

**STATE OF NEW MEXICO
ENVIRONMENT DEPARTMENT
Santa Fe, New Mexico**

**FINANCIAL STATEMENTS
June 30, 2012**

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STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
OFFICIAL ROSTER
June 30, 2012

Office of the Secretary

David Martin, Cabinet Secretary

Butch Tongate, Deputy Cabinet Secretary

Division Directors

Cathy Atencio, Administrative Services Division (Acting)

Mary Montoya, Information Technology Division (Acting)

Jim Davis, Water and Waste Management Division

Mary Rose, Environment Protection Division (Acting)

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Independent Auditors' Report

Mr. David Martin
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, 2012, 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 and major enterprise funds, and all non-major governmental funds presented as supplemental information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 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, 2012, and the changes in financial position and cash flows, where applicable, of those activities and funds. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2012, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and other 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 previously present fairly, in all material respects, the respective financial position of each non-

major governmental and fiduciary funds of the Department as of June 30, 2012, 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 December 10, 2012 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "supplemental schedules" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 10, 2012

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Executive Summary

The management of the State of New Mexico Environment Department (the Department) is proud to present the *Management's Discussion and Analysis (MD&A)* of its financial statements for the fiscal year ended June 30, 2012. This overview and analysis summarizes the Department's financial activities and operations for the state fiscal year 2012, which is the period between July 1, 2011 and June 30, 2012 (*FY12*). 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.

The Department encourages readers to consider the *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 Department's basic financial statements, which include five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) other supplemental information and schedules, and 5) single audit of federal programs.

Government-wide Financial Statements. The government-wide financial statements are designed to be corporate-like in that the 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 governments. 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 program 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 three funds as major funds: the General Fund, the Corrective Action Fund and one Capital Project Fund. Due to the low level of activity and the exhaustion of the funding, the ARRA fund was reclassified as a non-major 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.

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

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

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

Fiduciary Fund. The fiduciary fund is used to report assets held in trustee or agency capacity for others and therefore are not available to support the Department's programs. The reporting focus is upon net assets and changes in net assets and employs accounting principle 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 2.2.2 NMAC (the State Auditor Rule), the Statement of Revenues, Expenditures, Budget and Actual are also presented. This information is provided at the approved appropriation (budget) level to demonstrate compliance with legal requirements.

Statewide Highlights

The New Mexico Department of Finance and Administration (DFA) and the Department of Information Technology (DoIT) are the two state agencies charged with the maintenance and operation of the state's accounting and human resources system (SHARE). Since the

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MANAGEMENT'S DISCUSSION AND ANALYSIS**

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implementation of SHARE the cash balances within the system have not agreed to those stated by the state fiscal agent. Beginning in late spring of 2012 the State Comptroller commissioned a diagnostic report with the purpose of assessing the current state of cash reconciliation and determining recommendations for remediating the remaining system and business process issues pertaining to the book to bank processes. The DFA, along with DoIT and the State Treasurer's Office, began a joint venture to resolve this issue. A consulting firm was hired to assess the state's processes and make recommendations, which were disseminated to state agencies in the fall of 2012. Accordingly, as a result a disclosure of this process is required to be included in the notes to the financial statements section of the audit report.

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. NMED is committed to providing clear articulation of the agency's 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.

During fiscal year 2012, the Department operated with six divisions within 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 continued to operate at a reduced human resource capacity during FY12 stemming from the lagged effects coming out of the hiring freeze imposed during previous fiscal periods.

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

Program Support Program (P567)

This program is comprised of the Office of the Secretary, Office of the General Counsel, Administrative Services Division, which includes Budget, Financial Services, Human Resources and Purchasing Bureaus, and Information Technology Division, which 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 received the information is needs to hold the Department accountable.

Accomplishments - Prior to and during the fiscal year Program Support began to ascertain the operating and functioning structure of the Department. The SFY13 Appropriation Request was submitted condensing the five programs into four. Additionally, during the past fiscal year there were several re-organizations within the Financial Services Bureau consolidating six independently supervised units into three sections each headed by a manager.

Program Support was faced with a continued department-imposed hiring freeze until mid-fiscal year. The move was made in order to allow the Department ample time to monitor the effects of past budget reductions most notably the impact in special revenue collections and fund

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balances, and distribution levels for federal awards. Through stringent monitoring, evaluation and forecasting the hiring restrictions were lifted by mid-year although staffing levels continued to remain static toward late in the fiscal year pending the advertising, recruiting and hiring of positions. Program support was able to meet its critical functions mainly accomplished through the re-organization of Financial Services Bureau.

Water Quality Program (P568)

This program is comprised of the Hazardous Waste, Groundwater Quality, Surface Water 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, and economic and recreational activities, healthy habits 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.

Accomplishments - The Groundwater Quality Bureau met its performance measure of having at least 70 percent of permitted facilities compliant with ground water standards. Facilities that exceed standards for contaminants in ground water could potentially have their permits in jeopardy thereby increasing costs to consumers if the standards are not met and other sources of water have to be obtained. The bureau did not meet its performance measure to conduct field inspections and annual compliance evaluations of groundwater discharge permitted facilities. The cause was due to a shortage of field staff needed to conduct the inspections and evaluations as evidenced by significant vacancies in the bureau.

The Hazardous Waste Bureau met all of its performance measures contained within appropriation law. The bureau is charged with overseeing and ensuring the cleanup of national laboratories under enforceable orders; agency action on WIPP as a result of U.S. Department of Energy site audits; enforcement actions brought against the national laboratories due to non-compliance consent orders; increasing the number of inspections for hazardous waste generators; and the inspections of large quantity hazardous waste generators in line with federal targets.

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.

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Accomplishments - Performance measures for SFY12 contained within appropriation language for the Liquid Waste Bureau (LWB) included three targets. The first and third measures are explanatory in nature: Percent of homeowners with contaminated wells advised on how to eliminate or reduce health risks, and the number of free well water tests conducted. The LWB met with 100 percent compliance on these measures, which are based on a demand for service. The LWB exceeded the second performance measure by 11 percent (target 60 percent), which was to report on the number of inspections for new septic tanks.

The performance measure included in the appropriation law for the Food Program was to capture the percentage of high risk food related violations corrected within the timeframes noted on the inspection report issued to permitted commercial food establishments. The Food Program did not meet the target; however, the results are consistent with the actual percentages for SFY's 2009, 2010 and 2011. The measure is explanatory in nature since it is the responsibility of the permitted establishments to correct the deficiency most of which cleared at the time of the initial inspection. The Department also takes other actions for facilities that continuously fail at correcting high risk violations that are determined to be a risk to public health including but not limited to downgrades, suspension of permits and closures.

The Radiation Control Bureau (RCB) met both of its performance measures. The RCB exceeded its first measure by 14 percent (target of 85 percent) for completing license inspections within policy. The bureau also excelled at completing inspections of radiation producing machines.

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' soil, ground water and air. The Program includes the Petroleum Storage Tank Bureau, which detects, prevents and mitigates the release of petroleum products. The Solid Waste Management Bureau ensures solid waste is handled and disposed of without harming natural resources. The Occupational Safety and Health Administration Bureau inspect for workplace safety and healthy working conditions for New Mexico workers.

Accomplishments - The Air Quality Bureau (AQB) performance measure outlined in appropriation law is to ensure that appropriate corrective action is taken by the facilities in order to mitigate air quality violations discovered as a result of inspections. The AQB meet its target achieving a compliance level of 100 percent.

The Occupational Health & Safety Bureau has two measures contained in appropriation law. The first measure, percent of serious worker health and safety violations corrected within the timeframes designated on issued citations from the Consultation and Compliance Sections, achieved 93.6 out of a target of 95.0 percent. The second performance measure, percent of referrals alleging serious hazards responded to via an on-site inspection or investigation within 10 working days, achieved a 93.1 out of a target of 95 percent. Although the bureau came close to meeting the targets it must re-deploy and direct staff to critical and urgent reviews thus reducing the limited manpower available to meet demands of the workload.

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The Solid Waste Bureau (SWB) had two performance measures for the SFY12. SWB exceeded its target measure by 10 percent to inspect solid waste facilities and infectious waste generators for determination of compliance with New Mexico Solid Waste rules. The second measure, percent of landfills compliant with groundwater sampling and reporting requirements, was exceeded by 20 percent (performance target was 75 percent). Both performance measures are reflective of proactive efforts and efficient utilization of human resources.

Included in the appropriation language for SFY12 the Petroleum Storage Tank Bureau (PTSB) are three performance measures for which the bureau was successful in meeting one of the standards. The first measure, which was to report on the number of confirmed sites previously contaminated by petroleum products that require no further action as a result of remediation, exceeded the target by 17 (target of 30 sites per year). The second performance measure, number of storage tank sites with confirmed releases of petroleum products that are high risk and are undergoing aggressive corrective action, exceeded SFY11 actual results by 19 but fell short of the SFY12 target. The results are primarily due to PTSB focusing and directing its efforts on high priority storage tank release sites that have a significant and detrimental impact on the environment rather than many smaller and lower priority release sites.

The last performance measure for PSTB, which is to track the percentage of facilities in compliance with release prevention and release detection requirements that are designed to minimize petroleum releases to the environment, was short by one percentage point. However, the actual percentage mark was seven percent higher than the prior fiscal year.

Water and Wastewater Infrastructure Development (P774)

This program is comprised of the Construction Programs and Drinking Water bureaus.

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.

Accomplishments - The Construction Programs Bureau (CPB) of the Program met three of the four mandated performance measures as contained in appropriation language. The objective of the first measure is to report on the number and dollar amount of new projects funded by loans from the Clean Water State Revolving Fund (CWSRF) and Rural Infrastructure Revolving Loan Fund (RIP). During SFY12 the bureau funded five (5) new projects totaling \$2,990,000 from RIP. Loans from the CWSRF supported four new projects and increased two existing loans equating to \$5,190,000. Additionally, the bureau executed two loans supported by ARRA funds in the amount of \$260,000.

The second and third performance measures for CPB were for reporting on the number of Uniform Funding Applications processed by the bureau for water, wastewater and solid waste projects which was 100 percent. The third measure was to report on the percent of Environmental Protection Agency clean water state revolving loan fund capitalization grant and matching funds committed by New Mexico communities for wastewater infrastructure

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development for the prior fiscal year. The CPB was able to commit approximately 94 percent of matching funds which exceeds the federal target of 75 percent.

The Drinking Water Bureau (DWB) complied with its three mandated performance measures for SFY12. The first and second measures, number and location of boil water advisories issued during the year and number of site visits and assistance actions provided, explanatory measures. The DWB issued four boil water advisories, conducted 449 site visits to public water systems and provided 3,675 assistance actions to ensure compliance with regulations of the Safe Drinking Water Act. The bureau met with 100 percent compliance of the number of inspections conducted on public water drinking systems within one week of a notification that those systems might impact public health.

The fourth target measure for DWB is to survey public water systems for compliance with drinking water regulations. Approximately 145 surveys were due or past due thereby equating to an actual percentage of 87.45 measured against a target of 89.2 percent.

Financial Highlights

The Department's FY12 financial portfolio included thirty-nine (39) funds comprised of governmental, proprietary and fiduciary funds. The governmental funds included three major funds: the General Fund (06400), the Special Appropriation Fund (22100) and the Corrective Action Fund (99000). The proprietary funds include 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, capital project funds and fiduciary (65200) made up the remainder of the Department financial portfolio for the year.

During FY12 the Department recorded total net assets of \$259,805,675, which represents an increase of \$40,919,519 or a 18.7% increase over FY11. The Department's governmental net assets increased by \$29,163,785, while the business-type net assets increased by \$11,755,734 over FY11.

The business-type activities operating revenues for FY12 was \$4,384,248 and the non-operating income was \$10,104,882. The total cost of all Department programs decreased by \$62,298,583 or 56.5% versus the prior fiscal year, from \$110,318,916 to \$48,020,333 during FY12.

Analysis of Individual Balances and Transactions

Governmental funds experienced a decrease in net revenue primarily due to reductions in bond proceeds and special appropriations. Business-type revenue decreased due to the exhaustion ARRA funds made available to CPB – Clean Water State Revolving Fund due to the decreased congressional funding allotments for this source. The general fund appropriations for operations have stabilized over prior years; however, the Department has continued to demand fully utilizing special revenue funds where allowable. The Department continued to experience a decrease in federal revenue, which has also exhorted the use of special funds to support ongoing activities and its effects on funds balance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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, 2012. Net assets for the Governmental Activities and Business-type Activities were \$(25,261,747) and \$285,067,422, respectively. The total Department net assets for fiscal year 2012 are \$259,805,675, which is a marginal increase over the previous fiscal year. The Department increased its assets while reducing liabilities over the prior period along. The net restricted assets increased while unrestricted balance decreased over the prior period, resulting in an increase of total liabilities and net assets mainly attributable to business type activities.

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

	Governmental Activities		Business-Type Activities		Total	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Assets:						
Current and						
other assets	\$ 42,300,349	\$ 48,922,145	\$ 117,899,698	\$ 104,720,103	\$ 160,200,047	\$ 153,642,248
Capital and non-						
current assets	1,058,966	1,026,554	167,211,581	168,651,896	168,270,547	169,678,450
Total assets	\$ 43,359,315	\$ 49,948,699	\$ 285,111,279	\$ 273,371,999	\$ 328,470,594	\$ 323,320,698
Liabilities:						
Current liabilities	\$ 10,563,116	\$ 21,119,365	\$ 43,857	\$ 60,311	\$ 10,606,973	\$ 21,179,676
Long-term liabilities	58,057,946	83,254,866	-	-	58,057,946	83,254,866
Total liabilities	68,621,062	104,374,231	43,857	60,311	68,664,919	104,434,542
Net assets:						
Invested in capital						
assets, net of						
related debt	1,058,966	1,026,554	-	-	1,058,966	1,026,554
Restricted	36,838,000	35,890,327	285,067,422	273,311,688	321,905,422	309,202,015
Unrestricted	(63,158,713)	(91,342,413)	-	-	(63,158,713)	(91,342,413)
Total net assets	(25,261,747)	(54,425,532)	285,067,422	273,311,688	259,805,675	218,886,156
Total liabilities						
and net assets	\$ 43,359,315	\$ 49,948,699	\$ 285,111,279	\$ 273,371,999	\$ 328,470,594	\$ 323,320,698

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Changes in Net Assets. Table A-2 summarizes the Department change in net assets for the fiscal year ending June 30, 2012. The Department's change in net assets for fiscal year 2012 increased by \$40,919,519 over the prior period. Program revenues for governmental activities decreased by \$2,347,535 when compared to fiscal year 2011. Accordingly, program revenues for business-type activities decreased by \$6,980,927. The total change in net assets was due to the following reason: 1) a decrease of approximately \$9.5 million in grants and contributions, and 2) a decrease of approximately \$13.9 million in bond proceeds and special/capital appropriations. Total expenses decreased approximately \$70.3 million due to a decrease of approximately \$29.2 million of governmental activities expenditures from reductions in operating and capital projects and an increase of approximately \$11.8 million the business-type activities expenditures.

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

	Governmental Activities		Business-Type Activities		Total	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Revenues:						
Program revenues:						
Charges for services	\$ 18,894,961	\$ 18,836,301	\$ 4,384,248	\$ 4,214,781	\$ 23,279,209	\$ 23,051,082
Operating grants & contributions	18,885,721	21,291,916	10,104,882	17,255,276	28,990,603	38,547,192
General revenues:						
Transfers, net	211,403	(367,105)	(207,745)	(307,124)	3,658	(674,229)
Other	18,783,234	18,936,207	-	-	18,783,234	18,936,207
Bond proceeds/ appropriations	17,880,326	31,112,087	-	660,000	17,880,326	31,772,087
Investment income	2,822	3,564	-	150,824	2,822	154,388
Total revenues	74,658,467	89,812,970	14,281,385	21,973,757	88,939,852	111,786,727
Expenses:						
Governmental	45,494,682	95,411,157	2,525,651	14,907,759	48,020,333	110,318,916
Total expenses	45,494,682	95,411,157	2,525,651	14,907,759	48,020,333	110,318,916
Changes in net assets	29,163,785	(5,598,187)	11,755,734	7,065,998	40,919,519	1,467,811
Beginning net assets	(54,425,532)	(48,827,345)	273,311,688	266,245,690	218,886,156	217,418,345
Ending net assets	\$ (25,261,747)	\$ (54,425,532)	\$ 285,067,422	\$ 273,311,688	\$ 259,805,675	\$ 218,886,156

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Budgetary Highlights

The Department's general fund appropriations decreased approximately \$3.4 million over the prior year while appropriations for special revenues increased by \$2,176,200. Federal sources were initially budgeted at \$558,500 under the prior fiscal year. These changes demonstrate the Department's increased reliance on the use of special revenue funding to support activities. The Department continued to operate under austerity measures with regards to hiring in order to have sufficient fund balances to support activities. The general fund reduction affected the Department's ability to leverage federal revenue that requires matching funds as demonstrated by the reduction in federal support.

Capital Assets and Debt Administration

As of June 30, 2012, the Department's net capital assets were \$1,058,966. This amount represents a net increase of \$32,412 (including additions, deletions and depreciation) compared to fiscal year 2011.

As of June 30, 2012, the Department's total compensated absence liability was approximately \$1.93 million; this is a \$51,540 decrease compared to fiscal year 2011. The amount is expected to be paid from the general fund and is expected to be paid within one year.

As of June 30, 2012, the Department's total pollution remediation liability was approximately \$55.7 million; this is a \$31,048,816 decrease compared to fiscal year 2011. The amount expected to be paid within one year is \$1,394,641.

Economic Factors and Next Year's Budget Outlook

The Department is reliant on a nominal appropriation of general fund used to support general operating activities and provide match to federal awards. Accordingly, special and capital projects are significantly reliant on general fund appropriations and as such this source has diminished in recent periods. The sources of inflows to the general fund appears to have stabilized, but is still dependent upon the government's ability to collect taxes and fees for services based on current and projected economic wealth. As economic certainty is unknown investors are cautious to invest in public projects which directly effects bonds sales. In the current economic climate the State Legislature, who makes appropriations annually for the operations and capital projects, has been cautious in its authority to fund government operations based on revenue and income flows to the State. The Department is optimistic that current low interest rates on loans it provides for capital project has induced more consumers to utilize this source, which has increased business-type assets. The Department continues to be concerned with future federal funding and the reliance on the special revenue funds and its effects on fund balances for operations and future projects.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2012

Contacting the Department's Financial Management

The 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 information, please contact:

New Mexico Environment Department
Administrative Services Division – Financial Services Bureau
1190 St. Francis Drive
P.O. Box 5469
Santa Fe, NM 87502-5469
www.nmenv.state.nm.us

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,385	\$ -	\$ 1,385
Investment in state general fund investment pool	36,216,894	104,881,877	141,098,771
Due from federal government	3,996,495	38,638	4,035,133
Due from other state agencies	1,270,620	20,865	1,291,485
Due from enterprise funds	19,404	-	19,404
Due from governmental funds	-	33,655	33,655
Loans for completed projects, current	-	10,992,282	10,992,282
Interest on loans	-	1,932,381	1,932,381
Other receivables	795,542	-	795,542
Prepaid expenses	9	-	9
	<u>42,300,349</u>	<u>117,899,698</u>	<u>160,200,047</u>
Total current assets			
NON-CURRENT ASSETS			
Projects in progress, non-current	-	16,801,867	16,801,867
Loans for completed projects, non-current, net	-	150,409,714	150,409,714
Capital assets	6,557,062	-	6,557,062
Less: accumulated depreciation	<u>(5,498,096)</u>	<u>-</u>	<u>(5,498,096)</u>
	<u>1,058,966</u>	<u>167,211,581</u>	<u>168,270,547</u>
Total non-current assets			
TOTAL ASSETS	<u>\$ 43,359,315</u>	<u>\$ 285,111,279</u>	<u>\$ 328,470,594</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable and accrued liabilities	\$ 6,853,515	\$ 24,453	\$ 6,877,968
Due to other state agencies	163,174	-	163,174
Due to state general fund	188,808	-	188,808
Due to enterprise funds	33,655	-	33,655
Due to governmental funds	-	19,404	19,404
Pollution remediation liability - due within one year	1,394,641	-	1,394,641
Compensated absences - due within one year	1,929,323	-	1,929,323
Total current liabilities	<u>10,563,116</u>	<u>43,857</u>	<u>10,606,973</u>
NON-CURRENT LIABILITIES			
Pollution remediation liability - due in more than one year	54,299,163	-	54,299,163
Contingency liability	3,758,783	-	3,758,783
Total non-current liabilities	<u>58,057,946</u>	<u>-</u>	<u>58,057,946</u>
Total liabilities	<u>68,621,062</u>	<u>43,857</u>	<u>68,664,919</u>
NET ASSETS			
Invested in capital assets	1,058,966	-	1,058,966
Restricted	36,838,000	285,067,422	321,905,422
Unrestricted	(63,158,713)	-	(63,158,713)
Total net assets	<u>(25,261,747)</u>	<u>285,067,422</u>	<u>259,805,675</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,359,315</u>	<u>\$ 285,111,279</u>	<u>\$ 328,470,594</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
PRIMARY GOVERNMENT		
GOVERNMENTAL ACTIVITIES		
Program support	\$ 6,233,402	\$ 1,614,855
Water quality	(1,098,480)	4,244,272
Environmental health	8,172,684	2,103,188
Environmental protection	17,137,805	6,953,665
Water and wastewater infrastructure development	7,206,876	1,856,443
Other environmental initiatives	<u>7,842,395</u>	<u>2,122,538</u>
Total governmental activities	<u>45,494,682</u>	<u>18,894,961</u>
BUSINESS-TYPE ACTIVITIES		
12100/32700 - Clean Water State Revolving Fund	2,153,573	3,913,552
33700/61900 - Rural Infrastructure Revolving Fund	<u>372,078</u>	<u>470,696</u>
Total business-type activities	<u>2,525,651</u>	<u>4,384,248</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 48,020,333</u>	<u>\$ 23,279,209</u>

<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Operating</u>	<u>Capital</u>	<u>Primary Government</u>		
<u>Grants and</u>	<u>Grants and</u>	<u>Governmental</u>	<u>Business-type</u>	
<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ 310,124	\$ -	\$ (4,308,423)	\$ -	\$ (4,308,423)
9,998,158	-	15,340,910	-	15,340,910
707,209	-	(5,362,287)	-	(5,362,287)
4,473,561	-	(5,710,579)	-	(5,710,579)
3,396,669	-	(1,953,764)	-	(1,953,764)
-	-	(5,719,857)	-	(5,719,857)
<u>18,885,721</u>	<u>-</u>	<u>(7,714,000)</u>	<u>-</u>	<u>(7,714,000)</u>
10,104,882	-	-	11,864,861	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>98,618</u>	<u>-</u>
<u>10,104,882</u>	<u>-</u>	<u>-</u>	<u>11,963,479</u>	<u>11,963,479</u>
<u>\$ 28,990,603</u>	<u>\$ -</u>	<u>(7,714,000)</u>	<u>11,963,479</u>	<u>4,249,479</u>
General revenues and transfers:				
General fund appropriations		11,354,900	-	11,354,900
Severance tax bonds		6,525,426	-	6,525,426
Petroleum products loading fee		18,483,421	-	18,483,421
Investment earnings		2,822	-	2,822
Other revenue		299,813	-	299,813
Transfers in		711,278	-	711,278
Transfers out		(311,067)	(207,745)	(518,812)
Reversions FY12		(188,808)	-	(188,808)
Total general revenues and transfers		<u>36,877,785</u>	<u>(207,745)</u>	<u>36,670,040</u>
Change in net assets		29,163,785	11,755,734	40,919,519
Net assets, beginning of year		<u>(54,425,532)</u>	<u>273,311,688</u>	<u>218,886,156</u>
Net assets, end of year		<u>\$ (25,261,747)</u>	<u>\$ 285,067,422</u>	<u>\$ 259,805,675</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	Major Funds	
	06400 General Fund	99000 Corrective Action Fund
ASSETS		
Cash	\$ 1,385	\$ -
Investment in state general fund investment pool	2,555,406	14,349,350
Due from other governmental funds	700,996	787,261
Due from enterprise funds	19,404	-
Due from federal government	3,934,772	-
Due from other state agencies	76,410	-
Other receivables	70,652	-
Prepaid expenses	9	-
TOTAL ASSETS	\$ 7,359,034	\$ 15,136,611
LIABILITIES		
Investment in state general fund investment pool overdraft	\$ -	\$ -
Accounts payable	2,302,034	1,649,179
Due to other governmental funds	5,264,217	-
Due to other enterprise funds	33,655	-
Due to other state agencies	-	-
Due to state general fund	-	-
Accrued payroll liabilities	1,535,931	-
Total liabilities	<u>9,135,837</u>	<u>1,649,179</u>
FUND BALANCES		
Restricted	-	13,487,432
Assigned	283,476	-
Unassigned	(2,060,279)	-
Total fund balances	<u>(1,776,803)</u>	<u>13,487,432</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,359,034	\$ 15,136,611

<u>10360</u> <u>Severance</u> <u>Tax Bonds</u> <u>2008</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u>
\$ -	\$ -	\$ 1,385
-	19,629,760	36,534,516
-	4,476,956	5,965,213
-	-	19,404
-	61,723	3,996,495
788,420	405,790	1,270,620
-	724,890	795,542
-	-	9
<u>\$ 788,420</u>	<u>\$ 25,299,119</u>	<u>\$ 48,583,184</u>
\$ 57,895	\$ 259,727	\$ 317,622
730,525	632,205	5,313,943
-	700,996	5,965,213
-	-	33,655
-	163,174	163,174
-	188,808	188,808
-	3,641	1,539,572
<u>788,420</u>	<u>1,948,551</u>	<u>13,521,987</u>
-	23,350,568	36,838,000
-	-	283,476
-	-	(2,060,279)
<u>-</u>	<u>23,350,568</u>	<u>35,061,197</u>
<u>\$ 788,420</u>	<u>\$ 25,299,119</u>	<u>\$ 48,583,184</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 35,061,197
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

The cost of capital assets is	6,557,062
Accumulated depreciation is	<u>(5,498,096)</u>
 Total capital assets	 <u>1,058,966</u>

Long-term and certain other liabilities, are not 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	(55,693,804)
Contingency liability	(3,758,783)
Compensated absences payable	<u>(1,929,323)</u>
 Total long-term and other liabilities	 <u>(61,381,910)</u>

Net assets of governmental activities (Statement of Net Assets)	<u>\$ (25,261,747)</u>
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Major Funds	
	06400 General Fund	99000 Corrective Action Fund
REVENUES		
Environmental fees	\$ -	\$ -
Petroleum products loading fee		18,483,421
Federal grant revenue	17,949,199	-
Investment earnings	-	-
Other revenue	299,813	-
Total revenues	<u>18,249,012</u>	<u>18,483,421</u>
EXPENDITURES		
Current:		
Program support	6,227,043	-
Water quality	16,412,595	-
Environmental health	8,153,757	-
Environmental protection	14,144,187	10,457,621
Water and wastewater infrastructure development	7,197,163	-
Other environmental initiatives	462,200	-
Capital outlay	386,378	-
Total expenditures	<u>52,983,323</u>	<u>10,457,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(34,734,311)	8,025,800
OTHER FINANCING SOURCES (USES)		
General fund appropriation	11,354,900	-
Severance tax bonds	459,025	-
Transfers in:		
Interfund	23,556,768	-
Other	207,745	-
Transfers out:		
Interfund	-	(6,996,439)
Other	-	-
Reversions-FY12	-	-
NET OTHER FINANCING SOURCES (USES)	<u>35,578,438</u>	<u>(6,996,439)</u>
NET CHANGE IN FUND BALANCES	844,127	1,029,361
FUND BALANCES, BEGINNING	<u>(2,620,930)</u>	<u>12,458,071</u>
FUND BALANCES, ENDING	<u>\$ (1,776,803)</u>	<u>\$ 13,487,432</u>

<u>10360</u> <u>Severance</u> <u>Tax Bonds</u> <u>2008</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u>
\$ -	\$ 18,894,961	\$ 18,894,961
-	-	18,483,421
-	936,522	18,885,721
-	2,822	2,822
-	-	299,813
-	19,834,305	56,566,738
-	-	6,227,043
-	-	16,412,595
-	-	8,153,757
-	2,045,528	26,647,336
-	-	7,197,163
5,534,786	1,845,409	7,842,395
-	-	386,378
5,534,786	3,890,937	72,866,667
(5,534,786)	15,943,368	(16,299,929)
-	-	11,354,900
5,534,786	531,615	6,525,426
-	1,147,448	24,704,216
-	503,533	711,278
-	(17,707,777)	(24,704,216)
-	(311,067)	(311,067)
-	(188,808)	(188,808)
5,534,786	(16,025,056)	18,091,729
-	(81,688)	1,791,800
-	23,432,256	33,269,397
\$ -	\$ 23,350,568	\$ 35,061,197

The accompanying notes are an integral part of the financial statements.

**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, 2012**

**Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in
Fund Balances) \$ 1,791,800**

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

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

The decrease in compensated absences for the fiscal year was:	51,540
The decrease in the pollution remediation liability (Note 12) for the fiscal year was:	31,046,816
The increase in the contingency liability	(3,758,783)

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	386,378
Depreciation expense	<u>(353,966)</u>
Excess of depreciation expense over capital outlay	<u>32,412</u>

**Change in net assets of governmental activities
(Statement of Activities) \$ 29,163,785**

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES -
MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2012

	GENERAL FUND - TOTAL			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal funds	\$ 19,585,400	\$ 20,018,927	\$ 17,949,199	\$ (2,069,728)
General fund	11,354,900	11,354,900	11,354,900	-
Other state funds	4,589,000	4,589,000	299,813	(4,289,187)
Inter-agency transfers	30,730,357	30,898,957	24,223,538	(6,675,419)
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 66,259,657	\$ 66,861,784	\$ 53,827,450	\$ (13,034,334)
P-567 EXPENDITURES				
Personal services and employee benefits	\$ 6,064,200	\$ 6,064,200	\$ 4,996,194	\$ 1,068,006
Contractual services	827,400	827,400	582,163	245,237
Other	820,700	863,417	682,202	181,215
TOTAL P-567 EXPENDITURES	\$ 7,712,300	\$ 7,755,017	\$ 6,260,559	\$ 1,494,458
P-568 EXPENDITURES				
Personal services and employee benefits	\$ 13,277,300	\$ 13,417,300	\$ 11,590,943	\$ 1,826,357
Contractual services	5,250,900	5,250,900	3,239,603	2,011,297
Other	2,241,900	2,241,900	1,623,885	618,015
Other financing uses	-	-	-	-
TOTAL P-568 EXPENDITURES	\$ 20,770,100	\$ 20,910,100	\$ 16,454,431	\$ 4,455,669
P-569 EXPENDITURES				
Personal services and employee benefits	\$ 7,646,500	\$ 7,646,500	\$ 6,620,330	\$ 1,026,170
Contractual services	171,000	171,000	41,108	129,892
Other	1,723,400	1,723,400	1,492,319	231,081
TOTAL P-569 EXPENDITURES	\$ 9,540,900	\$ 9,540,900	\$ 8,153,757	\$ 1,387,143

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, 2012

	<u>GENERAL FUND - TOTAL (CONTINUED)</u>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
P-570 EXPENDITURES				
Personal services and employee benefits	\$ 13,033,200	\$ 12,762,895	\$ 11,059,213	\$ 1,703,682
Contractual services	738,000	944,599	756,374	188,225
Other	2,641,800	3,124,916	2,639,626	485,290
TOTAL P-570 EXPENDITURES	<u>\$ 16,413,000</u>	<u>\$ 16,832,410</u>	<u>\$ 14,455,213</u>	<u>\$ 2,377,197</u>
P-774 EXPENDITURES				
Personal services and employee benefits	\$ 6,578,800	\$ 6,578,800	\$ 4,858,561	\$ 1,720,239
Contractual services	3,109,400	3,109,400	1,814,979	1,294,421
Other	1,114,700	1,114,700	692,205	422,495
TOTAL P-774 EXPENDITURES	<u>\$ 10,802,900</u>	<u>\$ 10,802,900</u>	<u>\$ 7,365,745</u>	<u>\$ 3,437,155</u>
CAPITAL PROJECT EXPENDITURES				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	1,020,457	1,020,457	462,200	558,257
Other	-	-	-	-
TOTAL SPECIAL APPROPRIATIONS EXPENDITURES	<u>\$ 1,020,457</u>	<u>\$ 1,020,457</u>	<u>\$ 462,200</u>	<u>\$ 558,257</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, 2012

	<u>GENERAL FUND - TOTAL (CONTINUED)</u>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
ALL EXPENDITURES				
Personal services and employee benefits	\$ 46,600,000	\$ 46,469,695	\$ 39,125,241	\$ 7,344,454
Contractual services	11,117,157	11,323,756	6,896,427	4,427,329
Other	8,542,500	9,068,333	7,130,237	1,938,096
Other financing uses	-	-	-	-
TOTAL ALL EXPENDITURES	<u>\$ 66,259,657</u>	<u>\$ 66,861,784</u>	53,151,905	<u>\$ 13,709,879</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			675,545	
ADMINISTRATIVE EXPENSES (CAP GRANT) BUDGETED IN FUND 06400, EXPENSED IN ENTERPRISE FUND 12100			<u>168,582</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 844,127</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, 2012

	<u>CORRECTIVE ACTION FUND (99000)</u>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES				
Federal funds	\$ -	\$ -	\$ -	\$ -
General fund	-	-	-	-
Other state funds	17,783,700	17,783,700	18,483,421	699,721
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	4,400,000	-	(4,400,000)
TOTAL REVENUES	<u>\$ 17,783,700</u>	<u>\$ 22,183,700</u>	<u>\$ 18,483,421</u>	<u>\$ (3,700,279)</u>
EXPENDITURES				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	3,500,000	3,500,000	2,369,368	1,130,632
Other	6,500,000	10,900,000	8,088,253	2,811,747
Other financing uses	7,783,700	7,783,700	6,996,439	787,261
TOTAL EXPENDITURES	<u>\$ 17,783,700</u>	<u>\$ 22,183,700</u>	17,454,060	<u>\$ 4,729,640</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			1,029,361	
BUDGETED FUND BALANCE			-	
NET CHANGE IN FUND BALANCE			<u>\$ 1,029,361</u>	

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2012

	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	\$ 84,854,118	\$ 710,541	\$ 19,317,218	\$ 104,881,877
Accounts receivable:				
Loans for completed projects, current	9,370,224	-	1,622,058	10,992,282
Due from other governmental funds	-	33,655	-	33,655
Due from federal government	38,638	-	-	38,638
Interest on loans	1,666,393	-	265,988	1,932,381
Due from other state agencies	16,753	143	3,969	20,865
	<u>95,946,126</u>	<u>744,339</u>	<u>21,209,233</u>	<u>117,899,698</u>
Total current assets				
Non-current assets:				
Projects in progress, non-current	14,863,168	-	1,938,699	16,801,867
Loans for completed projects, non-current	140,076,613	-	10,711,332	150,787,945
Allowance for uncollectible accounts	-	-	(378,231)	(378,231)
	<u>154,939,781</u>	<u>-</u>	<u>12,271,800</u>	<u>167,211,581</u>
Total non-current assets				
TOTAL ASSETS	<u>\$ 250,885,907</u>	<u>\$ 744,339</u>	<u>\$ 33,481,033</u>	<u>\$ 285,111,279</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other accrued liabilities	\$ 7	\$ -	\$ 24,446	\$ 24,453
Due to other governmental funds	19,404	-	-	19,404
	<u>19,411</u>	<u>-</u>	<u>24,446</u>	<u>43,857</u>
Total liabilities				
NET ASSETS				
Restricted	250,866,496	744,339	33,456,587	285,067,422
Unrestricted	-	-	-	-
	<u>250,866,496</u>	<u>744,339</u>	<u>33,456,587</u>	<u>285,067,422</u>
Total net assets				
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 250,885,907</u>	<u>\$ 744,339</u>	<u>\$ 33,481,033</u>	<u>\$ 285,111,279</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
Year Ended June 30, 2012**

	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	\$ 3,515,074	\$ 809	470,696	\$ 3,986,579
Debt service fees	-	397,669	-	397,669
Total operating revenues	<u>3,515,074</u>	<u>398,478</u>	<u>470,696</u>	<u>4,384,248</u>
OPERATING EXPENSES				
Transfers (06400) Admin expenses	-	207,745	-	207,745
Administrative expenses	293,978	-	372,078	666,056
Total operating expenses	<u>293,978</u>	<u>207,745</u>	<u>372,078</u>	<u>873,801</u>
OPERATING INCOME (LOSS)	3,221,096	190,733	98,618	3,510,447
NON-OPERATING REVENUES (EXPENSES)				
Grants and contributions	10,104,882	-	-	10,104,882
Bond proceeds	-	-	-	-
Grants to other organizations	(1,859,595)	-	-	(1,859,595)
Total non-operating revenues (expenses)	<u>8,245,287</u>	<u>-</u>	<u>-</u>	<u>8,245,287</u>
CHANGE IN NET ASSETS	11,466,383	190,733	98,618	11,755,734
TOTAL NET ASSETS, BEGINNING	<u>239,400,113</u>	<u>553,606</u>	<u>33,357,969</u>	<u>273,311,688</u>
TOTAL NET ASSETS, ENDING	<u>\$250,866,496</u>	<u>\$ 744,339</u>	<u>\$ 33,456,587</u>	<u>\$285,067,422</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2012

	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	\$ 12,877,947	\$ -	\$ 2,621,098	\$ 15,499,045
Cash received on interest from loans	3,477,895	-	455,882	3,933,777
Interest payments received from banks/STO	105,660	694	25,992	132,346
Cash received for debt service fees	-	397,669	-	397,669
Cash payments for administrative expenses	(324,936)	(20,724)	(357,575)	(703,235)
Cash payments made to borrowers	(11,058,196)	-	(1,408,168)	(12,466,364)
Net cash provided by (used in) operating activities	<u>5,078,370</u>	<u>377,639</u>	<u>1,337,229</u>	<u>6,793,238</u>
CASH FLOWS PROVIDED BY (USED IN)				
CAPITAL AND FINANCING RELATED ACTIVITIES				
Grant proceeds - EPA	10,075,738	-	-	10,075,738
Grants to other organizations	(1,859,595)	-	-	(1,859,595)
Bond proceeds	-	-	-	-
Net cash provided by (used in) capital and related financing activ	<u>8,216,143</u>	<u>-</u>	<u>-</u>	<u>8,216,143</u>
CASH FLOWS PROVIDED BY (USED IN)				
NON-CAPITAL FINANCING ACTIVITIES				
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>-</u>	<u>27,342</u>	<u>27,342</u>
NET INCREASE IN CASH	13,294,513	377,639	1,364,571	15,036,723
INVESTMENTS IN STATE GENERAL FUND INVESTMENT POOL, BEGINNING OF YEAR	<u>71,559,605</u>	<u>332,902</u>	<u>17,952,647</u>	<u>89,845,154</u>
INVESTMENTS IN STATE GENERAL FUND INVESTMENT POOL, END OF YEAR	<u>\$ 84,854,118</u>	<u>\$ 710,541</u>	<u>\$ 19,317,218</u>	<u>\$ 104,881,877</u>

	ENTERPRISE FUNDS			Total
	(12100)	(32700)	(33700/61900)	
	Wastewater Facility Construction Loan Fund	Clean Water Administrative Fund	Rural Infrastructure Revolving Loan Fund	
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 3,221,096	\$ 190,733	\$ 98,618	\$ 3,510,447
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Change in assets and liabilities:				
Loans receivable	1,819,751	-	1,211,788	3,031,539
Loan interest receivable	79,013	-	14,700	93,713
Interest on investments receivable	(10,533)	(115)	(2,380)	(13,028)
Due to other governmental funds	(25,580)	-	-	(25,580)
Due from other governmental funds	-	187,021	-	187,021
Accounts payable and accrued liabilities	(5,377)	-	14,503	9,126
Total reconciling adjustments	<u>1,857,274</u>	<u>186,906</u>	<u>1,238,611</u>	<u>3,282,791</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 5,078,370</u>	<u>\$ 377,639</u>	<u>\$ 1,337,229</u>	<u>\$ 6,793,238</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
June 30, 2012**

	(65200) Agency Fund
ASSETS	
Investment in state general fund investment pool	\$ <u>543,823</u>
LIABILITIES	
Funds held for others	\$ <u>543,823</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – DEFINITION OF 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.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Financial Statements

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

Financial Reporting Entity

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. 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.

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.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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's 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.

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:

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$1.8 million. The Department is determining the best resolution to eliminate the deficit and will use a possible combination of budget reductions and Special Revenue Fund Balances to eliminate the negative Fund Balance in the General Fund.

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.

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.

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

Capital Projects Funds. The Capital Projects 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.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Types

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

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

These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenditures from non-operating items. Operating revenues and expenditures generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the funds are interest on loans made to municipalities for water projects and other projects. Operating expenditures include administrative expenditures required to manage and operate the fund. All revenues and expenditures not meeting this definition are reported as non-operating revenues and expenditures.

The Department reports the following major proprietary funds:

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 74-6A-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.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2012 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: petroleum products loading fee, 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.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The state Legislature makes annual appropriations to the Department. Annual appropriations lapse at fiscal year end unless otherwise specified in the legislation. Legal compliance is monitored through the establishment of a budget (modified accrual) and a financial control system that permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the category level. Budgeted category amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration (DFA) within the limitations as specified in the General Appropriation 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 9.

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.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

However, the Department has an ongoing project to investigate and resolve all outstanding balances. As of the end of the 2012 fiscal year, 21 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, 2012, and includes direct and incremental salary related payments, such as the employees' share of social security taxes.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2 - 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 and 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, 2012 as a result of long-term liabilities that are to be funded as they become due rather than when they are incurred.

Fund Balances

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature’s and Executive Branch’s intent to be used for specific purposes or, in some cases, by legislation. See additional information about fund balances below.

Restricted – Government Fund Financial Statements

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

RESTRICTED – MAJOR FUNDS

Fund	Description	Enabling Legislation	Restricted Fund Balance
99000	Corrective Action Fund	NM 74-6B-7	\$ 13,487,432
		Subtotal – Restricted - Major Funds	<u>13,487,432</u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESTRICTED – OTHER GOVERNMENTAL FUNDS

Fund	Description	Enabling Legislation	Restricted Fund Balance
	Recycling and Illegal Dumping		
02600	Fund	NM 74-13-1	394,558
06600	Voluntary Remediation Fund	NM 74-4G-11	70,649
09200	Air Quality Title V Fund	NM 74-2-15	4,884,686
10980	Nuclear Workers Assistance Fund	NM 74-1-17	38,939
	Brownfields Cleanup Revolving		
11900	Loan Fund	NM 74-1-17	729,544
24800	Responsible Parties Fund	NM 74-6B-7	421,496
33900	Hazardous Waste Fund	NM 74-4-4.5	3,528,240
34000	Liquid Waste Fund	NM 74-1-15	305,801
	Water Quality Management		
34100	Fund	NM 74-6-5.2	682,563
40000	Water Recreation Facilities Fund	NM 74-1-16	226,070
56700	Water Conservation Fund	NM 74-1-13	3,037,137
	Public Water Supply System Operator and Public Waste-		
58400	Water Operator Fund	NM 61-33-5	124,293
59200	Radiation Protection Fund	NM 74-3-5.1	986,652
63100	State Air Quality Permit Fund	NM 74-2-15	1,847,241
63200	Solid Waste Facility Grant Fund	NM 74-9-4I	714,458
78300	Solid Waste Permit Fees Hazardous Waste Emergency	NM 74-9-8I	120,221
95700	Fund	NM 74-4-8	2,533,073
98700	Radiologic Technology Fund	NM 61-4E-10	261,178
98900	Storage Tank Fund	NM 74-4-4.8	480,307
99100	Food Service Sanitation Fund	NM 25-1-5.1	1,235,378
93100	General Fund Capital Outlay	Laws 2012, Chapter 63	728,084
		Subtotal – Restricted - Other	<u>23,350,568</u>
		Total – All Governmental Funds	<u>\$ 36,838,000</u>

In addition, the Department had an assigned fund balance in the general fund (06400) in the amount of \$283,476 for WIPP oversight. This has been assigned by the Department.

Short-Term Debt

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

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Eliminations

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

Cash and Cash Equivalents

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

Risk Management

The Department, as a "State Agency" defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the General Services Department 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.

Subsequent Events

At June 30, 2012, the Department had no claims that the Risk Management Division has returned as not covered that would become the responsibility of the Department.

Management evaluated subsequent events through December 10, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to December 10, 2012, that provided additional evidence about conditions that existed at June 30, 2012 have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2012.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3. STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED

In June 2012, an independent expert diagnostic report revealed that the State General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management REporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is, "Current State Diagnostic of Cash Control".

The State General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the State General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the Department's balances at the business unit/fund level is not possible.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. It is the understanding of Management that these changes will allow for the completion of a timely and accurate reconciliation on a point-forward basis only. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department's balances within the State General Fund Investment Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 4. INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2012 the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool: \$141,642,594

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

NOTE 5 - OTHER RECEIVABLES

Other receivables:

Brownfields Cleanup Revolving Loan Fund (11900)	\$ 168,304
Hazardous Waste Fund (33900)	121,300
Air Quality Title V Operating Permit Fees (09200)	424,403
General Fund (06400)	70,652
Storage Tank Fund (98900)	<u>10,883</u>

Total other receivables, net \$ 795,542

The Brownfields Cleanup Revolving Loan Fund provides loans from federal grant proceeds to various parties to carry out cleanup activities at Brownfields sites. At June 30, 2012, 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 \$25 per ton of allowable pollutants per year. For the fiscal year ending June 30, 2012, each owner or operator's annual payment fee was due June 1, 2012.

The 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

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 5 - OTHER RECEIVABLES (CONTINUED)

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.

NOTE 6 - 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, 2012 consist of the following:

	(12100)	(33700/61900)	
	Wastewater Facility Construction Loan Fund	Rural Infrastructure Revolving Loan Fund	Total
Construction loans in progress	\$ 14,863,168	\$ 1,938,699	\$ 16,801,867
Mortgage loans on completed projects, non-current and current	149,446,837	12,333,390	161,780,227
Accrued interest	1,666,393	265,988	1,932,381
Allowance for uncollectible accounts	<u>-</u>	<u>(378,231)</u>	<u>(378,231)</u>
	<u>\$ 165,976,398</u>	<u>\$ 14,159,846</u>	<u>\$ 180,136,244</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 \$2,500 to \$1,921,489 through June 3, 2032 in the Wastewater Construction Loan Fund and \$85 to \$414,141 through January 12, 2032 monthly and annual installments in the Rural Infrastructure Loan Fund.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - CONSTRUCTION AND MORTGAGE LOANS (CONTINUED)

The following is a schedule of future annual payments including principal, interest and administrative fee, as of June 30, 2012:

<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>
2013	\$ 12,795,802	\$ 1,639,958	\$ 14,435,760
2014	12,219,627	1,584,558	13,804,185
2015	12,189,514	1,155,971	13,345,485
2016	12,126,505	1,135,237	13,261,742
2017	12,144,514	1,063,570	13,208,084
2018 and thereafter	<u>118,408,844</u>	<u>8,695,159</u>	<u>127,104,003</u>
	179,884,806	15,274,453	195,159,259
Less interest and administrative	<u>(30,437,969)</u>	<u>(2,941,063)</u>	<u>(33,379,032)</u>
Completed projects	<u>\$ 149,446,837</u>	<u>\$ 12,333,390</u>	<u>\$ 161,780,227</u>

The following is a detailed summary of major borrowers and loan balances for construction and mortgage loans at June 30, 2012.

Construction loans in progress:

	<u>(12100) Wastewater Facility Construction Loan Fund</u>	<u>(33700/61900) Rural Infrastructure Revolving Loan Fund</u>	<u>Total</u>
Carlsbad	\$ 12,359,329	\$ -	\$ 12,359,329
Rio Rancho	1,443,524	-	1,443,524
Taos	1,000,000	-	1,000,000
Greentree SWA	-	688,534	688,534
Village of Cloudcroft	-	365,884	365,884
Otis MDWC & SWA	-	256,000	256,000
Navajo Dam	-	253,074	253,074
Other Communities	60,315	142,371	202,686
El Valle De Los Ranchos	-	127,411	127,411
Lower Arroyo Hondo MDWCA	<u>-</u>	<u>105,425</u>	<u>105,425</u>
Total	<u>\$ 14,863,168</u>	<u>\$ 1,938,699</u>	<u>\$ 16,801,867</u>

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - CONSTRUCTION AND MORTGAGE LOANS (CONTINUED)

Mortgage loans on completed projects:

Community	(12100) Wastewater Facility Construction Loan Fund	(33700/61900) Rural Infrastructure Revolving Loan Fund	Total
Hobbs	\$ 30,125,994	\$ -	\$ 30,125,994
Los Lunas	19,643,840	20,811	19,664,651
Los Alamos County	13,496,680	-	13,496,680
Las Vegas	13,343,843	-	13,343,843
Farmington	10,765,125	-	10,765,125
Lovington	7,712,410	-	7,712,410
Clovis	7,256,930	-	7,256,930
Albuquerque	6,882,353	-	6,882,353
Espanola	6,762,071	-	6,762,071
Rio Rancho	6,521,861	-	6,521,861
Dona Ana County	4,473,640	-	4,473,640
Aztec	4,370,220	-	4,370,220
Belen	2,423,864	320,606	2,744,470
Bloomfield	2,127,905	602,334	2,730,239
Gallup	2,353,755	-	2,353,755
Grants	2,289,193	-	2,289,193
Other Communities	558,419	1,269,510	1,827,929
Bayard	1,144,347	577,161	1,721,508
Silver City	1,651,013	-	1,651,013
Elephant Butte	447,410	904,711	1,352,121
Taos Ski Valley	1,317,375	-	1,317,375
Paa-Ko CSA	-	1,262,617	1,262,617
Estancia Valley Solid Waste Authority	-	1,075,208	1,075,208
Portales	-	1,071,585	1,071,585
Sandoval County Landfill	-	979,706	979,706
Ruidoso	978,637	-	978,637
Socorro	889,390	-	889,390
Santa Fe Solid Waste Mgmt Agency	-	792,446	792,446
Albuquerque Compost	551,385	-	551,385
Santa Rosa	475,000	-	475,000
Truth or Consequences	-	474,264	474,264
Edgewood	-	387,541	387,541
Logan	343,695	-	343,695
Tularosa	-	288,574	288,574

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - CONSTRUCTION AND MORTGAGE LOANS (CONTINUED)

Community	(12100) Wastewater Facility Construction Loan Fund	(33700/61900) Rural Infrastructure Revolving Loan Fund	Total
Red River	-	277,126	277,126
Texico	-	258,013	258,013
Upper La Plata	-	255,923	255,923
Estancia	135,000	80,492	215,492
Capitan	-	202,733	202,733
Eagle Nest	199,978	-	199,978
Roosevelt County Water Coop	-	191,144	191,144
Lordsburg	-	189,489	189,489
Canoncito at Apache Canyon	-	158,189	158,189
Twin Forks MDWCA	-	157,005	157,005
Garfield MDWCA	-	153,000	153,000
Gamerco Water & Sanitation District	-	126,646	126,646
La Jara MDWCA	-	125,000	125,000
Tucumcari	95,000	26,820	121,820
Raton	110,504	-	110,504
Ifeld MDWCA	-	104,736	104,736
Total	\$ 149,446,837	\$ 12,333,390	\$ 161,780,227

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 - 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 Administrative Fund to the General Fund and the amounts expended in the General Fund on behalf of the Special Revenue Funds. In addition, the amount due from 89000 to 06400 and the amount due from 12100 to 06400 are a result of indirect expenditures allocated to funds 89000 and 12100. All interfund balances are expected to be paid within one year. Due from/to other Department funds as of June 30, 2012 are as follows:

Amount Due From Other Funds		
Fund Name	Fund No.	Amount
Governmental and Enterprise Funds:		
Recycling and Illegal Dumping Fund	02600	\$ 27,445
Air Quality - Title V	09200	824,851
Clean Water Administrative Fund	32700	33,655
Hazardous Waste Fund	33900	999,523
Liquid Waste Fund	34000	123,926
Water Quality Management Fund	34100	421,079
Water Recreation Facilities	40000	143,455
Water Conservation Fund	56700	759,433
Radiation Protection Fund	59200	264,917
State Air Quality Permit Fund	63100	299,297
Solid Waste Permit Fees	78300	15,986
Hazardous Waste Emergency Fund	95700	163,497
Radiologic Technology Fund	98700	30,797
Storage Tank Fund	98900	64,026
Corrective Action Fund	99000	787,261
Food Service Sanitation Fund	99100	338,724
General Fund	06400	438,370
General Fund	06400	56,432
General Fund	06400	19,404
General Fund	06400	206,194
Total all funds		\$ 6,018,272
Governmental funds - Due from other governmental funds		\$ 5,965,213
Governmental funds - Due from enterprise funds		19,404
Enterprise funds - Due from other governmental funds		33,655
Total all funds		\$ 6,018,272

Amount Due To Other Funds

Fund Name	Fund No.	Amount
Governmental and Enterprise Funds:		
General Fund	06400	\$ 27,445
General Fund	06400	824,851
General Fund	06400	33,655
General Fund	06400	999,523
General Fund	06400	123,926
General Fund	06400	421,079
General Fund	06400	143,455
General Fund	06400	759,433
General Fund	06400	264,917
General Fund	06400	299,297
General Fund	06400	15,986
General Fund	06400	163,497
General Fund	06400	30,797
General Fund	06400	64,026
General Fund	06400	787,261
General Fund	06400	338,724
Responsible Parties Prepayment	24800	438,370
Operator Certification Fund	58400	56,432
Wastewater Facility Construction Loan Fund	12100	19,404
ARRA Fund	89000	<u>206,194</u>
Total all funds		<u>\$ 6,018,272</u>
Governmental funds - Due to other governmental funds		\$ 5,965,213
Governmental funds - Due to enterprise funds		33,655
Enterprise funds - Due to other governmental funds		<u>19,404</u>
Total all funds		<u>\$ 6,018,272</u>

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 8 - 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, 2012 consist of the following:

Due From Other State Agencies

NMED Fund	Agency	Other Agency's Fund No.	Amount
Governmental Funds:			
34000	State Treasurer's Office	80100	\$ 43
58400	State Treasurer's Office	80100	37
59200	State Treasurer's Office	80100	162
63200	State Treasurer's Office	80100	199
89200	Energy & Minerals - STB Capital Outlay	19900	395,291
06400	DFA - Board of Finance	01900	76,410
10360	DFA - Board of Finance	01900	788,420
89200	DFA - Board of Finance	01900	<u>10,058</u>
Total Governmental Funds			<u>1,270,620</u>
Enterprise Funds:			
12100	State Treasurer's Office	80100	16,753
32700	State Treasurer's Office	80100	143
33700	State Treasurer's Office	80100	<u>3,969</u>
Total Enterprise Funds			<u>20,865</u>
Total all funds			<u>\$ 1,291,485</u>

Due To Other State Agencies

Governmental Funds:			
34100	Energy, Minerals & Natural Resources	51200	\$ 38,174
89200	Energy, Minerals & Natural Resources	89200	<u>125,000</u>
Total governmental funds			<u>\$ 163,174</u>

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 - TRANSFERS

Inter-fund transfers as of June 30, 2012 are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds Inter-fund Transfers:		
General Fund - 06400	\$ 23,556,768	\$ -
Special Revenue Funds:		
99000	-	6,996,439
02600	-	465,455
09200	-	3,545,949
24800	-	438,370
33900	-	3,249,677
34000	-	273,957
34100	-	421,921
40000	-	146,445
56700	-	2,498,267
58400	-	56,432
59200	-	625,983
63100	-	2,275,003
78300	-	83,514
95700	-	580,103
98700	-	140,403
98900	-	489,274
99100	-	1,269,576
Capital Project Funds:		
22100 Capital Project Reauthorizations	-	567,635
69400 Capital Project Reauthorizations	-	200,000
10350 Capital Project Reauthorizations	-	379,813
93100 Capital Project Reauthorizations	<u>1,147,448</u>	<u>-</u>
Total governmental funds inter-fund transfers	<u>\$ 24,704,216</u>	<u>\$ 24,704,216</u>
Other Funds Inter-fund Transfers:		
06400	\$ -	\$ 207,745
32700	<u>207,745</u>	<u>-</u>
Total Other Inter-fund Transfers *	<u>\$ 207,745</u>	<u>\$ 207,745</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.

* Other inter-fund transfers in are included with inter-agency transfers in on the statement of revenues, expenditures and changes in fund balance.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 - TRANSFERS (CONTINUED)

Inter-agency transfers as of June 30, 2012 are as follows:

Inter-agency Transfers Out

NMED Fund	Agency	Other Agency's Fund	Description	Amount
89200	EMNRD - 52100	89200	MOU	\$ 125,000
10350	DFA - 34100	93100	Capital Projects Reauth.	167,017
34100	EMNRD - 52100	51200	Transfer EMNRD portion from Water Quality Fund	<u>19,050</u>
				<u>\$ 311,067</u>

Inter-agency Transfers In

NMED Fund	Agency	Other Agency's Fund	Description	Amount
89200	EMNRD - 52100	89200	MOU	\$ 478,533
93100	DOT - 80500	10050	Capital Projects Reauth.	25,000
Total inter-agency transfers in				<u>503,533</u>
Total other interfund transfers in				<u>207,745</u>
Total other transfers				<u>\$ 711,278</u>

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 10 - CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Type Activities</u>	<u>Balance, June 30, 2011</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance, June 30, 2012</u>
Reportable IT maintenance	\$ 52,475	\$ -	\$ -	\$ 52,475
Reportable IT services	158,698	-	-	158,698
Furniture and fixtures	119,709	75,412	(1,335)	193,786
Data processing equipment	1,791,644	32,569	(30,726)	1,793,487
Machinery and equipment	3,372,931	278,397	(193,959)	3,457,369
Library and museum	37,890	-	-	37,890
Automotive	847,677	-	(1,129)	846,548
Buildings and structures	16,809	-	-	16,809
Total	<u>6,397,833</u>	<u>386,378</u>	<u>(227,149)</u>	<u>6,557,062</u>
Accumulated depreciation:				
Reportable IT maintenance	(48,859)	(4,689)	-	(53,548)
Reportable IT services	(101,574)	(26,746)	-	(128,320)
Furniture and fixtures	(87,276)	(15,984)	1,335	(101,925)
Data processing equipment	(1,700,750)	(29,783)	30,726	(1,699,807)
Machinery and equipment	(2,826,627)	(159,910)	193,959	(2,792,578)
Library and museum	(37,890)	-	-	(37,890)
Automotive	(562,035)	(116,241)	1,129	(677,147)
Buildings and structures	(6,268)	(613)	-	(6,881)
Total accumulated depreciator	<u>(5,371,279)</u>	<u>(353,966)</u>	<u>227,149</u>	<u>(5,498,096)</u>
Net capital assets	<u>\$ 1,026,554</u>	<u>\$ 32,412</u>	<u>\$ -</u>	<u>\$ 1,058,966</u>

Depreciation expense for the year ended June 30, 2012 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	\$ 57,899
Water quality	25,384
Environmental health program	18,927
Environmental protection program	242,043
Water and wastewater infrastructure development	<u>9,713</u>
Total depreciation expense	<u>\$ 353,966</u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 11 - COMPENSATED ABSENCES

The following is a summary of compensated absences of the Department for the year ended June 30, 2012:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Amount due within one year	\$1,980,863	\$1,847,773	\$(1,899,313)	\$1,929,323
Amount due in more than one year	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Accrued compensated absence	<u>\$1,980,863</u>	<u>\$1,847,773</u>	<u>\$(1,899,313)</u>	<u>\$1,929,323</u>

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

NOTE 12 - 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:

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

The following details the nature of the identified sites, the methodology used in the estimate and the estimated liability.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 12 - POLLUTION REMEDIATION OBLIGATIONS (CONTINUED)

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 861 responsible party and stated lead active LPST sites as of June 30, 2012.

As a result of the Department gaining additional knowledge and experience regarding the identification and estimation of contaminated sites, the Department changed the methodology in estimating pollution remediation obligations for LPST sites for FY12. The following details the methodology used in prior year and the new methodology used for the year ended June 30, 2012.

For the year ended June 30, 2011, 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 reduced the estimated liability with expected recoveries through petroleum products loading fees (Section 7-13A-1 NMSA 1978) not year realized or realizable. The Department would only recognize the recoveries in its financial statements as they become probable. The amount of recoveries estimated to reduce the liability was based on a weighted average of the number of years estimated to clean up the different types of priority sites.

For the year ended June 30, 2012, the Department determined the average cost to clean up a site to a No Further Action (NFA) status was approximately \$154,700 based on the NFA sites in the past five years. The Department used this average cost to clean up each site to determine the estimated liability by multiplying it by the number of active sites. In addition, the Department used a 20 year projection period to apply the direct salaries and benefits and to apply the estimated recoveries through petroleum products loading fees. The amount the Department reduced the estimated liability with expected recoveries through petroleum products loading fees (Section 7-13A-1 NMSA 1978) not yet realized or realizable exceeded the estimating liability. As a result, the estimated pollution remediation liability for LPST sites as of June 30, 2012 is \$0, net of expected recoveries. 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 14 listed Superfund sites, 1 proposed site and 4 deleted sites in New Mexico which are in various stages of investigation and remediation

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 12 - POLLUTION REMEDIATION OBLIGATIONS (CONTINUED)

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.

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, 2012, the estimated pollution remediation liability for Superfund sites is \$55,693,804.

	Balance, June 30, 2011	Additions	Deletions	Balance, June 30, 2012
Amount due within one year	\$ 3,485,754	\$ 511,171	\$ (2,602,284)	\$ 1,394,641
Amount due in more than one year	<u>83,254,866</u>	<u>5,467,673</u>	<u>(34,423,376)</u>	<u>54,299,163</u>
Total pollution remediation liabilities	<u>\$86,740,620</u>	<u>\$5,978,844</u>	<u>\$(37,025,660)</u>	<u>\$55,693,804</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
June 30, 2012

NOTE 13 - REVERSIONS

The following reversions are special appropriations accrued during fiscal year 2012:

Laws of 2008	\$ 188,808
Paid during FY2012	<u>-</u>
Total reversions – due to State General Fund	<u>\$ 188,808</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 FY12. \$188,808 is payable at June 30, 2012 and due by September 30, 2012. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

NOTE 14 – PETROLEUM PRODUCTS LOADING FEES

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

Petroleum products loading fees	<u>\$ 18,483,421</u>
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NOTE 15 - 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, 2012, 2011 and 2010 were \$3,855,704, \$4,597,139 and \$4,972,500, respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
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NOTE 16 - 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.

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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for employees and employers will rise as follows:

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

**NOTE 16 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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>
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.

The Department's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$528,005, \$504,716 and \$421,844, respectively, which equal the required contributions for each year.

NOTE 17 - 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 petroleum products loading fees.

Loan Commitments

Wastewater Loan Construction Fund - As of June 30, 2012, the Department has executed binding commitments to disburse \$5,188,443 for future loans.

Rural Infrastructure Loan Fund - As of June 30, 2012, the Department has executed binding commitments to disburse \$4,005,133 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:

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 17 – COMMITMENTS (CONTINUED)

Years ending June 30:

2013	\$ 2,953,918
2014	2,868,832
2015	2,415,135
2016	2,029,058
2017	1,737,442
2018 and thereafter	<u>2,987,120</u>
Total	<u>\$ 14,991,505</u>

Rental expenditures for the fiscal year ended June 30, 2012 were \$3,006,707.

NOTE 18 – 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 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.

In January of 2012, the Office of the Inspector General (OIG) of the Environmental Protection Agency performed an audit of the Department's Labor Charging Practices to federal programs and determined that the Air Quality Bureau (AQB) and Drinking Water Bureau (DWB) of the Department did not always charge labor and related costs according to two CFR requirements. These bureaus charged labor, fringe benefit and indirect costs to federal grants based on budget, rather than actual activities performed. This occurred at AQB from the inception of NMED's current accounting system, SHARE, in July 2006 to June 25, 2010, and DWB through April 14, 2012. The OIG's final report is expected to be issued in December 2012, with an estimated \$3,758,783 in unsupported charges identified. The expected recommendation by the OIG to the Regional Administrator will be to disallow and recover these costs. This amount has been accrued as a long-term liability by management in the government-wide financial statements until a final determination is made.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 19 – 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).

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SPECIAL REVENUE/CAPITAL PROJECT FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012

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.

Recycling and Illegal Dumping Fund (02600) - Established by the Department to comply with Recycling and Illegal Dumping Act, NMSA 1978, Section 74-13-1. 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 Recycling and Illegal Dumping 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.

Nuclear Workers Assistance Fund (10980) – Created by State Statute NMSA 1978, Section 74-1-17. This fund was established for the purpose of administration of a program to assist nuclear workers seeking claims under the federal Energy Employees Occupation Illness Compensation Program Act of 2000, 42 USC 7384 et seq. This fund is non-reverting.

Brownfields Cleanup Revolving Loan Fund (11900) - Created by State Statute NMSA 1978, Section 74-4G-11.1. The fund was established to account for the Brownfield 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 Parties 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 Fund (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.

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 OF NEW MEXICO ENVIRONMENT DEPARTMENT
SPECIAL REVENUE/CAPITAL PROJECT FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012**

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.

Public Water Supply System Operator and Public Wastewater Operator Fund (58400) - Created by State Statute NMSA 1978, Section 61-33-5. The fund shall be used solely for the purpose of administering and enforcing the Utility Operators Certification Act. Fees collected shall be deposited with the state treasurer in the "public water supply system operator and public wastewater facility operator fund", hereby created. The fund shall be administered by the Department. Money in the fund shall be retained by the Department for use, subject to appropriation by the legislature. Balances in the fund at the end of any fiscal year shall not revert to the General Fund, but shall accrue to the credit of the fund. Earnings on the fund shall be credited to the fund. This fund is non-reverting.

Radiation Protection Fund (59200) - Created by State Statute 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.

State Air Quality Permit 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 74-9-41. 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.

Solid Waste Permit Fees (78300) - Created by State Statute NMSA 1978, Section 74-9-81, 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.

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.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SPECIAL REVENUE/CAPITAL PROJECT FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012**

Hazardous Waste Emergency 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.

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.

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. This fund is reverting.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SPECIAL REVENUE/CAPITAL PROJECT FUNDS –
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012**

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 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.

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 – 2009 (89200) – Created by the Laws of 2009. This fund was established to account for the sale of severance tax bonds to provide funds for various waste handling projects. The fund is a reverting fund. Source of funding: Severance tax bonds.

General Fund Capital Outlay (93100) – The fund was established to administer capital outlay projects funded with General Fund Appropriations.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2012

	02600	06600	09200	10980	SPECIAL 11900
	Recycling and Illegal Dumping Fund	Voluntary Remediation Fund	Air Quality Title V Fund	Nuclear Workers Assistance Fund	Brownfields Cleanup Revolving Loan Fund
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investment in state general fund investment pool	612,867	70,649	3,635,432	38,939	561,240
Due from other governmental funds	27,445	-	824,851	-	-
Due from federal government	-	-	-	-	-
Due from other state agencies	-	-	-	-	-
Other receivables	-	-	424,403	-	168,304
TOTAL ASSETS	<u>\$ 640,312</u>	<u>\$ 70,649</u>	<u>\$ 4,884,686</u>	<u>\$ 38,939</u>	<u>\$ 729,544</u>
LIABILITIES					
Investment in state general fund investment pool overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	245,754	-	-	-	-
Due to other governmental funds	-	-	-	-	-
Due to other state agencies	-	-	-	-	-
Due to state general fund	-	-	-	-	-
Accrued payroll liabilities	-	-	-	-	-
Total liabilities	<u>245,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted	<u>394,558</u>	<u>70,649</u>	<u>4,884,686</u>	<u>38,939</u>	<u>729,544</u>
Total fund balances	<u>394,558</u>	<u>70,649</u>	<u>4,884,686</u>	<u>38,939</u>	<u>729,544</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 640,312</u>	<u>\$ 70,649</u>	<u>\$ 4,884,686</u>	<u>\$ 38,939</u>	<u>\$ 729,544</u>

REVENUE FUNDS

24800	33900	34000	34100	40000	56700
Responsible Parties Fund	Hazardous Waste Fund	Liquid Waste Fund	Water Quality Management Fund	Water Recreation Facilities Fund	Water Conservation Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
859,866	2,407,417	181,832	299,658	82,615	2,277,704
-	999,523	123,926	421,079	143,455	759,433
-	-	-	-	-	-
-	-	43	-	-	-
-	121,300	-	-	-	-
<u>\$ 859,866</u>	<u>\$ 3,528,240</u>	<u>\$ 305,801</u>	<u>\$ 720,737</u>	<u>\$ 226,070</u>	<u>\$ 3,037,137</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
438,370	-	-	-	-	-
-	-	-	38,174	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>438,370</u>	<u>-</u>	<u>-</u>	<u>38,174</u>	<u>-</u>	<u>-</u>
<u>421,496</u>	<u>3,528,240</u>	<u>305,801</u>	<u>682,563</u>	<u>226,070</u>	<u>3,037,137</u>
<u>421,496</u>	<u>3,528,240</u>	<u>305,801</u>	<u>682,563</u>	<u>226,070</u>	<u>3,037,137</u>
<u>\$ 859,866</u>	<u>\$ 3,528,240</u>	<u>\$ 305,801</u>	<u>\$ 720,737</u>	<u>\$ 226,070</u>	<u>\$ 3,037,137</u>

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2012

	58400	59200	63100	SPECIAL 63200
	Public Water Supply System Operator and Public Wastewater Facility Operator Fund	Radiation Protection Fund	State Air Quality Permit Fund	Solid Waste Facility Grant Fund
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ -
Investment in state general fund investment pool	180,688	721,573	1,547,944	920,819
Due from other governmental funds	-	264,917	299,297	-
Due from federal government	-	-	-	-
Due from other state agencies	37	162	-	199
Other receivables	-	-	-	-
TOTAL ASSETS	\$ 180,725	\$ 986,652	\$ 1,847,241	\$ 921,018
LIABILITIES				
Investment in state general fund investment pool overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	206,560
Due to other governmental funds	56,432	-	-	-
Due to other state agencies	-	-	-	-
Due to state general fund	-	-	-	-
Total liabilities	56,432	-	-	206,560
FUND BALANCES				
Restricted	124,293	986,652	1,847,241	714,458
Total fund balances	124,293	986,652	1,847,241	714,458
TOTAL LIABILITIES AND FUND BALANCES	\$ 180,725	\$ 986,652	\$ 1,847,241	\$ 921,018

REVENUE FUNDS

78300	89000	95700	98700	98900	99100	Total
Solid Waste Permit Fees	ARRA Fund	Hazardous Waste Emergency Fund	Radiologic Technology Fund	Storage Tank Fund	Food Service Sanitation Fund	Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
104,235	206,406	2,369,576	230,381	405,398	896,654	18,611,893
15,986	-	163,497	30,797	64,026	338,724	4,476,956
-	61,723	-	-	-	-	61,723
-	-	-	-	-	-	441
-	-	-	-	10,883	-	724,890
<u>\$ 120,221</u>	<u>\$ 268,129</u>	<u>\$ 2,533,073</u>	<u>\$ 261,178</u>	<u>\$ 480,307</u>	<u>\$ 1,235,378</u>	<u>\$ 23,875,903</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	58,294	-	-	-	-	510,608
-	206,194	-	-	-	-	700,996
-	-	-	-	-	-	38,174
-	-	-	-	-	-	-
-	3,641	-	-	-	-	3,641
-	<u>268,129</u>	-	-	-	-	<u>1,253,419</u>
<u>120,221</u>	<u>-</u>	<u>2,533,073</u>	<u>261,178</u>	<u>480,307</u>	<u>1,235,378</u>	<u>22,622,484</u>
<u>120,221</u>	<u>-</u>	<u>2,533,073</u>	<u>261,178</u>	<u>480,307</u>	<u>1,235,378</u>	<u>22,622,484</u>
<u>\$ 120,221</u>	<u>\$ 268,129</u>	<u>\$ 2,533,073</u>	<u>\$ 261,178</u>	<u>\$ 480,307</u>	<u>\$ 1,235,378</u>	<u>\$ 23,875,903</u>

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2012

	CAPITAL PROJECT FUNDS			
	22100	69400	10350	89200
	Special Appropriations 2007	Special Appropriations 2006	Special Appropriations 2008	Severance Tax Bonds 2009
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ -
Investment in state general fund investment pool	-	-	289,783	-
Due from other governmental funds	-	-	-	-
Due from federal government	-	-	-	-
Due from other state agencies	-	-	-	405,349
Other receivables	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,783</u>	<u>\$ 405,349</u>
LIABILITIES				
Investment in state general fund investment pool overdraft	\$ -	\$ -	\$ -	\$ 259,727
Accounts payable	-	-	100,975	20,622
Due to other governmental funds	-	-	-	-
Due to other state agencies	-	-	-	125,000
Due to state general fund	-	-	188,808	-
	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>289,783</u>	<u>405,349</u>
FUND BALANCES				
Restricted	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,783</u>	<u>\$ 405,349</u>

93100		
General Fund Capital Outlay	Total Capital Project Funds	Total All Funds
\$ -	\$ -	\$ -
728,084	1,017,867	19,629,760
-	-	4,476,956
-	-	61,723
-	405,349	405,790
-	-	724,890
<u>\$ 728,084</u>	<u>\$ 1,423,216</u>	<u>\$ 25,299,119</u>
\$ -	\$ 259,727	\$ 259,727
-	121,597	632,205
-	-	700,996
-	125,000	163,174
-	188,808	188,808
-	-	3,641
-	695,132	1,948,551
<u>728,084</u>	<u>728,084</u>	<u>23,350,568</u>
<u>728,084</u>	<u>728,084</u>	<u>23,350,568</u>
<u>\$ 728,084</u>	<u>\$ 1,423,216</u>	<u>\$ 25,299,119</u>

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2012

	SPECIAL				
	02600	06600	09200	10980	11900
	Recycling and Illegal Dumping Fund	Voluntary Remediation Fund	Air Quality Title V Fund	Nuclear Workers Assistance Fund	Brownfields Cleanup Revolving Loan Fund
REVENUES					
Environmental fees	\$ 938,387	\$ 3,630	\$ 5,066,902	\$ 32,401	\$ -
Federal grant revenue	-	-	-	-	-
Investment earnings	-	-	-	-	-
Total revenues	<u>938,387</u>	<u>3,630</u>	<u>5,066,902</u>	<u>32,401</u>	<u>-</u>
EXPENDITURES					
Current:					
Environmental protection	661,474	-	-	-	-
Other environmental initiatives	-	-	-	-	-
Total expenditures	<u>661,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	276,913	3,630	5,066,902	32,401	-
OTHER FINANCING SOURCES					
Severance tax bonds	-	-	-	-	-
Transfers in:					
Interfund	-	-	-	-	-
Other	-	-	-	-	-
Transfers out:					
Interfund	(465,455)	-	(3,545,949)	-	-
Other	-	-	-	-	-
Reversions-FY12	-	-	-	-	-
Total other financing sources	<u>(465,455)</u>	<u>-</u>	<u>(3,545,949)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES					
	(188,542)	3,630	1,520,953	32,401	-
FUND BALANCES, BEGINNING					
	<u>583,100</u>	<u>67,019</u>	<u>3,363,733</u>	<u>6,538</u>	<u>729,544</u>
FUND BALANCES, ENDING					
	<u>\$ 394,558</u>	<u>\$ 70,649</u>	<u>\$ 4,884,686</u>	<u>\$ 38,939</u>	<u>\$ 729,544</u>

REVENUE FUNDS

24800	33900	34000	34100	40000	56700
Responsible Parties Fund	Hazardous Waste Fund	Liquid Waste Fund	Water Quality Management Fund	Water Recreation Facilities Fund	Water Conservation Fund
\$ 396,491	\$ 3,516,792	\$ 339,949	\$ 428,898	\$ 139,249	\$ 2,632,757
-	-	-	-	-	-
-	-	205	-	-	-
<u>396,491</u>	<u>3,516,792</u>	<u>340,154</u>	<u>428,898</u>	<u>139,249</u>	<u>2,632,757</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
396,491	3,516,792	340,154	428,898	139,249	2,632,757
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(438,370)	(3,249,677)	(273,957)	(421,921)	(146,445)	(2,498,267)
-	-	-	(19,050)	-	-
-	-	-	-	-	-
<u>(438,370)</u>	<u>(3,249,677)</u>	<u>(273,957)</u>	<u>(440,971)</u>	<u>(146,445)</u>	<u>(2,498,267)</u>
(41,879)	267,115	66,197	(12,073)	(7,196)	134,490
<u>463,375</u>	<u>3,261,125</u>	<u>239,604</u>	<u>694,636</u>	<u>233,266</u>	<u>2,902,647</u>
<u>\$ 421,496</u>	<u>\$ 3,528,240</u>	<u>\$ 305,801</u>	<u>\$ 682,563</u>	<u>\$ 226,070</u>	<u>\$ 3,037,137</u>

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

Year Ended June 30, 2012

	58400	59200	63100	SPECIAL 63200
	Public Water Supply System Operator and Public Wastewater Facility Operator Fund	Radiation Protection Fund	State Air Quality Permit Fund	Solid Waste Facility Grant Fund
REVENUES				
Environmental fees	\$ 71,264	\$ 652,161	\$ 2,308,534	\$ 292,078
Federal grant revenue	-	-	-	-
Investment earnings	253	969	-	1,395
Total revenues	<u>71,517</u>	<u>653,130</u>	<u>2,308,534</u>	<u>293,473</u>
EXPENDITURES				
Current:				
Environmental protection	-	-	-	447,532
Other environmental initiatives	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,532</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	71,517	653,130	2,308,534	(154,059)
OTHER FINANCING SOURCES				
Severance tax bonds	-	-	-	-
Transfers in:				
Interfund	-	-	-	-
Other	-	-	-	-
Transfers out:				
Interfund	(56,432)	(625,983)	(2,275,003)	-
Other	-	-	-	-
Reversions-FY12	-	-	-	-
Total other financing sources	<u>(56,432)</u>	<u>(625,983)</u>	<u>(2,275,003)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
	15,085	27,147	33,531	(154,059)
FUND BALANCES, BEGINNING				
	<u>109,208</u>	<u>959,505</u>	<u>1,813,710</u>	<u>868,517</u>
FUND BALANCES, ENDING				
	<u>\$ 124,293</u>	<u>\$ 986,652</u>	<u>\$ 1,847,241</u>	<u>\$ 714,458</u>

REVENUE FUNDS

78300	89000	95700	98700	98900	99100	Total Special Revenue Funds
Solid Waste Permit Fees	ARRA Fund	Hazardous Waste Emergency Fund	Radiologic Technology Fund	Storage Tank Fund	Food Service Sanitation Fund	
\$ 21,500	-	\$ 76,391	\$ 101,826	\$ 438,723	\$ 1,437,028	\$ 18,894,961
-	936,522	-	-	-	-	936,522
-	-	-	-	-	-	2,822
<u>21,500</u>	<u>936,522</u>	<u>76,391</u>	<u>101,826</u>	<u>438,723</u>	<u>1,437,028</u>	<u>19,834,305</u>
-	936,522	-	-	-	-	2,045,528
-	-	-	-	-	-	-
-	<u>936,522</u>	-	-	-	-	<u>2,045,528</u>
21,500	-	76,391	101,826	438,723	1,437,028	17,788,777
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(83,514)	-	(580,103)	(140,403)	(489,274)	(1,269,576)	(16,560,329)
-	-	-	-	-	-	(19,050)
-	-	-	-	-	-	-
<u>(83,514)</u>	<u>-</u>	<u>(580,103)</u>	<u>(140,403)</u>	<u>(489,274)</u>	<u>(1,269,576)</u>	<u>(16,579,379)</u>
(62,014)	-	(503,712)	(38,577)	(50,551)	167,452	1,209,398
<u>182,235</u>	<u>-</u>	<u>3,036,785</u>	<u>299,755</u>	<u>530,858</u>	<u>1,067,926</u>	<u>21,413,086</u>
<u>\$ 120,221</u>	<u>\$ -</u>	<u>\$ 2,533,073</u>	<u>\$ 261,178</u>	<u>\$ 480,307</u>	<u>\$ 1,235,378</u>	<u>\$ 22,622,484</u>

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

Year Ended June 30, 2012

	CAPITAL PROJECT FUNDS			
	22100	69400	10350	89200
	Special Appropriations 2004	Special Appropriations 2006	Special Appropriations 2008	Severance Tax Bonds 2009
REVENUES				
Environmental fees	\$ -	\$ -	\$ -	\$ -
Federal grant revenue	-	-	-	-
Investment earnings	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
Environmental protection	-	-	-	-
Other environmental initiatives	58,169	452,136	515,897	374,843
Total expenditures	<u>58,169</u>	<u>452,136</u>	<u>515,897</u>	<u>374,843</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(58,169)	(452,136)	(515,897)	(374,843)
OTHER FINANCING SOURCES				
Severance tax bonds	58,169	452,136	-	21,310
Transfers in:				
Interfund	-	-	-	-
Other	-	-	-	478,533
Transfers out:				
Interfund	(567,635)	(200,000)	(379,813)	-
Other	-	-	(167,017)	(125,000)
Reversions-FY12	-	-	(188,808)	-
Total other financing sources	<u>(509,466)</u>	<u>252,136</u>	<u>(735,638)</u>	<u>374,843</u>
NET CHANGE IN FUND BALANCES	(567,635)	(200,000)	(1,251,535)	-
FUND BALANCES, BEGINNING	<u>567,635</u>	<u>200,000</u>	<u>1,251,535</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

93100		
General Fund Capital Outlay	Total Capital Project Funds	Total All Funds
\$ -	\$ -	\$ 18,894,961
-	-	936,522
-	-	2,822
-	-	19,834,305
-	-	2,045,528
444,364	1,845,409	1,845,409
444,364	1,845,409	3,890,937
(444,364)	(1,845,409)	15,943,368
-	531,615	531,615
1,147,448	1,147,448	1,147,448
25,000	503,533	503,533
-	(1,147,448)	(17,707,777)
-	(292,017)	(311,067)
-	(188,808)	(188,808)
1,172,448	554,323	(16,025,056)
728,084	(1,291,086)	(81,688)
-	2,019,170	23,432,256
\$ 728,084	\$ 728,084	\$ 23,350,568

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, 2012

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal funds	\$ -	\$ -	\$ -	\$ -
General Fund	-	-	-	-
Other state funds	13,918,141	13,918,141	5,534,786	(8,383,355)
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	<u>\$ 13,918,141</u>	<u>\$ 13,918,141</u>	5,534,786	<u>\$ (8,383,355)</u>
EXPENDITURES - current				
Personal services & employee benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other	13,918,141	13,918,141	5,534,786	8,383,355
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 13,918,141</u>	<u>\$ 13,918,141</u>	<u>5,534,786</u>	<u>\$ 8,383,355</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			-	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 RECYCLING AND ILLEGAL DUMPING FUND (02600) -
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
 Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Other state funds	\$ 990,900	\$ 990,900	\$ 938,387	\$ (52,513)
Inter-agency transfers	-	-	-	-
Budgeted fund balance	<u>252,000</u>	<u>252,000</u>	<u>188,542</u>	<u>(63,458)</u>
TOTAL REVENUES	<u>\$ 1,242,900</u>	<u>\$ 1,242,900</u>	1,126,929	<u>\$ (115,971)</u>
EXPENDITURES - current				
Contractual services				\$ -
Other	750,000	750,000	661,474	88,526
Other financing uses	<u>492,900</u>	<u>492,900</u>	<u>465,455</u>	<u>27,445</u>
TOTAL EXPENDITURES	<u>\$ 1,242,900</u>	<u>\$ 1,242,900</u>	1,126,929	<u>\$ 115,971</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				
				-
BUDGETED FUND BALANCE			<u>(188,542)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (188,542)</u>	

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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other state funds	\$ 7,200	\$ 7,200	\$ 3,630	\$ (3,570)
Budgeted fund balance	<u>21,100</u>	<u>21,100</u>	<u>-</u>	<u>(21,100)</u>
TOTAL REVENUES	<u>\$ 28,300</u>	<u>\$ 28,300</u>	3,630	<u>\$ (24,670)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 28,300</u>	<u>\$ 28,300</u>	<u>-</u>	<u>\$ 28,300</u>
TOTAL EXPENDITURES	<u>\$ 28,300</u>	<u>\$ 28,300</u>	<u>-</u>	<u>\$ 28,300</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>3,630</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 3,630</u>	

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, 2012

	<u>Budgeted Amounts</u>		Actual	Variance From
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Other state funds	\$ 4,370,800	\$ 4,370,800	\$ 5,066,902	\$ 696,102
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	<u>\$ 4,370,800</u>	<u>\$ 4,370,800</u>	5,066,902	<u>\$ 696,102</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 4,370,800</u>	<u>\$ 4,370,800</u>	<u>3,545,949</u>	<u>\$ 824,851</u>
TOTAL EXPENDITURES	<u>\$ 4,370,800</u>	<u>\$ 4,370,800</u>	<u>3,545,949</u>	<u>\$ 824,851</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>1,520,953</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 1,520,953</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 NUCLEAR WORKERS ASSISTANCE FUND (10980) -
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
 Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal funds	\$ -	\$ -	\$ -	\$ -
General Fund	-	-	-	-
Other state funds	-	-	32,401	32,401
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	<u>\$ -</u>	<u>\$ -</u>	32,401	<u>\$ 32,401</u>
EXPENDITURES - current				
Personal services & employee benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>32,401</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 32,401</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 BROWNFIELDS CLEANUP REVOLVING LOAN FUND (11900) -
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
 Year Ended June 30, 2012

	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	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
EXPENDITURES - current				
Personal services & employee benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			-	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 RESPONSIBLE PARTIES FUND (24800) -
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
 Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual	Variance From
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Other state funds	\$ 426,500	\$ 426,500	\$ 396,491	\$ (30,009)
Budgeted fund balance	<u>70,300</u>	<u>238,900</u>	<u>41,879</u>	<u>(197,021)</u>
TOTAL REVENUES	<u>\$ 496,800</u>	<u>\$ 665,400</u>	438,370	<u>\$ (227,030)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 496,800</u>	<u>\$ 665,400</u>	<u>438,370</u>	<u>\$ 227,030</u>
TOTAL EXPENDITURES	<u>\$ 496,800</u>	<u>\$ 665,400</u>	<u>438,370</u>	<u>\$ 227,030</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			-	
BUDGETED FUND BALANCE			<u>(41,879)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (41,879)</u>	

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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other state funds	\$ 3,475,500	\$ 3,475,500	\$ 3,516,792	\$ 41,292
Budgeted fund balance	<u>773,700</u>	<u>773,700</u>	<u>-</u>	<u>(773,700)</u>
TOTAL REVENUES	<u>\$ 4,249,200</u>	<u>\$ 4,249,200</u>	3,516,792	<u>\$ (732,408)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 4,249,200</u>	<u>\$ 4,249,200</u>	<u>3,249,677</u>	<u>\$ 999,523</u>
TOTAL EXPENDITURES	<u>\$ 4,249,200</u>	<u>\$ 4,249,200</u>	<u>3,249,677</u>	<u>\$ 999,523</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>267,115</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 267,115</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
LIQUID WASTE FUND (34000) -
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other state funds	\$ 375,800	\$ 375,800	\$ 340,154	\$ (35,646)
Budgeted fund balance	<u>27,800</u>	<u>27,800</u>	<u>-</u>	<u>(27,800)</u>
TOTAL REVENUES	<u>\$ 403,600</u>	<u>\$ 403,600</u>	340,154	<u>\$ (63,446)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 403,600</u>	<u>\$ 403,600</u>	<u>273,957</u>	<u>\$ 129,643</u>
TOTAL EXPENDITURES	<u>\$ 403,600</u>	<u>\$ 403,600</u>	<u>273,957</u>	<u>\$ 129,643</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>66,197</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 66,197</u>	

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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other state funds	\$ 361,300	\$ 361,300	\$ 428,898	\$ 67,598
Budgeted fund balance	481,700	481,700	12,073	(469,627)
TOTAL REVENUES	<u>\$ 843,000</u>	<u>\$ 843,000</u>	440,971	<u>\$ (402,029)</u>
EXPENDITURES - current				
Other financing uses	\$ 843,000	\$ 843,000	440,971	\$ 402,029
TOTAL EXPENDITURES	<u>\$ 843,000</u>	<u>\$ 843,000</u>	440,971	<u>\$ 402,029</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			-	
BUDGETED FUND BALANCE			<u>(12,073)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (12,073)</u>	

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, 2012

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Other state funds	\$ 151,100	\$ 151,100	\$ 139,249	\$ (11,851)
Budgeted fund balance	<u>138,800</u>	<u>138,800</u>	<u>7,196</u>	<u>(131,604)</u>
TOTAL REVENUES	<u>\$ 289,900</u>	<u>\$ 289,900</u>	146,445	<u>\$ (143,455)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 289,900</u>	<u>\$ 289,900</u>	<u>146,445</u>	<u>\$ 143,455</u>
TOTAL EXPENDITURES	<u>\$ 289,900</u>	<u>\$ 289,900</u>	<u>146,445</u>	<u>\$ 143,455</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				-
BUDGETED FUND BALANCE			<u>(7,196)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (7,196)</u>	

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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other state funds	\$ 2,829,000	\$ 2,829,000	\$ 2,632,757	\$ (196,243)
Budgeted fund balance	<u>428,700</u>	<u>428,700</u>	<u>-</u>	<u>(428,700)</u>
TOTAL REVENUES	<u>\$ 3,257,700</u>	<u>\$ 3,257,700</u>	2,632,757	<u>\$ (624,943)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 3,257,700</u>	<u>\$ 3,257,700</u>	<u>2,498,267</u>	<u>\$ 759,433</u>
TOTAL EXPENDITURES	<u>\$ 3,257,700</u>	<u>\$ 3,257,700</u>	<u>2,498,267</u>	<u>\$ 759,433</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>134,490</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 134,490</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
PUBLIC WATER SUPPLY SYSTEM OPERATOR AND PUBLIC WASTEWATER OPERATOR FUND (58400) -
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Other state funds	\$ 66,000	\$ 66,000	\$ 71,517	\$ 5,517
Inter-agency transfers	-	-	-	-
Budgeted fund balance	<u>7,500</u>	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
TOTAL REVENUES	<u>\$ 73,500</u>	<u>\$ 73,500</u>	71,517	<u>\$ (1,983)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 73,500</u>	<u>\$ 73,500</u>	<u>56,432</u>	<u>\$ 17,068</u>
TOTAL EXPENDITURES	<u>\$ 73,500</u>	<u>\$ 73,500</u>	<u>56,432</u>	<u>\$ 17,068</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>15,085</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 15,085</u>	

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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other state funds	\$ 672,800	\$ 672,800	\$ 653,130	\$ (19,670)
Budgeted fund balance	<u>218,100</u>	<u>218,100</u>	<u>-</u>	<u>(218,100)</u>
TOTAL REVENUES	<u>\$ 890,900</u>	<u>\$ 890,900</u>	653,130	<u>\$ (237,770)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 890,900</u>	<u>\$ 890,900</u>	<u>625,983</u>	<u>\$ 264,917</u>
TOTAL EXPENDITURES	<u>\$ 890,900</u>	<u>\$ 890,900</u>	<u>625,983</u>	<u>\$ 264,917</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>27,147</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 27,147</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
STATE AIR QUALITY PERMIT FUND (63100) -
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other state funds	\$ 2,412,900	\$ 2,412,900	\$ 2,308,534	\$ (104,366)
Budgeted fund balance	<u>161,400</u>	<u>161,400</u>	<u>-</u>	<u>(161,400)</u>
TOTAL REVENUES	<u>\$ 2,574,300</u>	<u>\$ 2,574,300</u>	2,308,534	<u>\$ (265,766)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 2,574,300</u>	<u>\$ 2,574,300</u>	<u>2,275,003</u>	<u>\$ 299,297</u>
TOTAL EXPENDITURES	<u>\$ 2,574,300</u>	<u>\$ 2,574,300</u>	<u>2,275,003</u>	<u>\$ 299,297</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>33,531</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 33,531</u>	

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, 2012

	<u>Budgeted Amounts</u>		Actual	Variance From
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>
REVENUES				
Other state funds	\$ 150,100	\$ 150,100	\$ 293,473	\$ 143,373
Budgeted fund balance	<u>309,900</u>	<u>309,900</u>	<u>154,059</u>	<u>(155,841)</u>
TOTAL REVENUES	<u>\$ 460,000</u>	<u>\$ 460,000</u>	447,532	<u>\$ (12,468)</u>
EXPENDITURES - current				
Contractual services	\$ 460,000		-	\$ -
Other	<u>-</u>	<u>460,000</u>	<u>447,532</u>	<u>12,468</u>
TOTAL EXPENDITURES	<u>\$ 460,000</u>	<u>\$ 460,000</u>	<u>447,532</u>	<u>\$ 12,468</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				
			-	
BUDGETED FUND BALANCE			<u>(154,059)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (154,059)</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SOLID WASTE PERMIT FEES (78300) -
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other state funds	\$ 39,800	\$ 39,800	\$ 21,500	\$ (18,300)
Budgeted fund balance	<u>59,700</u>	<u>59,700</u>	<u>-</u>	<u>(59,700)</u>
TOTAL REVENUES	<u>\$ 99,500</u>	<u>\$ 99,500</u>	21,500	<u>\$ (78,000)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 99,500</u>	<u>\$ 99,500</u>	<u>83,514</u>	<u>\$ 15,986</u>
TOTAL EXPENDITURES	<u>\$ 99,500</u>	<u>\$ 99,500</u>	<u>83,514</u>	<u>\$ 15,986</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>(62,014)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (62,014)</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) (89000) -
 STATEMENT OF REVENUES AND EXPNEDITURES -
 BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
 Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal funds	\$ 2,112,575	\$ 2,554,985	936,522	\$ (1,618,463)
General fund	-	-	-	-
Other state funds	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	<u>\$ 2,112,575</u>	<u>\$ 2,554,985</u>	<u>\$ 936,522</u>	<u>\$ (1,618,463)</u>
EXPENDITURES				
Personal services and employee benefits	\$ 116,633	\$ 169,134	80,390	\$ 88,744
Contractual services	177,063	336,674	157,751	178,923
Other	1,818,879	2,049,177	698,381	1,350,796
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 2,112,575</u>	<u>\$ 2,554,985</u>	<u>936,522</u>	<u>\$ 1,618,463</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>-</u>	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 HAZARDOUS WASTE EMERGENCY FUND (95700) -
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
 Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual	Variance From
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Other state funds	\$ 693,000	\$ 693,000	\$ 76,391	\$ (616,609)
Budgeted fund balance	<u>50,600</u>	<u>50,600</u>	<u>503,712</u>	<u>453,112</u>
TOTAL REVENUES	<u>\$ 743,600</u>	<u>\$ 743,600</u>	580,103	<u>\$ (163,497)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 743,600</u>	<u>\$ 743,600</u>	<u>580,103</u>	<u>\$ 163,497</u>
TOTAL EXPENDITURES	<u>\$ 743,600</u>	<u>\$ 743,600</u>	<u>580,103</u>	<u>\$ 163,497</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			-	
BUDGETED FUND BALANCE			<u>(503,712)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (503,712)</u>	

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, 2012

	<u>Budgeted Amounts</u>		Actual	Variance From
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Other state funds	\$ 105,600	\$ 105,600	\$ 101,826	\$ (3,774)
Budgeted fund balance	<u>65,600</u>	<u>65,600</u>	<u>-</u>	<u>(65,600)</u>
TOTAL REVENUES	<u>\$ 171,200</u>	<u>\$ 171,200</u>	101,826	<u>\$ (69,374)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 171,200</u>	<u>\$ 171,200</u>	<u>140,403</u>	<u>\$ 30,797</u>
TOTAL EXPENDITURES	<u>\$ 171,200</u>	<u>\$ 171,200</u>	<u>140,403</u>	<u>\$ 30,797</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>(38,577)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (38,577)</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 STORAGE TANK FUND (98900) -
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
 Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other state funds	\$ 510,000	\$ 510,000	\$ 438,723	\$ (71,277)
Inter-agency transfers	-	-	-	-
Budgeted fund balance	<u>43,300</u>	<u>43,300</u>	<u>50,551</u>	<u>7,251</u>
TOTAL REVENUES	<u>\$ 553,300</u>	<u>\$ 553,300</u>	489,274	<u>\$ (64,026)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 553,300</u>	<u>\$ 553,300</u>	<u>489,274</u>	<u>\$ 64,026</u>
TOTAL EXPENDITURES	<u>\$ 553,300</u>	<u>\$ 553,300</u>	<u>489,274</u>	<u>\$ 64,026</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			-	
BUDGETED FUND BALANCE			<u>(50,551)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (50,551)</u>	

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
REVENUES				
Other state funds	\$ 1,233,400	\$ 1,233,400	\$ 1,437,028	\$ 203,628
Inter-agency transfers	-	-	-	-
Budgeted fund balance	<u>374,900</u>	<u>374,900</u>	<u>-</u>	<u>(374,900)</u>
TOTAL REVENUES	<u>\$ 1,608,300</u>	<u>\$ 1,608,300</u>	1,437,028	<u>\$ (171,272)</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 1,608,300</u>	<u>\$ 1,608,300</u>	<u>1,269,576</u>	<u>\$ 338,724</u>
TOTAL EXPENDITURES	<u>\$ 1,608,300</u>	<u>\$ 1,608,300</u>	<u>1,269,576</u>	<u>\$ 338,724</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>167,452</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 167,452</u>	

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, 2012

	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	525,806	525,806	58,169	(467,637)
Budgeted fund balance	<u>567,635</u>	<u>567,635</u>	<u>567,635</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 1,093,441</u>	<u>\$ 1,093,441</u>	625,804	<u>\$ (467,637)</u>
EXPENDITURES - current				
Personal services & employee benefits	\$ -	\$ -	-	\$ -
Contractual services	99,040	99,040	-	99,040
Other	994,401	426,766	58,169	368,597
Other financing uses	<u>-</u>	<u>567,635</u>	<u>567,635</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 1,093,441</u>	<u>\$ 1,093,441</u>	<u>625,804</u>	<u>\$ 467,637</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				
			-	
BUDGETED FUND BALANCE			<u>(567,635)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (567,635)</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SPECIAL APPROPRIATIONS 2006 (69400) -
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2012

	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	1,196,756	1,196,756	452,136	(744,620)
Budgeted fund balance	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 1,396,756</u>	<u>\$ 1,396,756</u>	652,136	<u>\$ (744,620)</u>
EXPENDITURES - current				
Personal services & employee benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other	1,396,756	1,196,756	452,136	744,620
Other financing uses	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 1,396,756</u>	<u>\$ 1,396,756</u>	<u>652,136</u>	<u>\$ 744,620</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				
			-	
BUDGETED FUND BALANCE			<u>(200,000)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (200,000)</u>	

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, 2012

	<u>Budgeted Amounts</u>		Actual	Variance From
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal funds	\$ -	\$ -	\$ -	\$ -
General Fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	<u>1,251,535</u>	<u>1,251,535</u>	<u>1,062,727</u>	<u>(188,808)</u>
TOTAL REVENUES	\$ <u>1,251,535</u>	\$ <u>1,251,535</u>	1,062,727	\$ <u>(188,808)</u>
EXPENDITURES - current				
Personal services & employee benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other	1,251,535	515,897	515,897	-
Other financing uses	<u>-</u>	<u>546,830</u>	<u>546,830</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>1,251,535</u>	\$ <u>1,062,727</u>	<u>1,062,727</u>	\$ <u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				
			-	
BUDGETED FUND BALANCE			(1,062,727)	
REVERSIONS (NOT BUDGETED)			<u>(188,808)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (1,251,535)</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 SEVERANCE TAX BONDS 2009 (89200)
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
 Year Ended June 30, 2012

	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	10,351,468	10,351,468	499,843	(9,851,625)
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	<u>\$ 10,351,468</u>	<u>\$ 10,351,468</u>	499,843	<u>\$ (9,851,625)</u>
EXPENDITURES - current				
Personal services & employee benefits	\$ -	\$ -	-	\$ -
Contractual services	1,126,872	1,126,872	353,534	773,338
Other	9,095,596	9,095,596	21,309	9,074,287
Other financing uses	<u>129,000</u>	<u>129,000</u>	<u>125,000</u>	<u>4,000</u>
TOTAL EXPENDITURES	<u>\$ 10,351,468</u>	<u>\$ 10,351,468</u>	<u>499,843</u>	<u>\$ 9,851,625</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			-	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
GENERAL FUND CAPITAL OUTLAY (93100)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2012

	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	-	1,172,448	1,172,448	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	<u>\$ -</u>	<u>\$ 1,172,448</u>	1,172,448	<u>\$ -</u>
EXPENDITURES - current				
Personal services & employee benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other	-	1,172,448	444,364	728,084
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 1,172,448</u>	<u>444,364</u>	<u>\$ 728,084</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			<u>728,084</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 728,084</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, 2012

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal funds	\$ 1,985,431	\$ 1,985,431	\$ 10,104,882	\$ 8,119,451
Other state funds	-	-	3,515,074	3,515,074
Inter-agency transfers	1,444,400	1,444,400	-	(1,444,400)
Budgeted net assets	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>(3,000,000)</u>
TOTAL REVENUES	<u>\$ 6,429,831</u>	<u>\$ 6,429,831</u>	13,619,956	<u>\$ 7,190,125</u>
EXPENDITURES - current				
Personal services & employee benefits	\$ 94,836	\$ 94,836	94,835	\$ 1
Contractual services	8,500	8,500	8,500	-
Other	<u>6,326,495</u>	<u>6,326,495</u>	<u>1,881,656</u>	<u>4,444,839</u>
TOTAL EXPENDITURES	<u>\$ 6,429,831</u>	<u>\$ 6,429,831</u>	<u>1,984,991</u>	<u>\$ 4,444,840</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			11,634,965	
ADMINISTRATIVE EXPENSES (CAP GRANT) BUDGETED IN FUND 06400			<u>(168,582)</u>	
NET CHANGE IN NET ASSETS			<u>\$ 11,466,383</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, 2012

	<u>Budgeted Amounts</u>		Actual	Variance From
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Other state funds	\$ 166,600	\$ -	\$ 398,478	\$ 398,478
Budgeted net assets	<u>251,800</u>	<u>241,400</u>	<u>207,745</u>	<u>(33,655)</u>
TOTAL REVENUES	<u>\$ 418,400</u>	<u>\$ 241,400</u>	606,223	<u>\$ 364,823</u>
EXPENDITURES - current				
Other financing uses	<u>\$ 418,400</u>	<u>\$ 241,400</u>	<u>207,745</u>	<u>\$ 33,655</u>
TOTAL EXPENDITURES	<u>\$ 418,400</u>	<u>\$ 241,400</u>	<u>207,745</u>	<u>\$ 33,655</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			398,478	
BUDGETED NET ASSETS			<u>(207,745)</u>	
NET CHANGE IN NET ASSETS			<u>\$ 190,733</u>	

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> (Budgetary Basis)	<u>Final Budget</u> Positive (Negative)
REVENUES				
Other state funds	\$ -	\$ -	\$ 470,696	\$ 470,696
Budgeted net assets	<u>576,600</u>	<u>576,600</u>	<u>372,078</u>	<u>(204,522)</u>
TOTAL REVENUES	<u>\$ 576,600</u>	<u>\$ 576,600</u>	842,774	<u>\$ 266,174</u>
EXPENDITURES - current				
Personal services & employee benefits	\$ 399,100	\$ 399,100	258,414	\$ 140,686
Contractual services	40,000	40,000	31,246	8,754
Other	<u>137,500</u>	<u>137,500</u>	<u>82,418</u>	<u>55,082</u>
TOTAL EXPENDITURES	<u>\$ 576,600</u>	<u>\$ 576,600</u>	<u>372,078</u>	<u>\$ 204,522</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES			470,696	
BUDGETED NET ASSETS			<u>(372,078)</u>	
NET CHANGE IN NET ASSETS			<u>\$ 98,618</u>	

SUPPLEMENTAL SCHEDULES

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS
June 30, 2012

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books	
Governmental Funds with State Treasurer (with SHARE fund numbers):					
General Fund	06400	State Treasurer	\$ 2,555,406	\$ -	\$ 2,555,406
Special Appropriations 2007	22100	State Treasurer	-	-	-
Special Appropriations 2006	69400	State Treasurer	-	-	-
Corrective Action Fund	99000	State Treasurer	14,349,350	-	14,349,350
Recycling and Illegal Dumping Fund	02600	State Treasurer	612,867	-	612,867
Voluntary Remediation Fund	06600	State Treasurer	70,649	-	70,649
Air Quality Title V Fund	09200	State Treasurer	3,635,432	-	3,635,432
Special Appropriations 2008	10350	State Treasurer	289,783	-	289,783
Severance Tax Bonds 2008	10360	State Treasurer	(57,895)	-	(57,895)
Severance Tax Bonds 2009	89200	State Treasurer	(259,727)	-	(259,727)
General Fund Capital Outlay	93100	State Treasurer	728,084	-	728,084
Brownfields Cleanup Revolving Loan Func	11900	State Treasurer	561,240	-	561,240
Responsible Parties Fund	24800	State Treasurer	859,866	-	859,866
Hazardous Waste Fund	33900	State Treasurer	2,407,417	-	2,407,417
Liquid Waste Fund	34000	State Treasurer	181,832	-	181,832
Water Quality Management Fund	34100	State Treasurer	299,658	-	299,658
Water Recreation Facilities Fund	40000	State Treasurer	82,615	-	82,615
Water Conservation Fund and Public Wastewater Facility Operator Fund	56700 58400	State Treasurer	2,277,704 180,688	-	2,277,704 180,688
Radiation Protection Fund	59200	State Treasurer	721,573	-	721,573
State Air Quality Permit Fund	63100	State Treasurer	1,547,944	-	1,547,944
Solid Waste Facility Grant Fund	63200	State Treasurer	920,819	-	920,819
Solid Waste Permit Fees	78300	State Treasurer	104,235	-	104,235
ARRA Fund	89000	State Treasurer	206,406	-	206,406
Nuclear Workers Assistance Fund	10980	State Treasurer	38,939	-	38,939
Hazardous Waste Emergency Fund	95700	State Treasurer	2,369,576	-	2,369,576
Radiologic Technology Fund	98700	State Treasurer	230,381	-	230,381
Storage Tank Fund	98900	State Treasurer	405,398	-	405,398
Food Service Sanitation Fund	99100	State Treasurer	896,654	-	896,654
Total Governmental with State Treasurer			36,216,894	-	36,216,894
Governmental Funds Petty Cash - General Fund - 06400			1,385	-	1,385
Total Governmental Funds			36,218,279	-	36,218,279

<u>Account Title</u>	<u>Depository</u>	<u>Balance per Bank</u>	<u>Reconciling Items</u>	<u>Reconciled Balance per Books</u>
Proprietary Funds with State Treasurer (with SHARE fund numbers):				
Clean Water State Revolving Fund	12100 State Treasurer	84,854,118	-	84,854,118
Clean Water State Administrative Fund	32700 State Treasurer	710,541	-	710,541
Rural Infrastructure Loan Fund	33700 State Treasurer	19,317,218	-	19,317,218
Total Proprietary with State Treasurer		<u>104,881,877</u>	<u>-</u>	<u>104,881,877</u>
Trust and Agency Funds with State Treasurer (with SHARE fund numbers):				
Fiduciary Fund - 65200	65200 State Treasurer	543,823	-	543,823
Total Trust and Agency with State Treasurer		<u>543,823</u>	<u>-</u>	<u>543,823</u>
Department Total - all funds		<u>\$ 141,643,979</u>	<u>\$ -</u>	<u>\$ 141,643,979</u>

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF SEVERANCE TAX BONDS
 Year Ended June 30, 2012

Laws	Chapter	Amount Authorized	Amount Reverted	Art in Public Places	Amount Available	Expenditures Reported		6/30/12 Balance Available
						Prior Years	Current Years	
2003	134 & 429	\$ 14,084,136	\$ (37,835)	\$ -	\$ 14,046,301	\$ (8,671,057)	\$ (431,119)	\$ 4,944,125
2007	42 & 334	21,952,570	(141,997)	(7,200)	21,803,373	(21,636,855)	(21,309)	145,209
2008	92	13,215,065	-	(25,150)	13,189,915	(9,669,760)	(3,168,830)	351,325
2009	5,7, & 125	18,863,663	-	-	18,863,663	(9,745,942)	(2,904,168)	6,213,553
2011	5	3,294,400	-	(6,000)	3,288,400	-	-	3,288,400
2012	64	6,668,016	-	-	6,668,016	-	-	6,668,016
		<u>\$ 78,077,850</u>	<u>\$ (179,832)</u>	<u>\$ (38,350)</u>	<u>\$ 77,859,668</u>	<u>\$ (49,723,614)</u>	<u>\$ (6,525,426)</u>	<u>\$ 21,610,628</u>

Reconciliation to the Financial Statements:

Governmental Funds - Severance Tax Bond Revenue	\$ 6,525,426
Enterprise Funds - Severance Tax Bond Revenue	<u>-</u>
	<u>\$ 6,525,426</u>

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 SCHEDULE 3 - SUPPLEMENTAL SCHEDULE OF SPECIAL APPROPRIATIONS
 Year Ended June 30, 2012

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriation	Reauthorization
CAPITAL PROJECT FUNDS					
Capital project appropriations	Ch 111, Laws 2006	2006-2011	69400	\$ 46,856,633	\$ 568,867
Capital project appropriations	Ch 2, 42, 334, Laws of 2007	2007-2011	22100	49,751,495	1,121,365
Capital project appropriations	Ch 92, Laws 2008	2008-2012	10350	8,163,000	1,212,633
Capital project appropriations	Ch 63, 2012	2012-2013	93100	<u>-</u>	<u>1,172,448</u>
Total capital project funds				<u>104,771,128</u>	<u>4,075,313</u>
TOTAL - ALL FUNDS				<u>\$104,771,128</u>	<u>\$ 4,075,313</u>

<u>Total</u> <u>Appropriation</u>	<u>Prior Year</u> <u>Expenditures</u>	<u>Current Year</u> <u>Expenditures</u>	<u>Prior Year</u> <u>Transfers/</u> <u>Reversions</u>	<u>Current Year</u> <u>Transfers</u>	<u>Current Year</u> <u>Reversion</u> <u>Amount</u>	<u>Unencumbered</u> <u>Balance</u>
\$ 47,425,500	\$(35,785,119)	\$ -	\$ (11,640,381)	\$ -	\$ -	\$ -
50,872,860	(33,303,961)	-	(17,568,899)	-	-	-
9,375,633	(5,712,525)	(515,897)	(2,958,403)	-	(188,808)	-
<u>1,172,448</u>	<u>-</u>	<u>(444,364)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>728,084</u>
<u>108,846,441</u>	<u>(74,801,605)</u>	<u>(960,261)</u>	<u>(32,167,683)</u>	<u>-</u>	<u>(188,808)</u>	<u>728,084</u>
<u>\$ 108,846,441</u>	<u>\$(74,801,605)</u>	<u>\$ (960,261)</u>	<u>\$ (32,167,683)</u>	<u>\$ -</u>	<u>\$ (188,808)</u>	<u>\$ 728,084</u>

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE 4 - JOINT POWERS AGREEMENTS
 Year Ended June 30, 2012

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

JPA #	Participants / Description	Term	Total Amount of Agreement	Amount Applicable to NMED	Amount Contributed in FY12	Fiscal Agent	Agency Reporting Rev. & Exp.
09-667-JPA-0001	NMED/USFS SW Region SF National Polvadera Creek Restoration	6/30/2012	\$ 49,560	\$ 49,560	\$ 3,213	NMED	NMED
09-667-JPA-0002	NMED/Valles Caldera Trust Upper San Antonio Creek	9/30/2011	\$ 73,478	\$ 73,478	\$ 23,320	NMED	NMED
08-667-JPA-002	NMED/Grant Soil/Water Conservation Dist. Mimbres River Streambank Revetment Fence Project	6/30/2012	\$ 70,000	\$ 70,000	\$ 27,471	NMED	NMED
08-667-JPA-003	NMED/Tierra & Montes SWCD Sapello Watershed Restoration Project Phase II	12/31/2011	\$ 210,000	\$ 160,000	\$ 10,986	NMED	NMED
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	\$ 492,000	\$ 40,500	NMED	NMED

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE 5 - MEMORANDA OF AGREEMENT / MEMORANDA OF UNDERSTANDING
 Year Ended June 30, 2012

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

MOA /MOU No.	Participants/Description	Term	Total		Amount Contributed in FY12	Fiscal Agent	Agency Reporting Rev. & Exp.
			Amount of Agreement	Amount Applicable to NMED			
05-MOU	NMED/DFA - Office of the Governor Collective Bargaining Negotiations	Until Terminated	\$ -	\$ -	\$ 7,000	NMED	NMED
09-MOU	NMED/DFA Surface Water Quality Bureau Restore Instate Streams (RERI)	9/30/2012	\$ 2,800,000	\$ 2,437,081	\$ 1,070,353	NMED	NMED
09-667-MOA-0002	NMED/Western NMU La Cienega Watershed San Vicente	12/31/2012	\$ 25,000	\$ 25,000	\$ 9,235	NMED	NMED
09-667-MOA-001	NMED/Town of Silver City San Vicente Creek Restoration	12/31/2022	\$ -	\$ -	Match	NMED	N/A
09-667-MOA-002	NMED/NM Taxation & Revenue Department Office of the Governor - Initiative Compliance	Until Terminated	\$ -	\$ -	\$ -	NMED	N/A
09-667-MOU-001	NMED/Santa Fe County Historical Wetlands Projects	12/30/2012	\$ -	\$ -	\$ -	NMED	N/A
09-668-MOA-0001	NMED/NMENV-ONRT Ground Water Quality Bureau	6/24/2012	\$ 4,000,000	\$ -	\$ -	NMED	ONRT
09-MOU	NMED/NMFA ARRA - Revolving loan fund CPB	6/30/2013	\$ 110,000	\$ 20,000	\$ -	NMED	NMFA

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 SCHEDULE 5 - MEMORANDA OF AGREEMENT / MEMORANDA OF UNDERSTANDING (CONTINUED)
 Year Ended June 30, 2012

MOA /MOU No.	Participants/Description	Term	Total Amount of Agreement	Amount Applicable to NIMED	Amount Contributed in FY12	Fiscal Agent	Agency Reporting Rev. & Exp.
09-MOU	NMED/OSE Transfer Apprpr. - WTB (SWQB)	6/30/2012	\$ -	\$ -	\$ 12,988	NMED	OSE
10-MOU	NMED/Interstate Streams Comm. (ISC) Capital Projects Salt Basin (SWQB)	6/30/2012	\$ 450,000	\$ 450,000	\$ -	NMED	ISC
10-667-MOA-0001	NMED/DFA Integrating Streams Restoration (SWQB)	10/1/2021	\$ 165,675	\$ 165,675	\$ -	NMED	NMED
11-521-0100-0064S	NMED/NMEMNRD Lower Rio Grande RERI (SWQB/GWB)	6/3/2014	\$ 125,000	\$ 125,000	\$ 125,000	NMED	NMEMNRD
2011-NTN1-22	NMED/Univ. of Illinois Capulin Volcano (AQB)	9/30/2012	\$ 11,588	\$ 11,588	\$ 11,588	NMED	NMED
2011-MDN4-08	NMED/Univ. of Illinois NM99 Navajo Lake (AQB)	9/30/2012	\$ 13,822	\$ 13,822	\$ 13,822	NMED	NMED
12-MOU	NMED/NM Institute of Mining & Technology MOU Water Reserve Acquisition (SWQB)	6/30/2012	\$ -	\$ -	\$ -	NMED	ISC
12-667-MOU-0001	NMED/Inststate Streams Comm. Lower Rio Grande (GWB)	6/30/2012	\$ 50,000	\$ 50,000	\$ 50,000	NMED	ISC
12-667-MOU-0002	NMED/NM Institute of Mining & Technology La Cienaga (SWQB)	6/30/2012	\$ -	\$ -	\$ -	NMED	ISC

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE 6 - FIDUCIARY FUND - AGENCY
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2012

	<u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>2012</u>
ASSETS				
Investment in state general fund investment pool	\$ 407,488	\$ 2,571,674	\$ (2,435,339)	\$ 543,823
TOTAL ASSETS	<u>\$ 407,488</u>	<u>\$ 2,571,674</u>	<u>\$ (2,435,339)</u>	<u>\$ 543,823</u>
LIABILITIES				
Funds held for others	\$ 407,488	\$ 2,571,674	\$ (2,435,339)	\$ 543,823
TOTAL LIABILITIES	<u>\$ 407,488</u>	<u>\$ 2,571,674</u>	<u>\$ (2,435,339)</u>	<u>\$ 543,823</u>

SINGLE AUDIT

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

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	\$ 2,061
Air Quality 105	66.001	<u>1,320,938</u>
		1,322,999
State Indoor Radon Grants		
Indoor Radon Outreach Program FY 10	66.032	196,915
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act		
PM 2.5 Ambient Air Monitoring Network	66.034	161,565
FY 11 Green House Gas Reporting and Emissions Red Program	66.034	<u>11,049</u>
		172,614
State Clean Diesel Grant Program		
State Clean Diesel Grant	66.040	399,527
ARRA - State Clean Diesel	66.040	<u>210,695</u>
		610,222
Congressionally Mandated Projects		
Stag Set Aside	66.202	52,043
Water Pollution Control State, Interstate, and Tribal Program Support		
Ground Water 106 FY 2010 - 2011, 2011-2012	66.419	522,630
Surface Water 106 FY 2010 - 2011, 2011-2012	66.419	915,183
Surface Water 106 FY 2010 - 2011 - Supplemental	66.419	10,000
NMED 106 FY10 Supplemental Monitoring	66.419	43,063
NMED 106 FY10 Supplemental Monitoring Survey	66.419	59,731
Surface Water 106 Supplemental	66.419	<u>135,915</u>
		1,686,522

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2012

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY (CONTINUED)		
State Public Water System Supervision		
Public Water Supply Supervision	66.432	\$ 1,073,888
State Underground Water Source Protection		
Pass-thru via NM Energy and Minerals		
Underground Injection Energy & Minerals	66.433	91,333
Pass-thru identifying number not specified		
Water Quality Management Planning		
FY 10-11 CWA 205 (j) & 604 (b) Water Quality Planning	66.454	77,572
Capitalization Grants for Clean Water State Revolving Funds		
Construction Loan, Construction	66.458	7,951,309
Construction Loan, Administration	66.458	168,582
ARRA - Clean Water State Revolving Fund	66.458	<u>1,984,991</u>
		10,104,882
Nonpoint Source Implementation Grants		
319 NPS Surface Water	66.460	1,256,516
319 NPS Ground Water	66.460	150,293
319 NPS Surface Water - Incremental	66.460	551,428
319 NPS Implementation	66.460	501,125
Special Project to Restore Jaramillo Creek	66.460	<u>22,221</u>
		2,481,583
Regional Wetland Program Development Grants		
La Cienega De San Vincente	66.461	21,701
HYDROGEOMORPHIC MODELING	66.461	44,008
VALLES CALDERA	66.461	8,405
NMED Wetlands	66.461	258,194
Rapid Assessment Upper RG	66.461	26,281
Cebolla Canyon	66.461	100,141
Playas Restoration	66.461	<u>26,596</u>
		485,326

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

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 (Pass-through identifying number not specified)		
New Mexico Drinking Water Set-Asides	66.468	2,216,128
ARRA - Construction Programs Bureau	66.468	155
ARRA - Drinking Water State Revolving Fund	66.468	<u>49,001</u>
		2,265,284
Water Protection Grants to the States		
Homeland Security Water Protection	66.474	54,611
Environmental Information Exchange Network Grant Program and Related Assistance		
FY 09 Exchange Network	66.608	107,233
FY 10 Exchange Network	66.608	<u>105,903</u>
		213,136
Pollution Prevention Grants Program		
NMED FY09 Pollution Prevention Program	66.708	2,447
NMED FY10 Pollution Prevention Program	66.708	<u>39,931</u>
		42,378
Hazardous Waste Management State Program Support		
FY10 Hazardous Waste (RCRA)	66.801	714,510
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		
Multi-Site Superfund Bulk Funding	66.802	875,704
North Railroad Avenue Plume Remediation Site	66.802	272,321
McGaffey and Main Plume Superfund	66.802	50,983
Eagle Pitcher Superfund	66.802	69,682
NMED Five Year Bulk Funding 2009-2015	66.802	<u>54,821</u>
		1,323,511
Underground Storage Tank Prevention, Detection and Compliance Program		
UST FY 12	66.804	394,117
UST FY 11 GIS Data Gathering	66.804	<u>8,671</u>
		402,788

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY (CONTINUED)		
Leaking Underground Storage Tank Trust Fund Corrective Action Program		
ARRA-Leaking Underground Storage Tank (LUST)	66.805	154,194
FY12 Data Gathering	66.805	120,124
Leaking Underground Storage Tank (LUST)	66.805	<u>525,739</u>
		800,057
Brownfields Assessment and Cleanup Cooperative Agreements		
ARRA - Brownfield Supplemental funding	66.818	519,586
Brownfield Cleanup	66.818	<u>38,661</u>
		558,247
State and Tribal Response Program Grants		
NM State Response Program	66.817	446,395
International Financial Assistance Projects Sponsored by the Office of International Affairs		
Pass-thru via BECC (TAA10-056)		
FY10 Border 2011	66.931	<u>54,609</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		25,231,425
U.S. DEPARTMENT OF ENERGY		
Renewable Energy Research and Development		
DOE WIPP Oversight	81.502	2,007,141
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	81.065	142,514

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2012

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. DEPARTMENT OF ENERGY (CONTINUED)		
Other Programs		
GNOME Coach and Gasbuggy Nuclear Test Sites	81.136	1,863
NM Uranium Mill Tailings Radiation Control Act Tech Support	81.unknown	17,397
ARRA - Energy Efficiency Block Grant	81.unknown	<u>2,891</u>
		<u>22,151</u>
TOTAL U.S. DEPARTMENT OF ENERGY		2,171,806
U.S. DEPARTMENT OF DEFENSE		
State Memorandum of Agreement Program for the Reimbursement of Technical Services DOD FY11		
	12.113	<u>106,758</u>
TOTAL U.S. DEPARTMENT OF DEFENSE		106,758
U.S. DEPARTMENT OF LABOR		
Occupational Safety and Health State Program		
OSHA Implementation	17.503	866,698
Consultation Agreements		
OSHA Consultation Program	17.504	475,045
OSHA Data Initiative		
OSHA Statistics	17.505	<u>58,790</u>
		<u>58,790</u>
TOTAL U.S. DEPARTMENT OF LABOR		1,400,533

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2012

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
BUREAU OF LAND MANAGEMENT		
Environmental Quality and Protection Resource Management		
San Juan County Env Quality & Prot Res Mgmt, 2008	15.236	<u>80,081</u>
TOTAL BUREAU OF LAND MANAGEMENT		<u>80,081</u>
TOTAL EXPENDITURES FEDERAL AWARDS		<u>\$ 28,990,603</u>
RECONCILIATION TO FINANCIAL STATEMENTS		
Governmental Funds - Federal Grant Revenue		\$ 18,885,721
Enterprise Funds - Federal Grant Revenue		<u>10,104,882</u>
		<u>\$ 28,990,603</u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012**

GENERAL

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

BASIS OF ACCOUNTING

The accompanying 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, 2012.

LOANS

The Department does not have any loans outstanding with the Federal government at June 30, 2012.

SUBRECIPIENTS

The Fund receives capitalization grants to create and maintain the Clean Water State Revolving Fund program (CWSRF, CFDA 66.458). The Fund can use the capitalization grants to provide loans at reduced interest rates to finance the construction of publicly-owned water pollution control facilities, non-point source pollution control projects and estuary management plans. Loans made by the Fund must be paid within 20 years and all repayments, including interest and principal, must remain within the Wastewater Facility Construction Loan Fund of the Fund. Capitalization loans processed for CWSRF for the year ended June 30, 2012 were \$11,058,196. CWSRF outstanding loans at June 30, 2012 were \$164,310,005. In addition, as detailed in the schedule below, the Fund provided \$1,859,595 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).

<u>Community</u>	<u>Amount</u>
Town of Taos	\$ 931,709
Questa	709,663
Eagle Nest	153,817
San Miguel County	<u>64,406</u>
Total	<u>\$ 1,859,595</u>

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012**

In addition, as detailed in the schedule below, the Department provided federal funding to various entities.

<u>Name of Entity</u>	<u>CFDA</u>	<u>Amount</u>
Taos County	66.040	\$ 70,000
City of Deming	66.040	65,750
New Mexico Association of Food Banks	66.040	188,646
City of Albuquerque	66.040	81,384
New Mexico DOT R/W Payments	66.040	70,698
Taos County	66.040	55,107
Community Area Resource Enterprise, Inc.	66.818	44,152
Luna Lodge Limited Partnership LLP	66.818	51,186
Santa Fe County	66.818	<u>382,000</u>
Total		<u>\$ 1,008,923</u>

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Mr. David Martin
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 supplemental information of the State of New Mexico Environment Department (the Department) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012. 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

Management of the Department is responsible for establishing and maintaining effective 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 deficiencies, 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 discussed below, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the

accompanying schedule of findings and questioned costs and responses to be a material weakness in internal control over financial reporting. (12-02)

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 and responses to be significant deficiencies. (11-01, 12-01, and 12-03)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 10-07 and 12-04.

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.

This report is intended solely for the information and use of management, others within the Department, the State Auditor, the New Mexico Legislature, 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.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 10, 2012

Independent Auditors' 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. David Martin
State of New Mexico Environment Department and
Mr. Hector H. Balderas
New Mexico State Auditor

Compliance

We have audited the compliance of the State of New Mexico Environment Department (the Department) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Department's major federal programs are identified in the summary of auditor's 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.

As described in item 12-02 in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding Allowed Costs that are applicable to its Air Pollution Control Program Support (66.001), Capitalization Grants for Drinking Water State Revolving Funds (66.468), Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements (66.802), State Public Water System Supervision (66.432) programs. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 06-08.

Internal Control over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our 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 entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-02 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 06-08, 11-01 and 12-01 to be significant deficiencies.

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.

This report is intended solely for the information and use of management, 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.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 10, 2012

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major program: Qualified

Any audit findings, disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA

<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.001	Air Pollution Control Program Support
66.419	Water Pollution Control State, Interstate and Tribal Program Support
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.460	Nonpoint Source Implementation Grants
66.468	Capitalization Grants for Drinking Water State Revolving Funds
66.802	Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements
66.432	State Public Water System Supervision
81.502	Renewable Energy Research and Development

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012**

Section I - Summary of Auditors' Results (continued)

Dollar threshold used to distinguish
between type A and type B programs \$869,718

Auditee qualified as low-risk auditee? yes no

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section II – Financial Statement Findings

Finding 12-01 Capital Asset Purchases (Significant Deficiency)

Condition: During our Single Audit test work for CFDA 66.001 (Air Pollution Control Program Support), it was noted that 3 out of 40 vouchers tested totaling approximately \$45k were for purchases of items meeting the capitalization threshold, but were not properly coded and capitalized. In addition, during capital asset test work it was noted that an additional approximately \$155k in capital asset purchases were not properly coded and, as a result, were excluded from the capital asset listing.

Criteria: In accordance with the Manual of Model Accounting Practices (MAPs) FIN 6.4, State agencies shall record and report state owned capital assets in accordance with state law, state rule, and Generally Accepted Accounting Principles. Additionally, per A-102 Common Rule for capital assets purchased with federal funds, the Department is required to have procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds.

Cause: Lack of effective internal controls associated with the purchase of capital assets.

Effect: As a result, there was approximately \$200k in capital assets not properly capitalized; the Department is not in compliance with MAPs standards and federal regulations.

Recommendation: We recommend that management establish effective controls necessary to ensure that all capital asset purchases are recorded as they occur during the course of the fiscal year. This should include training of all individuals involved in the purchasing process to ensure they are familiar with the types of purchases that would be subject to capitalization.

Management's Response: Management concurs with the finding and notes that the proper classification of expenditures was not performed at all levels within the Department and by external oversight authority. Management has targeted an extensive review of the expenditure chart of accounts with Administrative Services Division (ASD) staff for early December 2012 and with training for agency fiscal officers sighted for mid-December. Accordingly, the ASD staff charged for overseeing capital asset maintenance, recording and reporting now generates monthly expenditure reports based on both the object of expenditure and dollar threshold. This process is done to ascertain the proper classification of expenditure and to maintain current any additions to the capital asset inventory. This current practice is to be followed until the capital outlay policy is revised, which is anticipated to be completed by the Chief Financial Officer in early 2013.

Finding 12-02 Time and Labor Charging Practices to Federal Programs (Material Weakness)

Condition: During an audit by the OIG of the EPA of the Department's labor charging practices, it was discovered that the Air Quality Bureau (AQB) and Drinking Water Bureau (DWB) of the Department (NMED) did not always charge labor and related costs according to 2 CFR requirements. These bureaus charged labor, fringe benefit, and indirect costs to federal

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012**

Section II – Financial Statement Findings (continued)

Finding 12-02 Time and Labor Charging Practices to Federal Programs (Material Weakness) (continued)

grants based on budget, rather than actual activities performed. This occurred at AQB from the inception of NMED's current accounting system, SHARE, in July 2006 to June 25, 2010, and DWB through April 14, 2012.

In addition, during our payroll test work over allowable costs the following issues were noted:

CFDA 66.001

- The Department was unable to provide timesheets to support the charges to the grant for 2 out of 40 payroll disbursements.
- Of the 38 out of 40 timesheets received, there were 3 lacking evidence of supervisory approval of timesheet.
- Of the 38 out of 40 timesheets received, there were 6 in which the hours charged to the grant per the timesheet didn't agree to the hours actually charged to the grant.

CFDA 66.468

- The Department was unable to provide timesheets to support the charges to the grant for 25 of 40 payroll disbursements tested.
- Of the 15 out of 40 timesheets received, there were 6 lacking evidence of supervisory approval of timesheet.
- 31 out of the 40 payroll disbursements tested were based on budgeted labor allocations instead of actual hours worked on the grant.

CFDA 66.802

- On 2 of the 40 timesheets tested, the hours charged to the grant per the timesheet didn't agree to the hours actually charged to the grant.

CFDA 66.432

- The Department was unable to provide timesheets to support the charges to the grant for 19 of 40 payroll disbursements tested.
- Of the 21 of 40 timesheets received, there was one lacking evidence of supervisory approval of the timesheet.
- 25 of the 40 payroll disbursements tested were based on budgeted labor allocations instead of actual hours worked on the grant.

Criteria:

Title 2 CFR Part 225, Appendix A, Section C.1j states: to be allowable under Federal awards, costs must be adequately documented.

2 CFR Part 225, Appendix B – 8.h.(4)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section II – Financial Statement Findings (continued)

Finding 12-02 Time and Labor Charging Practices to Federal Programs (Material Weakness) (continued)

2 CFR Part 225, Appendix B – 8.h.(5).5

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

Cause: Lack of understanding of federal requirements and the Department believed that EPA Region 6 approved the bureau's labor charging practices.

Effect: As a result, the Department is not in compliance with federal regulations and could be liable to reimburse the EPA for approximately \$3.7m in unsupported charges.

Recommendation: The Department immediately implemented corrective action upon initial identification of the issue, which required each employee working on federal programs to keep separate timesheets to support the timesheets recorded into SHARE. However, as noted during our test work, there were still exceptions noted with the current process. We recommend the Department evaluate the current process and modify it to ensure it is the most effective and efficient process while still meeting the requirements of the 2 CFR. In addition, the Department should ensure appropriate internal controls are established and that all policies and procedures surrounding timekeeping is implemented consistently across all bureaus.

Management's Response: Management does recognize the importance of adhering to federal oversight requirements, supervisor responsibilities for timekeeping purposes and employee responsibility for reporting time accurately. The Department has reviewed timekeeping processes for various bureaus within the agency since the timekeeping practices were changed, and is taking the best practices approach to resolving the issues of keeping hardcopy timesheets, having supervisor approval both on the sheet and within SHARE HCM, and ensuring that supervisors and financial managers are reviewing and auditing the hard and electronic timesheets to ensure parity. The Department is in the process of creating a standardized reporting, review and reconciliation process so that the noted deficiencies are resolved in a timely manner, if needed. The process for fully documenting and formalizing in a manner consistent to the agency is currently underway, with an anticipated completion by early 2013. The formal Human Resources timekeeping process will be consistent with revisions to the grants policies and procedures.

Management must note that that all staff is ultimately responsible for accurately recording and reporting their respective time; and that supervisors are responsible for validation of subordinate time reporting and record keeping. Additionally, Management notes that given the amount of employees within the agency who record and enter the multitude of timekeeping transactions on a continuous basis, it is inherently impossible nor feasible for any one person or position to be responsible for adherence and compliance on behalf of the agency save for the individual staff and supervisors formerly mentioned. For any instances found for non-compliance with federal requirements and/or non-adherence to agency mandates, the Human Resources Bureau Chief will report to senior management such issues on an as needed basis so that they may be addressed through proper personnel avenues.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section II – Financial Statement Findings (continued)

Finding 12-03 Internal Control over Financial Close and Reporting (Significant Deficiency)

Condition: During our test work we noted the following issues:

- When re-calculating the final year-end transfers from the Special Revenue Funds to the Department's General Fund, it was noted that the Department used incorrect percentages in the calculation for fund 63100 and fund 99000, which required adjustments of \$172,975 for fund 63100 and \$14,811 for fund 99000.
- An excessive amount of reclassifying and adjusting journal entries were required during the audit to properly prepare the financial statements in accordance with Generally Accepted Accounting Principles.

Criteria: NMAC 2.20.5.8 requires agencies to ensure all transactions are properly classified in the agency's accounting records, and MAPs establishes the requirement that state agencies: 1) verify monthly that all transactions have been posted in SHARE, and 2) prepare any reclassification or adjusting entries as soon as they are known.

Cause: Lack of established controls and procedures surrounding the financial close and reporting process.

Effect: Possible misstatements of the financial statements.

Recommendation: We recommend the Department evaluate all aspects of the financial close and reporting process and establish effective internal controls and procedures to ensure monthly verifications of transactions posted in SHARE are performed and that reclassification or adjusting journal entries are prepared as soon as they are known.

Management's Response: Management concurs and notes that not all allocations were included in the calculation of fund 63100 and fund 99000, which resulted in incorrect percent distributions of allocations. Program financial managers are responsible for monitoring their respective allocations of special revenue and other sources, and for requesting and creating journal entries. Verification of allocations are now reviewed by the program financial manager and concurred with by Financial Services Bureau (FSB) to ensure the accuracy of allocations for all special revenue funds prior to any distributions and/or transfers. Management is reviewing its procedures to ensure compliance with MAPs standards. The formal policy revision, which is to be completed by the Chief Financial Officer, is anticipated for early 2013.

Finding 11-01 Reconciliation of Federal Revenue to Schedule of Expenditures of Federal Awards (Significant Deficiency)

Condition: During the fiscal year, the Department did not properly reconcile and record federal revenue and related receivables. In addition, the Department did not post the June 30, 2012 closing adjustments to federal revenue and the related receivables in a timely manner. As a

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section II – Financial Statement Findings (continued)

Finding 11-01 Reconciliation of Federal Revenue to Schedule of Expenditures of Federal Awards (Significant Deficiency) (continued)

result, the Department prepared and posted adjustments to federal revenue in the amount of approximately \$2.5m as audit adjustments. In addition, audit adjustments in the amount of approximately \$50k were posted to reconcile the federal revenue to the schedule of expenditures of federal awards.

Criteria: OMB Circular A-133 requires the Department to prepare a schedule of expenditures of federal awards that should reconcile to the financial statements of the Department. In addition, NMAC 2.20.5.8 requires agencies to ensure all transactions are properly classified in the agency's accounting records and MAPs establishes the requirement that state agencies: 1) verify monthly that all transactions have been posted in SHARE, and 2) prepare any reclassification or adjusting entries as soon as they are known.

Cause: Lack of effective controls and procedures surrounding the reconciliation process.

Effect: Possible misstatements of the financial statements.

Recommendation: We recommend the Department implement effective internal control procedures to ensure that monthly reconciliations of the federal revenue and federal expenditures are performed to ensure a timely submission of the schedule during the audit that is reconciled to the federal revenue.

Management's Response: Management concurs with the finding and had begun to address this issue procedurally and in writing in early fiscal year 2013. Management created a process of requiring the Grants Unit to prepare the draw request after verification of valid and properly classified federal expenditures and revenues. The reconciled draw request is reviewed by the Financial Services Bureau Management and is either approved or, if disapproved, sent back for correction. Approved draw requests are provided to the General Ledger Section whereby the federal accounts receivable is established in SHARE. The draw request is then provided back to the Grants Unit who performs the draw. The Cash Management Section records the revenue into SHARE after it is received by the State Fiscal Agent. The Budget Unit reconciles the federal revenues against the draw requests and approved budget. Any discrepancies are noted and corrected through the accounting process. Additionally, the Chief Financial Officer is in the process of formally modifying all grants related policies and procedures, which is anticipated to be completed in early 2013.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section III – Federal Award Findings and Questioned Costs

Finding 12-01 Capital Asset Purchases (Significant Deficiency)

Condition: During our Single Audit test work for CFDA 66.001 (Air Pollution Control Program Support), it was noted that 3 out of 40 vouchers tested totaling approximately \$45k were for purchases of items meeting the capitalization threshold, but were not properly coded and capitalized. In addition, during capital asset test work it was noted that an additional approximately \$155k in capital asset purchases were not properly coded and, as a result, were excluded from the capital asset listing.

Criteria: In accordance with the Manual of Model Accounting Practices (MAPs) FIN 6.4, State agencies shall record and report state owned capital assets in accordance with state law, state rule, and Generally Accepted Accounting Principles. Additionally, per A-102 Common Rule for capital assets purchased with federal funds, the Department is required to have procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds.

Cause: Lack of effective internal controls associated with the purchase of capital assets.

Effect: As a result, there was approximately \$200k in capital assets not properly capitalized; the Department is not in compliance with MAPs standards and federal regulations.

Recommendation: We recommend that management establish effective controls necessary to ensure that all capital asset purchases are recorded as they occur during the course of the fiscal year. This should include training of all individuals involved in the purchasing process to ensure they are familiar with the types of purchases that would be subject to capitalization.

Management's Response: Management concurs with the finding and notes that the proper classification of expenditures was not performed at all levels within the Department and by external oversight authority. Management has targeted an extensive review of the expenditure chart of accounts with Administrative Services Division (ASD) staff for early December 2012 and with training for agency fiscal officers sighted for mid-December. Accordingly, the ASD staff charged for overseeing capital asset maintenance, recording and reporting now generates monthly expenditure reports based on both the object of expenditure and dollar threshold. This process is done to ascertain the proper classification of expenditure and to maintain current any additions to the capital asset inventory. This current practice is to be followed until the capital outlay policy is revised, which is anticipated to be completed by the Chief Financial Officer in early 2013.

Finding 12-02 Time and Labor Charging Practices to Federal Programs (Material Weakness)

Condition: During an audit by the OIG of the EPA of the Department's labor charging practices, it was discovered that the Air Quality Bureau (AQB) and Drinking Water Bureau (DWB) of the Department (NMED) did not always charge labor and related costs according to 2 CFR requirements. These bureaus charged labor, fringe benefit, and indirect costs to federal

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012**

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 12-02 Time and Labor Charging Practices to Federal Programs (Material Weakness) (continued)

grants based on budget, rather than actual activities performed. This occurred at AQB from the inception of NMED's current accounting system, SHARE, in July 2006 to June 25, 2010, and DWB through April 14, 2012.

In addition, during our payroll test work over allowable costs the following issues were noted:

CFDA 66.001

- The Department was unable to provide timesheets to support the charges to the grant for 2 out of 40 payroll disbursements.
- Of the 38 out of 40 timesheets received, there were 3 lacking evidence of supervisory approval of timesheet.
- Of the 38 out of 40 timesheets received, there were 6 in which the hours charged to the grant per the timesheet didn't agree to the hours actually charged to the grant.

CFDA 66.468

- The Department was unable to provide timesheets to support the charges to the grant for 25 of 40 payroll disbursements tested.
- Of the 15 out of 40 timesheets received, there were 6 lacking evidence of supervisory approval of timesheet.
- 31 out of the 40 payroll disbursements tested were based on budgeted labor allocations instead of actual hours worked on the grant.

CFDA 66.802

- On 2 of the 40 timesheets tested, the hours charged to the grant per the timesheet didn't agree to the hours actually charged to the grant.

CFDA 66.432

- The Department was unable to provide timesheets to support the charges to the grant for 19 of 40 payroll disbursements tested.
- Of the 21 of 40 timesheets received, there was one lacking evidence of supervisory approval of the timesheet.
- 25 of the 40 payroll disbursements tested were based on budgeted labor allocations instead of actual hours worked on the grant.

Criteria:

Title 2 CFR Part 225, Appendix A, Section C.1j states: to be allowable under Federal awards, costs must be adequately documented.

2 CFR Part 225, Appendix B – 8.h.(4)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 12-02 Time and Labor Charging Practices to Federal Programs (Material Weakness) (continued)

2 CFR Part 225, Appendix B – 8.h.(5).5

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

Cause: Lack of understanding of federal requirements and the Department believed that EPA Region 6 approved the bureau's labor charging practices.

Effect: As a result, the Department is not in compliance with federal regulations and could be liable to reimburse the EPA for approximately \$3.7m in unsupported charges.

Recommendation: The Department immediately implemented corrective action upon initial identification of the issue, which required each employee working on federal programs to keep separate timesheets to support the timesheets recorded into SHARE. However, as noted during our test work, there were still exceptions noted with the current process. We recommend the Department evaluate the current process and modify it to ensure it is the most effective and efficient process while still meeting the requirements of the 2 CFR. In addition, the Department should ensure appropriate internal controls are established and that all policies and procedures surrounding timekeeping is implemented consistently across all bureaus.

Management's Response: Management does recognize the importance of adhering to federal oversight requirements, supervisor responsibilities for timekeeping purposes and employee responsibility for reporting time accurately. The Department has reviewed timekeeping processes for various bureaus within the agency since the timekeeping practices were changed, and is taking the best practices approach to resolving the issues of keeping hardcopy timesheets, having supervisor approval both on the sheet and within SHARE HCM, and ensuring that supervisors and financial managers are reviewing and auditing the hard and electronic timesheets to ensure parity. The Department is in the process of creating a standardized reporting, review and reconciliation process so that the noted deficiencies are resolved in a timely manner, if needed. The process for fully documenting and formalizing in a manner consistent to the agency is currently underway, with an anticipated completion by early 2013. The formal Human Resources timekeeping process will be consistent with revisions to the grants policies and procedures.

Management must note that that all staff is ultimately responsible for accurately recording and reporting their respective time; and that supervisors are responsible for validation of subordinate time reporting and record keeping. Additionally, Management notes that given the amount of employees within the agency who record and enter the multitude of timekeeping transactions on a continuous basis, it is inherently impossible nor feasible for any one person or position to be responsible for adherence and compliance on behalf of the agency save for the individual staff and supervisors formerly mentioned. For any instances found for non-compliance with federal requirements and/or non-adherence to agency mandates, the Human Resources Bureau Chief will report to senior management such issues on an as needed basis so that they may be addressed through proper personnel avenues.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 11-01 Reconciliation of Federal Revenue to Schedule of Expenditures of Federal Awards (Significant Deficiency)

Condition: During the fiscal year, the Department did not properly reconcile and record federal revenue and related receivables. In addition, the Department did not post the June 30, 2012 closing adjustments to federal revenue and the related receivables in a timely manner. As a result, the Department prepared and posted adjustments to federal revenue in the amount of approximately \$2.5m as audit adjustments. In addition, audit adjustments in the amount of approximately \$50k were posted to reconcile the federal revenue to the schedule of expenditures of federal awards.

Criteria: OMB Circular A-133 requires the Department to prepare a schedule of expenditures of federal awards that should reconcile to the financial statements of the Department. In addition, NMAC 2.20.5.8 requires agencies to ensure all transactions are properly classified in the agency's accounting records and MAPs establishes the requirement that state agencies: 1) verify monthly that all transactions have been posted in SHARE, and 2) prepare any reclassification or adjusting entries as soon as they are known.

Cause: Lack of effective controls and procedures surrounding the reconciliation process.

Effect: Possible misstatements of the financial statements.

Recommendation: We recommend the Department implement effective internal control procedures to ensure that monthly reconciliations of the federal revenue and federal expenditures are performed to ensure a timely submission of the schedule during the audit that is reconciled to the federal revenue.

Management's Response: Management concurs with the finding and had begun to address this issue procedurally and in writing in early fiscal year 2013. Management created a process of requiring the Grants Unit to prepare the draw request after verification of valid and properly classified federal expenditures and revenues. The reconciled draw request is reviewed by the Financial Services Bureau Management and is either approved or, if disapproved, sent back for correction. Approved draw requests are provided to the General Ledger Section whereby the federal accounts receivable is established in SHARE. The draw request is then provided back to the Grants Unit who performs the draw. The Cash Management Section records the revenue into SHARE after it is received by the State Fiscal Agent. The Budget Unit reconciles the federal revenues against the draw requests and approved budget. Any discrepancies are noted and corrected through the accounting process. Additionally, the Chief Financial Officer is in the process of formally modifying all grants related policies and procedures, which is anticipated to be completed in early 2013.

Finding 06-08 Federal Grant Reporting (Significant Deficiency)

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

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 06-08 Federal Grant Reporting (Significant Deficiency) (continued)

- CFDA 66.001 - Air Pollution Program Support – The Department was unable to provide evidence of submission for 2 out of 2 performance reports requested.
- CFDA 66.460 - Nonpoint Source Implementation – 1 out of 2 financial reports tested was filed late, 1 out of 3 performance reports tested was filed late.
- CFDA 66.802 - Comprehensive Environmental Response - 1 out of 3 performance reports was filed late.
- CFDA 81.502 - Renewable Energy Research and Development - 4 out of 4 financial reports tested were not filed, 1 out of 1 performance reports tested was 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 concurs with the finding. Presently, the Grants Unit has been merged with the Budget Unit whereby staff has begun to cross-train on federal reconciling and reporting for redundancy purposes, and to maintain an effective control and continuous operations. Grants Unit staff is responsible for collecting and maintaining all federal reports to include establishing a centralized collection point. Grants Unit staff will be responsible for obtaining and maintaining all required performance reports along with federal financial data. The Department is in the process of modifying all grants related policies and procedures to include direction to and responsibility of divisions on the maintenance of federal award data and reports. The formal update, under the responsibility of the Chief Financial Officer, is anticipated to be completed in early 2013.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section IV – Other Findings

Finding 12-04 Petty Cash Accounts (Compliance and Other Matters)

Condition: In fiscal year 2012, the Department questioned the need for Petty Cash Accounts. It was determined that these accounts were not needed because of increased efficiencies in processing purchase documents, while there was also a need to decrease exposure to loss through enhancing internal controls. The Department began to close the agency's 38 Petty Cash Accounts in accordance with MAPs. During mid-summer, it was found that there were 4 Petty Cash accounts that were not accounted for totaling \$735.00. The Department was vigorous in its efforts to locate all of the accounts, but did note that because of staff turnover, lack of a routine reconciliation process, and minimal usage of the accounts, not all were properly accounted or maintained. In addition, two of the accounts closed did not balance to the amounts established in SHARE. Upon providing DFA with documentation showing the established original amounts of the two petty cash accounts, DFA closed the accounts for the amounts requested, but did not reduce the difference in SHARE of the two petty cash accounts. Therefore, the total amount remaining in SHARE is \$885.00. The Department has been in contact with the Department of Finance & Administration for guidance on this matter. The Department was advised to address the issue with the external auditors and submit an adjusting entry to resolve the issue. The Department is taking appropriate action to clear out all of the accounts.

Criteria: In accordance with NMSA 6-10-2, it is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money.

Cause: Lack of established controls and procedures surrounding the safeguarding and replenishment of the Department's petty cash accounts.

Effect: Possible misstatements of the financial statements.

Recommendation: As detailed in the Condition above, the Department has already taken action to address the issue and is eliminating all of the petty cash accounts.

Management's Response: The Department continues to work with the Department of Finance and Administration to close the accounts, which is estimated to be completed by the end of the calendar year. Upon final rectification of all transactions, the Financial Services Bureau will perform the requisite entries within SHARE in accordance with the DFA instructions and established timeframes.

Finding 10-07 Lack of Formal Disaster Recovery Plan (Compliance and Other Matters)

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.

STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section IV – Other Findings (continued)

Finding 10-07 Lack of Formal Disaster Recovery Plan (Compliance and Other Matters)
(continued)

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: The Department concurs with the finding. Presently, the information technology operations specialist whose primary function is to address the disaster recovery plan has been hired and has been engaged in directing and correcting this deficiency. The disaster recovery plan is currently in outline format. The first draft plan will be completed by mid-year, at which time it will be disseminated to appropriate information technology staff for review, critique and modification. The second phase is to distribute the updated draft plan to agency management for final review, adoption and implementation. This last phase is scheduled to be completed early calendar year 2013 and is the responsibility of the Chief Information Officer.

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2012**

Section II – Financial Statement Findings

Finding 09-07 Reconciliation of Rural Infrastructure Program (RIP) Loan Schedule to SHARE
(Significant Deficiency) – Resolved

Finding 10-06 Capital Asset Transfers/Disposals Recorded at Time of Physical Inventory
(Significant Deficiency) – Resolved

Finding 11-01 Reconciliation of Federal Revenue to Schedule of Expenditures of Federal Awards
(Significant Deficiency) – Repeated/Updated

Section III – Federal Award Findings and Questioned Costs

Finding 06-08 Federal Grant Reporting (Significant Deficiency) – Repeated/Updated

Finding 10-06 Capital Asset Transfers/Disposals Recorded at Time of Physical Inventory
(Significant Deficiency) – Resolved

Finding 11-01 Reconciliation of Federal Revenue to Schedule of Expenditures of Federal Awards
(Significant Deficiency) – Repeated/Updated

Section IV – Other Findings

Finding 10-01 Cash Receipts Not Recorded or Deposited in a Timely Manner (Other) – Resolved

Finding 10-07 Lack of Formal Disaster Recover Plan (Other) – Repeated/Updated

**STATE OF NEW MEXICO ENVIRONMENT DEPARTMENT
EXIT CONFERENCE
June 30, 2012**

An exit conference was held with the Department on December 10, 2012. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

NEW MEXICO ENVIRONMENT DEPARTMENT

Cathy Atencio	ASD Director (Acting)
Vince Lithgow, CGFM	Chief Financial Officer
Marlene Cordova	General Ledger Manager
Alysia Leavitt	CWSRF/RIP Loan Manager
Mary Montoya	Chief Information Officer (Acting)
Tom Blaine	Field Operations and Infrastructure Division Director
Mary E. Rose	Environmental Protection Division Director (Acting)
Jim Davis	Resource Protection Division Director

CLIFTONLARSONALLEN LLP

Janet Pacheco-Morton, CPA, CGFM, Partner
Matt Bone, CPA, CGFM, Manager

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.