u>	<u>-</u>	<u>90,936</u>
<u>2,759,294</u>	<u>154,652</u>	<u>1,264,889</u>	<u>423,664</u>	<u>2,738,866</u>	<u>-</u>	<u>149,511</u>

AS OF JUNE 30, 2010

	59200	63100	63200	78300	95700
	Radiation Protection Fund	Air Quality Fund	Solid Waste Facility Grant Fund	Other Revenue Fund - Solid Waste Permit Fees	Emergency Hazardous Fund
ASSETS:					
Cash	\$ -	-	538,899	-	-
Investment in state general fund investment pool	801,877	1,487,647	870,659	105,954	3,585,100
Due from other funds	25,486	82,810	-	34,335	-
Due from other state agencies	114	-	131	-	-
Other receivables	-	-	-	-	-
TOTAL ASSETS	\$ <u>827,477</u>	<u>1,570,457</u>	<u>1,409,689</u>	<u>140,289</u>	<u>3,585,100</u>
LIABILITIES:					
Accounts payable	\$ -	-	93,536	-	-
Due to other funds	-	-	-	-	24,945
Due to other state agencies	-	-	-	-	-
Due to state general fund	-	-	-	-	-
TOTAL LIABILITIES	-	-	93,536	-	24,945
FUND BALANCES:					
Reserved	827,477	1,570,457	1,316,153	140,289	3,560,155
Unreserved	-	-	-	-	-
TOTAL FUND BALANCES	<u>827,477</u>	<u>1,570,457</u>	<u>1,316,153</u>	<u>140,289</u>	<u>3,560,155</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>827,477</u>	<u>1,570,457</u>	<u>1,409,689</u>	<u>140,289</u>	<u>3,585,100</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Combining Balance Sheet -
Non-Major Governmental Funds - continued

SPECIAL REVENUE FUNDS

98700 Radiologic Technology Fund	98900 Underground Storage Tank Fund	99100 Food Storage Service Fund	Total Special Revenue Funds
-	-	-	538,899
246,560	407,317	637,923	17,542,084
24,793	163,915	82,970	2,723,304
-	-	-	274
<u>-</u>	<u>1,475</u>	<u>-</u>	<u>828,339</u>
<u>271,353</u>	<u>572,707</u>	<u>720,893</u>	<u>21,632,900</u>
-	-	-	155,742
-	-	600	600,812
-	-	-	499,324
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	600	1,255,878
271,353	572,707	720,293	20,377,022
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>271,353</u>	<u>572,707</u>	<u>720,293</u>	<u>20,377,022</u>
<u>271,353</u>	<u>572,707</u>	<u>720,893</u>	<u>21,632,900</u>

AS OF JUNE 30, 2010

	11700	11800	12000	65500	70300
	Special	Special	Special	Special	Special
	Appropriations	Appropriations	Appropriations	Appropriations	Appropriations
	2000	2007	2004	2004	2002
ASSETS:					
Cash	\$ -	-	-	-	-
Investment in state general fund investment pool	-	42,233	-	-	-
Due from other funds	-	-	-	-	-
Due from other state agencies	-	104,870	-	-	-
Other receivables	-	-	-	-	-
TOTAL ASSETS	\$ -	147,103	-	-	-
LIABILITIES:					
Accounts payable	\$ -	116,972	-	-	-
Due to other funds	-	-	-	-	-
Due to other state agencies	-	-	-	-	-
Due to state general fund	-	30,131	-	-	-
TOTAL LIABILITIES	-	147,103	-	-	-
FUND BALANCES:					
Reserved	-	-	-	-	-
Unreserved	-	-	-	-	-
TOTAL FUND BALANCES	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	147,103	-	-	-

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Combining Balance Sheet -
Non-Major Governmental Funds - continued

CAPITAL PROJECT FUNDS

86700	86800	98800	10350	10360	Total Capital Project Funds	Total All Funds
Special Appropriations STB 1998-1	Special Appropriations STB 1998-2	Special Appropriations STB 2000	Special Appropriations 2008	Severance Tax Bonds 2008		
-	-	-	-	-	-	538,899
-	-	-	2,747,667	23,834	2,813,734	20,355,818
-	-	-	-	-	-	2,723,304
-	-	-	-	141,170	246,040	246,314
-	-	-	-	-	-	828,339
-	-	-	<u>2,747,667</u>	<u>165,004</u>	<u>3,059,774</u>	<u>24,692,674</u>
-	-	-	84,634	165,004	366,610	522,352
-	-	-	-	-	-	600,812
-	-	-	-	-	-	499,324
-	-	-	<u>35,680</u>	-	<u>65,811</u>	<u>65,811</u>
-	-	-	120,314	165,004	432,421	1,688,299
-	-	-	2,627,353	-	2,627,353	23,004,375
-	-	-	-	-	-	-
-	-	-	<u>2,627,353</u>	-	<u>2,627,353</u>	<u>23,004,375</u>
-	-	-	<u>2,747,667</u>	<u>165,004</u>	<u>3,059,774</u>	<u>24,692,674</u>

YEAR ENDED JUNE 30, 2010

	02600	06600	09200	11900	24800	SPECIAL 33900
	Tire Recycling Fund	Voluntary Remediation Fund	Air Quality Title V Fund	Brownfield Cleanup Revolving Loan Fund	Responsible Party Reimbursement Fund	Hazardous Waste Fund
REVENUES:						
Sales and miscellaneous taxes	\$ 907,337	8,980	4,075,606	-	619,032	3,816,796
Investment earnings	-	-	-	-	-	-
TOTAL REVENUES	<u>907,337</u>	<u>8,980</u>	<u>4,075,606</u>	<u>-</u>	<u>619,032</u>	<u>3,816,796</u>
EXPENDITURES:						
Current:						
Environmental protection	1,520,208	-	-	-	-	-
Other environmental initiatives	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>1,520,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(612,871)	8,980	4,075,606	-	619,032	3,816,796
OTHER FINANCING SOURCES:						
Severance tax bonds	-	-	-	-	-	-
Transfers in:						
Interfund	-	-	-	-	-	-
Other	-	-	-	-	-	-
Transfers out:						
Interfund	(266,369)	-	(3,960,194)	-	(374,352)	(3,377,601)
Other	-	-	-	-	-	-
Reversions-FY10	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>(266,369)</u>	<u>-</u>	<u>(3,960,194)</u>	<u>-</u>	<u>(374,352)</u>	<u>(3,377,601)</u>
NET CHANGE IN FUND BALANCES	(879,240)	8,980	115,412	-	244,680	439,195
FUND BALANCES, BEGINNING	<u>1,843,738</u>	<u>58,039</u>	<u>2,183,090</u>	<u>729,544</u>	<u>303,458</u>	<u>2,320,099</u>
FUND BALANCES, ENDING	\$ <u><u>964,498</u></u>	<u><u>67,019</u></u>	<u><u>2,298,502</u></u>	<u><u>729,544</u></u>	<u><u>548,138</u></u>	<u><u>2,759,294</u></u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

REVENUE FUNDS

34000	34100	40000	56700	58200	58400	59200
Liquid Waste	Water Quality Management Fund	Water Recreation Facilities Fund	Water Conservation Fund	Colonias Wastewater Grants Fund	Operator Certification Fund	Radiation Protection Fund
379,350	397,760	152,726	2,677,453	-	64,170	607,809
<u>36</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231</u>	<u>1,169</u>
<u>379,386</u>	<u>397,760</u>	<u>152,726</u>	<u>2,677,453</u>	<u>-</u>	<u>64,401</u>	<u>608,978</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
379,386	397,760	152,726	2,677,453	-	64,401	608,978
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(294,702)	(139,179)	(142,341)	(2,055,799)	-	(58,575)	(743,414)
<u>-</u>	<u>(75,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(294,702)</u>	<u>(214,879)</u>	<u>(142,341)</u>	<u>(2,055,799)</u>	<u>-</u>	<u>(58,575)</u>	<u>(743,414)</u>
84,684	182,881	10,385	621,654	-	5,826	(134,436)
<u>69,768</u>	<u>582,684</u>	<u>270,939</u>	<u>2,117,212</u>	<u>-</u>	<u>85,110</u>	<u>961,913</u>
<u>154,452</u>	<u>765,565</u>	<u>281,324</u>	<u>2,738,866</u>	<u>-</u>	<u>90,936</u>	<u>827,477</u>

YEAR ENDED JUNE 30, 2010

	SPECIAL REVENUE FUNDS					
	63100	63200	78300	95700	98700	98900
	Air Quality Fund	Solid Waste Facility Grant Fund	Other Revenue Fund Solid Waste Permit Fees	Emergency Hazardous Fund	Radiologic Technology Fund	Underground Storage Tank Fund
REVENUES:						
Sales and miscellaneous taxes	\$ 2,593,850	150,127	35,100	3,128,187	108,770	579,431
Investment earnings	-	1,550	-	-	-	-
TOTAL REVENUES	<u>2,593,850</u>	<u>151,677</u>	<u>35,100</u>	<u>3,128,187</u>	<u>108,770</u>	<u>579,431</u>
EXPENDITURES:						
Current:						
Environmental protection	-	241,080	-	-	-	-
Other environmental initiatives	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>241,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,593,850	(89,403)	35,100	3,128,187	108,770	579,431
OTHER FINANCING SOURCES:						
Severance tax bonds	-	-	-	-	-	-
Transfers in:						
Interfund	-	-	-	-	-	-
Other	-	-	-	-	-	-
Transfers out:						
Interfund	(2,050,290)	-	(5,665)	(693,245)	(85,907)	(574,685)
Other	-	-	-	(2,500,000)	-	-
Reversions-FY10	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>(2,050,290)</u>	<u>-</u>	<u>(5,665)</u>	<u>(3,193,245)</u>	<u>(85,907)</u>	<u>(574,685)</u>
NET CHANGE IN FUND BALANCES	543,560	(89,403)	29,435	(65,058)	22,863	4,746
FUND BALANCES, BEGINNING	<u>1,026,897</u>	<u>1,405,556</u>	<u>110,854</u>	<u>3,625,213</u>	<u>248,490</u>	<u>567,961</u>
FUND BALANCES, ENDING	<u>\$ 1,570,457</u>	<u>1,316,153</u>	<u>140,289</u>	<u>3,560,155</u>	<u>271,353</u>	<u>572,707</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

99100 Food Service Sanitation Fund	Total Special Revenue Funds
1,427,249	21,729,733
<u>-</u>	<u>2,986</u>
<u>1,427,249</u>	<u>21,732,719</u>
-	1,761,288
<u>-</u>	<u>-</u>
<u>-</u>	<u>1,761,288</u>
1,427,249	19,971,431
-	-
-	-
-	-
(1,275,164)	(16,097,482)
<u>-</u>	<u>(2,575,700)</u>
<u>(1,275,164)</u>	<u>(18,673,182)</u>
152,085	1,298,249
<u>568,208</u>	<u>19,078,773</u>
<u>720,293</u>	<u>20,377,022</u>

YEAR ENDED JUNE 30, 2010

	CAPITAL PROJECT FUNDS					
	11700	11800	12000	65500	70300	86700
	Special Appropriations 2000	Special Appropriations 2007	Special Appropriations 2004	Special Appropriations 2004	Special Appropriations 2002	Special Appropriations STB 1998-1
REVENUES:						
Sales and miscellaneous taxes	\$ -	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	-
EXPENDITURES:						
Current:						
Environmental protection	-	-	-	-	-	-
Other environmental initiatives	-	5,017,827	5,909	211,142	-	-
TOTAL EXPENDITURES	-	5,017,827	5,909	211,142	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(5,017,827)	(5,909)	(211,142)	-	-
OTHER FINANCING SOURCES:						
Severance tax bonds	-	3,021,476	5,909	211,142	-	-
Transfers in:						
Interfund	-	-	-	-	-	-
Other	-	-	-	-	-	-
Transfers out:						
Interfund	-	-	-	-	-	-
Other	-	-	-	-	-	-
Reversions-FY10	-	(1,911,770)	-	(71,590)	-	-
TOTAL OTHER FINANCING SOURCES	-	1,109,706	5,909	139,552	-	-
NET CHANGE IN FUND BALANCES	-	(3,908,121)	-	(71,590)	-	-
FUND BALANCES, BEGINNING	-	3,908,121	-	71,590	-	-
FUND BALANCES, ENDING	\$ -	-	-	-	-	-

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

86800	98800	10350	10360	Total Capital Project Funds	Total All Funds
Special Appropriations STB 1998-2	Special Appropriations STB 2000	Special Appropriations 2008	Severance Tax Bonds 2008		
-	-	-	-	-	21,729,733
-	-	-	-	-	2,986
-	-	-	-	-	21,732,719
-	-	-	-	-	1,761,288
-	-	3,059,787	4,410,625	12,705,290	12,705,290
-	-	3,059,787	4,410,625	12,705,290	14,466,578
-	-	(3,059,787)	(4,410,625)	(12,705,290)	7,266,141
-	-	-	4,410,625	7,649,152	7,649,152
-	-	1,489,463	-	1,489,463	1,489,463
-	-	-	-	-	(16,097,482)
-	-	(40,000)	-	(40,000)	(2,615,700)
-	-	(2,891,232)	-	(4,874,592)	(4,874,592)
-	-	(1,441,769)	4,410,625	4,224,023	(14,449,159)
-	-	(4,501,556)	-	(8,481,267)	(7,183,018)
-	-	7,128,909	-	11,108,620	30,187,393
-	-	2,627,353	-	2,627,353	23,004,375

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Special Appropriations 2007 (22100) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	14,998,469	14,998,469	6,053,888	(8,944,581)
Budgeted fund balance	<u>26,472,382</u>	<u>26,472,382</u>	<u>8,953,821</u>	<u>(17,518,561)</u>
TOTAL REVENUES	\$ <u>41,470,851</u>	<u>41,470,851</u>	15,007,709	<u>(26,463,142)</u>
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	210,000	210,000	54,147	155,853
Other	41,260,851	41,130,851	14,823,562	26,307,289
Other financing uses	<u>-</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>41,470,851</u>	<u>41,470,851</u>	<u>15,007,709</u>	<u>26,463,142</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
			-	
BUDGETED FUND BALANCE			(8,953,821)	
REVERSIONS TO STATE GENERAL FUND (NOT BUDGETED)			<u>(11,957,452)</u>	
NET CHANGE IN FUND BALANCE *			\$ <u>(20,911,273)</u>	

* Ending fund balance as of June 30, 2010 is \$5,561,109

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Special Appropriations 2006 (69400) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	6,363,487	6,363,487	3,298,395	(3,065,092)
Budgeted fund balance	<u>13,982,212</u>	<u>13,982,212</u>	<u>6,559,964</u>	<u>(7,422,248)</u>
TOTAL REVENUES	\$ <u>20,345,699</u>	<u>20,345,699</u>	9,858,359	<u>(10,487,340)</u>
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	150,920	150,920	121,422	29,498
Other	20,194,779	20,194,779	9,736,937	10,457,842
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>20,345,699</u>	<u>20,345,699</u>	<u>9,858,359</u>	<u>10,487,340</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				-
BUDGETED FUND BALANCE			(6,559,964)	
REVERSIONS TO STATE GENERAL FUND (NOT BUDGETED)			<u>(7,197,248)</u>	
NET CHANGE IN FUND BALANCE *			\$ <u>(13,757,212)</u>	

* Ending fund balance as of June 30, 2010 is \$225,000

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	927,300	927,300	907,337	(19,963)
Inter-agency transfers	-	-	-	-
Budgeted fund balance	413,400	1,019,400	879,240	(140,160)
TOTAL REVENUES	\$ 1,340,700	1,946,700	1,786,577	(160,123)
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	606,000	605,953	47
Other	950,000	950,000	914,255	35,745
Other financing uses	390,700	390,700	266,369	124,331
TOTAL EXPENDITURES	\$ 1,340,700	1,946,700	1,786,577	160,123
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
BUDGETED FUND BALANCE			(879,240)	
NET CHANGE IN FUND BALANCE *			\$ (879,240)	

* Ending fund balance as of June 30, 2010 is \$964,498

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, 2010

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
Federal funds	\$	-	-	-	-
General Fund		-	-	-	-
Other state funds		11,800	11,800	8,980	(2,820)
Inter-agency transfers		-	-	-	-
Budgeted fund balance		28,300	28,300	-	(28,300)
TOTAL REVENUES	\$	40,100	40,100	8,980	(31,120)
EXPENDITURES - current:					
Personal services & empl. ben.	\$	-	-	-	-
Contractual services		-	-	-	-
Other		-	-	-	-
Other financing uses		40,100	40,100	-	40,100
TOTAL EXPENDITURES	\$	40,100	40,100	-	40,100
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				8,980	
NET CHANGE IN FUND BALANCE				\$ 8,980	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	3,972,600	3,972,600	4,075,606	103,006
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 3,972,600	3,972,600	4,075,606	103,006
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	3,972,600	3,972,600	3,960,194	12,406
TOTAL EXPENDITURES	\$ 3,972,600	3,972,600	3,960,194	12,406
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			115,412	
NET CHANGE IN FUND BALANCE			\$ 115,412	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	-	-	-
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE			\$ -	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	379,800	673,900	619,032	(54,868)
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 379,800	673,900	619,032	(54,868)
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	379,800	673,900	374,352	299,548
TOTAL EXPENDITURES	\$ 379,800	673,900	374,352	299,548
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			244,680	
NET CHANGE IN FUND BALANCE			\$ 244,680	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	3,715,000	3,715,000	3,816,796	101,796
Inter-agency transfers	-	-	-	-
Budgeted fund balance	389,500	389,500	-	(389,500)
TOTAL REVENUES	\$ 4,104,500	4,104,500	3,816,796	(287,704)
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	4,104,500	4,104,500	3,377,601	726,899
TOTAL EXPENDITURES	\$ 4,104,500	4,104,500	3,377,601	726,899
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			439,195	
NET CHANGE IN FUND BALANCE			\$ 439,195	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	588,300	331,239	379,350	48,111
Inter-agency transfers	-	-	36	36
Budgeted fund balance	40,200	40,200	-	(40,200)
TOTAL REVENUES	\$ 628,500	371,439	379,386	7,947
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	628,500	371,439	294,702	76,737
TOTAL EXPENDITURES	\$ 628,500	371,439	294,702	76,737
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			84,684	
NET CHANGE IN FUND BALANCE			\$ 84,684	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	349,900	349,900	397,760	47,860
Inter-agency transfers	-	-	-	-
Budgeted fund balance	283,600	283,600	-	(283,600)
TOTAL REVENUES	\$ 633,500	633,500	397,760	(235,740)
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	633,500	633,500	214,879	418,621
TOTAL EXPENDITURES	\$ 633,500	633,500	214,879	418,621
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			182,881	
NET CHANGE IN FUND BALANCE			\$ 182,881	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	110,000	110,000	152,726	42,726
Inter-agency transfers	-	-	-	-
Budgeted fund balance	37,300	37,300	-	(37,300)
TOTAL REVENUES	\$ 147,300	147,300	152,726	5,426
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	147,300	147,300	142,341	4,959
TOTAL EXPENDITURES	\$ 147,300	147,300	142,341	4,959
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			10,385	
NET CHANGE IN FUND BALANCE			\$ 10,385	

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, 2010

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
Federal funds	\$	-	-	-	-
General Fund		-	-	-	-
Other state funds		2,675,400	2,675,400	2,677,453	2,053
Inter-agency transfers		-	-	-	-
Budgeted fund balance		254,700	254,700	-	(254,700)
TOTAL REVENUES	\$	2,930,100	2,930,100	2,677,453	(252,647)
EXPENDITURES - current:					
Personal services & empl. ben.	\$	-	-	-	-
Contractual services		-	-	-	-
Other		-	-	-	-
Other financing uses		2,930,100	2,930,100	2,055,799	874,301
TOTAL EXPENDITURES	\$	2,930,100	2,930,100	2,055,799	874,301
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				621,654	
NET CHANGE IN FUND BALANCE				\$ 621,654	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	-	-	-
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE			\$ -	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	64,100	64,100	64,170	70
Inter-agency transfers	-	-	231	231
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 64,100	64,100	64,401	301
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	64,100	64,100	58,575	5,525
TOTAL EXPENDITURES	\$ 64,100	64,100	58,575	5,525
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			5,826	
NET CHANGE IN FUND BALANCE			\$ 5,826	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	660,300	610,100	607,809	(2,291)
Inter-agency transfers	-	-	1,169	1,169
Budgeted fund balance	158,800	158,800	134,436	(24,364)
TOTAL REVENUES	\$ 819,100	768,900	743,414	(25,486)
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	819,100	768,900	743,414	25,486
TOTAL EXPENDITURES	\$ 819,100	768,900	743,414	25,486
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE *			\$ (134,436)	

* Ending fund balance as of June 30, 2010 is \$827,477

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
Federal funds	\$	-	-	-	-
General Fund		-	-	-	-
Other state funds		2,193,000	2,032,000	2,593,850	561,850
Inter-agency transfers		-	-	-	-
Budgeted fund balance		101,100	101,100	-	(101,100)
TOTAL REVENUES	\$	2,294,100	2,133,100	2,593,850	460,750
EXPENDITURES - current:					
Personal services & empl. ben.	\$	-	-	-	-
Contractual services		-	-	-	-
Other		-	-	-	-
Other financing uses		2,294,100	2,133,100	2,050,290	82,810
TOTAL EXPENDITURES	\$	2,294,100	2,133,100	2,050,290	82,810
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				543,560	
NET CHANGE IN FUND BALANCE				\$ 543,560	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	150,127	150,127
Inter-agency transfers	-	-	1,550	1,550
Budgeted fund balance	-	250,000	89,403	(160,597)
TOTAL REVENUES	\$ -	250,000	241,080	(8,920)
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	250,000	241,080	8,920
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	250,000	241,080	8,920
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE *			\$ (89,403)	

* Ending fund balance as of June 30, 2010 is \$1,316,153

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	15,500	15,500	35,100	19,600
Inter-agency transfers	-	-	-	-
Budgeted fund balance	24,500	24,500	-	(24,500)
TOTAL REVENUES	\$ 40,000	40,000	35,100	(4,900)
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	40,000	40,000	5,665	34,335
TOTAL EXPENDITURES	\$ 40,000	40,000	5,665	34,335
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			29,435	
NET CHANGE IN FUND BALANCE			\$ 29,435	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
Federal funds	\$	-	-	-	-
General Fund		-	-	-	-
Other state funds		668,300	868,300	3,128,187	2,259,887
Inter-agency transfers		-	-	-	-
Budgeted fund balance		-	2,500,000	65,058	(2,434,942)
TOTAL REVENUES	\$	668,300	3,368,300	3,193,245	(175,055)
EXPENDITURES - current:					
Personal services & empl. ben.	\$	-	-	-	-
Contractual services		-	-	-	-
Other		-	-	-	-
Other financing uses		668,300	3,368,300	3,193,245	175,055
TOTAL EXPENDITURES	\$	668,300	3,368,300	3,193,245	175,055
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)					
				-	
BUDGETED FUND BALANCE				(65,058)	
NET CHANGE IN FUND BALANCE *				(65,058)	\$

* Ending fund balance as of June 30, 2010 is \$3,560,155

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	90,000	90,000	108,770	18,770
Inter-agency transfers	-	-	-	-
Budgeted fund balance	20,700	20,700	-	(20,700)
TOTAL REVENUES	\$ 110,700	110,700	108,770	(1,930)
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	110,700	110,700	85,907	24,793
TOTAL EXPENDITURES	\$ 110,700	110,700	85,907	24,793
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			22,863	
NET CHANGE IN FUND BALANCE			\$ 22,863	

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	583,200	583,200	579,431	(3,769)
Inter-agency transfers	-	-	-	-
Budgeted fund balance	154,800	154,800	-	(154,800)
TOTAL REVENUES	\$ 738,000	738,000	579,431	(158,569)
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	738,000	738,000	574,685	163,315
TOTAL EXPENDITURES	\$ 738,000	738,000	574,685	163,315
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			4,746	
NET CHANGE IN FUND BALANCE			\$ 4,746	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	1,395,700	1,272,234	1,427,249	155,015
Inter-agency transfers	-	-	-	-
Budgeted fund balance	85,900	85,900	-	(85,900)
TOTAL REVENUES	\$ 1,481,600	1,358,134	1,427,249	69,115
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	1,481,600	1,358,134	1,275,164	82,970
TOTAL EXPENDITURES	\$ 1,481,600	1,358,134	1,275,164	82,970
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			152,085	
NET CHANGE IN FUND BALANCE			\$ 152,085	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	-	-	-
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE			\$ -	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	3,021,476	3,021,476	3,021,476	-
Budgeted fund balance	<u>3,908,121</u>	<u>3,908,121</u>	<u>1,996,351</u>	<u>(1,911,770)</u>
TOTAL REVENUES	\$ <u>6,929,597</u>	<u>6,929,597</u>	5,017,827	<u>(1,911,770)</u>
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	6,929,597	6,929,597	5,017,827	1,911,770
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>6,929,597</u>	<u>6,929,597</u>	<u>5,017,827</u>	<u>1,911,770</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
			-	
BUDGETED FUND BALANCE			<u>(1,996,351)</u>	
REVERSIONS TO STATE GENERAL FUND (NOT BUDGETED)			<u>(1,911,770)</u>	
NET CHANGE IN FUND BALANCE *			\$ <u>(3,908,121)</u>	

* Ending fund balance as of June 30, 2010 is \$0

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Special Appropriations 2004 (12000) -
Statement of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	159,200	159,200	5,909	(153,291)
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 159,200	159,200	5,909	(153,291)
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	159,200	159,200	5,909	153,291
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 159,200	159,200	5,909	153,291
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE			\$ -	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	523,757	523,757	211,142	(312,615)
Budgeted fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	\$ <u>523,757</u>	<u>523,757</u>	211,142	<u>(312,615)</u>
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	523,757	523,757	211,142	312,615
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>523,757</u>	<u>523,757</u>	211,142	<u>312,615</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
			-	
REVERSIONS (NOT BUDGETED)				
			<u>(71,590)</u>	
NET CHANGE IN FUND BALANCE *				
			\$ <u>(71,590)</u>	

* Ending fund balance as of June 30, 2010 is \$0

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	109,498	109,498	-	(109,498)
TOTAL REVENUES	\$ 109,498	109,498	-	(109,498)
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	109,498	109,498	-	109,498
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 109,498	109,498	-	109,498
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE			\$ -	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	-	-	-
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE			\$ -	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	-	-	-
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE			\$ -	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	-	-	-
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE			\$ -	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	1,539,463	1,539,463	1,489,463	(50,000)
Budgeted fund balance	<u>7,128,909</u>	<u>7,128,909</u>	<u>1,610,324</u>	<u>(5,518,585)</u>
TOTAL REVENUES	\$ <u>8,668,372</u>	<u>8,668,372</u>	3,099,787	<u>(5,568,585)</u>
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	8,668,372	8,628,372	3,059,787	5,568,585
Other financing uses	<u>-</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>8,668,372</u>	<u>8,668,372</u>	<u>3,099,787</u>	<u>5,568,585</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
			-	
BUDGETED FUND BALANCE			(1,610,324)	
REVERSIONS (NOT BUDGETED)			<u>(2,891,232)</u>	
NET CHANGE IN FUND BALANCE *			\$ <u>(4,501,556)</u>	

* Ending fund balance as of June 30, 2010 is \$2,627,353

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	26,587,285	26,587,285	4,410,625	(22,176,660)
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ <u>26,587,285</u>	<u>26,587,285</u>	4,410,625	<u>(22,176,660)</u>
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	26,587,285	26,587,285	4,410,625	22,176,660
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ <u>26,587,285</u>	<u>26,587,285</u>	<u>4,410,625</u>	<u>22,176,660</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE			\$ <u>-</u>	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	23,789,100	7,606,038	(16,183,062)
General Fund	-	-	-	-
Other state funds	660,000	660,000	3,901,830	3,241,830
Inter-agency transfers	-	-	-	-
TOTAL REVENUES	\$ <u>660,000</u>	<u>24,449,100</u>	11,507,868	<u>(12,941,232)</u>
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	549,504	268,766	280,738
Contractual services	-	56,000	-	56,000
Other	660,000	23,843,596	7,337,272	16,506,324
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ <u>660,000</u>	<u>24,449,100</u>	<u>7,606,038</u>	<u>16,843,062</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>3,901,830</u>	
NET CHANGE IN NET ASSETS			\$ <u>3,901,830</u>	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	112,876	112,876
Inter-agency transfers	-	-	-	-
Budgeted net assets	<u>578,081</u>	<u>578,081</u>	<u>364,253</u>	<u>(213,828)</u>
TOTAL REVENUES	\$ <u>578,081</u>	<u>578,081</u>	477,129	<u>(100,952)</u>
EXPENDITURES - current:				
Personal services & empl. ben.	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	<u>578,081</u>	<u>578,081</u>	<u>477,129</u>	<u>100,952</u>
TOTAL EXPENDITURES	\$ <u>578,081</u>	<u>578,081</u>	477,129	<u>100,952</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
			-	
BUDGETED NET ASSETS				
			<u>(364,253)</u>	
NET CHANGE IN NET ASSETS *				
			<u>\$ (364,253)</u>	

* Ending net assets as of June 30, 2010 is \$664,233

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other state funds	-	-	496,613	496,613
Inter-agency transfers	-	-	-	-
Budgeted net assets	647,100	647,100	29,565	(617,535)
TOTAL REVENUES	\$ 647,100	647,100	526,178	(120,922)
EXPENDITURES - current:				
Personal services & empl. ben.	\$ 503,000	503,000	408,661	94,339
Contractual services	-	-	-	-
Other	144,100	144,100	117,517	26,583
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 647,100	647,100	526,178	120,922
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
			-	
BUDGETED NET ASSETS				
			(29,565)	
NET CHANGE IN NET ASSETS *				
			\$ (29,565)	

* Ending net assets as of June 30, 2010 is \$33,277,989

SUPPLEMENTAL SCHEDULES

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule 1

Schedule of Individual Deposit Accounts

AS OF JUNE 30, 2010

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	\$ 720,798	-	720,798
Special Appropriations 2007	22100 State Treasurer	6,290,614	-	6,290,614
Special Appropriations 2006	69400 State Treasurer	2,366,469	-	2,366,469
Corrective Action Fund	99000 State Treasurer	11,794,635	-	11,794,635
Tire Recycling	02600 State Treasurer	902,173	-	902,173
Voluntary Remediation	06600 State Treasurer	67,019	-	67,019
Air Quality Title V Fund	09200 State Treasurer	2,238,179	-	2,238,179
Special Appropriations 2008	10350 State Treasurer	2,747,667	-	2,747,667
Severance Tax Bonds 2008	10360 State Treasurer	23,834	-	23,834
GF Appropriations Reserved for CP	11800 State Treasurer	42,233	-	42,233
Brownfield Cleanup Revolving Loan Fund	11900 State Treasurer	127,597	-	127,597
Responsible Party Reimbursement Fund	24800 State Treasurer	922,490	-	922,490
Hazardous Waste Fund	33900 State Treasurer	1,855,395	-	1,855,395
Liquid Waste	34000 State Treasurer	77,908	-	77,908
Water Quality Management Fund	34100 State Treasurer	770,568	-	770,568
Water Recreation Facilities Fund	40000 State Treasurer	423,664	-	423,664
Water Conservation Fund	56700 State Treasurer	1,864,565	-	1,864,565
Operation Certification Fund	58400 State Treasurer	149,489	-	149,489
Radiation Protection	59200 State Treasurer	801,877	-	801,877
Air Quality Fund	63100 State Treasurer	1,487,647	-	1,487,647
Solid Waste Facility Loan/Grant Fund	63200 State Treasurer	870,659	-	870,659
Solid Waste Permit Fees	78300 State Treasurer	105,954	-	105,954
Emergency Hazardous Waste Penalties	95700 State Treasurer	3,585,100	-	3,585,100
Radiology Technology	98700 State Treasurer	246,560	-	246,560
Underground Storage Tank	98900 State Treasurer	407,317	-	407,317
Food Service Sanitation	99100 State Treasurer	<u>637,923</u>	-	<u>637,923</u>
Total Governmental with State Treasurer		41,528,334	-	41,528,334
Governmental Funds Cash in Banks:				
Solid Waste Facility Loan/Grant Fund	63200 Bank of NY Mellon	538,899	-	538,899
Governmental Funds Petty Cash - General Fund - 06400		<u>4,960</u>	<u>-</u>	<u>4,960</u>
Total Governmental Funds		42,072,193	-	42,072,193

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule 1 - continued

Schedule of Individual Deposit Accounts - continued

AS OF JUNE 30, 2010

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	\$ 61,112,663	-	61,112,663
Clean Water State Administrative Fund	32700 State Treasurer	2,402,370	-	2,402,370
Rural Infrastructure Loan Fund	33700 State Treasurer	<u>17,290,729</u>	<u>-</u>	<u>17,290,729</u>
Total Proprietary with State Treasurer		80,805,762	-	80,805,762
Trust and Agency Funds with State Treasurer (with SHARE fund numbers):				
Fiduciary Fund - 65200	State Treasurer	<u>21,972</u>	<u>-</u>	<u>21,972</u>
Total Trust and Agency with State Treasurer		<u>21,972</u>	<u>-</u>	<u>21,972</u>
Department Total - all funds		\$ <u>122,899,927</u>	<u>-</u>	<u>122,899,927</u>

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule 2

Supplemental Schedule of Severance Tax Bonds

YEAR ENDED JUNE 30, 2010

Laws	Chapter	Amount Sold	Amount Reverted	Art in Public Places	Amount Available	Expenditures Reported Prior Years	Expenditures Reported Current Years	6/30/10 Balance Available
2000	23	\$ 4,192,995	(356,557)	(2,000)	3,834,438	(3,674,756)	(83,583)	76,099
2002	110	5,822,676	(46,256)	-	5,776,420	(5,775,784)	(636)	-
2003	134 & 429	14,084,136	(37,835)	-	14,046,301	(8,639,790)	(5,909)	5,400,602
2004	126	15,473,123	(24,048)	-	15,449,075	(14,638,287)	(810,788)	-
2005	347	16,898,777	(158,611)	(31,000)	16,709,166	(13,721,685)	(2,987,481)	-
2006	111	13,352,521	(289,645)	(3,000)	13,059,876	(11,250,036)	(1,694,748)	115,092
2007	42 & 334	21,952,570	-	(7,200)	21,945,370	(10,447,536)	(3,553,253)	7,944,581
2008	92	13,712,577	-	(25,150)	13,687,427	(3,418,715)	(3,497,822)	6,770,890
2009	5, 7, & 125	18,863,663	-	-	18,863,663	-	(4,367,215)	14,496,448
2010	5 & 105	<u>1,517,710</u>	<u>-</u>	<u>-</u>	<u>1,517,710</u>	<u>-</u>	<u>-</u>	<u>1,517,710</u>
		<u>\$ 125,870,748</u>	<u>(912,952)</u>	<u>(68,350)</u>	<u>124,889,446</u>	<u>(71,566,589)</u>	<u>(17,001,435)</u>	<u>36,321,422</u>

Schedule 3

YEAR ENDED JUNE 30, 2010

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriation	Reauthorization
GENERAL FUND:					
River Basin Ecosystem	Ch 42, Laws 2007	2011	06400	\$ 2,390,000	-
TOTAL GENERAL FUND				2,390,000	-
CAPITAL PROJECT FUNDS:					
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	8,163,000	1,759,463
TOTAL CAPITAL PROJECT FUNDS				132,722,979	4,317,330
TOTAL - ALL FUNDS				\$ 135,112,979	4,317,330

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>
<u>2,390,000</u>	<u>(781,963)</u>	<u>(589,182)</u>	<u>(516,000)</u>	<u>-</u>	<u>-</u>	<u>502,855</u>
2,390,000	(781,963)	(589,182)	(516,000)	-	-	502,855
14,272,000	(13,218,907)	-	(981,503)	-	(71,590)	-
13,779,851	(9,688,742)	(1,996,351)	(182,988)	-	(1,911,770)	-
47,625,500	(29,225,155)	(6,559,964)	(4,418,133)	-	(7,197,248)	225,000
51,440,495	(20,085,501)	(8,823,821)	(4,882,612)	(130,000)	(11,957,452)	5,561,109
<u>9,922,463</u>	<u>(1,304,091)</u>	<u>(3,059,787)</u>	<u>-</u>	<u>(40,000)</u>	<u>(2,891,232)</u>	<u>2,627,353</u>
<u>137,040,309</u>	<u>(73,522,396)</u>	<u>(20,439,923)</u>	<u>(10,465,236)</u>	<u>(170,000)</u>	<u>(24,029,292)</u>	<u>8,413,462</u>
<u>139,430,309</u>	<u>(74,304,359)</u>	<u>(21,029,105)</u>	<u>(10,981,236)</u>	<u>(170,000)</u>	<u>(24,029,292)</u>	<u>8,916,317</u>

Schedule 4**YEAR ENDED JUNE 30, 2010**

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

JPA #	Participants / Description	Term	Total Amount of Agreement
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	73,478
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	6/30/2011	70,000
08-667-JPA-003	NMED/Tierra & Montes SWCD Sapello Watershed Restoration Project Phase II	12/31/2010	210,000
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-009	NMED/NMEMNRD Solar Project within State Parks Div. and Biomass Boiler Ft. Bayard Hospital & School Bus Biodiesel System	Until Completed	492,000
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-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
1816	NMED/NMDOH NMED/NMDOH/SLD (DWB)	10/15/2010	4,330,000

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Joint Powers Agreements

<u>Amount Applicable to NMED</u>	<u>Amount NMED Contributed in FY10</u>	<u>Fiscal Agent</u>	<u>Agency Reporting Rev. & Exp.</u>
49,560	-	NMED	NMED
73,478	-	NMED	NMED
19,191	1,729	NMED	NMED
70,000	2,676	NMED	NMED
160,000	30,261	NMED	NMED
518,500	73,553	NMED	NMED
492,000	-	NMED	NMED/EMNRD
43,200	15,936	NMED	NMED
32,100	1,838	NMED	NMED
N/A	N/A	NMED	NMED/DOT
485,000	114,332	NMED	NMED
437,500	1,889,545	NMED/DOH	NMED

Schedule 5

YEAR ENDED JUNE 30, 2010

The following is a list of Memoranda of Agreement (MOA) the Department has entered into:

MOA #	Participants / Description	Term	Total Amount of Agreement
10-667-MOA-0001	NMED/G&F/NMDOT Integrating Stream Restoration Principles in Transportation Maintenance project	10/1/2021	\$ 450,000
09-667-MOA-0002	NMED/Western NMU La Cieniga Watershed San Vicente	6/30/2010	25,000
09-667-MOA-002	NMED/NM Tax & Rev Office of the Governor - Initiative Compliance	12/31/2022	-
09-668-MOA-0001	NMED/NMENV-ONRT Ground Water Quality Bureau	6/24/2012	4,000,000
2009-NTN1-22	NMED/Univ. of Illinois Capulin Volcano (AQB)	9/30/2010	11,588
2009-MDN4-080	NMED/Univ. of Illinois NM99 Navajo Lake (AQB)	9/30/2010	13,822

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Memoranda of Agreement

<u>Amount Applicable to NMED</u>	<u>Amount NMED Contributed in FY10</u>	<u>Fiscal Agent</u>	<u>Agency Reporting Rev. & Exp.</u>
-	-	NMED	N/A
25,000	-	NMED	NMED
-	6,899	NMED	NMED
-	-	NMED	NMED
11,588	11,588	NMED	NMED
13,822	13,822	NMED	NMED

Schedule 6

YEAR ENDED JUNE 30, 2010

The following is a list of Memoranda of Understanding (MOU) the Department has entered into:

MOU #	Participants / Description	Term	Total Amount of Agreement
10-MOU	NMED/NMFA Construction Development & Mgt. Srvs. (ARRA)	6/3/2013	100,000
09-MOU	NMED/DFA Surface Water Quality Bureau Restore Instate Streams (RERI)	9/30/2012	2,800,000
09-667-MOU-001	NMED/Santa Fe County Historical Wetlands Projects	9/30/2011	100,000
08-667-MOU-0001	NMED/Instate Streams Comm. MOU Water Reserve Acquisition	6/30/2010	2,500,000
07-MOU	NMED/NM Tax & Rev Office of the Governor - Initiative Compliance (Office Space)	Terminated	8,704
05-MOU	NMED/DFA - Office of the Governor Collective Bargaining Negotiations	Until Terminated	-
5301	NMED/UNM Regents Institute of Public Law	4/30/2011	270,000

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Memoranda of Understanding

Amount Applicable to NMED	Amount NMED Contributed in FY10	Fiscal Agent	Agency Reporting Rev. & Exp.
110,000	110,000	NMED	NMED
-	-	NMED	NMED
-	-	NMED	NMED
2,350,000	-	NMED	ISC
-	-	NMED	N/A
-	-	NMED	NMED
270,000	270,000	NMED	NMED

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Fiduciary Fund - Agency
Schedule of Changes in Assets and Liabilities

Schedule 7

AS OF JUNE 30, 2010

	<u>2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>2010</u>
ASSETS:				
Investment in state general fund investment pool	\$ 47,988	4,427,974	(4,453,990)	21,972
TOTAL ASSETS	<u>\$ 47,988</u>	<u>4,427,974</u>	<u>(4,453,990)</u>	<u>21,972</u>
LIABILITIES:				
Funds held for others	\$ 47,988	4,427,974	(4,453,990)	21,972
TOTAL LIABILITIES	<u>\$ 47,988</u>	<u>4,427,974</u>	<u>(4,453,990)</u>	<u>21,972</u>

SINGLE AUDIT

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule of Expenditures of Federal Awards

YEAR ENDED JUNE 30, 2010

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY:		
Air Pollution Control Program Support:		
Clean Energy Project	66.001	\$ 42,794
Air Quality FY 10	66.001	<u>1,354,860</u>
		1,397,654
State Indoor Radon Grants:		
Indoor Radon Outreach Program FY 09	66.032	258,438
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act:		
Tools for Schools	66.034	10,000
PM 2.5 Ambient Air Monitoring Network	66.034	159,321
Paseo Del Norte Particulate Study	66.034	<u>25,835</u>
		195,156
State Clean Diesel Grant Program:		
State Clean Diesel Grant	66.040	109,723
ARRA - State Clean Diesel Grant	66.040	<u>52,863</u>
		162,586
Congressionally Mandated Projects:		
FY06 Stag Set Aside	66.202	23,827
NM FY05 Earmark Set Aside	66.202	<u>62,560</u>
		86,387
Water Pollution Control State, Interstate, and Tribal Program Support:		
Surface Water 106	66.419	432,856
Ground Water 106	66.419	<u>1,094,567</u>
		1,527,423
State Public Water System Supervision:		
Water Supply Supervision FY 09 & FY 10	66.432	1,301,449

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2010

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY - continued:		
State Underground Water Source Protection:		
Pass-thru via NM Energy and Minerals		
Underground Injection Energy & Minerals	66.433	99,663
Pass-thru identifying number not specified		
Water Quality Management Planning:		
Water Quality Management and Planning	66.454	94,561
ARRA - Water Quality Management and Planning	66.454	<u>89,894</u>
		184,455
Capitalization Grants for Clean Water State Revolving Funds:		
Construction Loan, Administration - CS350002-09	66.458	169,693
ARRA - 2009 NM CWSRF - 2W-96689201	66.458	<u>7,436,345</u>
		7,606,038
Nonpoint Source Implementation Grants:		
319 NPS FY 10-11 Surface Water	66.460	1,224,506
319 NPS FY 10-11 Ground Water	66.460	142,203
319 NPS Groundwater FY 08-11	66.460	64,196
319 NPS Implementation FY08-11	66.460	<u>619,597</u>
		2,050,502
Regional Wetland Program Development Grants:		
Galisteo Watershed	66.461	18,543
El Restauro Phase I	66.461	35,694
Rio de las Vacas Wetlands	66.461	43,213
HYDROGEOMORPHIC MODELING	66.461	131,057
VALLES CALDERA	66.461	32,826
NMED 2008 Wetlands	66.461	184,195
NMED 2007 Wetlands	66.461	<u>133,344</u>
		578,872
Water Quality Cooperative Agreements:		
Nutrient Threshold Development	66.463	22,104

See Independent Auditors' Report.

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2010

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY - continued:		
Capitalization Grants for Drinking Water State Revolving Funds:		
Pass-thru via NM Finance Authority		
New Mexico Drinking Water Set-Asides - FS-996925-01	66.468	\$ 1,157,128
ARRA - Construction Programs Bureau - 2B-00F08601	66.468	37,430
ARRA - Drinking Water State Revolving Fund - 2F-9669071	66.468	<u>1,347,577</u>
		2,542,135
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs:		
Operator Certification Expense	66.471	380,752
Water Protection Grants to the States:		
Counter Terrorism Activities For Infrastructure Protection	66.474	30,571
Environmental Information Exchange Network Grant Program and Related Assistance:		
FY 09 Exchange Network	66.608	15,106
Exchange Network Node	66.608	54,549
FY 06 Exchange Network	66.608	138,764
FY 07 Exchange Network-Water DFI	66.608	<u>139,506</u>
		347,925
Pollution Prevention Grants Program:		
NMED Pollution Prevention Program	66.708	14,828
Hazardous Waste Management State Program Support:		
FY10 Hazardous Waste (RCRA)	66.801	878,889

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2010

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY - continued:		
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements:		
Remedial Action at North Railroad Ave. Plume Site	66.802	\$ 666,316
Multi-Site Superfund Bulk Funding	66.802	1,020,900
NMED Five Year Bulk Funding 2009-2015	66.802	<u>77,886</u>
		1,765,102
Underground Storage Tank Prevention, Detection and Compliance Program:		
GIS Data Gathering	66.804	70,816
NM FY10 UST	66.804	<u>402,909</u>
		473,725
Leaking Underground Storage Tank Trust Fund Corrective Action Program:		
Leaking Underground Storage Tank (LUST)	66.805	549,999
ARRA - Leaking Underground Storage Tank (LUST)	66.805	<u>644,888</u>
		1,194,887
Brownfields Assessment and Cleanup Cooperative Agreements:		
Brownfield Cleanup Rev Loan Fund	66.818	790
State and Tribal Response Program Grants:		
NM State Response Program	66.817	510,903
International Financial Assistance Projects Sponsored by the Office of International Affairs:		
Pass-thru via BECC FY10 Border 2010 - TAA09-0027	66.931	<u>47,801</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		23,659,035

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2010

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. DEPARTMENT OF ENERGY:		
Renewable Energy Research and Development:		
DOE WIPP Oversight	81.087	\$ 2,082,648
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions:		
Pass-thru via NM Energy and Minerals		
WIPP Emergency Response - DEFC2988AL53813	81.106	159,391
Other Programs:		
GNOME Coach and Gasbuggy Nuclear Test Sites	81.unknown	12,527
NM Uranium Mill Tailings Radiation Control Act Tech Support	81.unknown	<u>11,704</u>
		24,231
TOTAL U.S. DEPARTMENT OF ENERGY		2,266,270
U.S. DEPARTMENT OF DEFENSE		
State Memorandum of Agreement Program for the Reimbursement of Technical Services:		
DOD FY09 & 10	12.113	<u>125,277</u>
TOTAL U.S. DEPARTMENT OF DEFENSE		125,277
U.S. DEPARTMENT OF LABOR:		
Occupational Safety and Health State Program:		
OSHA Implementation	17.503	826,531
ARRA - OSHA Implementation	17.503	<u>18,752</u>
		845,283
Consultation Agreements:		
OSHA Consultation Program	17.504	485,350

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2010

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. DEPARTMENT OF LABOR - continued:		
OSHA Data Initiative:		
OSHA Data Collection	17.505	\$ 8,662
OSHA Statistics	17.505	<u>49,661</u>
		<u>58,323</u>
TOTAL U.S. DEPARTMENT OF LABOR		1,388,956
BUREAU OF LAND MANAGEMENT:		
Environmental Quality and Protection Resource Management:		
San Juan County Env Quality & Prot Res Mgmt, 2008	15.236	<u>46,779</u>
TOTAL BUREAU OF LAND MANAGEMENT		<u>46,779</u>
TOTAL EXPENDITURES FEDERAL AWARDS		\$ <u>27,486,317</u>
RECONCILIATION TO FINANCIAL STATEMENTS:		
Governmental Funds - Federal Grant Revenue		\$ 19,880,279
Enterprise Funds - Federal Grant Revenue		<u>7,606,038</u>
		\$ <u>27,486,317</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, 2010.

LOANS

The Department does not have any loans outstanding with the Federal government at June 30, 2010.

SUBRECIPIENTS

The Department receives capitalization grants to create and maintain the Clean Water State Revolving Fund program (CWSRF, CFDA 66.458). The Department can use the capitalization grants to provide loans at reduced interest rates to finance the construction of publicly-owned water pollution control facilities, non-point source pollution control projects and estuary management plans. Loans made by the Department must be repaid within 20 years and all repayments, including interest and principal, must remain within the Wastewater Facility Construction Loan Fund of the Department. Capitalization loans processed for CWSRF for the year ended June 30, 2010 were \$3,686,846. CWSRF outstanding loans at June 30, 2010 were \$166,424,435. In addition, the Department provided \$7,102,481 in ARRA funding to various communities throughout New Mexico as grants and are included in the schedule as ARRA-2009 NM CWSRF (CFDA 66.458).

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Mr. Ron Curry
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 aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, the combining and individual funds and related budgetary comparisons, and the major capital project and enterprise funds' budgetary comparisons presented as supplementary information of the State of New Mexico Environment Department (the Department) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.



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

Internal Control Over Financial Reporting - continued

A **deficiency in internal control** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A **material weakness** is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-01, 09-05 and 10-05 to be material weaknesses.

A **significant deficiency** is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 09-07, 10-01, 10-04, 10-06 and 10-07 to be significant deficiencies.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted no 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.

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.

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

Compliance and Other Matters - continued

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.

Meyners + Company, LLC

November 29, 2010

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

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

Compliance

We have audited the State of New Mexico Environment Department's (the Department) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2010. 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 of the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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



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

Compliance - continued

are described in the accompanying schedule of findings and questioned costs as item 06-08, 10-02, 10-03, 10-04 and 10-08.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 06-08, 10-02, 10-03, 10-04 and 10-08. A **significant deficiency in internal control over compliance** is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness

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

Internal Control Over Compliance - continued

in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the responses.

This report is intended solely for the information and use of 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 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 29, 2010

STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT

Schedule of Findings and Questioned Costs

YEAR ENDED JUNE 30, 2010

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. Eight 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*. Of these deficiencies, three are considered to be material weaknesses.
3. There were no instances of noncompliance material to the financial statements disclosed during the audit of the Department.
4. Five significant deficiencies were disclosed during the audit of the major federal award programs as reported in the Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on 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. There were five audit findings that the auditor is required to report under 510(a) of Circular A-133.
7. The programs tested as the major programs included:

U.S. Department of Environmental Protection:

Capitalization Grants for Clean Water State Revolving Funds	66.458
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805
State and Tribal Response Program Grants	66.817
Water Quality Management Planning	66.454
State Clean Diesel Grant Program	66.040

U.S. Department of Energy:

Occupational Safety and Health-State Program	17.503
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U.S. Department of Labor:

Renewable Energy Research and Development	81.087
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8. The threshold for distinguishing Types A and B programs was \$824,590.
9. The Department was not determined to be a low-risk auditee.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT

10-01 CASH RECEIPTS NOT RECORDED OR DEPOSITED IN A TIMELY MANNER

Condition: During the internal controls test work for cash receipts, it was noted that 2 out of 40 cash receipts for a total of \$45,900 was not deposited within 24 hours of receipt. It was also noted that 11 of the 40 cash receipts had no indication of when the cash receipt was received to determine if they were deposited in a timely manner.

Criteria: According to the Manual of Model Accounting Practices (MAPs), section FIN 2.3 states that all state agencies shall deposit cash within 24 hours of receipt. Additionally, FIN 2.1 states that all state agencies shall log or receipt all monies received at the time received.

Cause: Lack of effective controls surrounding the cash receipts process, management oversight.

Effect: Misstatement of financial information, potential misappropriation of assets.

Recommendation: We recommend that management establish controls necessary to ensure that all cash received is recorded at the time of receipt and deposited by the end of the next business day.

Management's Response: The Administrative Services Division (ASD) met with the Ground Water Bureau to discuss this issue; enumerate the potential consequences of not depositing cash receipts in a timely manner; and the Bureau has ensured all deposits since that meeting have been sent to bank within 24 hours.

ASD through coordination of the Chief Financial Officer holds quarterly meetings with the Financial Data User's (FDU group) in the agency to keep finance staff up to date on issues such as new DFA requirements, changes to processes, etc. The topic of deposits and any issues related to such will be a permanent agenda item so that ASD can continually remind agency staff of deposit policy and procedures.

10-04 GRANT MANAGEMENT AND OVERSIGHT

Condition: The Department does not provide centralized oversight and training to all grant programs of the Department to ensure compliance with Grant Agreements, A-87 and A-133. As a result the Department has decentralized controls across all programs within the Department or does not have controls over specific grant requirements.

Criteria: A-102 Common Rule requires that non-Federal entities receiving Federal Awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

10-04 GRANT MANAGEMENT AND OVERSIGHT - continued

Cause: Lack of effective internal controls over grants management.

Effect: Possible non-compliance with federal grant regulations.

Recommendation: We recommend that management establish centralized processes and systems over grants management to ensure consistent internal controls over grants across all programs within the Department.

Management's Response: The Department acknowledges the lack of internal training for department personnel. The Agency added an additional staff member in the Bureau on June 28, 2010, and the Department is in a better position to implement internal training. The Department will institute grants management/oversight training for all department staff involved with federal funding by September 1st of each year.

10-05 POLLUTION REMEDIATION LIABILITIES (Material Weakness)

Condition: The Department has not established and implemented a formal policy to identify and estimate pollution remediation liabilities in a timely manner.

Criteria: Once any one of the five specified obligating events occurs as defined in *GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations*, a government is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

Cause: Lack of effective internal controls surrounding the recognition of pollution remediation liabilities, management oversight.

Effect: Possible misstatement of financial statements.

Recommendation: We recommend that management establish a formal policy for identifying and estimating pollution remediation liabilities and implement the policy department-wide.

Management's Response: The Department discovered in August 2010 that the methodology used in the estimate for the Pollution Remediation liabilities needed to be modified after further review of GASB 49 and discussions with its external auditors to provide the most reasonable estimate. The agency has revised the estimate for FY10 and has developed a process to evaluate and determine the amount of potential obligations going forward. This process will be formalized in writing and distributed agency wide by the end of February, 2011.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

10-06 CAPITAL ASSET TRANSFERS/DISPOSALS RECORDED AT TIME OF PHYSICAL INVENTORY

Condition: During our capital asset test work, it was noted that the Department is not recording capital asset transfers and disposals as they occur, but rather at the time the end of year capital asset inventory is performed. Additionally, the Department is choosing to consider items that cannot be located at the end of year capital asset inventory as disposed. During the inventory by the Department of their capital assets, they had identified capital assets that were fully depreciated that had an original cost of approximately \$93,000 that were not located, but were on the capital asset listing. These items were removed from the listing and deemed as disposed capital assets.

Criteria: In accordance with the Manual of Model Accounting Practices (MAPs) FIN 6, an agency shall record in the accounting records the transfer, sale, disposition or write-off of capital assets when they occur. Additionally, FIN 6 states that, rather than considering missing items at year-end as disposed, when any capital asset is found to be missing and cannot be accounted for, the state agency shall determine the cause(s) and augment internal controls, as necessary, to minimize any future occurrences.

Cause: Lack of effective internal controls associated with capital assets, including tracking and safeguarding capital assets.

Effect: Possible misstatement of capital assets due to the fact that the Department is not recording capital asset transfers and disposals in accordance with MAPs.

Recommendation: We recommend that management establish effective controls necessary to ensure that capital asset transfers and disposals are recorded as they occur, not when the year-end capital asset inventory is performed. Additionally, we recommend that internal controls associated with the custody of property be established and followed to minimize further occurrences of missing capital assets. This includes strict adherence to MAPs FIN 6 pertaining to the proper accounting treatment for transferred or disposed capital assets.

Management's Response: The Department will review its current policy governing capital assets (including the transfer and disposal of capital assets) and will update the policy where necessary to conform to MAPs FIN 6.

Additionally, the Department will develop and institute a Capital Asset Management System reflective of NMED policies that:

- Identifies the methods of tracking and reporting the acquisition, transfer and disposal of current and future capital assets.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

10-06 CAPITAL ASSET TRANSFERS/DISPOSALS RECORDED AT TIME OF PHYSICAL INVENTORY - continued

Management's Response - continued:

- Identifies internal operational roles and responsibilities relative to the processes involved with Capital Asset Management.
- Identifies and updates current internal capital asset documentation templates, and document management standards.
- Identifies policies, procedures and requirements from external Governing Agencies that govern Capital Asset Management including those from federal funding sources, the State Auditor Office, General Services Department/ Surplus Property Division.

Additionally, a capital asset inventory will be conducted by the Department's Capital Asset Coordinator (or an Administrative Services designee) by June 30, 2011.

10-07 LACK OF FORMAL DISASTER RECOVERY PLAN

Condition: During our assessment of the information technology control environment, it was determined that the Department does not have a finalized Disaster Recovery Plan.

Criteria: The Department should have a finalized Disaster Recovery Plan that has been and can continue to be tested.

Cause: Lack of effective controls concerning the development and testing of the Department's existing Disaster Recovery Plan.

Effect: Possible loss of financial information, as well as fiduciary break and risk of corruption and/or loss of confidential claimant data.

Recommendation: We recommend that management place high priority in completing and formalizing the current Disaster Recovery Plan. This includes off-site storage of the Disaster Recovery Plan and testing the Plan to ensure its completeness and reliability.

Management's Response: Disaster Recovery/Business Continuity is a very important IT process that the agency takes seriously. Two items occurred during 2010 that impacted the agency's ability to finalize the DR plan: 1) the IT project manager assigned to complete the project left the Department, the position was left vacant due to the hiring freeze, and was eventually eliminated by the bureau within the agency who was paying for the position; and 2) DoIT blocked the agency's purchase of the required MPLS telecommunication line required to test the plan. NMED will work with DoIT to find the best approach to resolving this outstanding issue.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

**09-05 RECORDING OF CORRECTIVE ACTION LIABILITIES – FUND 99000
(Material Weakness)**

Condition: Approximately \$370k in audit adjustments were required because the Department is not following its policy for 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 department adopted the policy in FY10 to recognize the liability when the deliverable is accepted.

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

Effect: Possible misstatement of financial statements.

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

Management's Response: The accounts payable established at the end of FY10 totaled more than \$2,000,000 and was determined to not accurately reflect FY10 year end liabilities which resulted in audit adjustments in excess of customary year-end adjustments. The Agency has developed a process which will be followed at the end of the fiscal year to determine the exact amount for setting up the accounts payable.

On a regular basis, NMED monitors and controls the budget and expenditures for Fund 99000. The Department submits budget adjustments requests to account for additional expenditures during the fiscal year. To recognize liabilities, NMED will establish an accounts payable at the end of the fiscal year for work received, reviewed and approved via an acceptance letter issued by the Department dated no later than June 30th of the fiscal year just ending.

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

Condition: It was noted that the Department is not consistently reconciling the external loan schedule of the RIP fund loan to the Statewide Human Resources, Accounting, and Management REporting System (SHARE). In addition, the external loan schedule did not roll forward properly due to errors within the schedule. The net adjustment required to reconcile the loan schedule to SHARE was approximately \$40K.

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 - continued

Criteria: According to MAPs (FIN 13.1 External Systems), authorized by Chapter 6-5-2.1, NMSA requires the complete, accurate and timely recording of accounting transactions originating from a subsidiary system into SHARE, the central reporting system.

Cause: Lack of effective controls and procedures surrounding the RIP fund to ensure timely and accurate reconciliation of the RIP loan schedule to SHARE. The use of Excel to track all loans and activity is the cause of errors within the schedule.

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 consistently reconciled to SHARE. In addition, it is recommended that the Department utilize loan management software as opposed to excel to prevent errors and improve efficiency in loan management.

Management's Response: The Construction Programs Bureau reconciles cash on a monthly basis. This is accomplished by running the SHARE Detail Trial Balance and identifying all cash moving into and out of the Fund. The SHARE software does not identify individual loans which require the CPB to track the RIP loans on subsidiary ledgers. There is no SHARE interface available as identified in the 09-07 'criteria'. RIP activity is entered into the Excel spreadsheets and is reconciled against the SHARE activity.

CPB has proposed a reorganization to separate the financial section from the funding section. The separation of duties will improve the review and reconciliation of the numerous funding programs, including the RIP. In addition, the Department and CPB will pursue possible options in obtaining and utilizing loan management software.

07-01 FINANCIAL STATEMENT PREPARATION SAS-115 (Material Weakness) - Repeated

Condition: Audit adjustments were required in excess of customary year-end adjustments. The 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 115, *Communicating Internal Control Related Matters in an Audit*, the auditor is responsible for evaluating the Department's internal control over the preparation of financial statements. The Department is not currently capable of producing a complete set of financial statements, including required footnote disclosures.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

**07-01 FINANCIAL STATEMENT PREPARATION SAS-115 (Material Weakness) – Repeated
- continued**

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 are not adequate qualifications and training among personnel to apply GAAP. The Department is unable to produce accurate interim financial statements.

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

Management's Response: NMED is committed to providing continuous professional education and training to its financial staff and plans to have fully trained staffed that is capable of producing a complete set of financial statements. By August 2011, Agency staff will be prepared to complete the financial statements for the FY11 audit. NMED management requires strict adherences to the Department of Finance and Administration, Model Accounting Practices (MAPS), New Mexico Office of the State Auditor Rule, OMB Circular A-87 and A-123 and GASB standards and GAAP to conduct its financial operations.

Schedule of Findings and Questioned Costs - continued

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

10-02 INTERNAL CONTROL OVER FEDERALLY SUSPENDED/DEBARRED VENDORS

Condition: During A-133 single audit suspended/debarred vendor test work, it was noted that the following major programs have not established any controls to check for federally suspended vendors prior to awarding contracts:

U.S. Department of Environmental Protection:

CFDA 66.468 – Capitalization Grants for Drinking Water State Revolving Funds

CFDA 66.805 – Leaking Underground Storage Tank Trust Fund Corrective Action Program

CFDA 66.817 – State and Tribal Response Program Grants

Criteria: A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal Awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. A-133 prohibits non-Federal entities from contracting with or making sub awards under covered transactions that are suspended or debarred or whose principals are suspended or debarred.

Cause: Lack of effective internal controls associated with procurement function associated with federal grant funds.

Effect: Possible non-compliance with federal grant regulations.

Recommendation: We recommend that management establish effective controls over the procurement function that requires staff to determine that entities receiving sub awards of any value and procurement contracts equal to or exceeding \$25,000 and their principals are not suspended or debarred, and specifies the means that will be used to make that determination; i.e., checking the *Excluded Parties Listing System* (EPLS), which is maintained by the General Services Administration; obtaining a certification; or inserting a clause in the agreement.

Management's Response: The Department will ensure compliance with the EPLS condition of award by: 1) inserting a clause in sub-award agreements, and 2) requiring all program staff responsible for grants management to access and review EPLS and provide a screen printout of system verification prior to awarding of funds.

The Agency internal contract tracking document has been updated to include a Program Manager Certification of the requirement of checking EPLS. This will be initiated via internal correspondence to all program staff with an immediate effective date to be followed with an internal policy to be in place by December 31, 2010.

Schedule of Findings and Questioned Costs - continued

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

10-03 EXPEDITIOUS USE OF ARRA GRANT FUNDS

Condition: The Department was required to expend at least 15% of the ARRA LUST (CFDA 66.805) grant within 9 months of the award and only had expended approximately 5% of the grant within the 9 months of the award.

Criteria: The grant agreement required the Department to expend at least 15% of the grant within 9 months of the award.

Cause: Lack of effective internal controls over the special requirements of the grant, management oversight.

Effect: Non-compliance with federal grant regulations.

Recommendation: We recommend that management establish effective controls over the special requirements of grants to ensure compliance with the grant requirements.

Management's Response: The 15% expenditures requirement was not met due to obstacles the Bureau encountered in seeking approval to hire an IT staff, which resulted in the need of a grant amendment and then establishing budget. The grant is scheduled to end on September 30, 2011; the Bureau will have the grant spent down by the expiration date.

10-04 GRANT MANAGEMENT AND OVERSIGHT

Condition: The Department does not provide centralized oversight and training to all grant programs of the Department to ensure compliance with Grant Agreements, A-87, and A-133. As a result the Department has decentralized controls across all programs within the Department or does not have controls over specific grant requirements. This is applicable to all federal programs of the Department (refer to the Schedule of Expenditures of Federal Awards for all CFDA #'s and program names)

Criteria: A-102 Common Rule requires that non-Federal entities receiving Federal Awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Cause: Lack of effective internal controls over grants management.

Effect: Possible non-compliance with federal grant regulations.

Schedule of Findings and Questioned Costs - continued

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

10-04 GRANT MANAGEMENT AND OVERSIGHT - continued

Recommendation: We recommend that management establish centralized processes and systems over grants management to ensure consistent internal controls over grants across all programs within the Department.

Management's Response: The Department acknowledges the lack of internal training for department personnel. The Agency added an additional staff member in the Bureau on June 28, 2010, and the Department is in a better position to implement internal training. The Department will institute grants management/oversight training for all department staff involved with federal funding by September 1st of each year.

10-08 OVER-DRAWN GRANTS

Condition: The Department had over-drawn the following federal grants as of June 30, 2010:

CFDA 66.040 – State Clean Diesel (ARRA) \$37,461
CFDA 66.460 – NPS Implementation \$73,368

Criteria: Circular A-133 states that when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Cause: Lack of effective controls and procedures over the draw process.

Effect: The Department over-drew the grant and subsequently reduced future billings for these amounts. The Department is not in compliance with grant regulations.

Recommendation: We recommend the Department implement effective procedures and controls to ensure that a grant is not over-drawn.

Management's Response: The ARRA State Clean Diesel draw, resulting on Cash on Hand, was based on a percentage of effort as opposed to actual hours worked, which was discovered during an independent review. The recommendation was to reconcile the award and complete adjusting entries, which was completed in June 2010. The net adjustment resulted in Cash on Hand and the end of the fiscal year. The federal agency was notified of such.

The Department will ensure grants are not over-drawn by implementing a comprehensive review and reconciliation process prior to submitting draw requests to ensure they are drawn on actual expenditures.

Schedule of Findings and Questioned Costs - continued

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

06-08 FEDERAL GRANT REPORTING

Condition: During A-133 single audit reporting test work, the following exceptions were noted regarding federal financial reports:

- CFDA 81.087 – Renewable Energy Research and Development - 4 FFR 425 reports not filed
- CFDA 66.458 – Capitalization Grants for Clean Water State Revolving Funds - 1 FFR 425 report filed late
- CFDA 17.503 – Occupational Safety and Health-State Program - 1 FFR 425 report filed late
- CFDA 66.805 – Leaking Underground Storage Tank Trust Fund Corrective Action Program – 3 FFR 425 reports not filed
- CFDA 66.040 – State Clean Diesel Grant Program - 1 FFR 425 report filed late

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 had to suspend enacting a proposed restructuring of its Grants Management Bureau, adding new personnel and additional resources due to the State imposed hiring freeze. In addition, the management and oversight related to the stimulus funding further strained the limited resources and reporting lagged.

Management as of June 28, 2010 hired an additional staff member in the Grants Management Bureau to assist with all grant related activities to include meeting all reporting deadlines/requirements. To comply with the federal reporting deadlines, the Department has implemented the process of filing reports on time with preliminary numbers and to file amendments as necessary when final reconciliation is complete.

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Summary Schedule of Prior Year Audit Findings

- 06-07 Budget Overspending – Resolved
- 06-08 Federal Grant Reporting (Significant Deficiency) – Repeated and Updated
- 07-01 Financial Statement Preparation SAS 112 (Significant Deficiency) – Repeated and Updated
- 09-01 NPS Implementation – 66.460 – Unallowable Costs – Resolved
- 09-02 Untimely Reversion to State General Fund (Significant Deficiency) – Resolved
- 09-03 Brownfield Cleanup Revolving Loan Fund – 66.818 – Loan Repayments/Loans Receivable Management – Resolved
- 09-04 Recording of Severance Tax Bonds (Significant Deficiency) – Resolved
- 09-05 Recording of Corrective Action Liabilities – Fund 99000 (Significant Deficiency) – Repeated
- 09-06 Journal Entry Review (Significant Deficiency) – Resolved
- 09-07 Reconciliation of Rural Infrastructure Program (RIP) Loan Schedule to SHARE (Significant Deficiency) – Repeated

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT**

Exit Conference

An exit conference was held with the Department on December 1, 2010. 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
Sarah Cottrell	Deputy Cabinet Secretary
Jim Perry	ASD Director
Ed Smith	Chief Financial Officer
Lorie Blea	Senior Accountant
Karen Martinez	Accounts Payable Supervisor
Lynette Borrego	Grants Management

MEYNER + COMPANY, LLC

Georgie Ortiz, CPA, CGFM	Audit Partner
Javier Machuca, CPA, CGFM	Audit Senior Manager
Matt Bone, CPA	Senior 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.