



STATE OF NEW MEXICO

NEW MEXICO ENVIRONMENT DEPARTMENT

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

JUNE 30, 2019

**NEW MEXICO ENVIRONMENT DEPARTMENT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019**

OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES	14
BALANCE SHEET – GOVERNMENTAL FUNDS	16
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	17
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	19
STATEMENT OF REVENUES AND EXPENDITURES – MAJOR GOVERNMENTAL FUNDS – BUDGET AND ACTUAL (BUDGETARY BASIS)	20
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	23
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS	24
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	25
NOTES TO FINANCIAL STATEMENTS	27
SUPPLEMENTARY INFORMATION	
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTIONS	56
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	59
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	64
OTHER INFORMATION	69
SCHEDULE 1 – SUPPLEMENTAL SCHEDULE OF CAPITAL APPROPRIATIONS	69
SCHEDULE 2 – SUPPLEMENTAL SCHEDULE OF SPECIAL APPROPRIATIONS	70

**NEW MEXICO ENVIRONMENT DEPARTMENT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019**

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	71
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	75
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 <i>GOVERNMENT AUDITING STANDARDS</i>	77
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	82
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	87
EXIT CONFERENCE	88

**NEW MEXICO ENVIRONMENT DEPARTMENT
OFFICIAL ROSTER
JUNE 30, 2019**

Office of the Secretary

James C. Kenney, Cabinet Secretary

Jennifer J. Pruett, Deputy Secretary

Division Directors

Michelle Desmond, ASD Director

Mary Montoya, Information Technology Division

Stephanie Stringer, Resource Protection Director

Rebecca Roose, Water Protection Division

Sandra Ely, Environmental Protection Director



INDEPENDENT AUDITORS' REPORT

Mr. James C. Keeney, Cabinet Secretary
New Mexico Environment Department and
Mr. Brian Colón
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

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 major special revenue funds of the New Mexico Environment Department (the Department), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Mr. James C. Kenney, Cabinet Secretary
New Mexico Environment Department and
Mr. Brian Colón
New Mexico State Auditor

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities and business-type activities of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2019, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules required by Section 2.2.2 NMAC, as listed in the table of contents as Supplemental Schedule of Capital Appropriations (Schedule 1) and Supplemental Schedule of Special Appropriations (Schedule 2), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Mr. James C. Kenney, Cabinet Secretary
New Mexico Environment Department and
Mr. Brian Colón
New Mexico State Auditor

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and the other schedules required by Section 2.2.2 NMAC as listed in the table of contents as Supplemental Schedule of Capital Appropriations (Schedule 1) and Supplemental Schedule of Special Appropriations (Schedule 2) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and the schedules required by Section 2.2.2 NMAC as listed in the table of contents as Supplemental Schedule of Capital Appropriations (Schedule 1) and Supplemental Schedule of Special Appropriations (Schedule 2) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Department's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 31, 2019

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

Executive Summary

The management of the State of New Mexico Environment Department (the Department) is pleased to present the *Management's Discussion and Analysis (MD&A)* of its financial statements for the fiscal year ended June 30, 2019. This overview and analysis summarizes the Department's financial activities and operations for the state fiscal year 2019, which is the period between July 01, 2018 and June 30, 2019 (*FY19*). 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 four 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 Position and a Statement of Activities. These statements should report all of the assets, liabilities, revenues, expenses and gains and losses of the government. Both statements distinguish between the governmental and business-type activities of the primary government. Fiduciary activities whose resources are not available to finance the government's 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 four funds as major funds: the General Fund, the Corrective Action Fund, and two Capital Project Funds.

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-type 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 and delivery infrastructure projects. The Clean Water Administrative Fund is used to administer the Wastewater Facility Construction Loan Fund.

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

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 two types of funds: governmental funds and proprietary 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 Wastewater Facility Construction Loan Fund, the Clean Water Administrative 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 and delivery infrastructure projects. Proprietary funds, like the government-wide statements, provide both long and short-term information.

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.

Per the New Mexico Office of the State Auditor under 2.2.2 NMAC (the State Auditor Rule), the Statement of Revenues and Expenditures – Budget to Actuals for non-major funds are no longer required to be included separately in the presentation of the financial statements. The budgetary comparisons statements for only the general fund and major funds that have legally adopted annual budgets will be presented in the financial statements.

Department Highlights

The Department's mission is to protect and restore the environment, and to foster a healthy and prosperous New Mexico for present and future generations. NMED is committed to providing clear articulation of the agency's goals, standards and expectations in a professional manner so that employees and the public can make informed decisions and be actively involved in setting priorities. Additionally, NMED promotes environmental awareness through the practice of open and direct communication and sound decision-making by carrying out the mandates and initiatives of the Department in a fair and consistent manner.

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

During fiscal year 2019, the Department operated with four divisions within four budgetary programs. Through these programs, which include Resource Management Division (P567), Water Protection Division (P568), Resource Protection Division (P569), and Environmental Protection Division (P570), the Department was able to administer and enforce the state and federal laws with which it is charged.

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

Resource Management Division (P567)

This program is comprised of the Office of the Secretary; Office of the General Counsel; the Financial Services Bureau, which includes Budget & Grants, General Ledger & Operational Support, Procurement & Accounts Payables and Human Resources and the Office of Information Technology.

Resource Management provides overall leadership, administrative, legal and information management support to the Department staff and oversight and regulatory entities. This support allows the Department to operate in the most knowledgeable, efficient and cost-effective manner possible, and provides the public with information necessary to hold the Department accountable.

Water Protection Division (P568)

This program is comprised of the Construction Programs Bureau ("CPB"); Drinking Water Bureau ("DWB"); Ground Water Quality Bureau ("GWQB") and Surface Water Quality Bureau ("SWQB").

The program is responsible for overseeing water infrastructure systems and water quality issues throughout the state. It regulates the quality of New Mexico's ground and surface water resources to ensure clean and safe water supplies are available now and in the future to support domestic, agricultural, economic, and recreational activities; ensures that drinking water throughout the state is clean and healthy; that wastewater systems are designed and constructed to meet regulatory standards; and that public funds appropriated to design and construct these systems are appropriately utilized.

Accomplishments –

- During State Fiscal Year ("SFY") 2019, Construction Program Bureau provided technical and financial oversight and assistance for over 300 projects statewide and disbursed over \$26.5 million dollars to New Mexico communities from the Clean Water State Revolving Loan Fund ("CWSRF"), Rural Infrastructure Program (RIP) and Capital Outlay programs. This money was used to support projects that not only protect public health and the environment, but also stimulate the local economies.
- In 2019 the CWSRF program continues to accept applications from private entities for funding for a variety of projects that became eligible as a result of the 2017 and 2018 legislative amendments to the Wastewater Facility Construction Loan Act also known as the CWSRF. The program is working with several owners of underground petroleum storage tanks to fund removal or removal and replacement of outdated tanks to protect groundwater resources.

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

- In SFY 2019, the DWB developed an SFY 2019 Drinking Water State Resolving Fund (“DWSRF”) Priority Funding List to offer \$29,121,801 in water infrastructure project funding assistance to 10 public water systems across the state at interest rates from 0% to 2%. The DWSRF list offers loans and loan/principal forgiveness combinations to public water systems, positively impacting about 724,476 water customers in these communities.
- Through the Clean Water Act (“CWA”) §319 and §604(b) Programs, SWQB funded and oversaw projects located throughout the state to develop watershed-based plans and implement on-the-ground restoration activities.

Resource Protection Division (P569)

This program is comprised of the Department of Energy Oversight (“DOE-OB”); Hazardous Waste Bureau (HWB); Petroleum Storage Tank Bureau (“PSTB”) and the Solid Waste (“SWB”).

The program protects public health and the environment by ensuring that solid waste and recyclable materials are properly transported, managed, handled and disposed; operations that generate, manage, store, process, transport, or dispose of hazardous wastes do so in a responsible manner; petroleum storage tanks are managed to prevent releases and petroleum contaminated sites are cleaned up; and Department of Energy operations in New Mexico are performed in a conscientious manner.

Accomplishments –

- SWB permitting staff issued 118 Collection Center registrations for 48 Recycling facilities, 35 Composting facilities, 17 Transfer Stations, 10 Tire Recycling Facilities, 1 Processing Facility, 2 air curtain incinerators, 5 Small Animal Crematoria and there are 28 permitted landfills in New Mexico. SWB has registered 392 commercial haulers, 19 special waste haulers and 34 scrap tire haulers. Staff have also completed one closure/post closure care certificate to Plains Electric Generating Station Landfill in April 2019.
- The HWB has implemented a document conversion plan that allows public access to HWB records in a prompt and efficient manner. The records are located at <<http://hwbdocuments.env.nm.gov/>>.
- The HWB also responded to 25 spills or complaints. HWB issued a RCRA hazardous waste permit for Cannon Air Force Base and issued a final decision on a permit modification for the Waste Isolation Pilot Plant on volume of record.
- HWB revised the Hazardous Waste Management Regulations, 20.4.1 NMAC, before the Environmental Improvement Board which became effective in December 2018. The HWB started the process in 2018 to revise the Hazardous Waste Permit and Corrective Action Fee Regulations, 20.4.2 NMAC and the Annual Hazardous Waste Fee Regulations, 20.4.3 NMAC. The proposed revisions to the fee regulations have been communicated to the regulated community and meetings have been held. The fee regulations are tentatively planned to go before the Environmental Improvement Board in late calendar year 2019.

Environmental Protection Program (P570)

This program is comprised of the Air Quality Bureau (“AQB”), Environmental Health Bureau (“EHB”), Occupational Health and Safety Bureau (“OSHB”), Radiation Control Bureau (“RCB”), and the Office of Nuclear Worker Advocacy (“ONWA”).

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

The purpose of the Environmental Health Division is to protect public health and the environment through programs that regulate air emissions; provide public outreach, education, and regulatory oversight for worker safety; regulation of radiation producing materials and equipment; protection of public health through regulation of food service and food processing facilities; regulation of liquid waste treatment and disposal; and, regulating public swimming pools, baths, and spas.

Accomplishments -

- The Permitting Section of the AQB issued 1751 (up 40% since FY2017) permit applications and 509 (up 130%) construction permits during the 2019 state fiscal year. This increase is primarily due to the increased oil and gas activity primarily in the Permian Basin. Despite this increased workload, the section managed to issue 100% of the permits within the statutory deadline. This success was accomplished through multiple efforts to streamline the regulatory review process, including, but not limited to, the new General Construction Permit-Oil & Gas permit and the new Notice of Intent-Oil and Gas application form.
- NMED was named the lead agency for the Volkswagen ("VW") Mitigation Trust and conducted six public information meetings across the State. The initial round of funding funded numerous projects, including 75 new school buses, replacement of 10 solid waste trucks, one county truck, 20 delivery trucks and 4 cement trucks, and electric push back trailers at the Albuquerque Support.
- EHB has been given added responsibilities of promulgating regulations and creating a new hemp manufacturing program under the Hemp Manufacturing Act (Act) that will become law on July 1, 2019.
- During SFY 2019, the OHSB continued to focus enforcement and cooperative program efforts in high hazard industries including healthcare, construction, manufacturing, and oil and gas well drilling and servicing. OHSB conducted 252 enforcement inspections, issued citations for 365 health and safety violations, and assessed \$555,730 in penalties during the 2019 fiscal year which were reverted to the State's General Fund Investment Pool.

Financial Highlights

The Department's FY19 financial portfolio included 29 funds comprised of governmental and proprietary funds. The governmental funds included four major funds: the General Fund (06400), the Corrective Action Fund (99000), the Severance Tax Bonds (89200), and the General Fund Capital Outlay (93100). 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). The special revenue funds made up the remainder of the Department's financial portfolio for the year.

During FY19, the Department recorded total net position of \$410,806,459, which represents an increase of \$55,504,928, or a 16% increase from FY18. The Department's governmental net position increased by \$41,840,568, while the business-type net position increased by \$13,664,360 over FY18.

The business-type activities operating revenue for FY19 was \$8,404,072 and the non-operating income was \$5,260,288. The total cost of all Department programs increased by \$4,395,335, or 6%, versus the prior fiscal year, from \$77,729,463 to \$82,124,798 during FY18.

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

Budgetary Highlights

The Department's general fund appropriation (06400 General Fund) decreased by \$100,000 over the prior year. Federal sources were budgeted at \$3,740,745 less than the prior fiscal year. These changes demonstrate the Department's increased reliance on the use of special revenue funding to support activities and match federal awards. The Department continued to operate under austerity measures with regard to hiring in order to have sufficient fund balances to support activities.

Analysis of Individual Balances and Transactions

Governmental activities and business activities experienced an increase in net revenue this was mainly attributable to additional general fund capital outlay appropriations. The Department has continued to fully utilize special revenue and federal funds where allowable.

In addition, one million dollars from the Corrective Action fund was transferred to the New Mexico Energy, Minerals and Natural Resources Department to assist with the Carlsbad Brine Well project.

Financial Analysis of the Department as a Whole

Net Position. Table A-1 summarizes the Department's net position for the fiscal year ending June 30, 2019. Net position for the Governmental Activities and Business-type Activities was \$51,345,832 and \$359,460,627, respectively. The total Department's net position for fiscal year 2019 is \$410,806,459, which is an increase over the previous fiscal year. The Department's unrestricted balance decreased over the prior period with an increase of total liabilities, mainly attributable to governmental activities.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and						
Other Assets	\$ 87,627,036	\$ 44,724,665	\$ 180,019,033	\$ 169,857,474	\$ 267,646,069	\$ 214,582,139
Capital and Non-						
current Assets	1,502,873	1,736,899	180,941,598	177,038,797	182,444,471	178,775,696
Total Assets	<u>89,129,909</u>	<u>46,461,564</u>	<u>360,960,631</u>	<u>346,896,271</u>	<u>450,090,540</u>	<u>393,357,835</u>
Liabilities						
Current Liabilities	8,430,356	9,795,724	1,500,004	1,100,004	9,930,360	10,895,728
Long-Term Liabilities	29,353,721	27,160,576	-	-	29,353,721	27,160,576
Total Liabilities	<u>37,784,077</u>	<u>36,956,300</u>	<u>1,500,004</u>	<u>1,100,004</u>	<u>39,284,081</u>	<u>38,056,304</u>
Net Position						
Net Investment						
in Capital Assets	1,502,873	1,736,899	-	-	1,502,873	1,736,899
Restricted	80,521,303	38,546,320	359,460,627	345,796,267	439,981,930	384,342,587
Unrestricted	(30,678,344)	(30,777,955)	-	-	(30,678,344)	(30,777,955)
Total Net Position	<u>\$ 51,345,832</u>	<u>\$ 9,505,264</u>	<u>\$ 359,460,627</u>	<u>\$ 345,796,267</u>	<u>\$ 410,806,459</u>	<u>\$ 355,301,531</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

Changes in Net Position. Table A-2 summarizes the Department's changes in net position for the fiscal year ending June 30, 2019. The Department's changes in net position for fiscal year 2019 was \$55,504,928 compared to \$31,686,367 for fiscal year 2018. Program revenues for governmental activities increased by \$777,798 when compared to fiscal year 2018. Program revenues for business-type activities decreased by \$365,192. The total change in net position was primarily due to the department utilizing more of its special revenue funds to complete the mission of the agency.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$ 20,739,167	\$ 19,868,049	\$ 3,274,896	\$ 5,025,088	\$ 24,014,063	\$ 24,893,137
Operating Grants & Contributions	19,961,360	20,054,680	7,859,000	6,474,000	27,820,360	26,528,680
General Revenues						
Transfers, Net	115,582	201,227	127,118	(937,133)	242,700	(735,906)
Other	21,039,726	20,583,058	-	-	21,039,726	20,583,058
Bond Proceeds/ Appropriations	59,314,405	36,846,861	-	1,300,000	59,314,405	38,146,861
Investment Income	69,296	-	5,129,176	-	5,198,472	-
Total Revenues	<u>121,239,536</u>	<u>97,553,875</u>	<u>16,390,190</u>	<u>11,861,955</u>	<u>137,629,726</u>	<u>109,415,830</u>
Expenses						
Governmental	79,398,968	76,203,197	2,725,830	1,526,266	82,124,798	77,729,463
Total Expenses	<u>79,398,968</u>	<u>76,203,197</u>	<u>2,725,830</u>	<u>1,526,266</u>	<u>82,124,798</u>	<u>77,729,463</u>
Changes in Net Position	41,840,568	21,350,678	13,664,360	10,335,689	55,504,928	31,686,367
Beginning Net Position	<u>9,505,264</u>	<u>(11,845,414)</u>	<u>345,796,267</u>	<u>335,460,578</u>	<u>355,301,531</u>	<u>323,615,164</u>
Ending Net Position	<u>\$ 51,345,832</u>	<u>\$ 9,505,264</u>	<u>\$ 359,460,627</u>	<u>\$ 345,796,267</u>	<u>\$ 410,806,459</u>	<u>\$ 355,301,531</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

Capital Assets and Debt Administration

As of June 30, 2019, the Department's net capital assets were \$1,502,873. This amount represents a net decrease of \$234,026 (including additions, deletions and depreciation) compared to fiscal year 2018.

As of June 30, 2019, the Department's total compensated absence liability was approximately \$1.9 million; this is an increase of \$54,422 compared to fiscal year 2018. The amount is expected to be paid from the general fund and special revenue funds and is expected to be paid within one year.

As of June 30, 2019, the Department's total pollution remediation liability was approximately \$27.5 million; this is a decrease of \$22,875 compared to fiscal year 2018. The amount expected to be paid within one year is \$620,523.

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 continued to diminish 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 stable economic certainty is still unknown, investors remain cautious to invest in public projects, which directly affect 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 remains optimistic that current low interest rates on loans it provides for capital projects 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.

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
PO Box 5469
Santa Fe, NM 87502-5469
www.nmenv.state.nm.us

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Investment in State General Fund			
Investment Pool	\$ 76,478,669	\$ 166,663,104	\$ 243,141,773
Receivables			
Due from Federal Government	5,185,491	-	5,185,491
Due from Other State Agencies	2,034,832	-	2,034,832
Due from Other State Entities	1,879,427	-	1,879,427
Other Receivables, Net	2,048,617	-	2,048,617
Loan Receivables, Net	-	191,596,391	191,596,391
Loan Interest Receivables	-	2,465,831	2,465,831
Administrative Fee Receivables	-	235,305	235,305
Capital Assets, Net of Accumulated			
Depreciation	1,502,873	-	1,502,873
Total Assets	<u>89,129,909</u>	<u>360,960,631</u>	<u>450,090,540</u>
LIABILITIES			
Accounts Payable	6,333,530	-	6,333,530
Accrued Payroll Liabilities	1,695,733	-	1,695,733
Due to Federal Government	38,323	-	38,323
Due to Other State Entities	19,725	-	19,725
Due to State General Fund	22,125	4	22,129
Other Liabilities	6,305	-	6,305
Unearned Revenues	314,615	1,500,000	1,814,615
Pollution Remediation Liability:			
Due Within One Year	620,523	-	620,523
Due in More Than One Year	26,835,693	-	26,835,693
Compensated Absences:			
Due Within One Year	1,707,754	-	1,707,754
Due in More Than One Year	189,751	-	189,751
Total Liabilities	<u>37,784,077</u>	<u>1,500,004</u>	<u>39,284,081</u>
NET POSITION			
Net Investment in Capital Assets	1,502,873	-	1,502,873
Restricted	80,521,303	359,460,627	439,981,930
Unrestricted Deficit	(30,678,344)	-	(30,678,344)
Total Net Position	<u>\$ 51,345,832</u>	<u>\$ 359,460,627</u>	<u>\$ 410,806,459</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
Resource Management Division	\$ 7,470,282	\$ -	\$ -	\$ -
Water Protection Division	19,750,704	-	-	-
Resource Protection Division	22,524,870	-	-	-
Environmental Protection Division	20,161,484	-	-	-
Other Environmental Initiatives	<u>9,491,628</u>	<u>20,739,167</u>	<u>19,961,360</u>	<u>-</u>
Total Governmental Activities	79,398,968	20,739,167	19,961,360	-
BUSINESS-TYPE ACTIVITIES				
12100/32700 - Clean Water State Revolving Fund	2,234,725	2,796,162	7,859,000	-
33700 - Rural Infrastructure Revolving Fund	<u>491,105</u>	<u>478,734</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>2,725,830</u>	<u>3,274,896</u>	<u>7,859,000</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 82,124,798</u></u>	<u><u>\$ 24,014,063</u></u>	<u><u>\$ 27,820,360</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Functions/Programs (Continued)	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES			
Resource Management Division	\$ (7,470,282)	\$ -	\$ (7,470,282)
Water Protection Division	(19,750,704)	-	(19,750,704)
Resource Protection Division	(22,524,870)	-	(22,524,870)
Environmental Protection Division	(20,161,484)	-	(20,161,484)
Other Environmental Initiatives	31,208,899	-	31,208,899
Total Governmental Activities	(38,698,441)	-	(38,698,441)
BUSINESS-TYPE ACTIVITIES			
12100/32700 - Clean Water State Revolving Fund	-	8,420,437	8,420,437
33700 - Rural Infrastructure Revolving Fund	-	(12,371)	(12,371)
Total Business-Type Activities	-	8,408,066	8,408,066
TOTAL PRIMARY GOVERNMENT	(38,698,441)	8,408,066	(30,290,375)
GENERAL REVENUES AND TRANSFERS:			
General Fund Appropriations	50,456,630	-	50,456,630
Severance Tax Bond Appropriations	8,857,775	-	8,857,775
Petroleum Products Loading Fee	21,039,726	-	21,039,726
Investment Earnings	69,296	5,129,176	5,198,472
Transfers from Other Agencies	142,700	1,105,800	1,248,500
Transfers to Other Agencies	(1,000,000)	-	(1,000,000)
Transfers - INTRA Agency	978,682	(978,682)	-
Reversions FY19	(5,800)	-	(5,800)
Total General Revenues and Transfers	80,539,009	5,256,294	85,795,303
CHANGE IN NET POSITION	41,840,568	13,664,360	55,504,928
Net Position - Beginning of Year (Deficit)	9,505,264	345,796,267	355,301,531
NET POSITION - END OF YEAR (DEFICIT)	<u>\$ 51,345,832</u>	<u>\$ 359,460,627</u>	<u>\$ 410,806,459</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Major Funds					Total Governmental
	06400	99000	89200	93100	Other	
	General Fund	Corrective Action Fund	Severance Tax Bonds	GF Capital Outlay	Governmental Funds	
ASSETS						
Investment in State General Fund						
Investment Pool	\$ -	\$ 20,434,966	\$ 766,927	\$ 39,184,130	\$ 20,624,766	\$ 81,010,789
Due from Federal Government	5,185,491	-	-	-	-	5,185,491
Due from Other State Agencies	-	1,800,443	-	-	234,389	2,034,832
Due from Other State Entities	1,879,427	-	-	-	-	1,879,427
Other Receivables, Net	21,762	-	-	-	2,026,855	2,048,617
TOTAL ASSETS	\$ 7,086,680	\$ 22,235,409	\$ 766,927	\$ 39,184,130	\$ 22,886,010	\$ 92,159,156
LIABILITIES AND FUND BALANCES						
Liabilities:						
Investment in State General Fund						
Investment Pool Overdraft	\$ 4,532,120	\$ -	\$ -	\$ -	\$ -	\$ 4,532,120
Accounts Payable	1,387,517	4,081,876	766,927	-	97,210	6,333,530
Accrued Payroll Liabilities	1,695,733	-	-	-	-	1,695,733
Due to Federal Government	38,268	-	-	-	55	38,323
Due to Other State Entities	19,725	-	-	-	-	19,725
Due to State General Fund	-	-	-	-	22,125	22,125
Other Liabilities	6,305	-	-	-	-	6,305
Unearned Revenues	-	-	-	-	314,615	314,615
Total Liabilities	7,679,668	4,081,876	766,927	-	434,005	12,962,476
Fund Balances:						
Restricted	731,635	18,153,533	-	39,184,130	22,452,005	80,521,303
Unassigned (Deficit)	(1,324,623)	-	-	-	-	(1,324,623)
Total Fund Balances	(592,988)	18,153,533	-	39,184,130	22,452,005	79,196,680
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,086,680	\$ 22,235,409	\$ 766,927	\$ 39,184,130	\$ 22,886,010	\$ 92,159,156

See accompanying Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Funds Balance - Governmental Funds (Governmental Fund Balance Sheet) **\$ 79,196,680**

Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of Capital Assets	7,755,973
Accumulated Depreciation	<u>(6,253,100)</u>
 Total Capital Assets	 1,502,873

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	(27,456,216)
Compensated Absences Payable	<u>(1,897,505)</u>
 Total Long-Term and Other Liabilities	 <u>(29,353,721)</u>

Net Position of Governmental Activities (Statement of Net Position) **\$ 51,345,832**

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	Major Funds					Total Governmental
	06400 General Fund	99000 Corrective Action Fund	89200 Severance Tax Bonds	93100 GF Capital Outlay	Other Governmental Funds	
REVENUES						
Environmental Fees	\$ -	\$ -	\$ -	\$ -	\$ 20,739,167	\$ 20,739,167
Petroleum Products Loading Fee	-	21,039,726	-	-	-	21,039,726
Federal Grant Revenue	19,303,760	-	-	-	239,232	19,542,992
Investment Earnings	-	-	-	-	67,296	67,296
Interest on Loans	-	-	-	-	2,000	2,000
Other Revenue	255,892	162,476	-	-	-	418,368
Total Revenues	<u>19,559,652</u>	<u>21,202,202</u>	<u>-</u>	<u>-</u>	<u>21,047,695</u>	<u>61,809,549</u>
EXPENDITURES						
Resource Management Division	7,322,805	-	-	-	-	7,322,805
Water Protection Division	19,649,404	-	-	-	-	19,649,404
Resource Protection Division	11,793,804	10,066,178	-	-	436,857	22,296,839
Environmental Protection Division	20,058,077	-	-	-	-	20,058,077
Other Environmental Initiatives	633,853	-	8,857,775	-	-	9,491,628
Capital Outlay	288,912	25,730	-	-	-	314,642
Total Expenditures	<u>59,746,855</u>	<u>10,091,908</u>	<u>8,857,775</u>	<u>-</u>	<u>436,857</u>	<u>79,133,395</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(40,187,203)	11,110,294	(8,857,775)	-	20,610,838	(17,323,846)
OTHER FINANCING SOURCES (USES)						
General Fund Appropriation	11,272,500	-	-	39,184,130	-	50,456,630
Transfers in - Other Agencies	142,700	-	-	-	-	142,700
Transfers in - STB	-	-	8,857,775	-	-	8,857,775
Transfers out - Other Agencies	-	(1,000,000)	-	-	-	(1,000,000)
Transfers - INTRA Agency	28,269,308	(8,184,184)	-	-	(19,106,442)	978,682
Reversions - FY19	(5,800)	-	-	-	-	(5,800)
Total Other Financing Sources (Uses)	<u>39,678,708</u>	<u>(9,184,184)</u>	<u>8,857,775</u>	<u>39,184,130</u>	<u>(19,106,442)</u>	<u>59,429,987</u>
NET CHANGE IN FUND BALANCES	(508,495)	1,926,110	-	39,184,130	1,504,396	42,106,141
Fund Balances - Beginning	(84,493)	16,227,423	-	-	20,947,609	37,090,539
FUND BALANCES - ENDING	<u>\$ (592,988)</u>	<u>\$ 18,153,533</u>	<u>\$ -</u>	<u>\$ 39,184,130</u>	<u>\$ 22,452,005</u>	<u>\$ 79,196,680</u>

See accompanying Notes to Financial Statements.

**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, 2019**

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 42,106,141
 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).	
Increase in Compensated Absences for the Fiscal Year	(54,422)
Decrease in the Pollution Remediation Liability for the Fiscal Year	22,875
 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	314,642
Depreciation Expense	<u>(493,365)</u>
Excess of Capital Outlay Over Depreciation Expense	(178,723)
Loss on Disposal of Capital Assets	(2,349)
Transfers/Adjustments for Purchase of Assets	<u>(52,954)</u>
Change in Net Position of Governmental Activities (Statement of Activities)	<u>\$ 41,840,568</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES – MAJOR GOVERNMENTAL
FUNDS - BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	GENERAL FUND - TOTAL			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES				
Federal Funds	\$ 24,588,800	\$ 25,030,355	\$ 19,303,760	\$ (5,726,595)
General Fund	11,272,500	11,272,500	11,272,500	-
Intra-Agency Transfers	34,062,200	34,987,912	28,412,008	(6,575,904)
Other	270,500	392,200	255,892	(136,308)
Total Revenues	<u>70,194,000</u>	<u>71,682,967</u>	<u>59,244,160</u>	<u>(12,438,807)</u>
BUDGETED FUND BALANCE	<u>1,078,571</u>	<u>1,078,571</u>	<u>-</u>	<u>(1,078,571)</u>
TOTAL REVENUES AND BUDGETED FUND BALANCE	<u>\$ 71,272,571</u>	<u>\$ 72,761,538</u>	59,244,160	<u>\$ (13,517,378)</u>
P-567 EXPENDITURES				
Personal Services and Employee Benefits	\$ 6,409,200	\$ 6,391,108	5,987,680	\$ 403,428
Contractual Services	454,300	498,139	338,033	160,106
Other	1,007,400	1,182,736	1,044,111	138,625
Total P-567 Expenditures	<u>\$ 7,870,900</u>	<u>\$ 8,071,983</u>	<u>7,369,824</u>	<u>\$ 702,159</u>
P-568 EXPENDITURES				
Personal Services and Employee Benefits	\$ 14,838,200	\$ 14,329,100	12,271,531	\$ 2,057,569
Contractual Services	6,017,000	7,752,300	5,544,758	2,207,542
Other	3,004,000	2,735,300	1,866,079	869,221
Total P-568 Expenditures	<u>\$ 23,859,200</u>	<u>\$ 24,816,700</u>	<u>19,682,368</u>	<u>\$ 5,134,332</u>
P-569 EXPENDITURES				
Personal Services and Employee Benefits	\$ 9,912,100	\$ 10,166,131	9,168,360	\$ 997,771
Contractual Services	2,158,100	1,708,308	1,115,761	592,547
Other	1,961,000	1,769,145	1,515,661	253,484
Total P-569 Expenditures	<u>\$ 14,031,200</u>	<u>\$ 13,643,584</u>	<u>11,799,782</u>	<u>\$ 1,843,802</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES – MAJOR GOVERNMENTAL
FUNDS - BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2019**

GENERAL FUND - TOTAL (CONTINUED)				
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
P-570 EXPENDITURES				
Personal Services and Employee Benefits	\$ 16,478,900	\$ 16,751,400	\$ 15,693,798	\$ 1,057,602
Contractual Services	1,458,700	1,616,200	940,398	675,802
Other	3,970,100	4,258,100	3,626,832	631,268
Total P-570 Expenditures	<u>\$ 21,907,700</u>	<u>\$ 22,625,700</u>	<u>20,261,028</u>	<u>\$ 2,364,672</u>
CAPITAL/SPECIAL APPROPRIATION EXPENDITURES				
Personal Services and Employee Benefits	\$ 525,000	\$ 525,000	-	\$ 525,000
Contractual Services	3,008,571	3,008,571	633,853	2,374,718
Other	70,000	70,000	-	70,000
Total Capital/Special Appropriation Expenditures	<u>\$ 3,603,571</u>	<u>\$ 3,603,571</u>	<u>633,853</u>	<u>\$ 2,969,718</u>
ALL EXPENDITURES				
Personal Services and Employee Benefits	\$ 48,163,400	\$ 48,162,739	43,121,369	\$ 5,041,370
Contractual Services	13,096,671	14,583,518	8,572,803	6,010,715
Other	10,012,500	10,015,281	8,052,683	1,962,598
Total All Expenditures	<u>\$ 71,272,571</u>	<u>\$ 72,761,538</u>	<u>59,746,855</u>	<u>\$ 13,014,683</u>
NET CHANGE IN FUND BALANCE			(502,695)	
REVERSIONS TO INTRA AGENCY FUND (NOT BUDGETED)			(5,800)	
NET CHANGE IN FUND BALANCE			<u>\$ (508,495)</u>	

See accompanying Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES – MAJOR GOVERNMENTAL
FUNDS - BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	CORRECTIVE ACTION FUND (99000)			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Fund	-	-	-	-
Other State Funds	19,663,300	19,663,300	21,202,202	1,538,902
Inter-agency Transfers	-	-	-	-
Total Revenues	<u>19,663,300</u>	<u>19,663,300</u>	<u>21,202,202</u>	<u>1,538,902</u>
BUDGETED FUND BALANCE	<u>5,174,900</u>	<u>5,174,900</u>	-	<u>(5,174,900)</u>
TOTAL REVENUES AND BUDGETED FUND BALANCE	<u>\$ 24,838,200</u>	<u>\$ 24,838,200</u>	21,202,202	<u>\$ (3,635,998)</u>
EXPENDITURES				
Personal Services and Employee Benefits	\$ -	\$ -	-	\$ -
Contractual Services	3,500,000	3,500,000	1,887,424	1,612,576
Other	11,000,000	11,000,000	8,168,687	2,831,313
Transfers to Other Agencies	1,000,000	1,000,000	1,000,000	-
Other Financing Uses	9,338,200	9,338,200	8,184,184	1,154,016
TOTAL EXPENDITURES	<u>\$ 24,838,200</u>	<u>\$ 24,838,200</u>	<u>19,240,295</u>	<u>\$ 5,597,905</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER NET CHANGE IN FUND BALANCE			1,961,907	
REQUEST TO PAY PRIOR YEAR BILLS				
FY18 Bills Paid in 2019			<u>(35,797)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 1,926,110</u>	

See accompanying Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2019**

	ENTERPRISE FUNDS			Total
	12100 Wastewater Facility Construction Loan Fund	32700 Clean Water Administrative Fund	33700 Rural Infrastructure Revolving Loan Fund	
ASSETS				
CURRENT ASSETS				
Investments in State General Fund				
Investment Pool	\$ 156,161,483	\$ 3,064,542	\$ 7,437,079	\$ 166,663,104
Receivables				
Loan Receivables (Completed Projects)	9,606,738	-	1,048,055	10,654,793
Loan Interest Receivables	2,214,393	-	251,438	2,465,831
Administrative Fee Receivables	-	235,305	-	235,305
Total Current Assets	<u>167,982,614</u>	<u>3,299,847</u>	<u>8,736,572</u>	<u>180,019,033</u>
NONCURRENT ASSETS				
Loan Receivables (Projects in Process)	24,847,850	-	91,575	24,939,425
Loan Receivables (Completed Projects)	141,029,991	-	15,350,413	156,380,404
Allowance for Uncollectible Accounts	-	-	(378,231)	(378,231)
Total Noncurrent Assets	<u>165,877,841</u>	<u>-</u>	<u>15,063,757</u>	<u>180,941,598</u>
Total Assets	<u>333,860,455</u>	<u>3,299,847</u>	<u>23,800,329</u>	<u>360,960,631</u>
LIABILITIES				
Unearned Revenue	1,500,000	-	-	1,500,000
Due to State General Fund	4	-	-	4
Total Liabilities	<u>1,500,004</u>	<u>-</u>	<u>-</u>	<u>1,500,004</u>
NET POSITION				
Restricted	<u>332,360,451</u>	<u>3,299,847</u>	<u>23,800,329</u>	<u>359,460,627</u>
Total Net Position	<u>\$ 332,360,451</u>	<u>\$ 3,299,847</u>	<u>\$ 23,800,329</u>	<u>\$ 359,460,627</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019**

	ENTERPRISE FUNDS			Total
	12100 Wastewater Facility Construction Loan Fund	32700 Clean Water Administrative Fund	33700 Rural Infrastructure Revolving Loan Fund	
REVENUES				
Interest on Loans	\$ 2,280,408	\$ -	\$ 478,734	\$ 2,759,142
Interest on Investments	4,808,378	85,613	235,185	5,129,176
Debt Service Fees	-	515,754	-	515,754
Total Revenues	<u>7,088,786</u>	<u>601,367</u>	<u>713,919</u>	<u>8,404,072</u>
OPERATING INCOME	7,088,786	601,367	713,919	8,404,072
NON-OPERATING REVENUES (EXPENSES)				
Federal Grant Revenue	7,859,000	-	-	7,859,000
Grants to Other Organizations	(2,234,725)	-	(491,105)	(2,725,830)
Transfers in - Other Agencies	1,100,000	-	5,800	1,105,800
Transfers - Intra-Agency	(578,330)	(200,322)	(200,030)	(978,682)
Total Nonoperating Revenues (Expenses)	<u>6,145,945</u>	<u>(200,322)</u>	<u>(685,335)</u>	<u>5,260,288</u>
CHANGES IN NET POSITION	13,234,731	401,045	28,584	13,664,360
Total Net Position - Beginning	<u>319,125,720</u>	<u>2,898,802</u>	<u>23,771,745</u>	<u>345,796,267</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 332,360,451</u></u>	<u><u>\$ 3,299,847</u></u>	<u><u>\$ 23,800,329</u></u>	<u><u>\$ 359,460,627</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019**

	ENTERPRISE FUNDS			Total
	(12100) Wastewater Facility Construction Loan Fund	(32700) Clean Water Administrative Fund	(33700) Rural Infrastructure Revolving Loan Fund	
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Cash Received on Repayment of Loan Principal	\$ 9,402,791	\$ -	\$ 1,377,131	\$ 10,779,922
Cash Received on Interest from Loans	1,652,898	-	414,478	2,067,376
Interest Payments Received from STO	4,808,378	85,613	235,185	5,129,176
Cash Received for Debt Service Fees	-	525,753	-	525,753
Cash Payments for Administrative Expenses	-	-	-	-
Cash Payments Made to Borrowers	(13,772,471)	-	(1,550,627)	(15,323,098)
Net Cash Provided (Used) by Operating Activities	2,091,596	611,366	476,167	3,179,129
CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES				
Grant Proceeds - EPA	7,859,000	-	-	7,859,000
Grants to Other Organizations	(2,234,725)	-	(491,105)	(2,725,830)
Transfers In - Appropriations	1,500,000	-	-	1,500,000
Intra Agency Transfers	(578,330)	(200,322)	(194,230)	(972,882)
Net Cash Provided (Used) by Noncapital Financing Activities	6,545,945	(200,322)	(685,335)	5,660,288
NET INCREASE (DECREASE) IN CASH	8,637,541	411,044	(209,168)	8,839,417
Investments in State General Fund Investment Pool - Beginning of Year	147,523,942	2,653,498	7,646,247	157,823,687
INVESTMENTS IN STATE GENERAL FUND INVESTMENT POOL - END OF YEAR	<u>\$ 156,161,483</u>	<u>\$ 3,064,542</u>	<u>\$ 7,437,079</u>	<u>\$ 166,663,104</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	ENTERPRISE FUNDS (CONTINUED)			Total
	(12100) Wastewater Facility Construction Loan Fund	(32700) Clean Water Administrative Fund	(33700) Rural Infrastructure Revolving Loan Fund	
RECONCILIATION OF CHANGES IN NET POSITION TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income	\$ 7,088,786	\$ 601,367	\$ 713,919	\$ 8,404,072
Change in Assets and Liabilities:				
Loans Receivable	(4,369,680)	-	(309,735)	(4,679,415)
Loan Interest Receivable	(627,510)	-	71,983	(555,527)
Administrative Fee Receivable	-	9,999	-	9,999
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,091,596</u>	<u>\$ 611,366</u>	<u>\$ 476,167</u>	<u>\$ 3,179,129</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 DEFINITION OF REPORTING ENTITY

The 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:

Resource Management Program (P-567)

The Resource Management Program provides overall executive leadership and administrative, legal, and information management support to all Department staff, the public, and oversight and regulatory bodies. This support allows the Department 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 Protection Program (P-568)

The purpose of the Water Protection Program is to protect and preserve the ground, surface, and drinking resources of the state for present and future generations through monitoring, sampling, and permitting processes. In addition, the program helps communities develop sustainable and secure water, wastewater, and solid waste infrastructure through funding, technical assistance, and project oversight.

Resource Protection Program (P569)

The purpose of the Resource Protection Program is to protect the air, land, groundwater, surface water, and public health through monitoring and regulatory oversight of hazardous and solid waste generation, transportation, disposal, and storage; prevention of releases of petroleum products; and monitoring and sampling at past and present U.S. Department of Energy facilities located in New Mexico.

Environmental Protection Program (P570)

The Environmental Protection Program protects New Mexico's air quality, public health and ensures safe and healthful working conditions for employees. The program provides regulatory oversight for food service and food processing facilities, liquid waste treatment and disposal, public swimming pools and baths, and mosquito abatement. It also protects the environment through specific programs that provide public outreach and education and regulatory oversight of treatment with medical radiation and disposal of radioactive material including transportation to the Waste Isolation Pilot Plant. The program also provides public outreach and education about radon in homes and public buildings.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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.

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 position is restricted when constraints placed on it are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. It is the Department's policy to apply disbursements first to restricted assets and then to non-restricted. Restricted assets arising from enabling legislation means the restrictions are legally enforceable. Legally enforceable means a government can be compelled by an external party to use resources only for purposes specified by legislation.

The net cost (by function) is normally covered by general revenues (intergovernmental revenues, interest income, etc.). 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 emphasis is on the major fund in the governmental category.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

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 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 and No. 61) 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.

The Department administers the Clean Water State Revolving Loan Fund (the Fund) pursuant to Title VI of the Federal Water Quality Act of 1987, which consists of the Clean Water Administrative Fund (32700) and the Wastewater Facility Construction Loan Fund (12100). The Environmental Protection Agency (EPA) requires the Department to submit an annual report of the Fund. As a result, the Department issues a separate set of financial statements consisting of these two funds of the Department.

Basis of Presentation – Fund Accounting

The accounts of the Department are organized on the basis of funds, 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 are used by the Department:

Governmental Fund Types – All governmental fund types are accounted for on a spending or financial flow measurement focus.

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.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting (Continued)

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, federal grant revenue and other revenues.

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 nonreverting.

Severance Tax Bonds (89200) – This Capital Project 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.

GF Capital Outlay (93100) – This fund was established to account for Capital Outlay projects utilizing General Fund Appropriations. The fund is reverting.

The Department reports the following nonmajor governmental funds:

Special Revenue Funds – Special revenue funds account for the proceeds of revenue sources that are limited to specific expenditures. These revenue sources must provide a "substantial" amount (defined as 50% or more) of the funding accounted for in a special revenue fund. The standard further limits the use of this fund to expenditures that are not related to capital outlay or debt service.

Proprietary Fund Types – The focus of Proprietary Fund measurement is based upon determination of operating income, changes in net position, 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.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

Proprietary funds distinguish operating revenues and expenditures from non-operating items. Operating revenues and expenditures generally result from providing services and producing and delivering goods regarding 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 nonoperating 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. The net position balance is restricted by state statute for future loans. This fund is nonreverting.

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 net position balance is restricted by state statute for administering the Wastewater Facility Construction Loan Fund. This fund is nonreverting.

Rural Infrastructure Revolving Loan Fund (33700) - 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. The net position balance is restricted by state statute for future loans. This fund is nonreverting.

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. The Department has no fiduciary funds.

Agency Funds – Agency Funds are used to account for assets held by the Department in the capacity of trustee or agent. Penalties Fund (65200) was reported in prior years as an Agency Fund. This fund has been reclassified as a Special Revenue Fund for the fiscal year ended June 30, 2019. The Department of Finance and Administration is working on a process to determine how to address the mechanics of the penalties and how it should be transferred to the Department of Finance and Administration.

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.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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, 2019 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, food and pool permit fees, hazardous waste permits and generator fees. These sources are recorded when available and when revenues are determinable. Bond proceeds are recognized when all eligibility requirements have been met.

Budgets and Budgetary Accounting

The state Legislature makes annual appropriations to the Department. Annual appropriations lapse at fiscal year-end unless otherwise specified in the legislation. Legal compliance is monitored through the establishment of a budget 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.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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 program level (A-Code, P-Code, and Z-Code). A-Codes pertain to capital outlay appropriations (general obligation/severance tax or state general fund). P-Codes pertain to program operating funds. Z-Codes pertain to special appropriations.

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 in Note 8.

Modified Accrual

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Codification, 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 unearned revenue by the recipient.

Receivables

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. 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 time of acquisition. 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:

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Compensated Absences

Accrued vacation up to 240 hours is recorded in the Statement of Net Position 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 Position 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, 2019 and includes direct and incremental salary related payments, such as the employees' share of social security taxes.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2019.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Department did not have any items that were required to be reported in this category as of June 30, 2019.

Pension Plan

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, the total pension liability exceeds Plan net position resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Plan (Continued)

presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the State General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, NM 87501.

Other Postemployment Benefits

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in the State of New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the state. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Net Position

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

Net Investment in Capital Assets

Net investment reflects the portion of net position which are associated with nonliquid, 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 position, 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."

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Unrestricted

Unrestricted assets represent assets that do not have third-party limitations on their use. The Department has an unrestricted deficit as of June 30, 2019 as a result of long-term liabilities that are to be funded as they become due rather than when they are incurred.

Tax Abatements

The Department does not abate taxes and has not been materially impacted by any tax abatement agreements entered into by other governmental entities.

Fund Balances

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, 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.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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
06400	General Fund	Laws 2017 Ch. 135	\$ 731,635
93100	GF Capital Outlay	Various	39,184,130
99000	Corrective Action Fund	NM 74-6B-7	18,153,533
Subtotal, Restricted-Major Funds			58,069,298

RESTRICTED - OTHER GOVERNMENTAL FUNDS

Fund	Description	Enabling Legislation	Restricted Fund Balance
02600	Recycling & Illegal Dumping Fund	NM 74-13-19	1,733,673
06600	Voluntary Remediation Fund	NM 74-4G-11	74,711
09200	Air Quality Title V Fund	NM 74-2-15	2,391,991
10980	Nuclear Workers Assistance Fund	NM 74-1-17	71,527
11900	Brownfields Cleanup Revolving Loan Fund	NM 74-4G-11.1	2,330,175
24800	Responsible Parties Fund	NM 74-6B-7	141,224
33900	Hazardous Waste Fund	NM 74-4-4.5	1,670,589
34000	Liquid Waste Fund	NM 74-1-15	719,924
34100	Water Quality Management Fund	NM 74-6-5.2	420,575
40000	Water Recreation Facilities Fund	NM 74-1-16	223,721
56700	Water Conservation Fund	NM 74-1-13	1,747,862
58400	Public Water Supply System Operator and Public Wastewater Operator Fund	NM 61-33-5	45,955
59200	Radiation Protection Fund	NM 74-3-5.1	1,250,186
63100	State Air Quality Permit Fund	NM 74-2-15	5,334,270
63200	Solid Waste Facility Grant Fund	NM 74-9-41	177,778
78300	Solid Waste Permit Fees	NM 74-9-8(I)	115,993
95700	Hazardous Waste Emergency Fund	NM 74-4-8	1,695,943
98700	Radiologic Technology Fund	NM 61-4E-10	343,321
98900	Storage Tank Fund	NM 74-4-4.8	488,722
99100	Food Service Sanitation Fund	NM 25-1-5.1	1,473,865
Subtotal, Restricted-Other			22,452,005
Total - All Governmental Funds			\$ 80,521,303

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-Term Debt

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

Eliminations

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 position 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.

NOTE 3 INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

A reconciliation of claims on the SGFIP to the related assets managed by STO assets is performed monthly. There is no material difference between the two amounts.

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 SGFIP managed by the New Mexico State Treasurer's Office.

At June 30, 2019, the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool	<u>\$ 243,141,773</u>
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**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

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, 2019.

NOTE 4 OTHER RECEIVABLES

Brownfields Cleanup Revolving Loan Fund (11900)	\$	1,885,168
Hazardous Waste Fund (33900)		64,250
Radiation Protection Fund (59200)		35,713
Hazardous Waste Emergency Fund (95700)		13,965
Food Service Sanitation Fund (99100)		12,600
General Fund (06400)		21,762
State Air Quality Permit Fund (63100)		9,878
Storage Tank Fund (98900)		5,281
Total Other Receivables, Net	<u>\$</u>	<u>2,048,617</u>

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, 2019, the fund consisted of three loans with private parties:

- One loan was in repayment and had a principal balance of \$833,783. Payments began June 30, 2017 in equal monthly installments of \$8,777. Payments will be made over 10 years, with a final payment due May 15, 2027. This receivable is considered fully collectible.
- One loan was in repayment and had a principal balance of \$300,000. Interest only payments began March 15, 2019 in twelve equal monthly installments of \$500. Interest and principal payments begin March 15, 2020 in monthly installments of \$3,038. Payments will be made over 10 years, with a final payment due February 15, 2029. This receivable is considered fully collectible.
- One loan was in disbursement with a principal disbursed balance of \$751,385. This receivable is considered fully collectible.

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 Waste revenues are composed of various permits and fee charges, including hazardous waste permits, annual unit audits, annual generator fees and WIPP permits.

Other receivables represent other various fee and permit related receivables, which are considered fully collectible.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 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, 2019 consist of the following:

	(12100) Wastewater Facility Construction Loan Fund	(33700) Rural Infrastructure Revolving Loan Fund	Total
Construction Loans in Progress	\$ 24,847,850	\$ 91,575	\$ 24,939,425
Mortgage Loans on Completed Projects, Noncurrent and Current	150,636,729	16,398,468	167,035,197
Accrued Interest	2,214,393	251,438	2,465,831
Allowance for Uncollectible Accounts	-	(378,231)	(378,231)
Total	<u>\$ 177,698,972</u>	<u>\$ 16,363,250</u>	<u>\$ 194,062,222</u>

The above loans are secured by pledged revenues of the borrower's water and sewer systems and bear interest at rates ranging from 0% to 3% 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 \$1,000 to \$1,921,489 through January 8, 2048, in the Wastewater Facility Construction Loan Fund and \$317 to \$133,048 through June 20, 2039 monthly and annual installments in the Rural Infrastructure Revolving Loan Fund.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 CONSTRUCTION AND MORTGAGE LOANS (CONTINUED)

The following is a schedule of future annual payments including principal, interest, and administrative fee as of June 30, 2019:

(12100) Wastewater Facility Construction Loan Fund

<u>Years Ending June 30,</u>	<u>Principal Repayments</u>	<u>Interest Payments</u>	<u>Fee Payments</u>	<u>Total</u>
2020	\$ 9,606,738	\$ 1,351,296	\$ 346,908	\$ 11,304,942
2021	10,565,093	1,427,724	323,470	12,316,287
2022	10,712,631	1,300,778	299,602	12,313,011
2023	10,884,490	1,171,423	275,386	12,331,299
2024	10,739,742	1,039,268	250,724	12,029,734
2025 and Thereafter	98,128,035	4,725,562	1,269,516	104,123,113
Completed Projects Totals	<u>\$ 150,636,729</u>	<u>\$ 11,016,051</u>	<u>\$ 2,765,606</u>	<u>\$ 164,418,386</u>

(33700) Rural Infrastructure Revolving Loan Fund

<u>Years Ending June 30,</u>	<u>Principal Repayments</u>	<u>Interest Payments</u>	<u>Fee Payments</u>	<u>Total</u>
2020	\$ 1,048,055	\$ 414,696	\$ -	\$ 1,462,751
2021	1,065,438	409,202	-	1,474,640
2022	1,033,922	379,503	-	1,413,425
2023	1,013,850	351,370	-	1,365,220
2024	1,035,574	322,690	-	1,358,264
2025 and Thereafter	11,201,629	1,833,963	-	13,035,592
Completed Projects Totals	<u>\$ 16,398,468</u>	<u>\$ 3,711,424</u>	<u>\$ -</u>	<u>\$ 20,109,892</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 CONSTRUCTION AND MORTGAGE LOANS (CONTINUED)

The following is a detailed summary of major borrowers and loan balances for construction and mortgage loans at June 30, 2019.

Construction loans in progress:

Community	(12100) Wastewater Facility Construction Loan Fund	(33700) Rural Infrastructure Revolving Loan Fund	Total
City of Grants	\$ 12,991,797	\$ -	\$ 12,991,797
Village of Los Lunas	3,771,062	-	3,771,062
City of Hobbs	3,501,522	-	3,501,522
City of Gallup	2,199,226	-	2,199,226
Town of Peralta	1,093,967	-	1,093,967
Estancia Valley Solid Waste Authority	566,335	32,511	598,846
City of Santa Rosa	553,472	-	553,472
Other Communities	170,469	-	170,469
Dona Ana MDWCA	-	59,064	59,064
Total	<u>\$ 24,847,850</u>	<u>\$ 91,575</u>	<u>\$ 24,939,425</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 CONSTRUCTION AND MORTGAGE LOANS (CONTINUED)

Mortgage loans on completed projects:

Community	(12100) Wastewater Facility Construction Loan Fund	(33700) Rural Infrastructure Revolving Loan Fund	Total
City of Farmington	\$ 27,820,715	\$ -	\$ 27,820,715
City of Portales	23,922,000	720,905	24,642,905
City of Hobbs	20,320,403	-	20,320,403
City of Carlsbad	18,615,195	-	18,615,195
Village of Los Lunas	13,221,914	-	13,221,914
City of Las Vegas	8,055,755	-	8,055,755
Los Alamos County	6,846,156	-	6,846,156
City of Aztec	5,943,501	-	5,943,501
City of Clovis	4,362,502	-	4,362,502
Dona Ana MDWCA	-	3,683,097	3,683,097
City of Lovington	3,479,842	-	3,479,842
City of Espanola	3,372,071	-	3,372,071
Dona Ana County	2,603,905	-	2,603,905
Town of Peralta	-	1,916,925	1,916,925
El Valle de Los Ranchos Water & Sanitation	1,496,464	304,724	1,801,188
City of Belen	1,647,991	-	1,647,991
City of Bloomfield	1,169,216	343,872	1,513,088
Village of Chama	-	1,234,043	1,234,043
City of Socorro	1,197,884	-	1,197,884
Southern Sandoval County Arroyo Flood Control	1,155,565	-	1,155,565
Taos Ski Valley	1,049,895	-	1,049,895
Sandoval County	288,870	680,825	969,695
City of Elephant Butte	301,784	597,642	899,426
Village of Cloudcroft	-	883,289	883,289
Town of Taos	840,000	-	840,000
Paa-ko Communities Sewer Association	-	769,759	769,759
Estancia Valley Solid Waste Authority	-	747,191	747,191
City of Bayard	726,065	-	726,065
San Juan County	631,300	-	631,300
Greentree Solid Waste Authority	-	564,368	564,368
Lower Rio Grande PWWA	-	523,598	523,598
Village of Cuba	404,700	-	404,700
De Baca County	-	326,576	326,576
City of Santa Rosa	300,000	-	300,000
Navajo Dam DWS & SWA	-	298,778	298,778
Town of Edgewood	-	260,717	260,717
Otis MDWC & SWA	-	251,859	251,859
Other Communities	863,036	2,290,300	3,153,336
Total	<u>\$ 150,636,729</u>	<u>\$ 16,398,468</u>	<u>\$ 167,035,197</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 DUE FROM AND DUE TO OTHER FUNDS

Due from and due to other funds are amounts due from and to other funds within the Department. A significant portion of these balances during the year 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. As of June 30, 2019, the Department did not have any amounts due from/to other funds as the amounts were transferred as of the year end.

NOTE 7 DUE FROM AND DUE TO OTHER STATE AGENCIES/ENTITIES

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, 2019 consist of the following:

NMED Fund	Agency	Business Unit No.	Other Agency's Fund No.	Amount
Due From Other State Agencies				
Governmental Funds:				
99000	Due from NM TRD for Petroleum Products Loading Fee (A)	33300	82800	\$ 1,800,443
56700	Due from NM TRD for Water Conservation Fee (B)	33300	82800	234,389
	Total Governmental Funds			<u>\$ 2,034,832</u>

Transactions that occur among other state entities exchange transactions and other situations are accounted for in the financial statements which make up the due from and due to other state entities. The due from and due to other state entities balances consist of reimbursements for drinking water set-asides for small water systems and at June 30, 2019 consist of the following:

NMED Fund	Entity	Other Entity's Business Unit	Amount
Due From Other State Entities			
06400	Due from the NMFA for DWSRF set-aside pass-throughs (C)	38500	\$ 1,879,427
			<u>\$ 1,879,427</u>
Due To Other State Entities			
06400	Due to UNM for Contractual Work for Wetlands Project	96900	\$ 19,725
	Total		<u>\$ 19,725</u>

(A) TRD collects the petroleum product loading fee which is transferred to the NMED for the Corrective Action Fund. The June distribution was not received by year end.

(B) New Mexico Taxation and Revenue Department (TRD) collects monthly taxes for every 1,000 gallons of water pumped out of the ground for drinking water use. NMED receives this tax as a monthly distribution to the Water Conservation Fund. The June distribution was not received by year end.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 DUE FROM AND DUE TO OTHER STATE AGENCIES/ENTITIES (CONTINUED)

(C) The New Mexico Financial Authority (NMFA) receives an annual capitalization grant for the Drinking Water State Revolving Loan Fund (DWSRF). NMFA passes the set asides through to NMED from each capitalization grant.

NOTE 8 TRANSFERS

Intra-Agency transfers as of June 30, 2019 are as follows:

	Transfers In	Transfers Out
Governmental Funds Intra-Agency Transfers:		
General Fund - 06400	\$ 27,290,626	\$ -
Special Revenue Funds:		
02600	-	214,581
06600	-	10,879
09200	-	4,885,435
10980	-	78,119
11900	-	-
24800	-	192,916
33900	-	2,932,753
34000	-	604,899
34100	-	607,542
40000	-	242,063
56700	-	3,085,726
58400	-	89,486
59200	-	789,765
63100	-	2,908,032
78300	-	56,772
95700	-	161,058
98700	-	97,688
98900	-	409,266
99000	-	8,184,184
99100	-	1,739,462
Total	\$ 27,290,626	\$ 27,290,626
Proprietary Funds Intra-Agency Transfers:		
06400	\$ 978,682	\$ -
12100	-	578,330
32700	-	200,322
33700	-	200,030
Total*	\$ 978,682	\$ 978,682

* Proprietary Funds Intra-Agency Transfers Out are included with Transfers - INTRA Agency on the statement of revenues, expenses, and changes in fund net position.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 TRANSFERS (CONTINUED)

Intra-Agency 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.

Transfers to Other Agencies as of June 30, 2019 are as follows:

Governmental Fund Transfers to Other Agencies

NMED Fund	Agency	Other Agency's Fund	Description	Amount
99000	Energy Minerals & Natural Resources Dept.		Appropriation - L18, 2S, C73-S005-64	\$ 1,000,000
Total Government Fund Transfers to Other Agencies				<u>\$ 1,000,000</u>

Governmental Fund Transfers From Other

NMED Fund	Agency	Other Agency's Fund	Description	Amount
06400	Dept. of Finance and Administration - 34101	85300	FY19 Compensation Increase	\$ 142,700
Total Government Fund Transfers From Other Agencies				<u>\$ 142,700</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 CAPITAL ASSETS

A summary of changes in capital assets owned by the Department is as follows:

	Balance, June 30, 2018	Additions	Deletions	Transfers/ Adjustments	Balance, June 30, 2019
Furniture and Fixtures	\$ 250,449	\$ -	\$ -	\$ -	\$ 250,449
Data Processing Equipment	841,994	19,520	(61,683)	-	799,831
Machinery and Equipment	2,622,736	198,818	-	-	2,821,554
Library and Museum	35,511	-	-	-	35,511
Automotive	-	70,574	-	(52,954)	17,620
Buildings and Structures	18,225	-	-	-	18,225
Total	<u>3,768,915</u>	<u>288,912</u>	<u>(61,683)</u>	<u>(52,954)</u>	<u>3,943,190</u>
Accumulated Depreciation					
Furniture and Fixtures	(218,892)	(4,587)	-	-	(223,479)
Data Processing Equipment	(283,880)	(93,545)	59,334	-	(318,091)
Machinery and Equipment	(1,838,956)	(257,855)	-	-	(2,096,811)
Library and Museum	(35,511)	-	-	-	(35,511)
Automotive	-	(587)	-	-	(587)
Buildings and Structures	(4,705)	(833)	-	-	(5,538)
Total Accumulated Depreciation	<u>(2,381,944)</u>	<u>(357,407)</u>	<u>59,334</u>	<u>-</u>	<u>(2,680,017)</u>
Net Capital Assets	<u>\$ 1,386,971</u>	<u>\$ (68,495)</u>	<u>\$ (2,349)</u>	<u>\$ (52,954)</u>	<u>\$ 1,263,173</u>

Depreciation expense for the year ended June 30, 2019 was allocated to the following:

Resource Management Division	\$ 37,752
Water Protection Division	101,300
Resource Protection Division	114,948
Environmental Protection Division	103,407
Total Depreciation Expense by Program	<u>\$ 357,407</u>

The Department transferred a net book value of \$52,954 in automotive to the New Mexico General Services Department.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 CAPITAL ASSETS (CONTINUED)

The Corrective Action Fund tracks fixed assets separately. A summary of assets owned by the Corrective Action Fund is as follows:

	Balance, June 30, 2018	Additions	Deletions	Transfers/ Adjustments	Balance, June 30, 2019
Corrective Action Fund Assets	\$ 4,083,986	\$ 25,730	\$ (296,933)	\$ -	\$ 3,812,783
Total	4,083,986	25,730	(296,933)	-	3,812,783
Accumulated Depreciation					
Corrective Action Fund Assets	(3,734,058)	(135,958)	296,933	-	(3,573,083)
Total Accumulated Depreciation	(3,734,058)	(135,958)	296,933	-	(3,573,083)
Net Capital Assets	<u>\$ 349,928</u>	<u>\$ (110,228)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,700</u>

Depreciation expense for the year ended June 30, 2019 was allocated to the following:

Resource Protection Division	\$ 135,958
Total Depreciation Expense by Program	<u>\$ 135,958</u>

NOTE 10 COMPENSATED ABSENCES

The following is a summary of compensated absences of the Department for the year ended June 30, 2019:

	Balance, June 30, 2018	Additions	Deletions	Balance, June 30, 2019	Due in One Year
Compensated Absences	<u>\$ 1,843,083</u>	<u>\$ 1,790,222</u>	<u>\$ (1,735,800)</u>	<u>\$ 1,897,505</u>	<u>\$ 1,707,754</u>

Substantially, all of the compensated absences balances have been paid by the General Fund in prior years. The amount of compensated absences is calculated by multiplying the vested hours by the pay rate at year-end plus applicable payroll taxes.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 POLLUTION REMEDIATION OBLIGATIONS

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

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

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

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. The corrective action fund is intended to provide for financial assurance coverage and shall be used by the Department to the extent revenues are available to make payments on behalf of owners and operators for corrective action in accordance with Section 74-6B-13 NMSA. However, per section 74-6B-7: 1) when revenues are limited and the fund can no longer be approved as a financial responsibility mechanism, priorities for expenditures from the fund shall be based on financial need, 2) nothing in this section authorizes payments or commitments for payments in excess of the funds available, and 3) within 60 days after receipt of notification that the corrective action fund has become incapable of paying assured corrective actions, the owner or operator shall obtain alternative financial assurance acceptable to the Department. The nature of the majority of LPST sites includes other identified responsible parties or sites in which there is not an imminent danger to the public health or environment and is limited as noted in Section 74-6B-7 to available funds in the corrective action fund and the Department has not recorded a remediation liability related to these sites as of June 30, 2019. However, for priority 1 State Lead sites in which there is an imminent danger to the public health or environment and the Department has obligated itself to begin remediation clean-up activities as a result of an unwilling or unable property \$1,619,611 as of June 30, 2019.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 POLLUTION REMEDIATION OBLIGATIONS (CONTINUED)

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 (NPL). There are currently 16 listed Superfund sites in New Mexico which are in various stages of investigation and remediation. One of the 16 listed Superfund sites was placed on the NPL in April 2016. The site is currently in the scoping phase of the investigation in which no financial obligation exists. The Department estimates it will take at least 2 or 3 years before a Record of Decision is issued by the EPA. As of June 30, 2019, this site is excluded from the estimated pollution remediation liability.

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 and 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% of the investigation costs and 90% of the cleanup costs for up to 10 years. The state must assure payment of 10% of the cleanup costs for the first 10 years and 100% 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.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 POLLUTION REMEDIATION OBLIGATIONS (CONTINUED)

Superfund (Continued)

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, 2019, the estimated pollution remediation liability for Superfund sites totals \$25,836,605.

	Balance, June 30, 2018	Additions	Deletions	Balance, June 30, 2019
SUPERFUND				
Amount Due Within One Year	\$ 502,823	\$ 206,608	\$ (88,908)	\$ 620,523
Amount Due in More Than One Year - Beginning Balance	25,385,180	-	(169,098)	25,216,082
Total Superfund Oversight Remediation Liabilities	<u>\$ 25,888,003</u>	<u>\$ 206,608</u>	<u>\$ (258,006)</u>	<u>\$ 25,836,605</u>
LEAKING TANKS				
Amount Due Within One Year	\$ -	\$ -	\$ -	\$ -
Amount Due in More Than One Year	1,591,088	1,619,611	(1,591,088)	1,619,611
Total Leaking Tanks Remediation Liabilities	<u>\$ 1,591,088</u>	<u>\$ 1,619,611</u>	<u>\$ (1,591,088)</u>	<u>\$ 1,619,611</u>
TOTAL POLLUTION REMEDICATION LIABILITY				
Amount Due Within One Year	\$ 502,823	\$ 206,608	\$ (88,908)	\$ 620,523
Amount Due in More Than One Year	26,976,268	1,619,611	(1,760,186)	26,835,693
Grand Total Pollution Remediation Liability	<u>\$ 27,479,091</u>	<u>\$ 1,826,219</u>	<u>\$ (1,849,094)</u>	<u>\$ 27,456,216</u>

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

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12 REVERSIONS

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 reversions to the State General Fund for FY19. These payables may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

NOTE 13 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>\$ 21,039,726</u>
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NOTE 14 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 16.99% 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 contribution to PERA for the fiscal year ending June 30, 2019 was \$5,191,587, which is equal to the amount of the required contribution for the fiscal year.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 15 POSTEMPLOYMENT 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, 2019, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; each participating employee was required to contribute 1.00% of their salary.

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.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

**NOTE 15 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Funding Policy (Continued)

The employer, employee and retiree contributions are required to be remitted to the RHCA monthly. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998 are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Department's contribution to the RHCA for the year ended June 30, 2019 was \$610,020, which is equal to the required contribution for the year.

NOTE 16 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 Taxation and Revenue Department for petroleum products loading fees.

Loan Commitments

Wastewater Loan Construction Fund – As of June 30, 2019, the Department has executed binding commitments to disburse \$21,550,000 for future loans.

Rural Infrastructure Loan Fund – As of June 30, 2019, the Department has executed binding commitments to disburse \$2,335,379 for loans and grants from the fund.

Operating Leases

The Department leases equipment, vehicles, and real property under operating leases. Operating leases do not give rise to eventual property rights or lease obligations and, therefore, the effect of the lease obligations is 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:

<u>Years Ending June 30,</u>	
2020	\$ 3,098,872
2021	3,117,143
2022	3,100,052
2023	3,084,834
2024	3,119,989
2025 and Thereafter	15,071,991
Total	<u>\$ 30,592,881</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 16 COMMITMENTS (CONTINUED)

Operating Leases (Continued)

Rental expenditures for the fiscal year ended June 30, 2019 were \$3,088,820.

NOTE 17 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.

NOTE 18 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).

**NEW MEXICO ENVIRONMENT DEPARTMENT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTIONS
JUNE 30, 2019**

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 74-13-19. 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 nonreverting.

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 nonreverting.

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 nonreverting.

Nuclear Workers Assistance Fund (10980) – Created by State Statute NMSA 1978, Section 74-1-17. This fund was established for 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 nonreverting.

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 Cleanup Revolving Loan Fund. The funds are obtained through a grant from the Environmental Protection Agency. The funds are for the repayments of loans and interest. Income is accrued on the balance of the fund. This fund is nonreverting.

Responsible Parties Fund (24800) – Created by State Statute NMSA 1978, Section 74-6B-7 for removing leaking underground storage tanks. This fund is nonreverting.

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 nonreverting.

Liquid Waste Fund (34000) – Created by State Statute NMSA 1978, Section 74-1-15. The fund was established for the administration of liquid waste regulations. Source of funding: Permits and fees. This fund is nonreverting.

Water Quality Management Fund (34100) – Created by State Statute NMSA 1978, Section 74-6-5.2. The fund was established for administering the regulation adopted by the Water Quality Control Commission. This fund is nonreverting.

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 nonreverting.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTIONS (CONTINUED)
JUNE 30, 2019**

SPECIAL REVENUE FUNDS (CONTINUED)

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 nonreverting. Source of funding: Fees through New Mexico Taxation and Revenue Department. This fund is nonreverting.

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 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 nonreverting.

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. Source of funding: Fees and licenses. This fund is nonreverting.

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 nonreverting.

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 nonreverting.

Penalties Fund (65200) – This fund formerly an agency fund and has been reclassified for fiscal year 2017 forward to a special revenue fund. It is used to account for settlements, penalties, fees, and reimbursements. The civil penalties are required to be paid to the general fund and are transferred, or reverted, monthly to the State General Fund. In future years, the penalties may go directly to the State General Fund. Statutory authority for this fund is related to the statutes which create the revenue streams; Air Quality Control Act and Occupational Health and Safety Act (OSHA) penalties (NMSA 1978 50-9-24 and 74-2-12).

Solid Waste Permit Fees (78300) – Created by State Statute NMSA 1978, Section 74-9-8I. The Solid Waste Act is 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 nonreverting.

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. This fund is nonreverting. All activity is segregated to ensure:

**NEW MEXICO ENVIRONMENT DEPARTMENT
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTIONS (CONTINUED)
JUNE 30, 2019**

SPECIAL REVENUE FUNDS (CONTINUED)

ARRA Fund (89000) (Continued)

- Funds are awarded and distributed in a prompt, fair and reasonable manner;
- The recipients and uses of all funds are transparent to the public. 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.

Hazardous Waste Emergency Fund (95700) – Created by State Statute NMSA 1978, Section 74-4-8. 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 nonreverting.

Radiologic Technology Fund (98700) – Created by State Statute NMSA 1978, Section 61-14E-10. 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. Source of funding: Fees. This fund is nonreverting.

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 nonreverting.

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 nonreverting.

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING BALANCE SHEET – NONMAJOR
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	SPECIAL REVENUE FUNDS				
	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
ASSETS					
Investment in State General Fund					
Investment Pool	\$ 1,830,883	\$ 74,711	\$ 2,391,991	\$ 71,527	\$ 445,007
Due from Federal Government	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other State Agencies	-	-	-	-	-
Due from Other State Entities	-	-	-	-	-
Other Assets	-	-	-	-	-
Other Receivables, Net	-	-	-	-	1,885,168
Total Assets	<u>\$ 1,830,883</u>	<u>\$ 74,711</u>	<u>\$ 2,391,991</u>	<u>\$ 71,527</u>	<u>\$ 2,330,175</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Investment in State General Fund					
Investment Pool Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	97,210	-	-	-	-
Accrued Payroll Liabilities	-	-	-	-	-
Due to Federal Government	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Due to Other State Agencies	-	-	-	-	-
Due to Other State Entities	-	-	-	-	-
Due to State General Fund	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Unearned Revenues	-	-	-	-	-
Total Liabilities	97,210	-	-	-	-
Fund Balances:					
Restricted	1,733,673	74,711	2,391,991	71,527	2,330,175
Assigned	-	-	-	-	-
Unassigned (Deficit)	-	-	-	-	-
Total Fund Balances	<u>1,733,673</u>	<u>74,711</u>	<u>2,391,991</u>	<u>71,527</u>	<u>2,330,175</u>
Total Liabilities and Fund Balances	<u>\$ 1,830,883</u>	<u>\$ 74,711</u>	<u>\$ 2,391,991</u>	<u>\$ 71,527</u>	<u>\$ 2,330,175</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING BALANCE SHEET – NONMAJOR
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

	SPECIAL REVENUE FUNDS				
	24800	33900	34000	34100	40000
	Responsible Parties Fund	Hazardous Waste Fund	Liquid Waste Fund	Water Quality Management Fund	Water Recreation Facilities Fund
ASSETS					
Investment in State General Fund					
Investment Pool	\$ 143,904	\$ 1,606,339	\$ 719,924	\$ 420,575	\$ 223,721
Due from Federal Government	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other State Agencies	-	-	-	-	-
Due from Other State Entities	-	-	-	-	-
Other Assets	-	-	-	-	-
Other Receivables, Net	-	64,250	-	-	-
Total Assets	<u>\$ 143,904</u>	<u>\$ 1,670,589</u>	<u>\$ 719,924</u>	<u>\$ 420,575</u>	<u>\$ 223,721</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Investment in State General Fund					
Investment Pool Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Accrued Payroll Liabilities	-	-	-	-	-
Due to Federal Government	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Due to Other State Agencies	-	-	-	-	-
Due to Other State Entities	-	-	-	-	-
Due to State General Fund	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Unearned Revenues	2,680	-	-	-	-
Total Liabilities	<u>2,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	141,224	1,670,589	719,924	420,575	223,721
Assigned	-	-	-	-	-
Unassigned (Deficit)	-	-	-	-	-
Total Fund Balances	<u>141,224</u>	<u>1,670,589</u>	<u>719,924</u>	<u>420,575</u>	<u>223,721</u>
Total Liabilities and Fund Balances	<u>\$ 143,904</u>	<u>\$ 1,670,589</u>	<u>\$ 719,924</u>	<u>\$ 420,575</u>	<u>\$ 223,721</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING BALANCE SHEET – NONMAJOR
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

	SPECIAL REVENUE FUNDS			
	56700	58400	59200	63100
	Water Conservation Fund	Public Water Supply System Operator and Public Wastewater Facility Operator Fund	Radiation Protection Fund	State Air Quality Permit Fund
ASSETS				
Investment in State General Fund				
Investment Pool	\$ 1,513,473	\$ 45,955	\$ 1,214,473	\$ 5,324,392
Due from Federal Government	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other State Agencies	234,389	-	-	-
Due from Other State Entities	-	-	-	-
Other Assets	-	-	-	-
Other Receivables, Net	-	-	35,713	9,878
Total Assets	<u>\$ 1,747,862</u>	<u>\$ 45,955</u>	<u>\$ 1,250,186</u>	<u>\$ 5,334,270</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Investment in State General Fund				
Investment Pool Overdraft	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-
Accrued Payroll Liabilities	-	-	-	-
Due to Federal Government	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other State Agencies	-	-	-	-
Due to Other State Entities	-	-	-	-
Due to State General Fund	-	-	-	-
Other Liabilities	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances:				
Restricted	1,747,862	45,955	1,250,186	5,334,270
Assigned	-	-	-	-
Unassigned (Deficit)	-	-	-	-
Total Fund Balances	<u>1,747,862</u>	<u>45,955</u>	<u>1,250,186</u>	<u>5,334,270</u>
Total Liabilities and Fund Balances	<u>\$ 1,747,862</u>	<u>\$ 45,955</u>	<u>\$ 1,250,186</u>	<u>\$ 5,334,270</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING BALANCE SHEET – NONMAJOR
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

	SPECIAL REVENUE FUNDS				
	63200	65200	78300	89000	95700
	Solid Waste				Hazardous Waste
	Facility				
	Grant	Penalties	Solid Waste	ARRA	Emergency
	Fund	Fund	Permit Fees	Fund	Fund
ASSETS					
Investment in State General Fund					
Investment Pool	\$ 177,778	\$ 22,125	\$ 115,993	\$ 55	\$ 1,681,978
Due from Federal Government	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other State Agencies	-	-	-	-	-
Due from Other State Entities	-	-	-	-	-
Other Assets	-	-	-	-	-
Other Receivables, Net	-	-	-	-	13,965
Total Assets	<u>\$ 177,778</u>	<u>\$ 22,125</u>	<u>\$ 115,993</u>	<u>\$ 55</u>	<u>\$ 1,695,943</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Investment in State General Fund					
Investment Pool Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Accrued Payroll Liabilities	-	-	-	-	-
Due to Federal Government	-	-	-	55	-
Due to Other Funds	-	-	-	-	-
Due to Other State Agencies	-	-	-	-	-
Due to Other State Entities	-	-	-	-	-
Due to State General Fund	-	22,125	-	-	-
Other Liabilities	-	-	-	-	-
Unearned Revenues	-	-	-	-	-
Total Liabilities	-	22,125	-	55	-
Fund Balances					
Restricted	177,778	-	115,993	-	1,695,943
Assigned	-	-	-	-	-
Unassigned (Deficit)	-	-	-	-	-
Total Fund Balances	<u>177,778</u>	<u>-</u>	<u>115,993</u>	<u>-</u>	<u>1,695,943</u>
Total Liabilities and Fund Balances	<u>\$ 177,778</u>	<u>\$ 22,125</u>	<u>\$ 115,993</u>	<u>\$ 55</u>	<u>\$ 1,695,943</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING BALANCE SHEET – NONMAJOR
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

	SPECIAL REVENUE FUNDS			Total All Non-Major Funds
	98700 Radiologic Technology Fund	98900 Storage Tank Fund	99100 Food Service Sanitation Fund	
ASSETS				
Investment in State General Fund				
Investment Pool	\$ 343,321	\$ 750,876	\$ 1,505,765	\$ 20,624,766
Due from Federal Government	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other State Agencies	-	-	-	234,389
Due from Other State Entities	-	-	-	-
Other Assets	-	-	-	-
Other Receivables, Net	-	5,281	12,600	2,026,855
Total Assets	<u>\$ 343,321</u>	<u>\$ 756,157</u>	<u>\$ 1,518,365</u>	<u>\$ 22,886,010</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Investment in State General Fund				
Investment Pool Overdraft	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	97,210
Accrued Payroll Liabilities	-	-	-	-
Due to Federal Government	-	-	-	55
Due to Other Funds	-	-	-	-
Due to Other State Agencies	-	-	-	-
Due to Other State Entities	-	-	-	-
Due to State General Fund	-	-	-	22,125
Other Liabilities	-	-	-	-
Unearned Revenues	-	267,435	44,500	314,615
Total Liabilities	-	267,435	44,500	434,005
Fund Balances				
Restricted	343,321	488,722	1,473,865	22,452,005
Assigned	-	-	-	-
Unassigned (Deficit)	-	-	-	-
Total Fund Balances	<u>343,321</u>	<u>488,722</u>	<u>1,473,865</u>	<u>22,452,005</u>
Total Liabilities and Fund Balances	<u>\$ 343,321</u>	<u>\$ 756,157</u>	<u>\$ 1,518,365</u>	<u>\$ 22,886,010</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	SPECIAL REVENUE FUNDS				
	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	\$ 983,582	\$ 18,936	\$ 4,415,401	\$ 43,100	\$ -
Petroleum Products Loading Fee	-	-	-	-	-
Federal Grant Revenue	-	-	-	-	239,232
Investment Earnings	-	-	-	-	7,784
Interest on Loans	-	-	-	-	2,000
Other Revenue	-	-	-	-	-
Total Revenues	<u>983,582</u>	<u>18,936</u>	<u>4,415,401</u>	<u>43,100</u>	<u>249,016</u>
EXPENDITURES					
Resource Management Division	-	-	-	-	-
Water Protection Division	-	-	-	-	-
Resource Protection Division	436,857	-	-	-	-
Environmental Protection Division	-	-	-	-	-
Other Environmental Initiatives	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>436,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	546,725	18,936	4,415,401	43,100	249,016
OTHER FINANCING SOURCES (USES)					
General Fund Appropriation	-	-	-	-	-
Transfers in - Other Agencies	-	-	-	-	-
Transfers in - STB	-	-	-	-	-
Transfers out - Other Agencies	-	-	-	-	-
Transfers - INTRA Agency	(214,581)	(10,879)	(4,885,435)	(78,119)	-
Reversions - FY19	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(214,581)</u>	<u>(10,879)</u>	<u>(4,885,435)</u>	<u>(78,119)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	332,144	8,057	(470,034)	(35,019)	249,016
Fund Balances - Beginning	<u>1,401,529</u>	<u>66,654</u>	<u>2,862,025</u>	<u>106,546</u>	<u>2,081,159</u>
FUND BALANCES - ENDING	<u><u>\$ 1,733,673</u></u>	<u><u>\$ 74,711</u></u>	<u><u>\$ 2,391,991</u></u>	<u><u>\$ 71,527</u></u>	<u><u>\$ 2,330,175</u></u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	SPECIAL REVENUE FUNDS				
	24800	33900	34000	34100	40000
	Responsible Parties Fund	Hazardous Waste Fund	Liquid Waste Fund	Water Quality Management Fund	Water Recreation Facilities Fund
REVENUES					
Environmental Fees	\$ 207,691	\$ 3,420,322	\$ 409,004	\$ 563,572	\$ 145,600
Petroleum Products Loading Fee	-	-	-	-	-
Federal Grant Revenue	-	-	-	-	-
Investment Earnings	-	-	24,867	-	-
Interest on Loans	-	-	-	-	-
Other Revenue	-	-	-	-	-
Total Revenues	<u>207,691</u>	<u>3,420,322</u>	<u>433,871</u>	<u>563,572</u>	<u>145,600</u>
EXPENDITURES					
Resource Management Division	-	-	-	-	-
Water Protection Division	-	-	-	-	-
Resource Protection Division	-	-	-	-	-
Environmental Protection Division	-	-	-	-	-
Other Environmental Initiatives	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	207,691	3,420,322	433,871	563,572	145,600
OTHER FINANCING SOURCES (USES)					
General Fund Appropriation	-	-	-	-	-
Transfers in - Other Agencies	-	-	-	-	-
Transfers in - STB	-	-	-	-	-
Transfers out - Other Agencies	-	-	-	-	-
Transfers - INTRA Agency	(192,916)	(2,932,753)	(604,899)	(607,542)	(242,063)
Reversions - FY19	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(192,916)</u>	<u>(2,932,753)</u>	<u>(604,899)</u>	<u>(607,542)</u>	<u>(242,063)</u>
NET CHANGE IN FUND BALANCES	14,775	487,569	(171,028)	(43,970)	(96,463)
Fund Balances - Beginning	<u>126,449</u>	<u>1,183,020</u>	<u>890,952</u>	<u>464,545</u>	<u>320,184</u>
FUND BALANCES - ENDING	<u>\$ 141,224</u>	<u>\$ 1,670,589</u>	<u>\$ 719,924</u>	<u>\$ 420,575</u>	<u>\$ 223,721</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	SPECIAL REVENUE FUNDS				
	56700	58400	59200	63100	63200
	Water Conservation Fund	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	\$ 2,141,890	\$ 72,446	\$ 884,073	\$ 4,755,344	\$ 134,854
Petroleum Products Loading Fee	-	-	-	-	-
Federal Grant Revenue	-	-	-	-	-
Investment Earnings	-	1,333	29,110	-	4,202
Interest on Loans	-	-	-	-	-
Other Revenue	-	-	-	-	-
Total Revenues	<u>2,141,890</u>	<u>73,779</u>	<u>913,183</u>	<u>4,755,344</u>	<u>139,056</u>
EXPENDITURES					
Resource Management Division	-	-	-	-	-
Water Protection Division	-	-	-	-	-
Resource Protection Division	-	-	-	-	-
Environmental Protection Division	-	-	-	-	-
Other Environmental Initiatives	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,141,890	73,779	913,183	4,755,344	139,056
OTHER FINANCING SOURCES (USES)					
General Fund Appropriation	-	-	-	-	-
Transfers in - Other Agencies	-	-	-	-	-
Transfers in - STB	-	-	-	-	-
Transfers out - Other Agencies	-	-	-	-	-
Transfers - INTRA Agency	(3,085,726)	(89,486)	(789,765)	(2,908,032)	-
Reversions - FY19	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(3,085,726)</u>	<u>(89,486)</u>	<u>(789,765)</u>	<u>(2,908,032)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(943,836)	(15,707)	123,418	1,847,312	139,056
Fund Balances - Beginning	<u>2,691,698</u>	<u>61,662</u>	<u>1,126,768</u>	<u>3,486,958</u>	<u>38,722</u>
FUND BALANCES - ENDING	<u>\$ 1,747,862</u>	<u>\$ 45,955</u>	<u>\$ 1,250,186</u>	<u>\$ 5,334,270</u>	<u>\$ 177,778</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	SPECIAL REVENUE FUNDS				
	65200	78300	89000	95700	98700
	Penalties Fund	Solid Waste Permit Fees	ARRA Fund	Hazardous Waste Emergency Fund	Radiologic Technology Fund
REVENUES					
Environmental Fees	\$ -	\$ 50,100	\$ -	\$ 231,800	\$ 196,899
Petroleum Products Loading Fee	-	-	-	-	-
Federal Grant Revenue	-	-	-	-	-
Investment Earnings	-	-	-	-	-
Interest on Loans	-	-	-	-	-
Other Revenue	-	-	-	-	-
Total Revenues	-	50,100	-	231,800	196,899
EXPENDITURES					
Resource Management Division	-	-	-	-	-
Water Protection Division	-	-	-	-	-
Resource Protection Division	-	-	-	-	-
Environmental Protection Division	-	-	-	-	-
Other Environmental Initiatives	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	50,100	-	231,800	196,899
OTHER FINANCING SOURCES (USES)					
General Fund Appropriation	-	-	-	-	-
Transfers in - Other Agencies	-	-	-	-	-
Transfers in - STB	-	-	-	-	-
Transfers out - Other Agencies	-	-	-	-	-
Transfers - INTRA Agency	-	(56,772)	-	(161,058)	(97,688)
Reversions - FY19	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(56,772)	-	(161,058)	(97,688)
NET CHANGE IN FUND BALANCES	-	(6,672)	-	70,742	99,211
Fund Balances - Beginning	-	122,665	-	1,625,201	244,110
FUND BALANCES - ENDING	\$ -	\$ 115,993	\$ -	\$ 1,695,943	\$ 343,321

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	SPECIAL REVENUE FUNDS		
	98900	99100	
	Storage Tank Fund	Food Service Sanitation Fund	Total All Non-Major Funds
REVENUES			
Environmental Fees	\$ 495,553	\$ 1,569,000	\$ 20,739,167
Petroleum Products Loading Fee	-	-	-
Federal Grant Revenue	-	-	239,232
Investment Earnings	-	-	67,296
Interest on Loans	-	-	2,000
Other Revenue	-	-	-
Total Revenues	<u>495,553</u>	<u>1,569,000</u>	<u>21,047,695</u>
EXPENDITURES			
Resource Management Division	-	-	-
Water Protection Division	-	-	-
Resource Protection Division	-	-	436,857
Environmental Protection Division	-	-	-
Other Environmental Initiatives	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>436,857</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	495,553	1,569,000	20,610,838
OTHER FINANCING SOURCES (USES)			
General Fund Appropriation	-	-	-
Transfers in - Other Agencies	-	-	-
Transfers in - STB	-	-	-
Transfers out - Other Agencies	-	-	-
Transfers - INTRA Agency	(409,266)	(1,739,462)	(19,106,442)
Reversions - FY19	-	-	-
Total Other Financing Sources (Uses)	<u>(409,266)</u>	<u>(1,739,462)</u>	<u>(19,106,442)</u>
NET CHANGE IN FUND BALANCES	86,287	(170,462)	1,504,396
Fund Balances - Beginning	<u>402,435</u>	<u>1,644,327</u>	<u>20,947,609</u>
FUND BALANCES - ENDING	<u>\$ 488,722</u>	<u>\$ 1,473,865</u>	<u>\$ 22,452,005</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE 1 – SUPPLEMENTAL SCHEDULE OF CAPITAL APPROPRIATIONS
YEAR ENDED JUNE 30, 2019**

Severance Tax Bonds Projects - Fund 89200

Laws	Chapter	Amount Authorized	Amount De-Authorized	Art in Public Places	Amount Available	Expenditures Reported Prior Years (unaudited)	Expenditures Reported Current Year	Amount Reverted	06/30/19 Balance Available
2015	147 / 3	\$ 17,174,009	\$ (3,284,166)	\$ -	\$ 13,889,843	\$ (12,244,603)	\$ (1,421,137)	\$ (224,103)	\$ -
2016	81	17,133,797	(5,087,273)	(7,142)	12,039,382	(6,909,553)	(2,715,913)	(1,011)	2,412,905
2017	133	3,898,324	-	-	3,898,324	(196,137)	(1,256,030)	(687)	2,445,470
2018	80/68	12,147,175	(251,997)	(1,503)	11,893,675	(583,163)	(3,464,695)	(146,887)	7,698,930
2019	280	925,400	-	-	925,400	-	-	-	925,400
Total Severance Tax Bond		<u>\$ 51,278,705</u>	<u>\$ (8,623,436)</u>	<u>\$ (8,645)</u>	<u>\$ 42,646,624</u>	<u>\$ (19,933,456)</u>	<u>\$ (8,857,775)</u>	<u>\$ (372,688)</u>	<u>\$ 13,482,705</u>

General Fund Capital Outlay Projects - Fund 93100

2019	278	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
2019	278	100,000	-	-	100,000	-	-	-	100,000
2019	278	150,000	-	-	150,000	-	-	-	150,000
2019	278/279	300,000	-	-	300,000	-	-	-	300,000
2019*	277	42,796,640	-	(81,510)	42,715,130	-	-	-	42,715,130
Total General Fund		<u>\$ 43,396,640</u>	<u>\$ -</u>	<u>\$ (81,510)</u>	<u>\$ 43,315,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,315,130</u>

*\$3,831,000 in funding related to various projects was not released in FY19 and is not reflected in the fund financial statements for fund 93100. \$764,000 of the \$3,831,000 appropriation will be received by the Department in FY20 and released to the local government. The remaining \$3,064,000 will be received by the Department once the local governments are in compliance.

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE 2 – SUPPLEMENTAL SCHEDULE OF SPECIAL APPROPRIATIONS
YEAR ENDED JUNE 30, 2019**

Description	Project Number	Authority	Appropriation Period	SHARE Fund	Total Original Appropriation	Expenditures Reported Prior Years	Current Year Expenditures	Encumbrances	Current Year Reversion Amount	Remaining Balance at 06/30/19
Environmental Litigation	Z40565	Laws 2014, Chapter 63	2014-2019	06400	\$ 1,500,000	\$ 1,421,429	\$ 78,571	\$ -	\$ -	\$ -
Environmental Litigation	ZB0523	Laws 2017, Chapter 135	2017-2020	06400	1,000,000	-	268,365	-	-	731,635
Environmental Remediation	ZC5564	Laws 2018, Chapter 73	2018-2019	99000	2,000,000	1,000,000	1,000,000	-	-	-
Total General Fund					<u>4,500,000</u>	<u>2,421,429</u>	<u>1,346,936</u>	<u>-</u>	<u>-</u>	<u>731,635</u>
Capital Project Appropriations	A151069	Laws 2015, Chapter 3	2015-2019	06400	500,000	207,283	286,917	-	5,800	-
Total Capital Project Funds					<u>500,000</u>	<u>207,283</u>	<u>286,917</u>	<u>-</u>	<u>5,800</u>	<u>-</u>
Total All Funds					<u><u>\$ 5,000,000</u></u>	<u><u>\$ 2,628,712</u></u>	<u><u>\$ 1,633,853</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,800</u></u>	<u><u>\$ 731,635</u></u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Participating Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Air Pollution Control Program Support				
Air Pollution Control Sec 105 Grant FY19	66.001		\$ -	\$ 1,271,487
			-	1,271,487
State Indoor Radon Grants				
NM State Indoor Radon FY17-18	66.032		-	50,084
NM State Indoor Radon FY19-20	66.032		-	138,460
			-	188,544
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act				
PM 2.5 Air Monitoring FY18	66.034		-	61,737
State Public Water System Supervision				
Public Water Supply Supervision FY19-20	66.432		-	966,690
Multipurpose Grants to States and Tribes				
Gold King Mine (Animas) Multi-Purpose	66.204		4,144	4,144
Statewide Air Pollution and Water Protection	66.204		-	121,277
			4,144	125,421
Water Pollution Control State, Interstate, and Tribal Program Support				
SW 106 Supplemental Monitoring - FY17-18	66.419		-	203,265
FY18-19 CWA Section 106 - Ground Water	66.419		-	296,232
FY18-19 CWA Section 106 - Surface Water	66.419		-	1,229,128
ENVGKM - Gold King Mine (Animas) Phase 2	66.419		20,501	20,501
			20,501	1,749,126
State Underground Water Source Protection				
Pass-thru via NM Energy and Minerals				
Underground Injection Energy & Minerals FY18	66.433	G-00622319	-	75,371
Water Quality Management Planning				
FY18-19 CWA, Water Quality Planning 604(b)	66.454		-	99,733
Clean Water State Revolving Funds (CWSRF) Cluster				
Capitalization Grants for CWSRF, Construction	66.458		7,859,000	7,859,000
Capitalization Grants for CWSRF, Administration	66.458		-	578,330
			7,859,000	8,437,330
Nonpoint Source Implementation Grants				
FY16-17 319 Grant Project Implement - Surface Water	66.460		-	444,038
FY18-19 319 NSIG - Ground Water	66.460		-	139,783
FY18-19 319 NSIG - Surface Water	66.460		-	1,057,325
			-	1,641,146
Regional Wetland Program Development Grants				
FFY17-18 East Fork Jemez River Innovative Wetland Restoration	66.461		-	7,569
FFY17-18 Mapping & Classification of Wetlands - Rio Grande	66.461		-	4,119
FFY17-18 Mapping & Classification of Wetlands - San Juan River	66.461		-	36,653
FFY17-18 NM Rapid Assessment for Slope Wetlands	66.461		-	407
FY13-14 105 Grant Wetlands – Canadian	66.461		-	142,629
FY13-14 105 Grant Wetlands – Springs Assessment	66.461		-	218,303
FY14-15 105 NM RAM Wetlands - Pecos	66.461		-	125,967
FY15-16 Rapid Assessment for Wetlands	66.461		-	499,684
			-	1,035,331

See Notes to Schedule of Expenditures of Federal Awards.

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Participating Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY (CONTINUED)				
Drinking Water State Revolving Funds (DWSRF) Cluster				
Pass-thru via NM Finance Authority				
FFY15 Cap Grant - Capacity	66.468	FS-99692518	\$ -	\$ 1,568
FFY16 Cap Grant - Capacity	66.468	FS-99692519	-	136,960
FFY16 Cap Grant - State Programs	66.468	FS-99692519	-	3,150
FFY17 Cap Grant - Capacity	66.468	FS-99692520	-	316,494
FFY17 Cap Grant - State Programs	66.468	FS-99692520	-	462,541
FFY17 Cap Grant - Wellhead	66.468	FS-99692520	-	245,281
FFY17 Cap Grant Small Systems Tech	66.468	FS-99692520	-	77,480
NMFA DWSRF Grant Capacity	66.468	FS-99692521	-	854,077
NMFA DWSRF Grant Small Systems Tech	66.468	FS-99692521	-	18,992
NMFA DWSRF Grant State Programs	66.468	FS-99692521	-	885,073
NMFA DWSRF Grant Wellhead	66.468	FS-99692521	-	61,889
			-	3,063,505
Environmental Information Exchange Network Grant Program				
FY15 Exchange Network Grant Program	66.608		-	32,277
FY18 Exchange Network (EN) Enterprize Security Badge	66.608		-	59,684
FY15 SWQB SQUID/Attains Grant Project	66.608		-	9,842
			-	101,803
Hazardous Waste Management State Program Support				
FY19 HWB - RCRA State Program Support	66.801		-	772,503
Superfund State, Political Subdivision, and Indian Tribe				
Site-Specific Cooperative Agreements				
FFY19-20 Superfund Bulk Oversight Multi-Project Coop. Agreement	66.802		-	240,046
FFY19-20 Superfund Core Oversight Multi-Project Coop. Agreement	66.802		-	101,440
FY13 Superfund Bulk Grant	66.802		-	108,670
FY13 Superfund Core Grant	66.802		-	33,717
FY15 NMED Five Year Bulk Funding	66.802		-	12,555
FY17 North Railroad Avenue Plume Grant	66.802		-	719,922
Gold King Mine San Juan Watershed Monitoring Program	66.802		220,023	220,023
McGaffey & Main Plume Ground Water Plume	66.802		-	47,028
McGaffey & Main Plume Grnd. Wtr. Plume RA SVE/VIMS	66.802		-	36,831
Remedial Action Oversight of the Chevron Questa Mine - EMNRD	66.802		52,016	53,601
Superfund - Eagle Picher Remedial Design	66.802		-	266,211
Superfund Oversight of the Chevron Questa Mine	66.802		-	227,746
Superfund Tronox	66.802		-	14,850
Superfund Tronox - EMNRD	66.802		2,855	6,968
			274,894	2,089,608
Underground Storage Tank Prevention, Detection, and Compliance Program				
FY19-20 LUST - Underground Storage Tank Prevention	66.804		-	317,934
FY19-20 LUST - Underground Storage Tank Trust Fund	66.804		-	510,297
			-	828,231
Brownfields Assessment and Cleanup Cooperative Agreements				
Brownfields Cleanup	66.818		-	242,813
State and Tribal Response Program Grants				
Brownfield State Response Program	66.817		-	209,960
FY14 NM Brownfields State Response Program	66.817		-	333,036
			-	542,996
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			8,158,539	23,293,375

See Notes to Schedule of Expenditures of Federal Awards.

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Participating Expenditures
U.S. DEPARTMENT OF ENERGY				
Environmental Monitoring and Clean-up				
DOE WIPP Oversight AIP	81.214		\$ -	\$ 342,731
DOE Environmental Oversight & Monitoring for LANL/Sandia Labs	81.214			428,589
FFY19-23 DOE Environmental Oversight & Monitoring - LANL/SNL	81.214		-	1,565,424
			-	2,336,744
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions				
Pass-through via NM Energy and Minerals:				
FY19 WIPP Emergency Response	81.106	DE-EM004167	-	144,908
Long-Term Surveillance and Maintenance				
GNOME Coach and Gasbuggy Nuclear Test Sites	81.136		-	1,707
NM Uranium Mill Tailings Radiation Control Act	81.136		-	55,855
			-	57,562
TOTAL U.S. DEPARTMENT OF ENERGY				2,539,214
U.S. DEPARTMENT OF DEFENSE				
State Memorandum of Agreement Program for the Reimbursement of Technical Services				
DSMOA CA18-20 State Memorandum of Agreement Program	12.113	W921DY-18-2-0233	-	5,772
Estuary Habitat Restoration Program				
Kirtland AFB Cooperative Agreement	12.130	FA-8903-16-2-0002	-	89,999
TOTAL U.S. DEPARTMENT OF DEFENSE				95,771
U.S. DEPARTMENT OF LABOR				
Occupational Safety and Health State Program				
FFY18 OSHA 23(g) State Plan Implementation	17.503		-	255,334
Implementation of NM OHSA: Sec 50-9-1 to 50-9-25 NMSA1978	17.503		-	709,242
			-	964,576
Consultation Agreements				
FFY18 OSHA 21(d) State Consultation Program	17.504		-	124,559
State Plan OSHA Consultation Program	17.504		-	368,928
			-	493,487
Compensation and Working Conditions				
FFY18 OSHA BLS Statistics	17.005		-	21,155
Occupational Health & Safety Statistics	17.005		-	52,085
			-	73,240
TOTAL U.S. DEPARTMENT OF LABOR				1,531,303
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Food and Drug Administration Research				
Conformance with the Manufactured Food Regulatory Program	93.103		-	25,971
Flexible Funding Model - Infrastructure Development and Maintenance				
NM MFRPS Implementation	93.367		-	239,915
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				265,886
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 8,158,539	\$ 27,725,549

See Notes to Schedule of Expenditures of Federal Awards.

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

RECONCILIATION TO FINANCIAL STATEMENTS

Governmental Funds - Federal Grant Revenue	\$ 19,542,992
Enterprise Funds - Federal Grant Revenue	7,859,000
CWSRF Administrative Expenditures	578,330
Federal Contracts	(279,004)
Other Reconciling Items	24,231
	<u>\$ 27,725,549</u>

See Notes to Schedule of Expenditures of Federal Awards.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Department under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Department.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Amounts reported in the Schedule are reported on the accrual basis of accounting. The Department has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NONCASH ASSISTANCE

The Department did not receive any federal non-cash assistance during the year ended June 30, 2019.

LOANS

The Department does not have any loans outstanding with the Federal government at June 30, 2019.

SUBRECIPIENTS

The Clean Water State Revolving Loan Fund (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 can be paid up to 30 years and all repayments, including interest and principal, must remain within the Wastewater Facility Construction Loans Fund of the Fund. Capitalization loans processed for CWSRF for the year ended June 30, 2019 were \$13,772,471. CWSRF outstanding loans at June 30, 2019 were \$175,484,579. The Fund provided in fiscal year 2019 \$2,234,725 in grants to various communities throughout New Mexico to subsidize their loans.

Of the \$7,859,000 represented in the Schedule of Expenditures of Federal Awards, \$1,523,210 was provided as grant and \$6,335,790 was provided as loan disbursements. The amounts are included in the schedule of expenditures of federal awards as Construction Loan and Construction Grant (CFDA 66.458).

The Department received federal grant funding from the Environmental Protection Agency (EPA) passed-through to other subrecipients as specified in the schedule below:

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

SUBRECIPIENTS (CONTINUED)

<u>Clean Water State Revolving Fund (CWSRF)</u>	Federal Grant	Federal Revolving Loan	Total
Village of Los Lunas	\$ -	\$ 2,048,764	\$ 2,048,764
City of Grants	-	1,444,101	1,444,101
City of Gallup	-	878,092	878,092
City of Hobbs	-	871,562	871,562
Town of Peralta	975,602	752,981	1,728,583
Estancia Valley Solid Waste Authority	-	174,262	174,262
City of Santa Rosa	-	63,346	63,346
Village of Tijeras	-	54,621	54,621
Village of Fort Sumner	5,976	20,000	25,976
Village of Cimarron	-	14,237	14,237
Town of Springer	-	13,824	13,824
Village of Cuba	541,632	-	541,632
Total CWSRF Passed Through to Subrecipients	<u>\$ 1,523,210</u>	<u>\$ 6,335,790</u>	<u>7,859,000</u>
<u>Gold King Mine (Animas) Multi-Purpose</u>			
Regents of New Mexico State University			4,144
<u>Gold King Mine (Animas) Phase 2</u>			
New Mexico Institute of Mining & Tech			15,915
Regents of New Mexico State University			<u>4,586</u>
			20,501
<u>Gold King Mine San Juan Watershed Monitoring Program</u>			
New Mexico Institute of Mining & Tech			110,271
Regents of New Mexico State University			<u>109,752</u>
			220,023
Remedial Action Oversight of the Chevron Questa Mine - EMNRD			
Energy Minerals & Natural Resources Department			52,016
<u>Superfund Tronox - EMNRD</u>			
Energy Minerals & Natural Resources Department			2,855
Grand Total			<u>\$ 8,158,539</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. James C. Kenney, Cabinet Secretary
New Mexico Environment Department and
Mr. Brian Colón
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the New Mexico Environment Department (the Department), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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. 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.

Mr. James C. Kenney, Cabinet Secretary
New Mexico Environment Department and
Mr. Brian Colón, State Auditor

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 31, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mr. James C. Kenney, Cabinet Secretary
New Mexico Environment Department and
Mr. Brian Colón
New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited New Mexico Environment Department's (the Department) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Mr. James C. Kenney, Cabinet Secretary
New Mexico Environment Department and
Mr. Brian Colón, State Auditor

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of 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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003. Our opinion on each major federal program is not modified with respect to these matters.

The Department's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003, that we consider to be significant deficiencies.

Mr. James C. Kenney, Cabinet Secretary
New Mexico Environment Department and
Mr. Brian Colón, State Auditor

The Department's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 31, 2019

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
66.419	Water Pollution Control State, Interstate, and Tribal Program Support
66.CWSRF	Capitalization Grants for Clean Water State Revolving Funds
66.461	Regional Wetland Program Development Grants
81.214	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis

Dollar threshold used to distinguish between

Type A and Type B programs: \$ 831,766

Auditee qualified as low-risk auditee? x yes _____ no

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2019 – 001 Allowable Activities and Costs

Federal Agency: U.S. Environmental Protection Agency

Federal Program Title: Water Pollution Control State, Interstate, and Tribal Program Support

CFDA Number: 66.419

Award Period: 07/01/2017 – 06/30/2019

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Instances of Noncompliance

Criteria or Specific Requirement: According to §200.303 Internal Controls of 2 CFR Part 200, the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. According to §200.430 Compensation—personal services of 2 CFR Part 200, costs of compensation are allowable to the extent the costs are reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities and follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies. Specific to the Department, employees working on multiple grants are required to complete a Personnel Activity Report i.e., time sheet. Employees who devote 100% of their time to one grant complete a Time Sheet Certification. Supervisors review the employee's time in SHARE and compare to the time sheets and time certifications. Adjustments are made as needed to accurately reflect the time worked on a grant. Time sheets and time certifications are reviewed and signed by the employee's supervisor.

Condition: During our testing over payroll disbursements, we noted the following exceptions:

- One time certification was not signed by the supervisor
- One instance of time entered into SHARE did not agree to the Time Sheet Certification.

Questioned Costs: None

Context: While performing audit procedures, it was noted that 1 time sheet certification was not signed by the supervisor out of the 40 sampled payroll disbursements. Also, it was noted that 1 time sheet certification was completed stating the employee devoted 100% of his time to the grant. However, the hours allocated to the grant in SHARE were 20.40 hours rather than 40 hours. As a result, the amount undercharged to the grant totaled approximately \$614.

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2019 – 001 Allowable Activities and Costs (Continued)

Cause: The supervisor neglected to sign the certification. The bureau noted the need for a journal entry for the employee's time. However, a journal entry was not completed.

Effect: The lack of internal controls over this compliance requirement provides an opportunity for noncompliance. The auditor noted instances of noncompliance. Noncompliance results in possible under or over charges to the grants.

Recommendation: We recommend the Department design controls to ensure an adequate review process is in place related to the payroll review function. We also recommend the Department implement a process to ensure identified journal entries are entered into the financial records within a timely manner.

Views of Responsible Officials: Management agrees with this finding. The immediate supervisor for this particular grant should ensure that their signature is on the certification. Monthly reconciliations are performed for all federal grants, however, due financial staff turnover, this particular certification was overlooked. Both the immediate supervisor and the Bureau Financial Manager should ensure that all signatures are on the certifications.

The Bureau financial manager at the Ground Water Quality Bureau is responsible for ensuring that all journal entries have been done. Since the Bureau has experienced financial staff turnover, this particular journal entry was not conducted. All payroll reconciliations were conducted; however, a journal entry was not completed. The Department continues to work on hiring staff and ensuring that all eligible expenditures for each of the funding sources are allocated properly.

2019 – 002 Period of Performance

Federal Agency: U.S. Environmental Protection Agency

Federal Program Title: Regional Wetland Program Development Grants

CFDA Number: 66.461

Award Period: 10/01/2013 – 05/31/2019

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Instance of Noncompliance

Criteria or Specific Requirement: According to §200.303 Internal Controls of 2 CFR Part 200, unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

Condition: During our testing over period of performance, we noted an obligation was not paid within 90 days after the end date of the period of performance.

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2019 – 002 Period of Performance (Continued)

Questioned Costs: \$19,725

Context: While performing audit procedures, it was noted that a payable posted to SHARE on 06/30/2019 for a grant with a period of performance end date of 05/31/2019. However, as of 10/14/2019, the payable had not been liquidated. Liquidation date was 08/29/2019. As a result, the Department owes the EPA an approximate amount of \$19,725 as the expenditure had already been drawn against the grant.

Cause: The Department was not timely in making payment to the payee of the grant funds.

Effect: The auditor noted an instance of noncompliance. Noncompliance results in possible under or over charges to the grants.

Recommendation: We recommend the Department implement a process to ensure obligations are liquidated within the closeout period of 90 days.

Views of Responsible Officials: Management concurs with this finding. The Bureau financial manager at the Ground Water Quality Bureau is responsible for ensuring that all journal entries have been done. Since the Bureau has experienced financial staff turnover, this particular journal entry was not conducted. All payroll reconciliations were conducted; however, a journal entry was not completed. The Department continues to work on hiring staff and ensuring that all eligible expenditures for each of the funding sources are allocated properly.

2019 – 003 Suspension and Debarment Procedure

Federal Agency: U.S. Department of Energy

Federal Program Title: Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis

CFDA Number: 81.214

Award Period: 10/01/2013 - 09/30/2023 and 09/12/2012 - 06/30/2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Instances of Noncompliance

Criteria or Specific Requirement: 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award requires compliance with the provisions of suspension and debarment. The Department should have internal controls designed to ensure compliance with these provisions.

Condition: During our testing over suspension and debarment, we noted the Department did not have adequate internal controls to ensure vendors were not suspended or debarred.

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2019 – 003 Suspension and Debarment Procedure (Continued)

Questioned Costs: None

Context: While performing audit procedures, it was noted that the Department did not review 3 of 3 vendors prior to entering into a contract with a vendor to ensure the vendor was not on the suspended or debarred vendor list maintained by the General Services Administration.

Cause: The Department utilized vendors awarded by the State Purchasing Department under a Statewide Price Agreement. The Department is not included in the award process. The Department was under the assumption that the State Purchasing Division completed the federal suspension and debarment checks during the award process. However, upon conformation with the State Purchasing Department, it reviews the New Mexico suspension and debarment. However, the agency is required to check for federal suspension and debarment.

Effect: The auditor noted instances of noncompliance. Noncompliance results in possible federal funds provided to ineligible vendors.

Recommendation: We recommend the Department implement a process to ensure vendors are not suspended or debarred prior to entering into a contract with the vendor. For vendors awarded under a Statewide Price Agreement, we recommend the process include a review of the vendor on the suspended or debarred vendor list maintained by the General Services Administration prior to the procurement of services. Furthermore, we recommend the Department's suspension and debarment process be written into a formal procedure.

Views of Responsible Officials: Management agrees with this finding. Management was under the assumption that since the request for proposal was conducted through the State Purchasing Division, the suspension and debarment was handled through the State Purchasing Division. Management has implemented a process wherein the Department will verify vendors selected to perform work for the Department are not debarred or suspended.

**NEW MEXICO ENVIRONMENT DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

Finding	Status
Section I – Financial Statement Findings	
2018-001 Prior Period Restatement for Capital Assets (Significant Deficiency)	Resolved
Section II – Federal Award Findings and Questioned Costs	
FA2018-001 Federal Program Reporting (Other Noncompliance)	Resolved
FA2018-002 Federal Program Equipment Purchase Approval (Other Noncompliance)	Resolved
Section 12-6-5 NMSA 1978 Findings	
2018-002 Payroll Documentation (Other Noncompliance)	Resolved
2018-003 Noncompliance with the Governmental Conduct Act (Other Noncompliance)	Resolved
2018-004 Improperly Completed Cash Receipts (Finding That Does Not Rise to the Level of a Significant Deficiency)	Resolved

**NEW MEXICO ENVIRONMENT DEPARTMENT
EXIT CONFERENCE
JUNE 30, 2019**

An exit conference was held with the Department on October 31, 2019. The conference was held at the Department's offices in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

NEW MEXICO ENVIRONMENT DEPARTMENT

James C. Kenney	Secretary
Marlene Velasquez	Chief Financial Officer

CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGFM, CGMA	Engagement Principal
Jane Tinker, CPA	Engagement Director

CliftonLarsonAllen LLP assisted in the preparation of the financial statements presented in this report. The Department's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.