



STATE OF NEW MEXICO
NEW MEXICO ENVIRONMENT DEPARTMENT
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

JUNE 30, 2017

**NEW MEXICO ENVIRONMENT DEPARTMENT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017**

OFFICIAL ROSTER	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	5
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	14
STATEMENT OF ACTIVITIES	16
BALANCE SHEET - GOVERNMENTAL FUNDS	18
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	19
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	20
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	21
STATEMENT OF REVENUES AND EXPENDITURES – MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL (BUDGETARY BASIS)	22
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	25
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS	26
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	27
NOTES TO FINANCIAL STATEMENTS	29
SUPPLEMENTARY INFORMATION	
NON-MAJOR GOVERNMENTAL FUNDS DESCRIPTIONS	60
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS	63
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS	68
OTHER INFORMATION	
SCHEDULE 1 – SUPPLEMENTAL SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS	73
SCHEDULE 2 – SUPPLEMENTAL SCHEDULE OF SEVERANCE TAX BOND APPROPRIATION REVENUE	74
SCHEDULE 3 – SUPPLEMENTAL SCHEDULE OF SPECIAL APPROPRIATIONS	75
SCHEDULE 4 – JOINT POWERS AGREEMENTS	76
COMPLIANCE SECTION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	77
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	80
INDEPENDENT AUDITOR'S 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>	82
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	84

**NEW MEXICO ENVIRONMENT DEPARTMENT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	86
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	87
SCHEDULE OF SECTION 12-6-5 NMSA 1978 FINDINGS	91
EXIT CONFERENCE	93

**NEW MEXICO ENVIRONMENT DEPARTMENT
OFFICIAL ROSTER
JUNE 30, 2017**

Office of the Secretary

Butch Tongate, Cabinet Secretary

Juan Carlos Borrego, Deputy Secretary

Division Directors

Stacy Y. Lopez, Administrative Services Division (July-May)

Juan Carlos Borrego, Acting ASD Director (June)

Mary Montoya, Information Technology Division

Juan Carlos Borrego, Resource Protection Division

Bruce Yurdin, Water Protection Division

Juan Carlos Borrego, Environmental Protection Division



INDEPENDENT AUDITOR'S REPORT

Mr. Butch Tongate
New Mexico Environment Department and
Mr. Tim Keller
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue fund of the New Mexico Environment Department (the Department), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity'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. Butch Tongate
New Mexico Environment Department and
Mr. Tim Keller
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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the major special revenue 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 1, 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, business-type activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons 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, 2017, 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 and budgetary comparison information on pages 5 through 13 and 22-24 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 Individual Deposit Accounts (Schedule 1), Supplemental Schedule of Severance Tax Bond Appropriation Revenue (Schedule 2), Supplemental Schedule of

Mr. Butch Tongate
New Mexico Environment Department and
Mr. Tim Keller
New Mexico State Auditor

Special Appropriations (Schedule 3), and Joint Powers Agreements (Schedule 4) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 Individual Deposit Accounts (Schedule 1), Supplemental Schedule of Severance Tax Bond Appropriation Revenue (Schedule 2), Supplemental Schedule of Special Appropriations (Schedule 3), and Joint Powers Agreements (Schedule 4) 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 Supplemental Schedule of Individual Deposit Accounts (Schedule 1), Supplemental Schedule of Severance Tax Bond Appropriation Revenue (Schedule 2), Supplemental Schedule of Special Appropriations (Schedule 3), and Joint Powers Agreements (Schedule 4) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Supplemental Schedule of Severance Tax Bond Appropriation Revenue (Schedule 2) and the Supplemental Schedule of Special Appropriations (Schedule 3) and Joint Powers Agreements (Schedule 4) have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 31, 2017

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

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, 2017. This overview and analysis summarizes the Department's financial activities and operations for the state fiscal year 2017, which is the period between July 1, 2016 and June 30, 2017 (*FY17*). 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 three funds as major funds: the General Fund, the Corrective Action Fund and one Capital Project Fund.

Business-type Activities. The Department's Wastewater Facility Construction Loan Fund, the Clean Water Administrative Fund and the Rural Infrastructure Revolving Loan Fund comprise the Department's business-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, 2017**

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.

During fiscal year 2017, the Department operated with four divisions within four budgetary programs. Through these programs, which include Resource Management (P567), Water Protection (P568), Resource Protection (P569) and Environmental Protection (P570), the Department was able to administer and enforce the state and federal laws with which it is charged.

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

The Department underwent an organizational restructuring to better realign all Bureaus within the Divisions. The Resource Management Program (P567) changed its name to Resource Management Division; Resource Protection Program (P568) changed its name to Water Protection Division; Environmental Health Program (P569) changed its name to Resource Protection Division and Environmental Protection Program (P570) changed its name to Environmental Protection Division.

With the restructuring of the Division names, some of the Bureaus were also transferred within Divisions to better align the Bureaus with the purpose of each Division. The Office of Nuclear Worker Safety Bureau moved to the Environmental Protection Division. The Petroleum Storage Tank Bureau and the Department of Energy Oversight Bureau moved to the Resource Protection Division. The Drinking Water and Construction Programs Bureaus moved to the Water Protection Division.

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 –

- SWQB conducted water quality monitoring at approximately 230 sites within the Dry Cimarron, Canadian, Upper Rio Grande, and San Juan Basins. Monitoring included chemical, physical and biological data collection. Water quality data collected by SWQB are used to develop and revise water quality standards, establish waterbody management priorities, develop total maximum daily loads (TMDLs) pursuant to CWA §303(d), develop water quality-based effluent limitations for NPDES permits, assess the efficacy of water pollution controls, determine water quality trends and prepare biennial reports to the U.S. Congress pursuant to CWA §305(b).

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

- Four new wetlands program development projects were awarded CWA §104(b)(3) funding totaling approximately \$1,000,000 (including non-federal match) to advance the development of our statewide wetlands program.
- CPB directly managed 248 projects and disbursed over \$64.9 million to New Mexico communities from the Clean Water State Revolving 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.
- CPB oversaw another \$49.7 million from CWSRF, \$6.2 million from RIP and \$35.5 million from Capital Outlay for the projects in construction in these programs as of June 30, 2017.
- In order to identify possible non-point source water quality problems in rural New Mexico communities, the GWQB conducted free testing of domestic wells (Water Fairs) throughout the state. GWQB conducted ten Water Fairs and tested approximately 500 wells in State Fiscal Year 2017.
- The GWQB has initiated a long overdue and desperately needed regulation revision. Last revised in 2004, NMAC 20.6.2 contained in its current form several standards in need of updating as well as updates and revisions to the provisions for alternative abatement. The proposed regulations have been shared with the public, have been the subject of several “listening sessions” across the state, have been provided again to the public for comment and have now been submitted to the Water Quality Control Commission for consideration and approval.
- DWB’s Utility Operator Certification Program conducted 9 test sessions across the state, issuing over 500 new certifications to drinking water and wastewater operators of all levels under the authority of the New Mexico Utility Operator Certification Act.
- The DWB developed a SFY 2018 Drinking Water State Revolving Loan Fund Priority Funding (“DWSRLF”) List to offer \$18,074,713 in water infrastructure project funding assistance to 13 public water systems across the state at interest rates from 0% to 2%. The DWSRLF list offers loans and loan/principal forgiveness combinations to public water systems, positively impacting about 744,765 water customers in these communities.

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 –

- The HWB performed 128 compliance evaluation inspections, 11 compliance assistance visits, and 3 WIPP audits. The HWB also responded to 25 spills or complaints. HWB issued a draft RCRA permit for public comment for the Triassic Park Waste Disposal Facility and a draft RCRA post-closure permit for public comment for the HollyFrontier Navajo Refinery. HWB also approved closure plans for 10 hazardous waste treatment units and a disposal unit at White Sands Missile Range. In addition, HWB approved corrective action complete petitions for 32 sites at Holloman Air Force Base and, five sites at Cannon Air Force Base.

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

- The PSTB conducts over 1000 inspections per year (compliance, closures, installations, repairs or modifications, investigations for ownership and exempted tanks) of petroleum storage tank facilities throughout the state. PSTB approved \$7,131,865 for remedial action at 121 of 886 eligible reported leaking petroleum storage tank sites and a total of 16 sites received a "No Further Action" status. \$10,271,494 was expended on investigation and cleanup of leaking petroleum storage tank sites. As a result of the newly promulgated federal Underground Storage Tank Rule, the PSTB is taking steps to update and adopt the new regulations and seek program approval, while continuing to implement the requirements of the 2005 Energy Policy Act.
- The SWB has regulatory oversight of 998 facilities or businesses. In State Fiscal Year 2017, the Bureau held 5 permit hearings and all 5 permits were issued (2 landfills-3 transfer stations). Three new lined landfill cells were constructed and approved for use (Taos Regional Landfill, Cells 3B and 4A; Camino Real Landfill Cell 10B). Fourteen final closure/ post-closure certificates were issued for unlined landfills (Agua Fria, Mountainair, Eunice, Pecos, Portales, Quemado, Lovington, Lordsburg, Mora, Mosquero, San Jon, Paseo de Vista, Carlsbad, Dark Canyon). A total of 113 old landfills are permanently closed.

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).

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 -

- During the 2017 State Fiscal Year, 1194 air quality permit applications were processed and 212 air quality construction permits were issued, with 100% of the permits issued within the statutory deadline. The AQB continued to make improvements to its air monitoring network using Environmental Protection Agency (EPA) grant funds. In order to meet revised EPA quality assurance regulations, the AQB purchased new gas calibrators that were able to measure low concentration audit levels.
- Air quality inspections were completed at the 30 facilities with the most air pollutant emissions in the state. Also, 112 investigations were conducted pursuant to complaints. During FY17 there were thirty-seven (37) enforcement actions initiated.
- The EHB newly designed integrated data management system, which went live in 2017 and replaced the Bureau's aged databases, has been a success and modernized many processes within the bureau. The system includes database management, online applications, complete electronic inspection, electronic permitting for the Bureau's programs. The adoption of the Federal Code will provide the state food program consistency with national standards and will bring New Mexico in line with other states and health jurisdictions. The Environmental Improvement Board ("EIB") unanimously approved EHB's proposed new swimming pool regulations, which became effective August 2016. New Mexico became the first state to adopt the national model code and is leading the way nationally in its implementation.

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

- The OSHB 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 353 enforcement inspections, issued citations for 410 safety and health violations, and assessed \$271,000 in penalties during the 2017 fiscal year. In Cooperative Programs, OHSB provided onsite consultation at 138 worksites, identified 489 hazards, and performed more than 150 compliance assistance interventions at establishments statewide.
- The RCB remained in good standing, and adequate and compatible with respect to the agreement between the U.S. Nuclear Regulatory Commission (NRC) and the state of New Mexico. RCB inspected 122 radioactive material licensees, 911 radiation machines, and 479 facilities; and issued over 1250 technologist certificates, 181 radioactive material licenses (e.g. new, renewal and amended licenses), and 461 radiation machine registrations.

Financial Highlights

The Department's FY17 financial portfolio included 28 funds comprised of governmental and proprietary funds. The governmental funds included three major funds: the General Fund (06400), the Severance Tax Bonds (89200) and the Corrective Action Fund (99000). The proprietary funds include three major funds: the Wastewater Facility Construction Loan Fund (12100), the Clean Water Administrative Fund (32700) and the Rural Infrastructure Revolving Loan Fund (33700). The special revenue funds, capital project fund and fiduciary fund (65200) made up the remainder of the Department's financial portfolio for the year.

During FY17, the Department recorded total net position of \$323,073,862, which represents a decrease of \$5,844,731, or a 2% decrease from FY16. The Department's governmental net position decreased by \$6,312,049, while the business-type net position increased by \$467,318 over FY16.

The business-type activities operating revenue for FY17 was \$4,333,697 and the non-operating income was \$7,925,000. The total cost of all Department programs increased by \$6,047,996, or 7%, versus the prior fiscal year, from \$88,764,540 to \$94,812,536 during FY17.

Budgetary Highlights

The Department's general fund appropriation decreased \$1,235,800 over the prior year. Federal sources were budgeted at \$3,782,678 more 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. The general fund reduction continues to affect the Department's ability to leverage federal revenue that requires matching funds.

Analysis of Individual Balances and Transactions

Governmental and business-type activities experienced a decrease in net revenue due to transfers out from special revenue funds; approximately \$20,251,300 of special revenue funds were reverted to the State General Fund to assist in the General Fund deficiency. The Department has continued to fully utilize special revenue and federal funds where allowable. The general fund appropriations to the Department for operations also decreased by approximately 5.5% due to general fund cuts.

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

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, 2017. Net position for the Governmental Activities and Business-type Activities was \$(12,386,716) and \$335,460,578, respectively. The total Department's net position for fiscal year 2017 is \$323,073,862, which is a decrease over the previous fiscal year. The Department's unrestricted balance decreased over the prior period, resulting in a decrease of total liabilities and net position, mainly attributable to governmental activities.

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

	Governmental Activities		Business-Type Activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Assets						
Current and other assets	\$ 36,799,910	\$ 46,856,749	\$ 169,710,328	\$ 162,930,253	\$ 206,510,238	\$ 209,787,002
Capital and non-current assets	1,394,456	684,796	165,750,254	172,095,149	\$ 167,144,710	\$ 172,779,945
Total Assets	\$ 38,194,366	\$ 47,541,545	\$ 335,460,582	\$ 335,025,402	\$ 373,654,948	\$ 382,566,947
Liabilities						
Current Liabilities	\$ 8,292,498	\$ 9,719,405	\$ 4	\$ 32,142	\$ 8,292,502	\$ 9,751,547
Long-Term Liabilities	42,288,584	43,896,807	-	-	42,288,584	43,896,807
Total Liabilities	50,581,082	53,616,212	4	32,142	50,581,086	53,648,354
Net Position						
Net Investment in Capital Assets	1,394,456	684,796	-	-	1,394,456	684,796
Restricted	32,417,139	41,602,643	335,460,578	334,993,260	367,877,717	376,595,903
Unrestricted	(46,198,311)	(48,362,106)	-	-	(46,198,311)	(48,362,106)
Total Net Position	(12,386,716)	(6,074,667)	335,460,578	334,993,260	323,073,862	328,918,593
Total Liabilities and Net Position	\$ 38,194,366	\$ 47,541,545	\$ 335,460,582	\$ 335,025,402	\$ 373,654,948	\$ 382,566,947

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

Changes in Net Position. Table A-2 summarizes the Department's changes in net position for the fiscal year ending June 30, 2017. The Department's changes in net position for fiscal year 2017 was \$(5,842,874) compared to \$14,073,604 for fiscal year 2016. Program revenues for governmental activities decreased by \$530,434 when compared to fiscal year 2016. Program revenues for business-type activities decreased by \$214,075. The total change in net position was primarily due to the reversion of special revenue funds to the state general fund.

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

	Governmental Activities		Business-Type Activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Revenues						
Program Revenues						
Charges for Service: \$	18,566,798	\$ 18,978,058	\$ 4,333,697	\$ 4,162,163	\$ 22,900,495	\$ 23,140,221
Operating Grants & Contributions	19,990,903	20,110,078	6,525,000	6,910,609	26,515,903	27,020,687
General Revenues						
Transfers, Net	(11,160,946)	1,982,762	(9,841,946)	(1,738,577)	(21,002,892)	244,185
Other	19,704,745	19,250,427	-	-	19,704,745	19,250,427
Bond Proceeds/ Appropriations	39,449,554	31,882,624	1,400,000	1,300,000	40,849,554	33,182,624
Investment Income	-	-	-	-	-	-
Total Revenues	86,551,054	92,203,949	2,416,751	10,634,195	88,967,805	102,838,144
Expenses						
Governmental	92,863,103	86,498,303	1,949,433	2,266,237	94,812,536	88,764,540
Total Expenses	92,863,103	86,498,303	1,949,433	2,266,237	94,812,536	88,764,540
Changes in Net Position	(6,312,049)	5,705,646	467,318	8,367,958	(5,844,731)	14,073,604
Beginning Net Position	(6,074,667)	(11,780,313)	334,993,260	326,625,302	328,918,593	314,844,989
Ending Net Position	\$ (12,386,716)	\$ (6,074,667)	\$ 335,460,578	\$ 334,993,260	\$ 323,073,862	\$ 328,918,593

**NEW MEXICO ENVIRONMENT DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

Capital Assets and Debt Administration

As of June 30, 2017, the Department's net capital assets were \$1,394,456. This amount represents a net increase of \$709,660 (including additions, deletions and depreciation) compared to fiscal year 2016.

As of June 30, 2017, the Department's total compensated absence liability was approximately \$1.7 million; this is a decrease of \$94,128 compared to fiscal year 2016. 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, 2017, the Department's total pollution remediation liability was approximately \$42.7 million; this is an approximate \$1.2 million decrease compared to fiscal year 2016. The amount expected to be paid within one year is \$874,929.

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

FINANCIAL STATEMENTS

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Investment in State General Fund			
Investment Pool	\$ 26,216,974	\$ 157,897,628	\$ 184,114,602
Due from Federal Government	4,203,647	-	4,203,647
Due from Other State Agencies	2,042,156	-	2,042,156
Due from Other State Entities	3,137,009	-	3,137,009
Loans for Completed Projects, Current	-	8,428,230	8,428,230
Interest on Loans	-	3,197,291	3,197,291
Other Receivables	1,200,124	187,179	1,387,303
Total Assets	<u>36,799,910</u>	<u>169,710,328</u>	<u>206,510,238</u>
NONCURRENT ASSETS			
Projects in Progress, Noncurrent	-	64,920,301	64,920,301
Loans for Completed Projects, Noncurrent, Net	-	100,829,953	100,829,953
Capital Assets, Net of Accumulated Depreciation	1,394,456	-	1,394,456
Total Noncurrent Assets	<u>1,394,456</u>	<u>165,750,254</u>	<u>167,144,710</u>
TOTAL ASSETS	<u>\$ 38,194,366</u>	<u>\$ 335,460,582</u>	<u>\$ 373,654,948</u>

See Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 5,718,140	\$ 4	\$ 5,718,144
Due to Other State Agencies	67,297	-	67,297
Due to State General Fund	-	-	-
Unearned Revenues	435,680	-	435,680
Pollution Remediation Liability -			
Due Within One Year	874,929	-	874,929
Compensated Absences -			
Due Within One Year	1,196,452	-	1,196,452
Total Current Liabilities	<u>8,292,498</u>	<u>4</u>	<u>8,292,502</u>
NONCURRENT LIABILITIES			
Pollution Remediation Liability -			
Due in More Than One Year	41,775,819	-	41,775,819
Compensated Absences -			
Due in More Than One Year	512,765	-	512,765
Total Noncurrent Liabilities	<u>42,288,584</u>	<u>-</u>	<u>42,288,584</u>
Total Liabilities	<u>50,581,082</u>	<u>4</u>	<u>50,581,086</u>
NET POSITION			
Net Investment in Capital Assets	1,394,456	-	1,394,456
Restricted	32,417,139	335,460,578	367,877,717
Unrestricted (Deficit)	(46,198,311)	-	(46,198,311)
Total Net Position	<u>(12,386,716)</u>	<u>335,460,578</u>	<u>323,073,862</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 38,194,366</u>	<u>\$ 335,460,582</u>	<u>\$ 373,654,948</u>

See Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
Resource Management Division	\$ 7,253,720	\$ 1,448,210	\$ 3,548,240	\$ -
Water Protection Division	16,101,463	3,212,056	9,409,784	-
Resource Protection Division	21,968,335	4,400,331	3,453,700	-
Environmental Protection Division	18,922,668	3,787,627	3,579,179	-
Other Environmental Initiatives	28,616,917	5,718,575	-	-
Total Governmental Activities	92,863,103	18,566,798	19,990,903	-
BUSINESS-TYPE ACTIVITIES				
12100/32700 - Clean Water State Revolving Fund	1,762,418	3,811,947	6,525,000	-
33700 - Rural Infrastructure Revolving Fund	187,015	521,750	-	-
Total Business-Type Activities	1,949,433	4,333,697	6,525,000	-
TOTAL PRIMARY GOVERNMENT	\$94,812,536	\$ 22,900,495	\$ 26,515,903	\$ -

See Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

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	\$ (2,257,270)	\$ -	\$ (2,257,270)
Water Protection Division	(3,479,623)	-	(3,479,623)
Resource Protection Division	(14,114,304)	-	(14,114,304)
Environmental Protection Division	(11,555,862)	-	(11,555,862)
Other Environmental Initiatives	(22,898,342)	-	(22,898,342)
Total Governmental Activities	(54,305,401)	-	(54,305,401)
BUSINESS-TYPE ACTIVITIES			
12100/32700 - Clean Water State Revolving Fund	-	8,574,529	8,574,529
33700 - Rural Infrastructure Revolving Fund	-	334,735	334,735
Total Business-Type Activities	-	8,909,264	8,909,264
TOTAL PRIMARY GOVERNMENT	(54,305,401)	8,909,264	(45,396,137)
GENERAL REVENUES AND TRANSFERS:			
General Fund Appropriations	11,999,500	1,400,000	13,399,500
Severance Tax Bond Appropriations	27,450,054	-	27,450,054
Petroleum Products Loading Fee	19,704,745	-	19,704,745
Investment Earnings	-	-	-
Transfers from Other Agencies	-	-	-
Transfers to Other Agencies	(12,002,881)	(9,000,000)	(21,002,881)
Transfers - INTRA Agency	841,946	(841,946)	-
Reversions FY17	(12)	-	(12)
Total General Revenues and Transfers	47,993,352	(8,441,946)	39,551,406
CHANGE IN NET POSITION	(6,312,049)	467,318	(5,844,731)
Net Position - Beginning of Year (Deficit)	(6,074,667)	334,993,260	328,918,593
NET POSITION - END OF YEAR (DEFICIT)	<u>\$ (12,386,716)</u>	<u>\$ 335,460,578</u>	<u>\$ 323,073,862</u>

See Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Major Funds				Total Governmental
	06400 General Fund	99000 Corrective Action Fund	89200 Severance Tax Bonds	Other Governmental Funds	
ASSETS					
Investment in State General Fund					
Investment Pool	\$ -	\$ 10,781,022	\$ 1,287,810	\$ 17,274,905	\$ 29,343,737
Due from Federal Government	4,296,228	-	-	-	4,296,228
Due from Other State Agencies	25,242	1,680,000	-	336,914	2,042,156
Due from Other State Entities	3,137,009	-	-	-	3,137,009
Other Receivables	17,478	-	-	1,182,646	1,200,124
Total Assets	<u>\$ 7,475,957</u>	<u>\$ 12,461,022</u>	<u>\$ 1,287,810</u>	<u>\$ 18,794,465</u>	<u>\$ 40,019,254</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Investment in State General Fund					
Investment Pool Overdraft	\$ 3,126,763	\$ -	\$ -	\$ -	\$ 3,126,763
Accounts Payable	2,273,587	468,667	1,287,810	101,782	4,131,846
Due to Federal Government	92,527	-	-	54	92,581
Due to Other State Agencies	67,297	-	-	-	67,297
Due to State General Fund	-	-	-	-	-
Unearned Revenues	63,242	-	-	372,438	435,680
Accrued Payroll Liabilities	1,586,294	-	-	-	1,586,294
Total Liabilities	<u>7,209,710</u>	<u>468,667</u>	<u>1,287,810</u>	<u>474,274</u>	<u>9,440,461</u>
FUND BALANCES					
Restricted	2,104,593	11,992,355	-	18,320,191	32,417,139
Assigned	-	-	-	-	-
Unassigned (Deficit)	(1,838,346)	-	-	-	(1,838,346)
Total Fund Balances	<u>266,247</u>	<u>11,992,355</u>	<u>-</u>	<u>18,320,191</u>	<u>30,578,793</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,475,957</u>	<u>\$ 12,461,022</u>	<u>\$ 1,287,810</u>	<u>\$ 18,794,465</u>	<u>\$ 40,019,254</u>

See Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Funds Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 30,578,793
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	3,670,207
Accumulated Depreciation	<u>(2,275,751)</u>
Total Capital Assets	1,394,456
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	(42,650,748)
Compensated Absences Payable	<u>(1,709,217)</u>
Total Long-term and Other Liabilities	<u>(44,359,965)</u>
Net Position of Governmental Activities (Statement of Net Position)	<u><u>\$ (12,386,716)</u></u>

See Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	Major Funds				Total Governmental
	06400 General Fund	99000 Corrective Action Fund	89200 Severance Tax Bonds	Other Governmental Funds	
REVENUES					
Environmental Fees	\$ -	\$ -	\$ -	\$ 18,566,798	\$ 18,566,798
Petroleum Products Loading Fee	-	19,704,745	-	-	19,704,745
Federal Grant Revenue	18,694,211	-	-	26,525	18,720,736
Other Revenue	382,572	49,052	-	838,544	1,270,168
Total Revenues	<u>19,076,783</u>	<u>19,753,798</u>	<u>-</u>	<u>19,431,867</u>	<u>58,262,447</u>
EXPENDITURES					
Resource Management Division	7,514,437	-	-	-	7,514,437
Water Protection Division	18,359,358	-	-	-	18,359,358
Resource Protection Division	11,514,138	8,869,662	-	905,813	21,289,613
Environmental Protection Division	18,780,679	-	-	-	18,780,679
Other Environmental Initiatives	1,166,863	-	27,450,054	-	28,616,917
Capital Outlay	894,478	-	-	-	894,478
Total Expenditures	<u>58,229,953</u>	<u>8,869,662</u>	<u>27,450,054</u>	<u>905,813</u>	<u>95,455,482</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(39,153,170)	10,884,135	(27,450,054)	18,526,054	(37,193,035)
OTHER FINANCING SOURCES (USES)					
General Fund Appropriation	11,999,500	-	-	-	11,999,500
Grants to Other Organizations	-	-	-	-	-
Transfers from Other Agencies	-	-	-	-	-
Transfers - Bond Proceeds appropriation	-	-	27,450,054	-	27,450,054
Transfers to Other Agencies	-	(4,082,700)	-	(7,920,181)	(12,002,881)
Transfers - INTRA Agency	27,267,883	(8,922,506)	-	(17,503,431)	841,946
Reversions - FY17	(12)	-	-	-	(12)
Net Other Financing Sources (Uses)	<u>39,267,371</u>	<u>(13,005,206)</u>	<u>27,450,054</u>	<u>(25,423,612)</u>	<u>28,288,607</u>
NET CHANGE IN FUND BALANCES	114,201	(2,121,071)	-	(6,897,558)	(8,904,428)
Fund Balances - Beginning	<u>152,046</u>	<u>14,113,426</u>	<u>-</u>	<u>25,217,749</u>	<u>39,483,221</u>
FUND BALANCES - ENDING	<u>\$ 266,247</u>	<u>\$ 11,992,355</u>	<u>\$ -</u>	<u>\$ 18,320,191</u>	<u>\$ 30,578,793</u>

See 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, 2017**

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (8,904,428)
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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).

Decrease in Compensated Absences for the Fiscal Year	94,128
Decrease in the Pollution Remediation Liability for the Fiscal Year	1,627,476
Decrease in the Contingency Liability	161,115

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	894,478
Depreciation Expense	(256,401)
Excess of Capital Outly over Depreciation Expense	638,077
Transfers/Adjustments for Purchase of Assets	71,583

Change in Net Position of Governmental Activities (Statement of Activities)	<u>\$ (6,312,049)</u>
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NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES – MAJOR GOVERNMENTAL
FUNDS - BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2017

	GENERAL FUND - TOTAL			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal Funds	\$ 30,671,700	\$ 30,721,025	\$ 18,694,211	\$ (12,026,814)
General Fund	12,032,700	12,032,700	11,999,500	(33,200)
Other State Funds	35,932,200	36,610,359	27,276,258	(9,334,101)
Inter-agency Transfers	431,500	681,500	310,101	(371,399)
Other State Funds Component Unit	493,100	493,100	64,096	(429,004)
Total Revenues	<u>79,561,200</u>	<u>80,538,684</u>	<u>58,344,166</u>	<u>(22,194,518)</u>
BUDGETED FUND BALANCE	<u>2,243,552</u>	<u>2,243,552</u>	-	<u>(2,243,552)</u>
TOTAL REVENUES AND BUDGETED FUND BALANCE	<u>\$ 81,804,752</u>	<u>\$ 82,782,236</u>	<u>\$ 58,344,166</u>	<u>\$ (24,438,070)</u>
P-567 EXPENDITURES				
Personal Services and Employee Benefits	\$ 6,920,200	\$ 6,920,200	\$ 5,733,464	\$ 1,186,736
Contractual Services	1,202,400	1,251,725	919,669	332,056
Other	1,227,600	1,227,600	895,875	331,725
Total P-567 Expenditures	<u>\$ 9,350,200</u>	<u>\$ 9,399,525</u>	<u>\$ 7,549,008</u>	<u>\$ 1,850,517</u>
P-568 EXPENDITURES				
Personal Services and Employee Benefits	\$ 16,325,700	\$ 16,668,650	\$ 12,202,112	\$ 4,466,538
Contractual Services	9,511,000	9,641,000	3,995,863	5,645,137
Other	4,852,400	4,774,450	2,196,484	2,577,966
Total P-568 Expenditures	<u>\$ 30,689,100</u>	<u>\$ 31,084,100</u>	<u>\$ 18,394,459</u>	<u>\$ 12,689,641</u>
P-569 EXPENDITURES				
Personal Services and Employee Benefits	\$ 11,204,700	\$ 11,204,700	\$ 8,602,890	\$ 2,601,810
Contractual Services	1,771,700	2,011,700	1,409,023	602,677
Other	1,784,500	1,794,500	1,507,239	287,261
Total P-569 Expenditures	<u>\$ 14,760,900</u>	<u>\$ 15,010,900</u>	<u>\$ 11,519,152</u>	<u>\$ 3,491,748</u>

See 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, 2017**

	GENERAL FUND - TOTAL (CONTINUED)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
P-570 EXPENDITURES				
Personal Services and Employee Benefits	\$ 17,429,300	\$ 17,393,300	\$ 15,433,833	\$ 1,959,467
Contractual Services	2,539,500	2,572,659	839,679	1,732,980
Other	3,800,800	4,086,800	3,319,103	767,697
Total P-570 Expenditures	<u>\$ 23,769,600</u>	<u>\$ 24,052,759</u>	<u>\$ 19,592,615</u>	<u>\$ 4,460,144</u>
SPECIAL APPROPRIATION EXPENDITURES				
Personal Services and Employee Benefits	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Contractual Services	2,930,957	2,930,957	862,931	2,068,026
Other	203,995	203,995	203,945	50
Total Special Appropriation Expenditures	<u>\$ 3,234,952</u>	<u>\$ 3,234,952</u>	<u>\$ 1,166,876</u>	<u>\$ 2,068,076</u>
ALL EXPENDITURES				
Personal Services and Employee Benefits	\$ 51,979,900	\$ 52,286,850	\$ 42,072,299	\$ 10,214,551
Contractual Services	17,955,557	18,408,041	8,027,165	10,380,876
Other	11,869,295	12,087,345	8,122,647	3,964,698
Total All Expenditures	<u>\$ 81,804,752</u>	<u>\$ 82,782,236</u>	<u>\$ 58,222,111</u>	<u>\$ 24,560,125</u>
NET CHANGE IN FUND BALANCE			\$ 122,055	
REQUEST TO PAY PRIOR YEAR BILLS FY16 BILLS PAID IN FY17			(7,842)	
REVERSIONS TO STATE GENERAL FUND (NOT BUDGETED)			<u>(12)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 114,201</u>	

See 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, 2017

	CORRECTIVE ACTION FUND (99000)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Fund	-	-	-	-
Other State Funds	18,648,700	18,648,700	19,753,798	1,105,098
Inter-agency Transfers	-	-	-	-
Total Revenues	<u>18,648,700</u>	<u>18,648,700</u>	<u>19,753,798</u>	<u>1,105,098</u>
BUDGETED FUND BALANCE	<u>5,379,700</u>	<u>5,379,700</u>	<u>-</u>	<u>(5,379,700)</u>
TOTAL REVENUES AND BUDGETED FUND BALANCE	<u>\$ 24,028,400</u>	<u>\$ 24,028,400</u>	<u>\$ 19,753,798</u>	<u>\$ (4,274,602)</u>
EXPENDITURES				
Personal Services and Employee Benefits	\$ -	\$ -	\$ -	\$ -
Contractual Services	3,500,000	3,500,000	3,071,799	428,201
Other	11,000,000	11,000,000	5,792,137	5,207,863
Transfers to Other Agencies	-	-	4,082,700	(4,082,700)
Other Financing Uses	9,528,400	9,528,400	8,922,506	605,894
TOTAL EXPENDITURES	<u>\$ 24,028,400</u>	<u>\$ 24,028,400</u>	<u>\$ 21,869,142</u>	<u>\$ 2,159,258</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER NET CHANGE IN FUND BALANCE			\$ (2,115,344)	
REQUEST TO PAY PRIOR YEAR BILLS FY16 BILLS PAID IN FY17			<u>(5,727)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (2,121,071)</u>	

See Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2017**

	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	\$ 147,355,690	\$ 1,977,693	\$ 8,564,245	\$ 157,897,628
Receivables				
Interest on Loans	2,890,909	-	306,382	3,197,291
Loan Receivables				
Current Portion of Completed Projects, Net of Origination Fees	7,459,388	-	968,842	8,428,230
Administrative fee receivable	-	187,179	-	187,179
Total Current Assets	157,705,987	2,164,872	9,839,469	169,710,328
LONG-TERM ASSETS				
Loan Receivables				
Noncurrent Portion of Projects in Progre:	61,511,123	-	3,409,178	64,920,301
Noncurrent Portion of Completed Projects				
Net of Origination Fees	90,110,783	-	11,097,401	101,208,184
Allowance for Uncollectible Accounts	-	-	(378,231)	(378,231)
Total Noncurrent Assets	151,621,906	-	14,128,348	165,750,254
TOTAL ASSETS	\$ 309,327,893	\$ 2,164,872	\$ 23,967,817	\$ 335,460,582
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts Payable	\$ 4	\$ -	\$ -	4
Total Liabilities	4	-	-	4
NET POSITION				
Restricted	309,327,889	2,164,872	23,967,817	335,460,578
Total Net Position	309,327,889	2,164,872	23,967,817	335,460,578
TOTAL LIABILITIES AND NET POSITION	\$ 309,327,893	\$ 2,164,872	\$ 23,967,817	\$ 335,460,582

See Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

	ENTERPRISE FUNDS			Total
	(12100) Wastewater Facility Construction Loan Fund	(32700) Clean Water Administrative Fund	(33700) Rural Infrastructure Revolving Loan Fund	
REVENUES				
Interest on Loans	\$ 2,501,432	\$ -	\$ 463,181	\$ 2,964,613
Interest on Investments	798,175	9,328	\$ 55,800	863,303
Debt Service Fees	-	501,761	-	501,761
Other income	-	1,251	2,769	4,020
Total Operating Revenues	<u>3,299,607</u>	<u>512,340</u>	<u>521,750</u>	<u>4,333,697</u>
EXPENSES				
Administrative Expenses	-	-	-	-
Total Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING INCOME	3,299,607	512,340	521,750	4,333,697
NON-OPERATING REVENUES (EXPENSES)				
Federal Award Programs	6,525,000	-	-	6,525,000
Grants to Other Organizations	(1,762,418)	-	(187,015)	(1,949,433)
General Fund Appropriations	1,400,000	-	-	1,400,000
Transfers to Other Agencies	-	-	(9,000,000)	(9,000,000)
Transfers - INTRA Agency	(478,324)	(63,756)	(299,866)	(841,946)
Total non-operating revenues (expenses)	<u>5,684,258</u>	<u>(63,756)</u>	<u>(9,486,881)</u>	<u>(3,866,379)</u>
CHANGES IN FUND NET POSITION	8,983,865	448,584	(8,965,131)	467,318
Total Net Position - Beginning	<u>300,344,024</u>	<u>1,716,288</u>	<u>32,932,948</u>	<u>334,993,260</u>
TOTAL NET POSITION - ENDING	<u>\$ 309,327,889</u>	<u>\$ 2,164,872</u>	<u>\$ 23,967,817</u>	<u>\$ 335,460,578</u>

See Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

	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	\$ 31,705,242	\$ -	\$ 2,632,875	\$ 34,338,117
Cash Received on Interest from Loans	3,526,210	-	471,365	3,997,575
Interest Payments Received from Banks/STO	798,175	9,328	55,800	863,303
Other income	-	-	2,769	2,769
Cash Received for Debt Service Fees	-	314,582	-	314,582
Cash Received from Other Funds	-	1,251	-	1,251
Cash Payments for Administrative Expenses	-	-	-	-
Cash Payments Made to Borrowers	(21,432,010)	-	(1,596,417)	(23,028,427)
Net Cash Provided by Operating Activities	14,597,617	325,161	1,566,392	16,489,170
CASH FLOWS PROVIDED (USED) BY				
NONCAPITAL FINANCING ACTIVITIES				
Grant Proceeds - EPA	6,525,000	-	-	6,525,000
Grants to Other Organizations	(1,794,556)	-	(187,015)	(1,981,571)
Severance Tax Bond Appropriations	1,400,000	-	-	1,400,000
Interfund transfers out	-	-	(299,866)	(299,866)
Cash Payments for Administrative Expenses	(478,324)	(63,756)	-	(542,080)
Other transfers out	-	-	(9,000,000)	(9,000,000)
Net Cash Provided (Used) by Noncapital Financing Activities	5,652,120	(63,756)	(9,486,881)	(3,898,517)
NET INCREASE (DECREASE) IN CASH	20,249,737	261,405	(7,920,489)	12,590,653
Investments in State General Fund Investment Pool - Beginning of Year	127,105,953	1,716,288	16,484,734	145,306,975
INVESTMENTS IN STATE GENERAL FUND INVESTMENT POOL - END OF YEAR	\$ 147,355,690	\$ 1,977,693	\$ 8,564,245	\$ 157,897,628

See Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

	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	\$ 3,299,607	\$ 512,340	\$ 521,750	\$ 4,333,697
Change in Assets and Liabilities:				
Loans Receivable	10,273,232	-	1,033,733	11,306,965
Loan Interest Receivable	1,024,778	-	10,909	1,035,687
Interest on Investments Receivable	-	-	-	-
Due from Other State Agencies	-	-	-	-
Due from Other Governmental Funds	-	-	-	-
Administrative Fee Receivable	-	(187,179)	-	(187,179)
Accounts Payable and Accrued Liabilities	-	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 14,597,617</u>	<u>\$ 325,161</u>	<u>\$ 1,566,392</u>	<u>\$ 16,489,170</u>

See Notes to Financial Statements.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 (CONTINUED)
JUNE 30, 2017**

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 (CONTINUED)
JUNE 30, 2017**

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 (CONTINUED)
JUNE 30, 2017**

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 non-reverting.

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.

The Department reports the following non-major 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 of (defined as 50% or more) 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 (CONTINUED)
JUNE 30, 2017**

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 non-operating revenues and expenditures.

The Department reports the following major proprietary funds:

Wastewater Facility Construction Loan Fund (12100) – Created by State Statute 74-6A-4. The fund is a revolving loan fund used to provide low-cost financial assistance to local authorities to construct or modify wastewater facilities. The net position balance is restricted by state statute for future loans. This fund is non-reverting.

Clean Water Administrative Fund (32700) – Created by State Statute 74-6A-4.1. The Clean Water Administrative Fund is a dedicated fund, and all money in the Clean Water Administrative Fund is appropriated to the Department to be used solely to administer the Wastewater Facility Construction Loan Fund. The net position balance is restricted by state statute for administering the Wastewater Facility Construction Loan Fund. This fund is non-reverting.

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 non-reverting.

Fiduciary Fund Types - Fiduciary funds are used to report assets held in trustee or agency capacity for others and, therefore, are not available to support Department programs. The reporting focus is upon changes in assets and liabilities and employs accounting principles similar to proprietary funds. 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, 2017. 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 (CONTINUED)
JUNE 30, 2017**

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, 2017 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 (CONTINUED)
JUNE 30, 2017**

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 9.

Modified Accrual

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and 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 date of donation. Additions, improvements and other capital outlays exceeding \$5,000 that significantly extend the useful life of an asset are capitalized per Section 12-6-10 NMSA 1978.

Other costs incurred for repairs and maintenance are expensed as incurred.

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

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

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, 2017 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, 2017.

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, 2017.

Pension Plan

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Plan (Continued)

In January 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Compliant with the requirements of Government Accounting Standards Board Statement No.68 and No.71, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2015.

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 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.

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 non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Department has no debt related to capital assets.

Restricted

Restricted assets are liquid assets generated from revenues but not bond proceeds which have third-party (statutory, bond covenant or granting agency) limitations on their use. Of the reported restricted net assets on the government-wide statement of net 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 (CONTINUED)
JUNE 30, 2017**

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, 2017 as a result of long-term liabilities that are to be funded as they become due rather than when they are incurred.

Tax Abatements

GASB Statement No. 77, Tax Abatement Disclosures has been implemented by governmental entities for the fiscal year ended June 30, 2017. 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 (CONTINUED)
JUNE 30, 2017**

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 2014 Ch. 63	\$ 584,809
06400	General Fund	Laws 2015 Ch. 3	491,609
06400	General Fund	Laws 2017 Ch. 135	1,000,000
06400	General Fund	Other restricted resources-GWBBHWK	28,175
99000	Corrective Action Fund	NM 74-6B-7	11,992,355
		Subtotal - Restricted - Major Funds	<u>14,096,948</u>

RESTRICTED - OTHER GOVERNMENTAL FUNDS

Fund	Description	Enabling Legislation	Restricted Fund Balance
02600	Recycling & Illegal Dumping Fund	NM 74-13-19	1,052,395
06600	Voluntary Remediation Fund	NM 74-4G-11	92,987
09200	Air Quality Title V Fund	NM 74-2-15	3,339,977
10980	Nuclear Workers Assistance Fund	NM 74-1-17	70,803
11900	Brownfields Cleanup Revolving Loan Fund	NM 74-4G-11.1	1,551,294
24800	Responsible Parties Fund	NM 74-6B-7	145,798
33900	Hazardous Waste Fund	NM 74-4-4.5	1,194,252
34000	Liquid Waste Fund	NM 74-1-15	698,622
34100	Water Quality Management Fund	NM 74-6-5.2	663,332
40000	Water Recreation Facilities Fund	NM 74-1-16	293,578
56700	Water Conservation Fund	NM 74-1-13	3,325,983
58400	Public Water Supply System Operator and Public Wastewater Operator Fund	NM 61-33-5	58,662
59200	Radiation Protection Fund	NM 74-3-5.1	848,921
63100	State Air Quality Permit Fund	NM 74-2-15	832,938
63200	Solid Waste Facility Grant Fund	NM 74-9-41	127,580
78300	Solid Waste Permit Fees	NM 74-9-8(I)	124,871
95700	Hazardous Waste Emergency Fund	NM 74-4-8	1,507,148
98700	Radiologic Technology Fund	NM 61-4E-10	223,730
98900	Storage Tank Fund	NM 74-4-4.8	257,028
99100	Food Service Sanitation Fund	NM 25-1-5.1	1,910,292
		Subtotal - Restricted - Other	<u>18,320,191</u>
		Total - All Governmental Funds	<u>\$ 32,417,139</u>

Short-Term Debt

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

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006 through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I, the Board of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation.

The State Controller indicated on August 8, 2016 that the calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (< \$200k standard deviation) over the last twelve months; resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP and that all claims will be honored at face value.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 3. STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

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

NOTE 4. INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

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

At June 30, 2017, the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool	<u>\$ 184,114,602</u>
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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 a 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, 2017.

NOTE 5. OTHER RECEIVABLES

Brownfields Cleanup Revolving Loan Fund (11900)	\$ 918,979
Hazardous Waste Fund (33900)	109,500
Radiation Protection Fund (59200)	63,140
Hazardous Waste Emergency Fund (95700)	52,026
Food Service Sanitation Fund (99100)	18,550
General Fund (06400)	17,478
State Air Quality Permit Fund (63100)	13,369
Storage Tank Fund (98900)	3,769
Other Receivables	<u>3,313</u>
 Total other receivables, net	 <u><u>\$ 1,200,124</u></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, 2017, the fund consisted of one loan with a private party. Repayment of the loan amount is to be made over a 10-year term with 120 equal monthly installments of \$8,777 beginning March 31, 2017, with a final payment due on February 15, 2027. This receivable is considered fully collectible.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 5. OTHER RECEIVABLES (CONTINUED)

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.

NOTE 6. CONSTRUCTION AND MORTGAGE LOANS

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

The allowance for uncollectible accounts is based on estimated collectible balances using an analysis of an aging of outstanding accounts and historical collection experience. For Fund 12100, no provision for uncollectible accounts has been made as all loans are current and management believes that all loans will be repaid according to the loan terms. The Department may not forgive a loan without Legislative approval. Construction and mortgage loans as of June 30, 2017 consist of the following:

	(12100) Wastewater Facility Construction Loan Fund	(33700) Rural Infrastructure Revolving Loan Fund	Total
Construction Loans in Progress	\$ 61,511,123	\$ 3,409,178	\$ 64,920,301
Mortgage Loans on Completed Projects, Noncurrent and Current	97,570,171	12,066,243	109,636,414
Accrued Interest	2,890,909	306,382	3,197,291
Allowance for Uncollectible Accounts	-	(378,231)	(378,231)
	<u>\$ 161,972,203</u>	<u>\$ 15,403,572</u>	<u>\$ 177,375,775</u>

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

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 6. CONSTRUCTION AND MORTGAGE LOANS (CONTINUED)

Mortgage loans are paid in annual installments, including interest, ranging from \$2,495 to \$1,921,489 through September 12, 2036 in the Wastewater Facility Construction Loan Fund and \$337 to \$126,784 through February 12, 2036 monthly and annual installments in the Rural Infrastructure Revolving Loan Fund.

The following is a schedule of future annual payments including principal, interest and administrative fee, as of June 30, 2017:

(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>
2018	\$ 7,459,386	\$ 1,618,023	\$ 303,536	\$ 9,380,945
2019	7,222,708	1,706,691	284,072	9,213,471
2020	7,329,415	1,569,166	263,799	9,162,380
2021	7,490,076	1,429,245	243,058	9,162,379
2022	7,633,488	1,285,837	221,839	9,141,164
2023 and Thereafter	<u>60,435,098</u>	<u>5,151,830</u>	<u>986,340</u>	<u>66,573,268</u>
Completed Projects Totals	<u>\$ 97,570,171</u>	<u>\$ 12,760,792</u>	<u>\$ 2,302,644</u>	<u>\$ 112,633,607</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>
2018	\$ 964,890	\$ 351,548	\$ -	\$ 1,316,438
2019	877,079	322,739	-	1,199,818
2020	894,502	297,194	-	1,191,696
2021	901,005	268,541	-	1,169,546
2022	810,227	243,485	-	1,053,712
2023 and Thereafter	<u>7,618,540</u>	<u>1,235,987</u>	<u>-</u>	<u>8,854,527</u>
Completed Projects Totals	<u>\$ 12,066,243</u>	<u>\$ 2,719,494</u>	<u>\$ -</u>	<u>\$ 14,785,737</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 6. 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, 2017.

Construction loans in progress:

Community	(12100) Wastewater Facility Construction Loan Fund	(33700) Rural Infrastructure Revolving Loan Fund	Total
City of Portales	\$ 24,712,705	\$ -	\$ 24,712,705
Village of Grants	770,954	-	770,954
City of Carlsbad	17,537,021	-	17,537,021
City of Farmington	14,016,977	-	14,016,977
City of Aztec	2,111,513	-	2,111,513
El Valle De Los Ranchos	1,128,643	-	1,128,643
City of Socorro	363,446	-	363,446
City of Las Vegas	336,893	-	336,893
Village of Taos Ski Valley	188,527	-	188,527
San Juan County	344,444	-	344,444
Town of Peralta	-	1,942,176	1,942,176
Dona Ana County	-	935,805	935,805
Village of Cloudcroft	-	250,000	250,000
Other Communities	-	281,197	281,197
Total	\$ 61,511,123	\$ 3,409,178	\$ 64,920,301

NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 6. CONSTRUCTION AND MORTGAGE LOANS (CONTINUED)

Mortgage loans on completed projects:

Community	(12100) Wastewater Facility Construction Loan Fund	(33700) Rural Infrastructure Revolving Loan Fund	Total
Hobbs	\$ 23,262,025	\$ -	\$ 23,262,025
Los Lunas	15,738,086	-	15,738,086
Los Alamos County	10,439,833	-	10,439,833
Las Vegas	9,369,691	-	9,369,691
Farmington	7,420,139	-	7,420,139
Clovis	5,230,814	-	5,230,814
Espanola	4,214,484	-	4,214,484
SSCAFCA	1,250,000	-	1,250,000
Lovington	4,035,063	-	4,035,063
Aztec	3,233,766	-	3,233,766
Bloomfield	1,461,193	414,971	1,876,164
Dona Ana County MDWCA	3,164,815	1,756,453	4,921,268
City of Deming	-	-	-
Belen	2,156,150	-	2,156,150
City of Socorro	1,047,638	-	1,047,638
Bayard	827,625	250,063	1,077,688
Sandoval County	318,589	772,619	1,091,208
Elephant Butte	345,471	714,836	1,060,307
Taos Ski Valley	941,324	-	941,324
Town of Taos	960,000	-	960,000
Paa-Ko CSA	-	921,128	921,128
Estancia Valley Solid Waste Authority	-	847,933	847,933
City of Portales	-	828,607	828,607
Grants	400,667	-	400,667
El Valle de Los Ranchos	375,839	336,074	711,913
Cloudcroft, Village of	-	695,660	695,660
Greentree SWA	-	627,571	627,571
Navajo Dam DWS & SWA	-	365,393	365,393
Jemez Springs	120,114	244,870	364,984
De Baca County	-	360,174	360,174
Santa Rosa	350,000	-	350,000
Edgewood, Town of	-	299,667	299,667
Other Communities	103,744	122,744	226,488
Otis MDWC & SWA	-	277,770	277,770
Logan	253,249	-	253,249
Upper Arroyo Hondo MDW	-	10,212	10,212

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 6. CONSTRUCTION AND MORTGAGE LOANS (CONTINUED)

Mortgage loans on completed projects (continued):

Community	(12100) Wastewater Facility Construction Loan Fund	(33700) Rural Infrastructure Revolving Loan Fund	Total
Truth or Consequences, City of	\$ -	\$ 188,452	\$ 188,452
Red River, Town of	-	214,289	214,289
Texico, City of	-	184,362	184,362
Capitan, Village of	-	162,676	162,676
Eagle Nest	160,466	-	160,466
Upper La Plata	-	124,693	124,693
Tularosa, Village of	-	112,579	112,579
San Antonio MDWCA	-	126,645	126,645
Chamita MDWC & SWA	-	121,889	121,889
Lower Arroyo Hondo MDWCA	-	112,014	112,014
CANONCITO AT APACHE CANYON	-	93,145	93,145
La Jara MDWCA	-	100,302	100,302
Gamerco Water & Sanitation District	-	93,288	93,288
Chama	61,184	-	61,184
Springer, Town of	-	91,791	91,791
Tucumcari	70,000	15,703	85,703
Twin Forks MDWCA	-	74,954	74,954
Ruidoso Downs	74,038	-	74,038
San Miguel	73,446	-	73,446
Wagon Mound	71,754	-	71,754
Raton	38,964	-	38,964
Lordsburg, City of	-	33,960	33,960
Estancia, Town of	-	60,855	60,855
High Sierra Estates WA	-	53,024	53,024
LA CIENEGA MDWC & MSWA	-	46,079	46,079
Brazos MDWCA	-	40,131	40,131
PLAZA BLANCA	-	40,839	40,839
Cimarron, Village of	-	13,342	13,342
YOUNGSVILLE	-	23,465	23,465
Pineywoods Estates Water Assoc, Inc.	-	20,393	20,393
Rolling Hills	-	18,141	18,141
BIBO MDWCA	-	18,146	18,146
Cedar Crest MDWC & SWA	-	18,395	18,395
Agua Sana WUA	-	15,946	15,946
Roosevelt County Water Coop	-	-	-
Total	\$ 97,570,171	\$ 12,066,243	\$ 109,636,414

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 7. 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, 2017, the Department did not have any amounts due from/to other funds as the amounts were transferred as of the year end. Interfund transfers have been disclosed in Note 9.

NOTE 8. 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, 2017 consist of the following:

NMED Fund	Agency	Business Unit No.	Other Agency's Fund No.	Amount
Due From Other State Agencies				
Governmental Funds:				
06400	Due from ONRT for reimb of security service (C)	66800	90000	\$ 118
06400	Due from EMNRD for WIPP invoice (D)	52100	19902	19,035
06400	Due from EMNRD for UIC invoice (D)	52100	19902	5,489
06400	Due from ONRT for Mtn View Nitrate Plume (E)	66800	90000	525
06400	Due from NMIAD for CPB invoice (F)	60900	04800	75
56700	Due from NM Tax & Rev - TAA Dist-06/17 (G)	33300	82800	336,914
99000	Due from NM Tax & Rev - CFT Dist-06/17 (H)	33300	82800	<u>1,680,000</u>
Total Governmental Funds				<u>\$ 2,042,156</u>

NMED Fund	Agency	Business Unit No.	Other Agency's Fund No.	Amount
Due To Other State Agencies				
Governmental Funds:				
06400	Due to EMNRD for Tronox invoice (A)	52100	19902	\$ 4,255
06400	Due to EMNRD for Chevron Questa Mine (A)	52100	19902	8,226
06400	Due to DOH for SLD invoices from DWB (B)	66500	06104	54,384
06400	Due to DOH for SLD invoices from AQB (B)	66500	06104	<u>432</u>
Total Governmental Funds				<u>\$ 67,297</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 8. DUE FROM AND DUE TO OTHER STATE AGENCIES/ENTITIES (CONTINUED)

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, 2017 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 (I)	38500	<u>\$ 3,137,009</u>

- (A) This is the New Mexico Environment Department's (NMED) cooperative agreement with the United States Environmental Protection Agency (EPA) and the New Mexico Energy, Minerals and Natural Resources Department (EMNRD) conducts part of the cooperative work. NMED reimburses EMNRD for this work.
- (B) The State Laboratory Division (SLD) of the New Mexico Department of Health processes water and air samples for NMED. NMED pays SLD monthly for this work.
- (C) The Office of Natural Resources and Trustee (ONRT) shares building space with NMED in Albuquerque. The ONRT reimburses NMED for security services.
- (D) EMNRD has cooperative agreements with the United States Department of Energy for Waste Isolation Pilot Plant (WIPP) and EPA for the Underground Injection Control (UIC) program. NMED does part of the work on each of these grants and is reimbursed by EMNRD.
- (E) NMED is reimbursed by ONRT for work performed at the Mountain View nitrate plume site.
- (F) NMED conducts engineering reviews for the New Mexico Indian Affairs Department (NMIAD) for the Tribal Infrastructure Fund projects and is paid for these services.
- (G) 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.
- (H) 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.
- (I) 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.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 9. TRANSFERS

INTRA Agency transfers as of June 30, 2017 are as follows:

Fund	Transfers In	Transfers Out
Governmental Funds INTRA Agency Transfers:		
General Fund - 06400	\$ 26,425,937	\$ -
Special Revenue Funds:		
02600	-	94,091
06600	-	445
09200	-	5,392,777
10980	-	50,565
11900	-	101,018
24800	-	160,054
33900	-	2,804,277
34000	-	366,365
34100	-	611,527
40000	-	165,789
56700	-	2,421,569
58400	-	32,115
59200	-	661,878
63100	-	2,439,137
78300	-	51,547
95700	-	695,999
98700	-	84,740
98900	-	304,333
99000	-	8,922,506
99100	-	1,065,205
Total Governmental Funds INTRA Agency Transfers	\$ 26,425,937	\$ 26,425,937
Proprietary Funds INTRA Agency Transfers:		
06400	\$ 841,946	\$ -
12100	-	478,324
33700	-	299,866
32700	-	63,756
Total Proprietary Funds INTRA Agency Transfers *	\$ 841,946	\$ 841,946

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.

* 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 (CONTINUED)
JUNE 30, 2017**

NOTE 9. TRANSFERS (CONTINUED)

Transfers to Other Agencies as of June 30, 2017 are as follows:

Proprietary fund Transfers to Other Agencies

NMED Fund	Agency	Other Agency's Fund	Description	Amount
33700	Dept. of Finance and Administration - 34101	85300	Sweeps to State General Fund	\$ 9,000,000
Total Proprietary fund Transfers to Other Agencies				\$ 9,000,000

Governmental fund Transfers to Other Agencies

NMED Fund	Agency	Other Agency's Fund	Description	Amount
02600	Dept. of Finance and Administration - 34101	85300	Sweeps to State General Fund	\$ 200,000
06600	Dept. of Finance and Administration - 34101	85300	Sweeps to State General Fund	30,000
09200	Dept. of Finance and Administration - 34101	85300	Sweeps to State General Fund	3,000,000
58400	Dept. of Finance and Administration - 34101	85300	Sweeps to State General Fund	285,000
59200	Dept. of Finance and Administration - 34101	85300	Sweeps to State General Fund	400,000
63100	Dept. of Finance and Administration - 34101	85300	Sweeps to State General Fund	2,635,600
63200	Dept. of Finance and Administration - 34101	85300	Sweeps to State General Fund	85,000
95700	Dept. of Finance and Administration - 34101	85300	Sweeps to State General Fund	383,000
98900	Dept. of Finance and Administration - 34101	85300	Sweeps to State General Fund	150,000
99000	Dept. of Finance and Administration - 34101	85300	Sweeps to State General Fund	4,082,700
Total Government fund Transfers to Other Agencies				\$ 11,251,300

Fund 65200 Transfers to Other Agencies

NMED Fund	Agency	Other Agency's Fund	Description	Amount
65200	Dept. of Finance and Administration - 34101	85300	Penalties/reimbursements	\$ 751,581

Fund 652 has been reclassified as a Special Revenue Fund for the year ending June 30, 2017. 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.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 10. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance, June 30, 2016	Additions	Deletions	Transfers/ Adjustments	Balance, June 30, 2017
Furniture and Fixtures	\$ 242,237	\$ -	\$ -	\$ -	\$ 242,237
Data Processing Equipment	538,043	333,450	(154,468)	71,583	788,608
Machinery and Equipment	2,028,073	561,028	(3,475)	-	2,585,626
Library and Museum	35,511	-	-	-	35,511
Automotive	-	-	-	-	-
Buildings and Structures	18,225	-	-	-	18,225
Total	<u>2,862,089</u>	<u>894,478</u>	<u>(157,943)</u>	<u>71,583</u>	<u>3,670,207</u>
Accumulated Depreciation					
Furniture and Fixtures	(178,020)	(28,498)	-	-	(206,518)
Data Processing Equipment	(283,640)	(76,433)	154,468	-	(205,605)
Machinery and Equipment	(1,677,083)	(150,637)	3,475	-	(1,824,245)
Library and Museum	(35,511)	-	-	-	(35,511)
Buildings and Structures	(3,039)	(833)	-	-	(3,872)
Total Accumulated Depreciation	<u>(2,177,293)</u>	<u>(256,401)</u>	<u>157,943</u>	<u>-</u>	<u>(2,275,751)</u>
Net Capital Assets	<u>\$ 684,796</u>	<u>\$ 638,077</u>	<u>\$ -</u>	<u>\$ 71,583</u>	<u>\$ 1,394,456</u>

Depreciation expense for the year ended June 30, 2017 was allocated to the following:

Resource Management Division	\$ 66,109
Water Protection Division	15,797
Resource Protection Division	32,506
Environmental Protection Division	<u>141,989</u>
Total depreciation expense by program	<u>\$ 256,401</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 11. COMPENSATED ABSENCES

The following is a summary of compensated absences of the Department for the year ended June 30, 2017:

	Balance, June 30, 2016	Additions	Deletions	Balance, June 30, 2017	Due in one year
Compensated absences	<u>\$ 1,803,345</u>	<u>\$ 1,902,656</u>	<u>\$ (1,996,784)</u>	<u>\$ 1,709,217</u>	<u>\$ 1,196,452</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.

NOTE 12. 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

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 12. POLLUTION REMEDIATION OBLIGATIONS (CONTINUED)

Leaking Petroleum Storage Tanks (LPST) (Continued)

of June 30, 2017. 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 \$1,322,671 as of June 30, 2017.

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 and 4 deleted 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, 2017, 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.

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, 2017, the estimated pollution remediation liability for Superfund sites totals \$41,328,077.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 12. POLLUTION REMEDIATION OBLIGATIONS (CONTINUED)

SUPERFUND:

	Balance, June 30, 2016	Additions	Deletions	Balance, June 30, 2017
Amount Due Within One Year	\$ 542,532	\$ 535,444	\$ (203,047)	\$ 874,929
Amount Due in More Than One Year, beginning balance	43,059,237	(2,606,089)	-	40,453,148
Total Superfund Oversight Remediation Liabilities	<u>\$ 43,601,769</u>	<u>\$ (2,070,645)</u>	<u>\$ (203,047)</u>	<u>\$ 41,328,077</u>

LEAKING TANKS:

Amount Due Within One Year	\$ -	\$ -	\$ -	\$ -
Amount Due in More Than One Year	676,455	646,216	-	1,322,671
Total Leaking Tanks Remediation Liabilities	<u>\$ 676,455</u>	<u>\$ 646,216</u>	<u>\$ -</u>	<u>\$ 1,322,671</u>

TOTAL POLLUTION REMEDIATION LIABILITY:

Amount Due Within One Year	542,532	535,444	(203,047)	874,929
Amount Due in More Than One Year	43,735,692	(1,959,873)	-	41,775,819
Grand Total Pollution Remediation Liability	<u>\$ 44,278,224</u>	<u>\$ (1,424,429)</u>	<u>\$ (203,047)</u>	<u>\$ 42,650,748</u>

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

NOTE 13. REVERSIONS

The following is a summary of reversions of the Department for fiscal year 2017:

FY17 Reversions - Amount Paid to State General Fund	\$ 12
Total Reversions Paid	<u>\$ 12</u>

In accordance with statute Section 6-5-10(A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert. The Department did not have any additional reversions for FY17. These payables may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

NOTE 14. PETROLEUM PRODUCTS LOADING FEES

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

Petroleum Products Loading Fees	<u>\$ 19,704,745</u>
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**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 15. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2017, 2016, and 2015 were \$5,258,985, \$5,281,794, and \$5,373,223, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 16. 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.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 16. POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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 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 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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary and each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$619,068, \$621,759, and \$634,360, respectively, which equal the required contributions for each year.

NOTE 17. COMMITMENTS

Corrective Action Fund (99000)

The Corrective Action Fund uses only single site contracts. Workplans are submitted and approved for all site work. The workplans will be paid for as contractors submit claims for work performed. The Department plans to pay for projects completed under the workplans from revenues received by the Corrective Action Fund from the New Mexico Taxation and Revenue Department for petroleum products loading fees.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 17. COMMITMENTS (CONTINUED)

Loan Commitments

Wastewater Loan Construction Fund - As of June 30, 2017, the Department has executed binding commitments to disburse \$49,719,963 for future loans.

Rural Infrastructure Loan Fund - As of June 30, 2017, the Department has executed binding commitments to disburse \$6,224,155 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:

Years Ending June 30:		
2018	\$	3,012,372
2019		2,925,999
2020		2,589,249
2021		1,650,167
2022		1,511,480
2023 and Thereafter		7,733,005
Total	\$	<u>19,422,272</u>

Rental expenditures for the fiscal year ended June 30, 2017 were \$3,076,868.

NOTE 18. CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS)

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

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

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

The Department is subject to various legal proceedings, claims and liabilities, including employee claims, which arise in the ordinary course of the Department's operations. In the opinion of the Department's management and in-house legal counsel, the ultimate resolution of the above matters will not have a material adverse impact on the financial position or results of operations of the Department.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 18. CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS) (CONTINUED)

In January 2012, the Office of the Inspector General (OIG) of the Environmental Protection Agency (EPA) performed an audit of the Department's Labor Charging Practices to federal programs and determined that the Air Quality Bureau (AQB) and Drinking Water Bureau (DWB) of the Department did not always charge labor and related costs according to two CFR requirements. These bureaus charged labor, fringe benefit and indirect costs to federal grants based on budget rather than actual activities performed. This occurred at AQB from the inception of NMED's current accounting system, SHARE, in July 2006 to June 25, 2010 and DWB through April 14, 2012. The OIG's final report is issued a draft report in June 2013, with an estimated \$3,758,783 in unsupported charge identified. The recommendation by the OIG to the Regional Administrator is to disallow and recover these costs. The Department submitted further certifications and supporting documents to the EPA in FY15. The EPA reviewed the documentation in October 2016, determining the Department is responsible for \$161,115 of these costs. This amount was paid in fiscal year 2017.

NOTE 19. RISK MANAGEMENT

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

NOTE 20. FUNDS SWEEP BY THE NEW MEXICO STATE LEGISLATURE

The New Mexico State Legislature passed various bills during the fiscal year that required transfers from NMED funds to the State General Fund. The amounts swept totaled \$20,251,300 and are as follows:

52nd Legislature 2nd Session HB 311 Laws 2016 Chapter 12
\$1,500,000 from the Rural Infrastructure Revolving Loan Fund (33700)

52nd Legislature 2nd Special Session SB 2 Laws 2016 Chapter 4
\$1,000,000 from the Rural Infrastructure Revolving Loan Fund (33700)
\$3,000,000 from the State Air Quality Permit Fund (09200)
\$800,000 from the Corrective Action Fund (99000)

53rd Legislature 1st Session SB 113 Laws 2017 Chapter 2
\$6,500,000 from the Rural Infrastructure Revolving Loan Fund (33700)
\$3,282,700 from the Corrective Action Fund (99000)
\$2,635,600 from the State Air Quality Permit Fund (63100)
\$400,000 from the Radiation Protection Fund (59200)
\$200,000 from the Tire Recycling Fund (02600)
\$150,000 from the Storage Tank Fund (98900)
\$383,000 from the Hazardous Waste Emergency Fund (95700)
\$285,000 from the Public Water Supply System Operator and Public Wastewater Facility Operator Fund (58400)

53rd Legislature 1st Special Session SFC/SB1 Laws 2017 Chapter 1
\$85,000 from the Solid Waste Facility Grant Fund (63200)
\$30,000 from the Voluntary Remediation Fund (06600)

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 21. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

GASB has issued the following statements, which are applicable in future years. At this time management has not determined the impact, if any, on the Department.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. This standard requires the unfunded liability of the Retiree Healthcare Authority be included in the cost-share employer's financial statements (on a pro-rata basis). Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. This standard is expected to have a material impact on the statewide CAFR, however, the liability is not included in the department level financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the June 30, 2018 financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect future financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect future financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017* was issued. Effective Date: The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect future financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the June 30, 2018 financial statements.

In June 2017, GASB Statement No. 87, *Leases* was issued. Effective Date: For reporting periods beginning after December 15, 2019. The Department is still evaluating how this pronouncement will affect future financial statements.

SUPPLEMENTARY INFORMATION

NEW MEXICO ENVIRONMENT DEPARTMENT
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

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 non-reverting.

Voluntary Remediation Fund (06600) - Created by State Statute NMSA 1978, Section 74-4G-11. The purpose of this fund is to account for fees and oversight payments collected pursuant to regulation adopted by the Secretary of the Environment Department pursuant to the provisions of the Voluntary Remediation Act. This fund is non-reverting.

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

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 non-reverting.

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

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

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

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 non-reverting.

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 non-reverting.

Water Recreation Facilities Fund (40000) - Created by State Statute NMSA 1978, Section 74-1-16. The fund was created to be used to administer and enforce rules pertaining to public swimming pools, public spas and other public water recreation facilities. Source of funding: Fees. This fund is non-reverting.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017**

Water Conservation Fund (56700) - Created by State Statute NMSA 1978, Section 74-1-13. It was established for administration of a public water supply program to (1) test public water supplies, (2) perform vulnerability assessments, (3) implement new requirements of the Utility Operators Certification Act, and (4) provide training for all public water supply operators. This fund is non-reverting. Source of funding: Fees through New Mexico Taxation and Revenue Department. This fund is non-reverting.

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 non-reverting.

Radiation Protection Fund (59200) - Created by State Statute NMSA 1978, Section 74-3-5.1. The fund was established to carry out provisions of the Radiation Protection Act. Source of funding: Fees and licenses. This fund is non-reverting.

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 non-reverting.

Solid Waste Facility Grant Fund (63200) - Created by NMSA 1978, Section 74-9-41. The Solid Waste Facility Grant Fund was administratively established to administer grants to New Mexico counties and municipalities to construct solid waste facilities. This fund is non-reverting.

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 non-reverting.

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

**NEW MEXICO ENVIRONMENT DEPARTMENT
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017**

- 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 non-reverting.

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 non-reverting.

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

Food Service Sanitation Fund (99100) - Created by State Statute NMSA 1978, Section 25-1-5.1. The purpose of the fund is to pay the cost of administering regulations promulgated by the Environmental Improvement Board to carry out the provisions of the Food Service Sanitation Act. Source of funding: Fees. This fund is non-reverting.

CAPITAL PROJECT FUND

Special Appropriations – 2008 (10350) – Created by the Laws of 2008, Chapter 92, Section 48. This fund was established to account for the sale of severance tax bonds, a capital project appropriation and a General Fund appropriation to provide funds for various waste handling projects. Source of funding: General Fund appropriations. This fund is reverting.

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING BALANCE SHEET – NON-MAJOR
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	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	\$ 1,154,177	\$ 92,987	\$ 3,339,977	\$ 69,790	\$ 632,315
Due from Federal Government	-	-	-	-	-
Due from Other State Agencies	-	-	-	-	-
Other Receivables	-	-	-	1,013	918,979
Total Assets	\$ 1,154,177	\$ 92,987	\$ 3,339,977	\$ 70,803	\$ 1,551,294
LIABILITIES					
Accounts Payable	\$ 101,782	\$ -	\$ -	\$ -	\$ -
Due to Federal Government	-	-	-	-	-
Due to Other State Agencies	-	-	-	-	-
Due to State General Fund	-	-	-	-	-
Unearned Revenues	-	-	-	-	-
Accrued Payroll Liabilities	-	-	-	-	-
Total Liabilities	101,782	-	-	-	-
FUND BALANCES					
Restricted	1,052,395	92,987	3,339,977	70,803	1,551,294
Total Fund Balances	1,052,395	92,987	3,339,977	70,803	1,551,294
TOTAL LIABILITIES AND FUND BALANCES					
	\$ 1,154,177	\$ 92,987	\$ 3,339,977	\$ 70,803	\$ 1,551,294

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING BALANCE SHEET – NON-MAJOR
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017**

	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	\$ 148,478	\$ 1,084,752	\$ 698,622	\$ 663,332	\$ 293,578
Due from Federal Government	-	-	-	-	-
Due from Other State Agencies	-	-	-	-	-
Other Receivables	-	109,500	-	-	-
Total Assets	\$ 148,478	\$ 1,194,252	\$ 698,622	\$ 663,332	\$ 293,578
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Federal Government	-	-	-	-	-
Due to Other State Agencies	-	-	-	-	-
Due to State General Fund	-	-	-	-	-
Unearned Revenues	2,680	-	-	-	-
Accrued Payroll Liabilities	-	-	-	-	-
Total Liabilities	2,680	-	-	-	-
FUND BALANCES					
Restricted	145,798	1,194,252	698,622	663,332	293,578
Total Fund Balances	145,798	1,194,252	698,622	663,332	293,578
TOTAL LIABILITIES AND FUND BALANCES					
	\$ 148,478	\$ 1,194,252	\$ 698,622	\$ 663,332	\$ 293,578

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING BALANCE SHEET – NON-MAJOR
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017**

	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	\$ 2,988,269	\$ 58,662	\$ 799,226	\$ 819,569
Due from Federal Government	-	-	-	-
Due from Other State Agencies	336,914	-	-	-
Other Receivables	800	-	63,140	13,369
Total Assets	\$ 3,325,983	\$ 58,662	\$ 862,366	\$ 832,938
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Federal Government	-	-	-	-
Due to Other State Agencies	-	-	-	-
Due to State General Fund	-	-	-	-
Unearned Revenues	-	-	13,445	-
Accrued Payroll Liabilities	-	-	-	-
Total Liabilities	-	-	13,445	-
FUND BALANCES				
Restricted	3,325,983	58,662	848,921	832,938
Total Fund Balances	3,325,983	58,662	848,921	832,938
TOTAL LIABILITIES AND FUND BALANCES				
	\$ 3,325,983	\$ 58,662	\$ 862,366	\$ 832,938

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING BALANCE SHEET – NON-MAJOR
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017**

	SPECIAL REVENUE FUNDS				
	63200	65200	78300	89000	95700
Solid Waste Facility Grant Fund			Solid Waste Permit Fees	ARRA Fund	Hazardous Waste Emergency Fund
ASSETS					
Investment in State General Fund Investment Pool	\$ 126,080	\$ -	\$ 124,871	\$ 54	\$ 1,455,122
Due from Federal Government	-	-	-	-	-
Due from Other State Agencies	-	-	-	-	-
Other Receivables	1,500	-	-	-	52,026
Total Assets	<u>\$ 127,580</u>	<u>\$ -</u>	<u>\$ 124,871</u>	<u>\$ 54</u>	<u>\$ 1,507,148</u>
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Federal Government	-	-	-	54	-
Due to Other State Agencies	-	-	-	-	-
Due to State General Fund	-	-	-	-	-
Unearned Revenues	-	-	-	-	-
Accrued Payroll Liabilities	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>54</u>	<u>-</u>
FUND BALANCES					
Restricted	127,580	-	124,871	-	1,507,148
Total Fund Balances	<u>127,580</u>	<u>-</u>	<u>124,871</u>	<u>-</u>	<u>1,507,148</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 127,580</u>	<u>\$ -</u>	<u>\$ 124,871</u>	<u>\$ 54</u>	<u>\$ 1,507,148</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING BALANCE SHEET – NON-MAJOR
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017**

	SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUND		
	98700	98900	99100	10350		
	Radiologic Technology Fund	Storage Tank Fund	Food Service Sanitation Fund	Total Special Revenue Funds	Special Appropriations 2008	Total All Non-Major Funds
ASSETS						
Investment in State General						
Fund Investment Pool	\$ 223,730	\$ 609,372	\$ 1,891,942	\$ 17,274,905	\$ -	\$ 17,274,905
Due from Federal Government	-	-	-	-	-	-
Due from Other State Agencies	-	-	-	336,914	-	336,914
Other Receivables	-	3,769	18,550	1,182,646	-	1,182,646
Total Assets	\$ 223,730	\$ 613,141	\$ 1,910,492	\$ 18,794,465	\$ -	\$ 18,794,465
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ 101,782	\$ -	\$ 101,782
Due to Federal Government	-	-	-	54	-	54
Due to Other State Agencies	-	-	-	-	-	-
Due to State General Fund	-	-	-	-	-	-
Unearned Revenues	-	356,113	200	372,438	-	372,438
Accrued Payroll Liabilities	-	-	-	-	-	-
Total Liabilities	-	356,113	200	474,274	-	474,274
FUND BALANCES						
Restricted	223,730	257,028	1,910,292	18,320,191	-	18,320,191
Total Fund Balances	223,730	257,028	1,910,292	18,320,191	-	18,320,191
TOTAL LIABILITIES AND FUND BALANCES						
	\$ 223,730	\$ 613,141	\$ 1,910,492	\$ 18,794,465	\$ -	\$ 18,794,465

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	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	\$ 965,515	\$ 14,436	\$5,024,708	\$ 33,585	\$ -
Federal Grant Revenue	-	-	-	-	26,525
Other Revenue	-	-	21,094	-	1,366
Total Revenues	<u>965,515</u>	<u>14,436</u>	<u>5,045,802</u>	<u>33,585</u>	<u>27,891</u>
EXPENDITURES					
Current:					
Environmental Protection	822,574	-	-	-	-
Total Expenditures	<u>822,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	142,941	14,436	5,045,802	33,585	27,891
OTHER FINANCING SOURCES (USES)					
Grants to other organizations	-	-	-	-	-
Transfers from Other Agencies	-	-	-	-	-
Transfers - Bond Proceeds appropriations	-	-	-	-	-
Transfers to Other Agencies	(200,000)	(30,000)	(3,000,000)	-	-
Transfers - INTRA Agency	(94,091)	(445)	(5,392,777)	(50,565)	(101,018)
Total Other Financing Sources (Uses)	<u>(294,091)</u>	<u>(30,445)</u>	<u>(8,392,777)</u>	<u>(50,565)</u>	<u>(101,018)</u>
NET CHANGES IN FUND BALANCES	(151,150)	(16,009)	(3,346,975)	(16,980)	(73,127)
Fund Balances - Beginning of Year	<u>1,203,545</u>	<u>108,996</u>	<u>6,686,952</u>	<u>87,783</u>	<u>1,624,421</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,052,395</u>	<u>\$ 92,987</u>	<u>\$3,339,977</u>	<u>\$ 70,803</u>	<u>\$ 1,551,294</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

	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	\$ 135,156	\$2,822,897	\$ 386,700	\$ 582,095	\$ 141,250
Federal Grant Revenue	-	-	-	-	-
Other Revenue	1,541	5,615	16,480	-	-
Total Revenues	<u>136,697</u>	<u>2,828,512</u>	<u>403,180</u>	<u>582,095</u>	<u>141,250</u>
EXPENDITURES					
Current:					
Environmental Protection	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	136,697	2,828,512	403,180	582,095	141,250
OTHER FINANCING SOURCES (USES)					
Grants to other organizations	-	-	-	-	-
Transfers from Other Agencies	-	-	-	-	-
Transfers - Bond Proceeds appropriations	-	-	-	-	-
Transfers to Other Agencies	-	-	-	-	-
Transfers - INTRA Agency	(160,054)	(2,804,277)	(366,365)	(611,527)	(165,789)
Total Other Financing Sources (Uses)	<u>(160,054)</u>	<u>(2,804,277)</u>	<u>(366,365)</u>	<u>(611,527)</u>	<u>(165,789)</u>
NET CHANGES IN FUND BALANCES	(23,357)	24,235	36,815	(29,432)	(24,539)
Fund Balances - Beginning of Year	<u>169,155</u>	<u>1,170,017</u>	<u>661,807</u>	<u>692,764</u>	<u>318,117</u>
FUND BALANCES - END OF YEAR	<u>\$ 145,798</u>	<u>\$1,194,252</u>	<u>\$ 698,622</u>	<u>\$ 663,332</u>	<u>\$ 293,578</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

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	\$2,189,960	\$ 74,375	\$ 865,096	\$ 2,892,334	\$ 39,400
Federal Grant Revenue	-	-	-	-	-
Other Revenue	7,080	864	5,089	6,656	1,296
Total Revenues	<u>2,197,040</u>	<u>75,239</u>	<u>870,185</u>	<u>2,898,990</u>	<u>40,696</u>
EXPENDITURES					
Current:					
Environmental Protection	-	-	-	-	83,239
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,239</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,197,040	75,239	870,185	2,898,990	(42,543)
OTHER FINANCING SOURCES (USES)					
Grants to other organizations	-	-	-	-	-
Transfers from Other Agencies	-	-	-	-	-
Transfers - Bond Proceeds appropriator	-	-	-	-	-
Transfers to Other Agencies	-	(285,000)	(400,000)	(2,635,600)	(85,000)
Transfers - INTRA Agency	(2,421,569)	(32,115)	(661,878)	(2,439,137)	-
Total Other Financing Sources (Uses)	<u>(2,421,569)</u>	<u>(317,115)</u>	<u>(1,061,878)</u>	<u>(5,074,737)</u>	<u>(85,000)</u>
NET CHANGES IN FUND BALANCES	(224,529)	(241,876)	(191,693)	(2,175,747)	(127,543)
Fund Balances - Beginning of Year	<u>3,550,512</u>	<u>300,538</u>	<u>1,040,614</u>	<u>3,008,685</u>	<u>255,123</u>
FUND BALANCES - END OF YEAR	<u>\$3,325,983</u>	<u>\$ 58,662</u>	<u>\$ 848,921</u>	<u>\$ 832,938</u>	<u>\$ 127,580</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

	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	\$ -	\$ 52,700	\$ -	\$ 251,940	\$ 129,649
Federal Grant Revenue	-	-	-	-	-
Other Revenue	751,581	-	-	-	-
Total Revenues	<u>751,581</u>	<u>52,700</u>	<u>-</u>	<u>251,940</u>	<u>129,649</u>
EXPENDITURES					
Current:					
Environmental Protection	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	751,581	52,700	-	251,940	129,649
OTHER FINANCING SOURCES (USES)					
Grants to other organizations	-	-	-	-	-
Transfers from Other Agencies	-	-	-	-	-
Transfers - Bond Proceeds appropriations	-	-	-	-	-
Transfers to Other Agencies	(751,581)	-	-	(383,000)	-
Transfers - INTRA Agency	-	(51,547)	-	(695,999)	(84,740)
Total Other Financing Sources (Uses)	<u>(751,581)</u>	<u>(51,547)</u>	<u>-</u>	<u>(1,078,999)</u>	<u>(84,740)</u>
NET CHANGES IN FUND BALANCES	-	1,153	-	(827,059)	44,909
Fund Balances - Beginning of Year	-	123,718	-	2,334,207	178,821
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 124,871</u>	<u>\$ -</u>	<u>\$ 1,507,148</u>	<u>\$ 223,730</u>

**NEW MEXICO ENVIRONMENT DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUND 10350	Total All Non-Major Funds
	98900	99100	Special Appropriations 2008	
	Storage Tank Fund	Food Service Sanitation Fund	Total Special Revenue Funds	
REVENUES				
Environmental Fees	\$ 463,627	\$ 1,501,375	\$ 18,566,798	\$ - \$ 18,566,798
Federal Grant Revenue	-	-	26,525	- 26,525
Other Revenue	4,847	15,035	838,544	- 838,544
Total Revenues	468,474	1,516,410	19,431,867	- 19,431,867
EXPENDITURES				
Current:				
Environmental Protection	-	-	905,813	- 905,813
Total Expenditures	-	-	905,813	- 905,813
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	468,474	1,516,410	18,526,054	- 18,526,054
OTHER FINANCING SOURCES (USES)				
Grants to other organizations	-	-	-	-
Transfers from Other Agencies	-	-	-	-
Transfers - Bond Proceeds appropriations	-	-	-	-
Transfers to Other Agencies	(150,000)	-	(7,920,181)	- (7,920,181)
Transfers - INTRA Agency	(304,333)	(1,065,205)	(17,503,431)	- (17,503,431)
Total Other Financing Sources (Uses)	(454,333)	(1,065,205)	(25,423,612)	- (25,423,612)
NET CHANGES IN FUND BALANCES	14,141	451,205	(6,897,558)	- (6,897,558)
Fund Balances - Beginning of Year	242,887	1,459,087	25,217,749	- 25,217,749
FUND BALANCES - END OF YEAR	\$ 257,028	\$ 1,910,292	\$ 18,320,191	\$ - \$ 18,320,191

OTHER INFORMATION

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE 1 – SUPPLEMENTAL SCHEDULE OF
INDIVIDUAL DEPOSIT ACCOUNTS
JUNE 30, 2017**

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books	
Governmental Funds with State Treasurer					
(with SHARE Fund Numbers):					
Recycling and Illegal Dumping Fund	02600	State Treasurer	\$ 1,154,177	\$ -	\$ 1,154,177
General Fund	06400	State Treasurer	(3,126,763)	-	(3,126,763)
Voluntary Remediation Fund	06600	State Treasurer	92,987	-	92,987
Air Quality Title V Fund	09200	State Treasurer	3,339,977	-	3,339,977
Special Appropriations 2008	10350	State Treasurer	-	-	-
Nuclear Workers Assistance Fund	10980	State Treasurer	69,790	-	69,790
Brownfields Cleanup Revolving Loan Fund	11900	State Treasurer	632,315	-	632,315
Responsible Parties Fund	24800	State Treasurer	148,478	-	148,478
Hazardous Waste Fund	33900	State Treasurer	1,084,752	-	1,084,752
Liquid Waste Fund	34000	State Treasurer	698,622	-	698,622
Water Quality Management Fund	34100	State Treasurer	663,332	-	663,332
Water Recreation Facilities Fund	40000	State Treasurer	293,578	-	293,578
Water Conservation Fund	56700	State Treasurer	2,988,269	-	2,988,269
Public Water Supply System Operator and Public Wastewater Facility Operator Fund	58400	State Treasurer	58,662	-	58,662
Radiation Protection Fund	59200	State Treasurer	799,226	-	799,226
State Air Quality Permit Fund	63100	State Treasurer	819,569	-	819,569
Solid Waste Facility Grant Fund	63200	State Treasurer	126,080	-	126,080
Penalties Fund	65200	State Treasurer	-	-	-
Solid Waste Permit Fees	78300	State Treasurer	124,871	-	124,871
ARRA Fund	89000	State Treasurer	54	-	54
Severance Tax Bonds 2009	89200	State Treasurer	1,287,810	-	1,287,810
Hazardous Waste Emergency Fund	95700	State Treasurer	1,455,122	-	1,455,122
Radiologic Technology Fund	98700	State Treasurer	223,730	-	223,730
Storage Tank Fund	98900	State Treasurer	609,372	-	609,372
Corrective Action Fund	99000	State Treasurer	10,781,022	-	10,781,022
Food Service Sanitation Fund	99100	State Treasurer	1,891,942	-	1,891,942
Total Governmental Funds with State Treasurer			26,216,974	-	26,216,974
Proprietary Funds with State Treasurer (with SHARE Fund Numbers):					
Clean Water State Revolving Fund	12100	State Treasurer	147,355,690	-	147,355,690
Clean Water State Administrative Fund	32700	State Treasurer	1,977,693	-	1,977,693
Rural Infrastructure Loan Fund	33700	State Treasurer	8,564,245	-	8,564,245
Total Proprietary Funds with State Treasurer			157,897,628	-	157,897,628
Department Total - All Funds			\$ 184,114,602	\$ -	\$ 184,114,602

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE 2 – SUPPLEMENTAL SCHEDULE OF
SEVERANCE TAX BOND APPROPRIATION REVENUE
YEAR ENDED JUNE 30, 2017**

Laws	Chapter	Amount Authorized	Amount Reverted	Art in Public Places	Amount Available	Expenditures Reported Prior Years (unaudited)	Expenditures Reported Current Year	6/30/17 Balance Available
2013	226	\$ 18,098,840	\$ (1,126,307)	\$ (1,750)	\$ 16,970,783	\$ (10,664,462)	\$ (6,220,795)	\$ 85,525
2014	66	53,964,737	(8,603,113)	(1,050)	45,360,574	(14,729,660)	(15,236,700)	15,394,214
2015	147/3	17,224,009	(1,170,000)	-	16,054,009	(1,247,672)	(4,632,422)	10,173,915
2016	81	17,133,797	-	(7,142)	17,126,655	-	(1,360,137)	15,766,518
		<u>\$ 106,421,383</u>	<u>\$ (10,899,420)</u>	<u>\$ (9,942)</u>	<u>\$ 95,512,021</u>	<u>\$ (26,641,794)</u>	<u>\$ (27,450,054)</u>	<u>\$ 41,420,173</u>

Reconciliation to the Financial Statements:

Governmental Funds - Severance Tax Bond Appropriation Revenue \$ 27,450,054

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE 3 – SUPPLEMENTAL SCHEDULE OF
SPECIAL APPROPRIATIONS
YEAR ENDED JUNE 30, 2017**

Description	Authority	Appropriation Period	Share Fund	Total Original Appropriation	Expenditures Reported Prior Years	Current Year Expenditures	Encumbrances	Current Year Reversion Amount	Remaining Balance at 6/30/17
Environmental Litigation	Z40565	Laws 2014, Chapter 63	2014-2017	06400	\$ 1,500,000	\$ 549,377	\$ 365,814	\$ -	\$ 584,809
Environmental Litigation	Z50542	Laws 2015, Chapter 101	2015-2017	06400	500,000	400,000	100,000	-	-
Environmental Litigation	ZA0540	Laws 2016, Chapter 11	2016-2017	06400	1,000,000	411,275	588,725	-	-
Environmental Litigation	ZB0523	Laws 2017, Chapter 135	2017-2018	06400	1,000,000	-	-	-	1,000,000
Total General Fund					4,000,000	1,360,652	1,054,539	-	1,584,809
Capital Project Appropriations	A142154	Laws 2014, Chapter 66	2014-2018	06400	1,000,000	896,055	103,945	-	-
Capital Project Appropriations	A151069	Laws 2015, Chapter 3	2015-2019	06400	500,000	-	8,391	491,609	-
Total Capital Project Funds					1,500,000	896,055	112,336	491,609	-
Total All Funds					\$ 5,500,000	\$ 2,256,707	\$ 1,166,875	\$ 491,609	\$ 1,584,809

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE 4 – JOINT POWERS AGREEMENTS
YEAR ENDED JUNE 30, 2017**

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

JPA #	Participants / Description	Ending Date of Agreement	Total Estimated Amount of Agreement	Amount Applicable to NMED	Amount NMED Contributed	Fiscal Agent	Agency Reporting Rev. & Exp.
15-667-2000-0012	NMED/EMNRD Oversight Restoration San Vicente Creek	9/30/2016	\$ 175,000	\$ -	\$ -	NMED	NMED
16-667-2000-0027	NMED/NMBGMR Contaminants Testing of Gold King Mine Spill	3/31/2017	\$ 204,000	\$ 204,000	\$ 67,653	NMED	NMED

COMPLIANCE SECTION

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

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				
Micro-Inventory Fugitive Dust Sources	66.001		\$ -	\$ 590
Border Ozone PM - FY 15	66.001			44,249
Air Pollution Control Sec 105 Grant FY 17	66.001		-	1,505,384
			-	1,550,223
State Indoor Radon Grants				
NM STATE INDOOR RADON FY 15-16	66.032		-	56,895
NM STATE INDOOR RADON FY 17-18	66.032		-	82,627
			-	139,522
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act				
PM 2.5 Air Monitoring - FY 17	66.034		-	77,073
PM 2.5 Air Monitoring - FY 18	66.034		-	837
			-	77,910
Congressionally Mandated Projects				
FY10 STAG SET ASIDE	66.202		-	30,037
Multipurpose Grants to States and Tribes				
Statewide Air Pollution and Water Protection	66.204		-	49,350
Water Pollution Control State, Interstate, and Tribal Program Support				
SW 106 Supplemental Monitoring - FFY 15	66.419		-	114,868
SW 106 Supplemental Monitoring - FFY 16	66.419		-	156,323
Section 106 CSA Grant - FY 16-17	66.419		-	1,591,198
ENVGKM - Gold King Mine (Animas) Phase 2	66.419		-	121,247
			-	1,983,636
State Public Water System Supervision				
Public Water Supply Supervision - FY 17	66.432		-	956,797
State Underground Water Source Protection				
Pass-thru via NM Energy and Minerals Underground Injection Energy & Minerals - FY 17	66.433	G00622317-3	-	51,402
Water Quality Management Planning				
Water Quality Management Planning 604(b) - FY 14-15	66.454		-	5,368
Water Quality Management Planning - 604(b) FY 16-17	66.454		-	70,174
			-	75,542
Clean Water State Revolving Funds (CWSRF) Cluster				
Capitalization Grants for CWSRF, Grant	66.458		6,525,000	6,525,000
Nonpoint Source Implementation Grants				
319 NPS Surface Water FY 16-17	66.460		-	1,101,936
319 NPS Ground Water FY16-17	66.460		-	116,054
319 NPS Implementation FY 14-15	66.460		-	159,739
			-	1,377,729
Regional Wetland Program Development Grants				
NMED Wetlands	66.461		-	461,356
Drinking Water State Revolving Funds (DWSRF) Cluster				
Pass-thru via NM Finance Authority				
Drinking Water State Revolving Fund - FFY 12	66.468	FS-99692515	-	22,768
Drinking Water State Revolving Fund - FFY 13	66.468	FS-99692516	-	442,113
Drinking Water State Revolving Fund - FFY 14	66.468	FS-99692517	-	2,121,192
Drinking Water State Revolving Fund - FFY 15	66.468	FS-99692518	-	100,848
Drinking Water State Revolving Fund - FFY 16	66.468	FS-99692519	-	389,606
			-	3,076,527

See Notes to Schedule of Expenditures of Federal Awards.

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

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)				
Environmental Information Exchange Network Grant Program				
Exchange Network - FY 13	66.608		\$ -	\$ 22,818
Exchange Network - FY 15	66.608		-	299,310
Exchange Network ICIS-Air Dataflow - FY 15	66.608		-	111,308
SWQB SQUID/Attains Grant Project - FY 15	66.608		-	76,842
			-	510,278
Pollution Prevention Grants Program				
FY14 POLLUTION PREVENTION GRANT PROGRAM	66.708		-	2,428
Pollution Prevention Grant	66.708		-	47,527
			-	49,955
Hazardous Waste Management State Program Support				
RCRA Triassic Park	66.801		-	5,895
RCRA Hazardous Waste Management - FY 16	66.801		-	640,533
			-	646,428
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements				
Multi-Site Superfund Bulk Funding	66.802		-	509,249
McGaffey & Main Plume Gr Wtr Plume, RD	66.802		-	94,100
FY14 Superfund CMI NMED	66.802		-	213,190
Superfund Sites	66.802		-	594,586
NMED Five Year Bulk Funding 2009-2015	66.802		-	42,179
ENVGKMP1 - Gold King Mine (Animas) Phase 1	66.802		363,128	406,796
			363,128	1,860,100
Underground Storage Tank Prevention, Detection and Compliance Program				
UST Prevention - FY 16	66.804		-	17,114
UST GIS Data Gathering - FY 17	66.804		-	292,529
			-	309,643
Leaking Underground Storage Tank Trust Fund Corrective Action Program				
Leaking Underground Storage Tank (LUST) - FY 16	66.805		-	103,363
Leaking Underground Storage Tank (LUST) - FY 17	66.805		-	371,612
			-	474,975
Brownfields Assessment and Cleanup Cooperative Agreements				
Brownfields Cleanup	66.818		-	40,717
State and Tribal Response Program Grants				
NM State Response Program	66.817		-	376,159
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			6,888,128	20,623,286
U.S. DEPARTMENT OF ENERGY				
Environmental Monitoring and Clean-up				
DOE WIPP Oversight AIP	81.214		-	291,008
DOE AIP Oversight - FY 14	81.214		-	2,022,377
			-	2,313,385

See Notes to Schedule of Expenditures of Federal Awards.

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

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				
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions				
Pass-thru via NM Energy and Minerals				
WIPP Emergency Response - FY 17	81.106	DE-FC29-88AL53813	\$ -	\$ 140,154
Other Programs				
GNOME Coach and Gasbuggy Nuclear Test Sites	81.136		-	1,339
NM Uranium Mill Tailings Radiation Control Act	81.136		-	38,330
			-	39,669
TOTAL U.S. DEPARTMENT OF ENERGY			-	2,493,208
U.S. DEPARTMENT OF DEFENSE				
State Memorandum of Agreement Program for the Reimbursement of Technical Services				
Defense and State	12.113		-	30,145
Estuary Habitat Restoration Program				
CA Agreement with Kirtland AFB	12.130	FA-8903-16-2-0002	-	89,366
TOTAL U.S. DEPARTMENT OF DEFENSE			-	119,511
U.S. DEPARTMENT OF LABOR				
Occupational Safety and Health State Program				
OSHA Implementation - FY 16	17.503		-	271,964
OSHA Implementation - FY 17	17.503		-	702,619
			-	974,583
Consultation Agreements				
OSHA Consultation Program - FY 16	17.504		-	155,475
OSHA Consultation Program - FY 17	17.504		-	334,255
			-	489,730
OSHA Data Initiative				
OSHA Statistics - FY 16	17.005		-	16,559
OSHA Statistics - FY 17	17.005		-	54,796
			-	71,355
TOTAL U.S. DEPARTMENT OF LABOR			-	1,535,668
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Food and Drug Administration Research				
Conformance with the Retail Program Standards	93.103			60,892
Conformance with the Manufactured Food Regulatory Program	93.103			296,090
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	356,982
TOTAL EXPENDITURES FEDERAL AWARDS			\$ 6,888,128	\$ 25,128,655
RECONCILIATION TO FINANCIAL STATEMENTS				
Governmental Funds - Federal Grant Revenue				\$ 18,720,736
Enterprise Funds - Federal Grant Revenue				6,525,000
FDA Contract - EHB3000 Food Consumer & Pool Safety				(46,263)
FDA Contract - RCB3000 Mammography				(70,818)
				<u>\$ 25,128,655</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, 2017**

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, 2017. 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.

NON-CASH ASSISTANCE

The Department did not receive any federal non-cash assistance during the year ended June 30, 2017.

LOANS

The Department does not have any loans outstanding with the Federal government at June 30, 2017.

SUBRECIPIENTS

The Clean Water State Revolving Loan Fund ("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, 2017 were \$21,432,010. CWSRF outstanding loans at June 30, 2017 were \$159,081,294. The Fund provided in fiscal year 2017 \$1,762,418 in grants to various communities throughout New Mexico to subsidize their loans.

Of the \$6,525,000 represented in the Schedule of Expenditures of Federal Awards, \$746,963 was provided as grant and \$5,778,037 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") to reimburse entities who participated in the Gold King Mine (CFDA 66.802) spill emergency response. The total amount reimbursed for fiscal year ended June 30, 2017 was \$363,128 as specified in the schedule below.

**NEW MEXICO ENVIRONMENT DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

SUBRECIPIENTS (CONTINUED)

Clean Water State Revolving Fund (CWSRF)

	Fiscal Year 2017 Federal Grant	Fiscal Year 2017 Federal Revolving Loan	Total
City of Aztec	\$ -	\$ 793,350	\$ 793,350
City of Carlsbad	-	684,921	684,921
City of Farmington	-	3,375,317	3,375,317
City of Grants	630,000	126,401	756,401
City of Las Vegas	-	2,546	2,546
El Valle de Los Ranchos	-	645,130	645,130
San Juan County	-	150,372	150,372
Taos Ski Valley	116,963	-	116,963
Total CWSRF passed through to subrecipients	<u>\$ 746,963</u>	<u>\$ 5,778,037</u>	<u>6,525,000</u>

Gold King Mine Emergency Response

City of Aztec	27,019
San Juan County	75,190
City of Farmington	260,919
Total Gold King Mine passed through to subrecipients	<u>363,128</u>
Grand Total	<u>\$ 6,888,128</u>



INDEPENDENT AUDITOR’S 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. Butch Tongate
New Mexico Environment Department and
Mr. Tim Keller
New Mexico State Auditor

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, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue fund, of the New Mexico Environment Department (the Department), as of and for the year ended June 30, 2017, 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, 2017.

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. Butch Tongate
New Mexico Environment Department and
Mr. Tim Keller
New Mexico 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2012-003, which we consider to be a significant deficiency.

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 instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

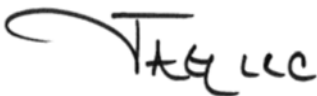
We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978 that we have described in the Schedule of Section 12-6-5 NMSA 1978 Findings as items 2015-005 and 2017-001. The Department's response was not subjected to the auditing procedures and, accordingly, we express no opinion on the response.

The Department's Response to Finding

The Department's response to the finding 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 the financial statements and, accordingly, we express no opinion on it.

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 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.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 31, 2017



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

Mr. Butch Tongate
New Mexico Environment Department and
Mr. Tim Keller
New Mexico State Auditor

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, 2017. 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. Butch Tongate
New Mexico Environment Department and
Mr. Tim Keller
New Mexico 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, 2017.

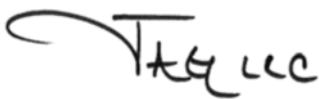
Report on Internal Control Over Compliance

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, material weaknesses may exist that have not been identified.

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.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 31, 2017

**NEW MEXICO ENVIRONMENT DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017**

Original Finding No.	Prior Year Finding No. (Not Used)	Description	Current Year Status
2006-008	2015-003	Federal Program Reporting	Resolved
2012-003	2016-003	Internal Control over Financial Close and Reporting	Repeated
2015-005	2016-004	Fund Balance Deficit - General Fund	Repeated
2016-001	2006-008	Federal Program Reporting	Resolved
2016-002		Internal Control over Payroll	Resolved

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.001	Air Pollution Control
66.432	State Public Water System Supervision
66.458	Clean Water State Revolving Funds
66.468	Drinking Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs \$753,860

Auditee qualified as low-risk auditee? yes no

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2017**

Section II – Financial Statement Findings

2012-003 (Prior Year Finding Number 2016-003) Internal Control over Financial Close and Reporting (Significant Deficiency)

Condition: During our audit, the following exceptions were noted related to the Department’s financial close and reporting process:

- During our testing, we noted the Department’s original PBC calculating the estimated liability for Superfund Pollution Remediation Obligation incorrectly included 2017 estimated expenses in this future liability. Additionally, a *Draft* Record of Decision (ROD) was used for the estimate in prior years and could no longer be located for our testing. For this project, management updated the spreadsheet using the *Final* ROD EPA released in September 2014. The second version of the spreadsheet resulted in an approximate \$7.3 million decrease in the estimated liability. After audit testing, the client determined the final ROD had mathematical errors and that the decrease in liability was not realistic and submitted a third version of the calculation, with a final Superfund liability of \$41,328,076.
- The Department did not calculate the Petroleum Storage Tank Bureau’s (PSTB) estimated Leaking Tanks Pollution Remediation Obligation before auditor testing. The liability had not been calculated and the methodology and prior year memo had to be researched. The result was an approximate \$650,000 increase to the liability.
- The Department’s operating lease schedule provided to the auditors included 2017 rent expenses, didn’t agree to certain agreements, and required revision to properly disclose future minimum payments (for 5 years and thereafter) in the footnotes to the financial statements.

Management’s Progress for Repeat Findings: There was a lack of understanding not to include 2017 in future pollution liability and operating lease calculations for disclosure and lack of precision in updating the pollution remediation liabilities. There was also turnover in PSTB causing a delay in the leaking tanks estimated liability.

Criteria: NMAC 2.20.5.8 requires agencies to ensure that all reporting of financial information be timely, complete, and accurate.

Cause: Lack of effective internal controls and management oversight relating to the financial close and reporting process.

Effect: Possible misstatements of the financial statements or inadequate disclosure.

Recommendation: We recommend management evaluate all aspects of the financial close and reporting process and establish effective internal controls and procedures to ensure timely and accurate financial statements and supporting schedules.

Management’s Response: The Department concurs with this audit finding. The Superfund Pollution obligation spreadsheet is monitored and updated by both the Superfund Manager and Bureau Financial Manager in the Ground Water Quality Bureau based on the Record of Decision (“ROD”) received by the Environmental Protection Agency. The spreadsheet will continue to be monitored and updated by Ground Water Quality Bureau staff. The Ground Water Quality Bureau staff, Program Financial Manager along with the Chief Financial Manager will meet at least semi-annually to ensure that all information is captured correctly. The Superfund Manager will update

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2017**

Section II – Financial Statement Findings (Continued)

2012-003 (Prior Year Finding Number 2016-003) Internal Control over Financial Close and Reporting (Significant Deficiency) (Continued)

the pollution remediation estimates with the most current ROD unless the determination is made by the Ground Water Quality bureau that a more reasonable and cost-effective method will be utilized which will be documented as such.

The Petroleum Storage Tank Bureau Chief along with the Remedial Action Program Manager will draft the methodology for the leaking tanks estimated liability at the beginning of each new fiscal year and ensure that all information is accurate and timely when submitting to the external auditors.

The General Ledger Manager from the General Ledger Section of the Financial Services Bureau is responsible for monitoring the operating lease spreadsheet and updating the operating lease schedule. The General Ledger Manager along with the Chief Financial Officer will meet prior to submitting the schedule to the auditors for June 30, 2018 to ensure that all information is accurate.

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2017**

Section III – Federal Award Findings and Questioned Costs

None

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF SECTION 12-6-5 NMSA 1978 FINDINGS
JUNE 30, 2017**

2015-005 (Prior Year Finding Number 2016-004) Fund Balance Deficit – General Fund (Other Noncompliance)

Condition: As of June 30, 2017, the Department has an unrestricted deficit fund balance of approximately \$1.8M in its General Fund, which was caused prior to fiscal year 2008.

Management’s Progress for Repeat Findings: The Department has determined that it may carry this general fund deficiency for this coming year as revenues have decreased throughout the state.

Criteria: The Department should have an unrestricted fund balance that approximates \$0 in its General Fund.

Cause: The original cause of the deficit dates to a fiscal year prior to 2008 and is unknown. However, the cause of the deficit still exists as of June 30, 2017 because of significant CFO turnover in the past 8 years.

Effect: The Department lacks adequate resources within the General Fund to fulfil all obligations of the fund as of June 30, 2017.

Recommendation: We recommend that management make it a priority during the upcoming legislative session to request some type of deficiency appropriation to eliminate the unrestricted deficit fund balance of the General Fund. We have also recommended the Department contract with a CPA firm to assist in researching the original source(s) of the errors so they may be corrected in fiscal year 2018.

Management’s Response: The Department concurs with this audit finding. The Department is in the process of hiring an outside accounting firm to assist with the analysis of the General Fund deficit. The Chief Financial Officer with the assistance of the Program Financial Manager is responsible for evaluating the general fund deficit. A small purchase contract will be in place in fiscal year 2018 and the analysis should be completed by the end of fiscal year 2018. Discussions with Senior Management will be conducted after the analysis has been completed to resolve the general fund deficit.

**NEW MEXICO ENVIRONMENT DEPARTMENT
SCHEDULE OF SECTION 12-6-5 NMSA 1978 FINDINGS (CONTINUED)
JUNE 30, 2017**

2017-001 Internal Control over Cash Disbursements (Finding that Does Not Rise to the Level of a Significant Deficiency)

Condition: Our control testing of cash disbursements showed two (2) vouchers of a random sample of (forty) 40 vouchers tested did not include bureau level approvals as required by Department internal policy.

Criteria: The Department's internal process requires bureau level approval on all invoices.

Any violation of law or good accounting practice including instances of noncompliance or internal control weaknesses must be reported as an audit finding per Section 12-6-5 NMSA 1978. Pursuant to GAGAS 4.23, "auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed: significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and abuse that has a material effect on the audit."

Cause: Employees missed review on the two transactions tested.

Effect: Without bureau level review and approval, the Department could possibly make payments on invoices where goods and/or services may have not been received.

Recommendation: We recommend that the Department continue to provide ongoing training to bureau level staff and monitoring to ensure compliance with internal procedures.

Management Response: The Department concurs with this audit finding. Bureau financial staff, Bureau Financial Manager and the Accounts Payable staff in the Administrative Services Department ("ASD") are responsible to ensure that all proper documentation is attached to the voucher and the "ok to pay" authorization is referenced on the invoice. The Accounts Payable Manager will be responsible for creating a checklist for Bureau financial staff that references all proper documentation that must be attached to the voucher. This checklist will be made available to all financial staff no later than December 15, 2017.

**NEW MEXICO ENVIRONMENT DEPARTMENT
EXIT CONFERENCE
JUNE 30, 2017**

An exit conference was held with the Department on October 31, 2017. 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

Juan Carlos Borrego	Acting Deputy Secretary
Marlene Cordova	Chief Financial Officer
Alysia Leavitt	Water Resource Protection Division, Program Financial Manager

JARAMILLO ACCOUNTING GROUP (JAG)

Audrey Jaramillo, CPA, CFE	Partner
Scott Eliason, CPA	Partner
Phillip Gonzales, CGFM	Senior

Jaramillo Accounting Group (JAG) 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.