

TAXATION
REVENUE 
N E W M E X I C O

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
AUDITORS

JUNE 30, 2019

TABLE OF CONTENTS

STATE OF NEW MEXICO TAXATION AND REVENUE DEPARTMENT

OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	29
Statement of Activities	30
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds.....	32
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	33
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	35
Statement of Revenues and Expenditures – Budget and Actual – Operating Fund 17200	36

TABLE OF CONTENTS

STATE OF NEW MEXICO TAXATION AND REVENUE DEPARTMENT

BASIC FINANCIAL STATEMENTS (CONTINUED)

FUND FINANCIAL STATEMENTS (CONTINUED)

Statement of Revenues and Expenditures – Budget and Actual – Weight Distance Tax Permit Fee Fund 99400.....	45
Statement of Revenues and Expenditures – Budget and Actual – Drive MVD Fund 79800.....	47
Statement of Revenues and Expenditures – Budget and Actual – Native American Fund 10690.....	48
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund to the Statement of Revenues and Expenditures – Budget and Actual	49
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund Type – Agency Funds	50
Notes to the Financial Statements.....	51

TABLE OF CONTENTS

STATE OF NEW MEXICO TAXATION AND REVENUE DEPARTMENT

SUPPLEMENTARY INFORMATION

Non-Major Funds.....	82
Combining Balance Sheet - Non-Major Governmental Funds.....	83
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds.....	84
Fiduciary Fund Types	85
Combining Statement of Fiduciary Assets and Liabilities – Fiduciary Fund Type – Agency Funds.....	88

OTHER SUPPLEMENTARY INFORMATION – Schedules Required Under 2.2.2 NMAC

Schedule of General Fund Components - Balance Sheet – General Funds.....	90
Schedule of General Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance – General Funds	91
Schedule of Special Appropriations	92
Supplemental Schedule of Inter-Agency Transfers	93
Schedule of Changes in Fiduciary Assets and Liabilities	95

TABLE OF CONTENTS

STATE OF NEW MEXICO TAXATION AND REVENUE DEPARTMENT

OTHER SUPPLEMENTARY INFORMATION – Schedules Required Under 2.2.2 NMAC (CONTINUED)

Schedule of Cash Balances	96
Schedule of Joint Powers Agreements	98

SINGLE AUDIT

Schedule of Expenditures of Federal Awards.....	100
Notes to Schedule of Expenditures of Federal Awards	101
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	102
Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	104
Schedule of Findings and Questioned Costs.....	107
Summary Schedule of Prior Audit Findings.....	128
Exit Conference	130

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT**

Official Roster

Year Ended June 30, 2019

<u>Name</u>	<u>Title</u>
Stephanie Schardin-Clarke	Cabinet Secretary
Emily Oster	Deputy Cabinet Secretary
Division Directors:	
Denise Irion	Administrative Services Division
Mike Baca	Information Technology Division
Aysha Mora	Audit and Compliance Division
Charlene Trujillo	Revenue Processing Division
Donna Maestas-De Vries	Property Tax Division
Alicia Ortiz	Motor Vehicle Division
Vince Mares	Tax Fraud Investigations Division



INDEPENDENT AUDITORS' REPORT

Stephanie Schardin Clarke, Cabinet Secretary
New Mexico Taxation and Revenue Department
Honorable Michelle Lujan Grisham, Governor
Brian Colón, New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, the budgetary comparison for the general fund and the aggregate remaining fund information of the New Mexico Taxation and Revenue Department (Department), as of and for the year ended June 30, 2019, 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.

Auditors' 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.

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

Stephanie Schardin Clarke, Cabinet Secretary
New Mexico Taxation and Revenue Department
Honorable Michelle Lujan Grisham, Governor
Brian Colón, New Mexico State Auditor

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 general fund, and the aggregate remaining fund information of the Department as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2019, and the changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 27 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, 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 are also presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other schedules required by 2.2.2 NMAC (except for the Expenditures to Date listed in the Schedule of Special Appropriations) 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

Stephanie Schardin Clarke, Cabinet Secretary
New Mexico Taxation and Revenue Department
Honorable Michelle Lujan Grisham, Governor
Brian Colón, New Mexico State Auditor

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Special Appropriations (Expenditures to Date only) has not been subject to the auditing procedures applied in the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Department's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque New Mexico
November 8, 2019

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

The New Mexico Taxation & Revenue Department's (Department) (TRD) discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the Department's financial activity; (c) identify changes in the Department's financial position (ability to address future year challenges); (d) identify any material deviations from the financial plan (approved budget); and (e) identify fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts; please read it in conjunction with the Department's financial statements and notes which follow this section.

Financial Highlights

The assets of the New Mexico Taxation and Revenue Department exceeded its liabilities at the close of the most recent fiscal year by \$6,868,836 (net position). \$26,299,349 of this amount represents the Department's net investment in capital assets. The remainder includes fund balances restricted for special appropriations and subsequent year expenditures related to the Department's non-reverting programs.

The Department's net position increased by \$9,711,494 during FY19. The change in net position resulted from an increase in the Investment in Capital Assets for purchases of data processing equipment and software enhancements to the Department's major computer processing systems.

The total cost of all Department programs (net of program revenue) was \$81,874,199. The Department administers and enforces New Mexico's taxation and revenue laws and motor vehicle code.

Department Accomplishments

FY 2019 TRD Collections and Distributions

Net Collections: TRD collected a total of \$9.3 billion in FY19. Combined reporting system taxes (gross receipts, withholding and compensating taxes) were the single largest category of collections at \$4.6 billion, or 50%, of total collections. Income taxes were next at \$1.8 billion, or 20%. Mineral extraction taxes were at \$1.6 billion, or 17%. Motor vehicle taxes and fees were \$417 million, or 5%, and other state funds were \$815 million, or 9%.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

Net Distributions: TRD distributed a total of \$10.5 billion in FY19. Of those distributions; \$5.3 billion, or 50%, was distributed to the State General Fund, \$2.1 billion, or 20%, was distributed to local governments, \$465 million, or 4%, was distributed to the New Mexico Department of Transportation, and \$2.2 billion, or 22%, was distributed to other state funds.

Audit and Compliance Efforts

The Audit and Compliance Division (ACD) continued to enhance operational efficiencies by expanding tax compliance efforts in fiscal year 2019 (FY19) by employing leading edge technology. ACD implemented a Data Analytics solution to assist with CRS Audit Selection, while also expanding the existing functionality for additional tax programs in GenTax. ACD continues to expand the audit and collections functionality for Severance Tax by trying to identify additional sources of data and by streamlining audit functions. ACD implemented a Segregation of Duties model in GenTax in FY19 to prevent internal fraud and abuse, which included the creation of a new Bureau for all ACD refunds, abatements, credits, and audit assessments. ACD is in the process of documenting all processes using the COSO framework for procedures, using a risk based model for prioritizing the highest risk areas initially and moving through the lower risk processes.

ACD met the target for the measure average return on investment (all funds) for every dollar invested in the audit and compliance division. The actual output was $\$267,525,955/\$21,751,400 = 12.3:1$ against the 11:1 target for FY19. The Division did not achieve its goal of collection on the audit assessments this fiscal year. Collection on these assessments varies depending on the dollar amount, the issues involved on the audits and whether the taxpayer seeks administrative remedies such as protest. For FY20 our goal remains at 65%. ACD continues to monitor this monthly, to make data driven changes throughout the year to reach our goal.

The goal for FY19 was changed to 28%, as opposed to the FY18 goal of 18%, and the new goal for FY20 was modified back down to 23%. ACD proposed a change to the calculation for this measure that is in-line with the timing of the taxpayer bill of rights. Vacancy rates are starting to decline in ACD, which will enable ACD to improve customer service and continue to decrease the Accounts Receivable (AR) balance. Every attempt is being made to leverage technology to achieve goals, as audits have historically outpaced collections. ACD is in the process of implementing projects using C2 funding for FY19 to enhance several collections functions. The FY19 goal will be monitored monthly instead of quarterly so that changes can be made during the year.

The total FY19 compliance effort was \$267 million, an increase of \$13 million from the prior fiscal year. The discovery data warehouse identified over 40,612 noncompliant tax

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

periods through audit and IRS matching programs of income sources for delinquent taxpayers totaling \$87 million in FY19, an increase of \$50 over the prior year. These assessments also resulted in an additional \$33.4 million in Managed Audit Assessments. The total assessments for FY19 were \$186.2 million, the second highest assessment year of all time.

Compliance Enforcement Program

The Tax Fraud Investigations Division (TFID) opened a total of sixteen (16) cases during FY 2019 and referred eleven (11) criminal cases to district attorney's offices throughout the state of New Mexico. The Special Agents and Forensic Tax Auditors stay abreast of and assist with these investigations throughout the criminal court process. The outcome of the majority of these investigations will have a widespread impact on voluntary compliance in all areas of the state. Five of the cases are still open investigations, and two cases were discontinued. Of the eleven (11) criminal cases referred for prosecution, six (6) have been adjudicated with convictions. The division's 61% rate of referrals was below the established 85% target as TFID was understaffed for the majority of FY 2019. TFID currently has six assigned Special Agents, with one recent hire pending certification-by-waiver from the New Mexico Law Enforcement Academy, another special agent currently out on FMLA, and two awaiting onboarding. The two hires awaiting onboarding will attend the New Mexico Law Enforcement Academy in FY 2020. The division will operate more efficiently as TFID will no longer need to rely on other state law enforcement officers to achieve certain aspects of its criminal investigations.

The Internal Investigations Bureau (IIB) completed 100% of the investigations involving employee misconduct with all being completed/closed prior to the required sixty-day timeframe, exceeding their performance standards for FY 2019. The IIB also spent time following up on a multitude of possible violations involving drivers' license fraud and other violations of the Motor Vehicle Department (MVD) statutes. The IIB has established partnerships with multiple federal, state and county agencies. Thirty-five (35) investigations were referred to IIB which included the investigation of various forms of employee misconduct and five (5) that involved fraudulent documents or stolen vehicle titles submitted to the MVD.

Internal Audit

Internal Audit function has a Chief Auditor and four (4) internal auditors. An enterprise-wide risk assessment was conducted, and an audit program is being developed based on the results of this assessment. The annual TRD-wide corporate culture survey was completed in April 2019 with a response rate of 63% or 507 employees completing the survey.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

During FY 2019, Internal Audits' focus was changed on November 2018 to assist in facilitating business process improvement as a consulting activity for internal controls. As Internal Audit works with the divisions, they are identifying risks, primary controls, secondary controls and process efficiency. The main goal of the procedures project is to document procedures across TRD and ensure fair and consistent treatment of Taxpayers. Internal Audit will be working a limited audit plan for FY20 with only nine (9) audits on the plan, due to the Internal Controls project. Internal Audit's monitoring process will reflect on the procedures worked or created with the divisions, as well as the audits findings implemented.

The Information Technology Division of TRD accomplishments in FY19.

The Information Technology Division (ITD) provides technology services, resources and tools that assist TRD in meeting the Department's operational goals, objectives and performance measures. ITD is comprised of Infrastructure, Applications and Initiatives support teams responsible for systems that support the on-going business operations, Mission and Vision of TRD. These systems provide technology-based solutions for the Administration of Taxes and for effective Motor Vehicle Services.

In the past few years, ITD delivered major system enhancements (including complete transformation of Driver's\ Vehicles and Severance Tax). TRD attained PCI compliance, reengineered systems security, contributed to business process improvements, and supported innovation and growth throughout the department. TRD needs to continue to leverage technology to service the agency. TRD must continue to support strategic innovative initiatives such as kiosks, artificial intelligence and machine learning, and new tax and MVD programs. TRD must strive to achieve greater levels of operational excellence by supporting the professional development of our team and partnering with agency, enterprise, and industry stakeholders for the better.

Initiatives Support

TRD initiatives continue to drive the agency forward. Whether mandated by statute, audit compliance, or just good value for our constituency, collaboration with all divisions continues to be the trademark of our success.

Recent accomplishments include: PCI compliance and implementation of new Acquirer Services, Oil and Gas Severance Tax Project, significant progress on Property Tax division business modernization project, IBML Upgrade, Data Analytics, IRS CAPs, improved processes in Quality Assurance and Testing (particularly in rates, SP's, and security), gross receipts location codes and tax rates and film web maps, additional support for business testing, implemented portfolio management, prioritization, developer configurations and peer reviews, and improved change management.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

Applications Support

The two Major Applications supported are GenTax and Tapestry. Within these applications include Data Warehouse, Taxpayer Access Point and MyMVD as well as peripheral systems – cameras, signature pads, payment devices, etc. *and interfaces* with IRS, NMI, DPS, and many others.

The GenTax Teams support the GenTax system which is the State’s tax system of record that processed around \$8.75 billion in FY19. Currently, there are 33 tax programs in production in the GenTax system, including Personal Income Tax, Combined Reporting System, Corporate Income Tax and Severance Tax. All E-filing programs and capabilities for tax programs and motor vehicle are also handled in the GenTax team. The Data Warehouse within the GenTax system enhances the ability of the Department to identify and collect unpaid taxes owed to the State of New Mexico.

The Motor Vehicle Development Teams supports the motor vehicle systems with enhancements and maintenance activities. Some of the motor vehicle functions include: licensing commercial and non-commercial drivers; producing NM identification cards and permits; hazardous material licensing and fingerprinting; titling and licensing commercial and non-commercial vehicles; issuing handicap parking placards; and “self-serve” capabilities through kiosk, web and interactive voice response (IVR) system for vehicle and driver transactions, placard renewals, and partner services including dealers, driving schools, and auto recyclers. The MVD continue to work with IT to promote major innovations for the State. Enhancements to the mobile unit, implementation of local mode, and credit/debit card (PCI) compliance are some noteworthy recent achievements.

Though it is only one tax program, severance tax brought in \$1.5 billion in FY19 and is thus worth mentioning with all the recent changes in system administration. The ONGARD Service Center ceased to exist as of the beginning of FY19 as severance tax became the thirty-third tax program in GenTax. The mainframe costs and ONGARD Service Center costs are no longer paid by the Department. The Taxation and Revenue Department will continue to provide data to the State Land Office in similar fashion as the Energy, Mineral and Natural Resources Department. The tri-agency will continue arrangements that will focus upon the sharing of data rather than the sharing of costs of the ONGARD center and program.

Infrastructure Support

The Infrastructure Support teams supports the entire Department Information Technology infrastructure including all hardware and software applications. This includes desktop support for all TRD employees, networking equipment, storage area network devices, approximately 300 physical and virtual servers, numerous network and desktop

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

printers, and other hardware. Infrastructure staff runs backups, antivirus software and various other applications, and ensures the security of the network and all applications. The team coordinates with the Department of Information Technology regarding any enterprise initiatives. The team runs a network that supports the Department offices throughout the state.

Goal 3: Deliver high-quality IT services that are reliable, accessible, secure and meet all internal and external needs.

Objective 3.1 Improve support for all TRD information technology systems, collaborating with business divisions for lower level technical and business support.

Strategies:

- 1) Stabilization and optimization of infrastructure including enhanced DR capacity at second data center.
- 2) Improve Help Desk activities, processes, and supporting systems and strategies for staff retention.

Objective 3.2 Improve IT Infrastructure business continuity and reduce vulnerability of that infrastructure to catastrophic events and safeguard systems and data from security threats.

Strategies:

- 1) Provide a improved disaster recovery for critical agency infrastructure and applications.
- 2) Continually monitor to identify underperforming or vulnerable objects or software.
- 3) Continue to invest and enhance in operational security improvements.

Objective 3.3 Implement, maintain and refresh the technological infrastructure.

Strategies:

- 1) Replace out-of-date equipment and develop policy and procedures and budget for ongoing equipment refresh.
- 2) Continue to identify, procure and implement needed equipment and services.
- 3) Identify infrastructure failure points, weaknesses and equipment nearing End-of-Life and plan for the mitigation of those items.

Objective 3.4 Deliver planned system projects that will improve the Department to meet other goals and objectives.

Strategies:

- 1) Implement the Property Tax system.
- 2) Develop multi-purposed data analytics tools.
- 4) Implement technological innovations that will improve, enhance, alter or replace the administration of the agency.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

The IT Division is key to the success of the goals of every other division within the Department. The Department continues to focus many of its resources to recruit, sustain and retain the best technology workforce to effectively deliver excellent IT services. The Department has an inherent need to minimize security risks that could compromise agency tax and record data. ITD is responsible for day to day operations including security operations support, while security policies are directed by the department's security office. The Department will continue to contract independent annual audits to test the security of the system, conduct regular internal audits and reviews to assure that data is not compromised, upgrade existing disaster recovery capacity and invest in infrastructure as budget is available. The operation infrastructure team is working in partnership with the agency's security office on advanced analytics opportunities in security improvements. Audits are a continual mandate for the department. ITD performs a significant role in managing, coordinating, and responding to audit requests.

The Department recently completed significant IT projects: the modernization of the MVD system and the implementation of Oil and Gas Severance tax in GenTax. These continuous and sequential endurance tests have put a strain on internal resources and have required a great deal of management focus. New changes in Driver's License requirements, a huge portfolio of Tax system changes including HB6 that mandated over 60 changes to the tax code, and new programs like Insurance Premium Tax and Hospital Surcharge require new and elevated levels of IT development and support.

The GenTax system is New Mexico's tax processing system. Since its initial implementation in 2002, GenTax has grown from supporting two tax programs to 33 programs including Personal Income Tax (PIT), Combined Reporting System (CRS) and Corporate Income Tax (CIT). The GenTax system annually processes, administers, reconciles and distributes over \$8 billion in revenues. The State continues to ask more for the department as evidenced by the new Insurance Premium Tax systems (January 2020) and the Hospital Surcharge partnership with HSD (FY20) as well as continued enhancements and improvements as evidenced by 2019's legislative portfolio.

The Tapestry MVD system re-engineering began in March 2014 and was completed in September 2016. This was a fundamentally important step forward for MVD as the former 30-year-old legacy system had been described as the worst in the country. The MVD was operating a series of hybrid mainframe/web application systems that were outdated, difficult to maintain and resulted in additional work for all employees. The new system enabled system improvements in responding to PCI compliance, Voter registration, Driver's license changes including Real ID and Fundamental policy changes as mandated by statutes such as 2019's SB278 - Driver's License Changes.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

Severance tax was added as the 33rd tax program to GenTax in March 2018. This resulted in the transfer of the mainframe staff and system of the ONGARD (Oil, Natural Gas Administration and Revenue Database) Service Center (OSC) to the State Land Office (SLO) at the end of FY18. However, the key oil and natural gas revenue stream remains in our tax system of record. GenTax staff are supporting the tax program along with the other 32 tax programs.

With the completion of these large IT projects, the Department will turn its focus on other significant and important initiatives. Currently, Insurance Premium Tax is administered through the Office of the Superintendent of Insurance (OSI). In 2018, Legislation enacted HB 223 to transfer the collection of Insurance Premium Tax from OSI to Taxation and Revenue Department (TRD). Effective January 2020, TRD will be required to begin administration of this tax program. During the 2019 Legislative session, HB 162 was enacted which moves Insurance Premium Tax under the TAA (Section 7-1-2 NMSA 1978), providing TRD the necessary authority to administer this program. HB 162 also moves the distribution and collections functions from OSI to TRD.

As mentioned above, the passage of HB6 and other legislation put an additional strain on resources. The department instituted a prioritized portfolio to address the new resource demands, executed support contracts for additional development support, and deprioritized other system improvements.

The property tax engineering project is underway working with Axiomatic to deliver a first of its kind property tax system that works closely with county government to deliver a delinquent property tax system, an assessor case management system and a state assessed property management system.

Moreover, TRD has initiated data analytics investments that will assist multiple divisions. The Department received IT project funds in FY19-21 for an enterprise wide approach utilizing data analytics that will assist with compliance, performing economic analysis and improving systems security.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

The Property Tax Division (PTD) contains three Bureaus; Appraisal, Delinquent Property Tax, and State Assessed Property. The three bureaus conduct highly specialized work in support of county valuation and taxation.

The Appraisal Bureau is responsible for providing technical assistance, oversight, and training to county assessors on the valuation of property and best practices. An Appraisal Bureau staff member chairs the valuation protest board in each county. The Bureau performs a sales ratio study, performs appraisal reviews for other state agencies and local public bodies. The Bureau is responsible for the certified testing and training provided through the International Association of Assessing Officers.

Delinquent Property Accounts

The Delinquent Property Tax Bureau is responsible for the collection of delinquent real property tax obligations for each of the 33 counties in New Mexico. After a real property account has reached more than two years of delinquency, counties transfer the delinquent accounts and tax collection responsibilities to PTD. The Delinquency Property Tax Bureau strives to resolve all delinquencies through courtesy letters (certified and regular mail), red tagging of properties, and installment agreements. As a last resort, properties are offered for sale at an auction. Auctions are held in each county. During FY19 the Bureau resolved a total of 10,985 delinquent property accounts, either by field collections or through property tax sales. FY19 collections produced \$4,466,351 in penalty and interest, \$947,785 in State Cost aggregating \$5,416,938 that includes \$2,802 attributable to installment agreements. These are the combined funding sources for the Property Tax Division. PTD does not receive funding from the General Fund. Base delinquent taxes collected and sent to New Mexico's Counties totaled \$13,093,644 for FY19.

Field collections resolved 9,911 accounts or 90% of the total resolved delinquent property accounts. The amount of penalty and interest through field collections was \$4,212,139 or 94% of the total penalty and interest collected. Field collections netted \$894,060 in state cost or 94% of the total state cost collected.

Installment agreements are executed when delinquent taxpayers need time to meet their obligations. These payment contracts generally have a 36-month term. There were no penalty, interest or state costs collected in the FY19 from Installment Agreements. Additional interest on installment agreements totaled \$2,801.78 in FY19. Collections of penalty, interest, state cost and contract fees are not distributed until the installment agreement has been paid in full, so the additional interest is the only amount attributable to monthly collections.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

There were 31 property tax sales conducted in FY19 consisting of the delinquent accounts that were not resolved through field collections or installment agreements. PTD achieved its calendar year statutory goal of having a sale in each county requiring a sale, there were two counties where resolution of outstanding delinquencies made a sale unnecessary. The total number of accounts listed for sale in all counties was 1,457. Actual accounts sold totaled 462, and accounts listed for sale but resolved prior to the actual sale aggregated 612. 383 accounts which were listed for sale did not receive bids. The Property Tax sales process resolved 1,074 accounts or 10% of the total resolved delinquent property accounts if properties listed for sale and subsequently paid is included, or 4% if only successfully auctioned properties is counted. The amount of penalty and interest collected through sales was \$254,211 or 6% of the total penalty and interest collected. Sale collections produced \$53,725 in state costs, or, 1% of the total state costs collected.

PTD's performance target of returning \$11,500,000 in base taxes to New Mexico's counties was met and exceeded. PTD returned \$13,093,644.28 in previously uncollected property taxes. Of that base tax total, field collections generated \$12,562,039.93, or \$96.0%. Delinquent property tax sales accounted for \$531,605.35 or 4.0% of base taxes.

Pursuant to 7-38-65D NMSA 1978 the Property Tax Division is required to hold one delinquent property tax sale in each county each calendar year. We had a significant amount of properties listed for sale, which were resolved (paid off) before the sale took place in FY19. Tax delinquencies can be paid up to 5:00 PM of the day prior to the date of sale under 7-38-66 A. (1) NMSA 1978. sales in individual counties as needed.

The State Assessed Property Bureau is responsible for the valuation of thirty-one specialized industries including; railroads, airlines, electric utilities, water utilities, telecommunications, oil and gas pipelines and drilling, and mining. The Bureau certifies the tax base for each county and provides that information to the Department of Finance and Administration for the processing of mill rates.

In FY19 the Bureau assessed a total property value of \$24,006,207,984, with a taxable value of \$8,002,069,328. This value consisted of the 642 state assessed (special industry) taxpayers. This amount was certified to the corresponding counties.

PTD's certified mailing system and red tagging of properties continue to add value and efficiency to our process allowing more time for collections. The largest potential improvement in delinquent collections, however, is the ongoing Property Tax Division Modernization Program. The project completed the planning phase in FY19 and will move into the implementation phase. The modernization system will incorporate Geospatial Information to map and market delinquent properties for sale. This will be

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

accompanied by a Case Management System allowing the bureau to work more accounts and eliminate inefficiencies in the process.

Electronically Filed Tax Returns

The Revenue Processing Division (RPD) received approximately 925,252 Personal Income Tax (PIT) returns and 1,178,828 Combined Reporting System (CRS) returns that were filed electronically. These returns amount to 85% of all incoming PIT returns and 91% of all CRS returns received by the Department.

In addition, RPD received 55,260 PIT returns with a 2-D Bar code. These returns are paper returns that are mailed in, where data from the returns is electronically read from the 2-D bar code as the return is processed through the scanning equipment and the information is then uploaded into the system of record automatically without manual data entry. Approximately 20%-25% of the electronically filed returns do not meet edit criteria and must be reviewed by the edit error staff.

Motor Vehicle

MVD is a premier example of good government. Successful improvement initiatives implemented in recent years have been driven by MVD's Mission, Vision, and Core Values--every customer, every transaction, every time. MVD is committed to continuous improvement and ongoing innovation, which is driven by the voice of the customer and collaboration with other public and private partners. The FY19 improvements include, but are not limited to, the following:

- MVD launched its system modernization project, Tapestry in 2015 and the project was officially closed in FY18. Enhancements and adjustments to the system and MVD processes are ongoing.
- MVD is working on a re-organization project to provide dedicated staff to the Tapestry post-production support team. This involves creating a work unit within MVD, moving some positions to the new work unit, establishing appropriate classifications, and filling those positions. This initiative is expected to be completed in FY20.
- MVD began issuing two types of credentials on November 14, 2016. One credential type will be compliant with the Real ID Act of 2005 and will can be used for federal purposes after October 1, 2020. The second credential type is an alternative to Real ID-compliant credentials and will not be able to be used for federal purposes after October 1, 2020. As of September 27, 2019, MVD has

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

issued 75,221 DACs and non-Real ID compliant identification cards and 1,092,031 Real ID compliant driver's licenses (DLs) and identification (IDs) cards, which represents more than 58% of the DLs and IDs that were active prior to November 14, 2016.

- In FY19, MVD resolved a lawsuit that had been brought by several applicants for a DAC. The resolution involved amending the regulations that established acceptable documents to support an application for a DAC, revising Tapestry, revising content on the MVD website, updating job aids and handouts, and training MVD staff on the revised requirements. In FY2019, a public outreach campaign resolved all the requirements of the lawsuit's stipulated order and the lawsuit was vacated.
- Senate Bill 278, passed during the 2019 legislative session and signed into law, replaced DACs and non-Real ID compliant IDs with Standard Driver Licenses and Standard Identification cards. The changes went into effect on September 30, 2019.
- MVD has become a model for motor vehicle operations. At least 14 states have come to New Mexico and more are scheduled in 2019 to observe operations and gather best practices for their own modernization projects or Real ID initiatives.
- MVD launched the country's first motor vehicle customer satisfaction capture and tracking system in high volume field offices at the beginning of FY14. With 1.4 million data points, more than 98 percent of customers in field offices rate MVD service as "good" or "excellent." MVD has continued to maintain a 98.4 percent "good" or "excellent" service rating.
- In addition to very high customer satisfaction ratings, MVD consistently reports an average field office wait time of around 00:17:00. At the same time, there are some customers who are in an MVD field office for longer than that. MVD has launched an initiative that focuses on an improved customer experience. Rather than measuring wait times, a customer's total office experience will be measured (wait time + transaction time = total visit). MVD has set a goal of total visit time that is under 45 minutes.

To achieve this, the division has identified some short-, mid- and long-term solutions:

Short-term solutions (2 – 3 months):

- Tiger teams at key field offices to identify and implement best practices;
- Revise queuing processes to improve the overall customer flow; and
- Implement pre-application functionality.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

Mid-term solutions (3 – 6 months):

- Provide additional training to MVD employees;
- Create efficiencies in Tapestry transaction processes; and
- Implement on-line form upload capability.

Long-term solutions (6 – 9 months):

- Kiosk vendor that provides key transactions;
 - Interactive Voice Response (IVR) system;
 - Satellite capability on the MVD mobile unit.
-
- MVD is working to fill vacancies. The customer and employee experience will be improved by simply having more people to conduct transactions throughout the day.
 - In FY19, MVD was again recognized for outstanding organ donation results among driver license and identification card applicants. The MVD Director and Deputy Director of Field Operations were personally recognized at the American Association of Motor Vehicle Administrators (AAMVA) regional and national levels.
 - In FY20, several RFP processes will be finalized: credential production, data sales/governance, and vehicle insurance verification. Each procurement holds the promise of expanding MVD's use of emerging technology, improving customer service, and enhancing driver and vehicle safety.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) major governmental fund financial statements, and 3) notes to the financial statements. This report also contains other non-major combining and individual governmental fund statements and supplementary information, including the schedule of expenditures of federal awards, in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to be corporate-like in that all 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 the assets, liabilities, revenues, expenses, and gains and losses of the government. Both

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

statements distinguish between the governmental and business-type activities of the primary government.

Fiduciary activities whose resources are not available to finance the government's programs are excluded from the government-wide statements.

The Department does not engage in any business type activities and therefore all the Department's basic services are included in the governmental activities. State appropriations, allocated fees, and federal grants finance most of these activities. The funds included in Governmental Activities for the Department are the General Operating Fund, the Weight Distance Tax Permit Fee Fund, the Drive MVD Fund, the Native American Fund and the Property Valuation Special Revenue Fund.

Fund Financial Statements. Fund financial statements consist of a series of statements that focus on information about the major governmental 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 like 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 major fund is the General Fund, which is the Department's primary operating fund and includes the Weight Distance Tax Permit Fee Fund and the Native American Fund.

The non-major funds include the Property Valuation Special Revenue Fund, in which funds are legally restricted for loans to counties to assist them with residential and non-residential property valuations, and the STB Capital Outlay Capital Projects Funds which accounts for severance tax bond funded capital projects.

The Department has two types of 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 that helps the user determine whether there are more or fewer financial resources that can be spent soon to finance the Department's programs. Since this information does not

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

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.

Fiduciary Funds – The 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 net assets and changes in net assets and employs accounting principles like proprietary funds. Agency fiduciary funds are not included with the governmental-type funds since these funds are not available to support the Department's programs. The Department's fiduciary funds are maintained to receive primarily taxes and some fees. These monies are then distributed to the state general fund, counties, municipalities, other state agencies and other entities.

Notes to the Financial Statements. The notes to the financial statements consist of information that is essential to a user's understanding of the basic financial statements.

Budgetary Comparisons. In addition to the MD&A, budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget are required to be presented as Required Supplementary Information (RSI).

The budgetary comparison schedules present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis. As required by the Office of the State Auditor in 2 NMAC 2.2, the Statements of Revenues and Expenditures – Budget and Actual are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Financial Analysis of the Department as a Whole

Net Position: Total Department net position for fiscal year ended June 30, 2019 is \$62,868,836. However, most of those assets are either restricted as to the purposes they can be used for or are invested in capital assets (buildings, equipment, etc.). The restricted net position in Governmental Activities is \$37,769,545 at the end of the fiscal year. Restricted net position includes \$444,852 legally committed for loans to other counties and \$37,324,693 in fund balances restricted for subsequent year expenditures related to the Department's non-reverting programs. More detailed information is presented in Note 15 to the financial statements.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

The Department’s Net Position

	2019	2018
Assets		
Current and other assets	\$ 1,124,636,734	1,162,555,837
Capital assets	26,299,349	28,163,475
	<hr/>	<hr/>
Total assets	1,150,936,083	1,190,719,312
	<hr/>	<hr/>
Liabilities		
Current liabilities	1,088,067,247	1,137,561,970
	<hr/>	<hr/>
Total liabilities	1,088,067,247	1,137,561,970
	<hr/>	<hr/>
Net Position		
Net investment in capital assets	26,299,349	28,163,475
Restricted	37,769,545	16,413,994
Unrestricted	(1,200,058)	8,579,873
	<hr/>	<hr/>
Total net position	62,868,836	53,157,342
	<hr/> <hr/>	<hr/> <hr/>

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

Governmental Activities: The table below summarizes the Department's activities for the fiscal years ended June 30, 2019 and 2018. Total change in net position from the previous fiscal year was \$9,711,494.

The Department's Governmental Activities

	2019	2018
Program expenses	\$ (82,997,693)	(83,280,060)
Program revenue	1,123,494	1,254,556
	<hr/>	<hr/>
Net program (expense) revenue	(81,874,199)	(82,025,504)
General revenues	40,775,542	37,315,217
Transfers and reversions	50,810,151	48,628,421
	<hr/>	<hr/>
Net general revenues, transfers and reversions	91,585,693	85,943,638
Change in net position	<hr/>	<hr/>
	9,711,494	3,918,134
Net position, beginning of year	53,157,342	49,239,208
Net position, end of year	<hr/> <hr/>	<hr/> <hr/>
	62,868,836	53,157,342

The Department's program expenses for government-type activities during the fiscal year were \$82,997,693. Personnel services and employee benefits totaled \$49,505,887 or 59% of the program expenses. Other costs of \$17,092,968 or 21% of expenditures was used to support the General Fund operations of the Department such as computer usage, telecommunications, printing motor vehicle forms and tax forms, postage, and leases for rent of office space.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

Governmental Funds: The General Fund of the Department is used to account for the Department's primary operations. Of the total fund balance of \$37,225,476, \$36,692,822 is legally restricted for specific purposes.

The Property Valuation special revenue fund is used to fund loans to counties to assist them with residential and non-residential property valuations. The fund balance of \$444,851 is legally committed for this purpose.

During FY19, capital asset activity included \$2,654,019 of capital outlay purchases for data processing equipment and software enhancements to the Department's major computer processing systems.

Fund Balance: As the Department completed the year, its governmental funds reported a combined fund balance of \$38,302,199. More detailed information about the Department's fund balances is presented in Note 16 to the financial statements.

General Fund Budgetary Highlights

The New Mexico State Legislature makes annual appropriations to the Department. Amendments to the appropriated budget require approval by the Budget Division of the Department of Finance and Administration with review by the Legislative Finance Committee.

Over the course of the year, the Department adjusts its budget as authorized in the Appropriation Act. These budget adjustments fall into three categories:

- Supplemental and special appropriations that are reflected in the actual beginning account balances (correcting the estimated amounts in the budget adopted for the fiscal year).
- Budget adjustment requests made during the fiscal year to allow the Department to utilize funds where needed.
- Budget adjustment requests that increase or decrease other state funds based on actual revenues.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

Operating Fund 17200: Changes between the original and final budgets were \$2,658,418 for the Operating Fund. The difference between the original operating revenue budget and the final operating revenue budget included \$2,891,724 in federal grants.

Actual revenues collected which are classified as Other State Funds, were \$33,028,788 or \$4,201,488 higher than the Operating Budget Amount. This represents a 15% increase over the budgeted amount primarily due to the Property Tax Program exceeding its target for FY19 in collections of penalty and interest on delinquent property taxes.

Actual Federal grants revenue collected was \$1,123,494 which represents a 28% decrease from the budgeted amount. The U.S. Department of Transportation CDL grant funds a portion of the MVD project to upgrade the driver and vehicle systems. The grant funded portion of the project is delayed until the new driver system is in production.

Weight Distance Tax Permit Fee Fund 99400: There were no changes between the original and final budgets for the Weight Distance Tax Permit Fee Fund. The difference between the original operating revenue budget and the final operating revenue budget was for prior year cash balance re-budgeted for Motor Vehicle Program initiatives.

Actual Weight Distance Administrative Fees collected during FY19 exceeded the budget by \$7,733,450. As a non-reverting program, fund balances will be restricted for subsequent year expenditures.

Capital Assets

At the end of fiscal year 2019, the Department has invested a total of \$54,735,429 in governmental-type activities in capital assets. This amount represents a net increase (including additions, adjustments and deductions) of \$2,120,644 (5%) greater than last year of \$52,614,785 in gross capital assets without taking accumulated depreciation into account.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

The Department's Capital Assets

	2019	2018
Furniture and fixtures	\$ 693,387	582,666
Software	45,000,601	42,315,162
Machinery and data processing equipment	6,260,724	6,454,444
Tenant leasehold improvements	540,765	550,445
Vehicles	132,902	132,902
Construction in process	2,107,050	2,579,166
	<hr/> 54,735,429	<hr/> 52,614,785
Accumulated depreciation	<hr/> (28,436,080)	<hr/> (24,451,310)
Net total	<hr/> <u>\$ 26,299,349</u>	<hr/> <u>28,163,475</u>

The FY19 increase represents capital outlay acquisitions for purchases of data processing equipment and software enhancements to the Department's major computer processing systems.

Debt Administration

The Department does not have any long-term debt.

General Fund Revenue and Reserve Outlook

According to the August 2019 consensus revenue estimate, fiscal year 2019 recurring revenue is expected to have grown by 16.2 percent to over \$7.9 billion, while year-end financial reserves are estimated to be 26.9 percent of recurring appropriations. Dramatic growth in oil and natural gas-related revenues (both direct severance and direct gross receipts tax receipts from the industry) in fiscal year 2019 added to growth in personal and corporate income taxes and earnings on state balances. Beyond growth of revenue related to the current production of oil and gas in fiscal year 2019 there was a significantly above trend Federal Mineral Leasing bonus payment from securing the rights to future production on certain federal lands of \$448 million.

Fiscal year 2020 recurring revenues are estimated to be 1.8 percent lower than fiscal year 2019, at approximately \$7.8 billion. The expected decline is due to the annual Federal Mineral Leasing bonus payments returning to a longer-term trend, whereas, other oil and natural gas-related revenues are projected to be even higher than fiscal year 2019 levels as

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

volumes are expected to grow significantly. New Mexico natural gas prices are expected to average \$2.00 per thousand cubic feet and New Mexico oil prices are projected to average \$52.50 per barrel, while natural gas volumes are estimated to increase by 6 percent oil volumes are projected to increase by 20 percent to 356 million barrels (which is more than double the level just three years ago).

Fiscal year 2020 ending reserves are projected to be \$2,269.5 million or 32.0 percent of recurring appropriations if no additional FY 2020 supplemental or special appropriations are made mid-year during the 2020 legislative session.

Performance Measures

The Department collects data to measure success in meeting performance measure targets to address the requirements for the Accountability in Government Act (AGA), Sections 6-3A-1 through 6-3A-8 NMSA 1978.

Performance measures should enhance program performance and accountability, ultimately leading to improved services for New Mexicans. The Department periodically reviews and proposes changes to identify which services have had strong outcomes and which have had poor or weak results and why. This encourages the agency to focus on results and how best to deliver services.

The Department continues to work with the Legislative Finance Committee (LFC) and the State Budget Division to report and streamline measures that are meaningful and useful.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

Key measures and FY19 results are summarized in the table below.

Type of Measure	HB2 Measure	FY19 Target	FY19 Result
	Tax Administration Act		
Explanatory	Percent of electronically filed returns (PIT, CRS)	n/a	88.0 %
Outcome	Collections as a percent of collectable audit assessments generated in the current fiscal year	65%	44.0%
Outcome	Collections as a percent of collectables outstanding balances from the end of the prior fiscal year	28%	19.1%
Output	Average return on investment (all funds) for every dollar invested in the audit and compliance division	11:1	12.3:1
Explanatory	Percent of questionable refund tax returns stopped compared with the total number of personal income tax returns processed.	n/a	5.23%
Explanatory	Percent of taxpayer correspondence requests answered in an average of ten working days	n/a	100%
	Motor Vehicle Program		
Efficiency	Average call center wait time to reach an agent, in minutes	<5:00	14:09
Outcome	Percent of registered vehicles with liability insurance	93%	90.4%
Efficiency	Average wait time in Q-Matic equipped offices, in minutes	<15:00	16:01
Efficiency	Average number of days to post “court action” driving-while intoxicated citation to driver’s record on receipt	1.0	1.15
Quality	Percent of customers rating customer service as good or higher	> 98%	98.36%
Explanatory	Web transactions as a percent of total transactions	n/a	21.7%

Type of Measure	HB2 Measure	FY19 Target	FY19 Result
	Property Tax Program		
Outcome	Percent of total delinquent property taxes recovered	15 %	21.2%
Output	Percent of counties in which a delinquent property sale was held	92%	100%
Outcome	Amount of delinquent property tax collected and distributed to counties, in millions	\$13	\$12.9
	Compliance Enforcement Program		
Outcome	Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year	85%	55%
Explanatory	Successful tax fraud prosecutions as a percent of total cases prosecuted	n/a	100%
Outcome	Percent of internal investigations completed with sixty days	90%	100%
	Program Support		
Explanatory	Number of days after the close of a reporting period that financial reports are available	n/a	Next Day
Outcome	Number of tax protest cases resolved	1,500	1,003
Outcome	Percent of matched combine reporting system taxes distributed timely	100%	100%
Output	Percent of internal audit recommendations implemented	90%	60.7%

Contacting the Agency's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators, and investors and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

New Mexico Taxation & Revenue Department
Administrative Services Division Director
Post Office Drawer 630
Joseph M. Montoya Building Room 3040
Santa Fe, New Mexico 87504-0630

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF NET POSITION
June 30, 2019**

	Governmental Activities
	<hr/>
ASSETS	
Unrestricted cash on hand	\$ 70,083
Interest in the State Treasurer General Fund	
Investment Pool	
Unrestricted	328,128,051
Restricted for loans to counties	444,852
Receivables	
Due from federal government	593,705
Loans to counties, net	70,422
Other receivables, net	18,104
Counties, municipalities and fee agents	5,288,184
Due from taxpayers	794,284,492
Citations	5,292,511
Tax assessments	1,391,272,459
Allowance for uncollectibles	(1,401,853,120)
Prepaid travel	6,514
Prepaid expenses	176,114
Inventory of supplies	844,363
Capital assets, net	26,299,349
	<hr/>
Total assets	1,150,936,083
	<hr/>
LIABILITIES	
Accounts payable	7,140,479
Loans Payable	1,250,000
Accrued payroll	1,975,619
Due to other state agencies	773,265,166
Due to State General Fund	1,076,313
Refunds due to taxpayers	150,676,170
Unidentified tax collections	150,946,412
Other training liabilities	4,376
Compensated absences	1,732,712
	<hr/>
Total liabilities	1,088,067,247
	<hr/>
NET POSITION	
Net investment in capital assets	26,299,349
Restricted for loans to counties	444,852
Restricted for other purposes	37,324,693
Unrestricted	(1,200,058)
	<hr/>
Total net position	\$ 62,868,836
	<hr/> <hr/>

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	<u>Program Support</u>	<u>Tax Administration Act</u>	<u>Motor Vehicle Program</u>	<u>Property Tax Program</u>	<u>Compliance Enforcement</u>	<u>Governmental Activities</u>
Program Expenses	\$ 19,048,962	28,295,434	31,604,801	2,875,908	1,172,588	82,997,693
Total program expenses	19,048,962	28,295,434	31,604,801	2,875,908	1,172,588	82,997,693
Program Revenues						
Federal operating grants	-	1,063,242	60,252	-	-	1,123,494
Total program revenues	-	1,063,242	60,252	-	-	1,123,494
Net Program Expense	\$ (19,048,962)	(27,232,192)	(31,544,549)	(2,875,908)	(1,172,588)	(81,874,199)
General Revenues						
Other state funds:						
Delinquent Property Tax						
Penalty and Interest						5,701,604
Weight Distance Administrative Fees						7,733,450
MVD Administrative Fees						19,587,470
Other Administrative Fees						7,753,018
Total general revenues						40,775,542
Transfers and Reversions						
State General Fund appropriations						54,529,200
State General Fund special appropriations						3,184,536
Transfers to other state agencies						(3,313,900)
Reversions to State General Fund - FY19						(3,589,685)
Total transfers and reversions						50,810,151
Net General Revenues, Transfers and Reversions						91,585,693
Change in net position						9,711,494
Net position, beginning of year						53,157,342
Net position, end of year						<u>\$ 62,868,836</u>

See Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019**

	<u>Major Funds</u> <u>General</u>	<u>Other Governmental</u> <u>Funds</u>	<u>Total Governmental</u>
ASSETS			
Interest in the State Treasurer General Fund			
Investment Pool	\$ 327,750,359	1,016,131	328,766,490
Cash on hand	70,083	-	70,083
Receivables			
Due from federal government	593,705	-	593,705
Loans to counties, net	-	70,422	70,422
Other receivables, net	18,104	-	18,104
Counties, municipalities and fee agents	5,288,184	-	5,288,184
Due from taxpayers	794,284,492	-	794,284,492
Citations	5,292,511	-	5,292,511
Tax assessments	1,391,272,459	-	1,391,272,459
Allowance for uncollectibles	(1,401,853,120)	-	(1,401,853,120)
Due from:			
Inventory of supplies	844,363	-	844,363
Prepaid expenses	176,114	-	176,114
Prepaid travel	6,514	-	6,514
Total assets	\$ 1,123,743,768	1,086,553	1,124,830,321
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 7,130,649	9,830	7,140,479
Loans Payable	1,250,000		1,250,000
Overdraft in Interest in SGFIP	193,587		193,587
Accrued payroll	1,975,619	-	1,975,619
Due to other state agencies	773,265,166	-	773,265,166
Due to State General Fund	1,076,313	-	1,076,313
Refunds due to taxpayers	150,676,170	-	150,676,170
Unidentified tax collections	150,946,412	-	150,946,412
Other liabilities	4,376	-	4,376
Total liabilities	1,086,518,292	9,830	1,086,528,122
Fund Balances			
Nonspendable			
Inventory of supplies	844,363	-	844,363
Prepaid expenses	176,114	-	176,114
Restricted	36,692,822	1,076,723	37,769,545
Unassigned	(487,823)	-	(487,823)
Total fund balances	37,225,476	1,076,723	38,302,199
Total liabilities and fund balances	\$ 1,123,743,768	1,086,553	1,124,830,321

See Notes to Financial Statements.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019**

Total Fund Balances - Governmental Funds (Governmental Fund Balance Sheet)	\$ 38,302,199
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets not included in the governmental funds, but capitalized in the Statement of Net Position	54,735,429
Accumulated depreciation recorded in the Statement of Net Position, but not recorded in the governmental funds	<u>(28,436,080)</u>
	26,299,349
Compensated absences recorded in the Statement of Net Position, but not recorded in the governmental funds	<u>(1,732,712)</u>
Net position of governmental activities (Statement of Net Position)	<u><u>\$ 62,868,836</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	<u>Major Funds</u> <u>General</u>	<u>Other Governmental</u> <u>Funds</u>	<u>Total Governmental</u>
Revenues			
Other state funds	\$ 40,762,238	13,304	40,775,542
Federal funds	1,123,494	-	1,123,494
Total revenues	41,885,732	13,304	41,899,036
Expenditures			
Current			
Personal services and employee benefits	49,505,887	-	49,505,887
Contractual services	12,733,420	-	12,733,420
Other costs	17,083,284	9,684	17,092,968
Capital outlay	2,282,714	64,445	2,347,159
Total expenditures	81,605,305	74,129	81,679,434
Excess (Deficiency) of Revenues Over Expenditures	(39,719,573)	(60,825)	(39,780,398)
Other Financing Sources (Uses)			
State General Fund appropriations	54,195,200	334,000	54,529,200
State General Fund special appropriations	3,184,536	-	3,184,536
Transfers to other state agencies	(3,313,900)	-	(3,313,900)
Reversions to State General Fund - FY19	(3,589,685)	-	(3,589,685)
Total other financing sources (uses)	50,476,151	334,000	50,810,151
Net changes in fund balances	10,756,578	273,175	11,029,753
Fund balances, June 30, 2018	26,056,927	803,548	26,860,475
Increase (Decrease) in Nonspendable Inventories	411,971	-	411,971
	26,468,898	803,548	27,272,446
Fund balances, June 30, 2019	\$ 37,225,476	1,076,723	38,302,199

See Notes to Financial Statements.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

Net Changes in Fund Balances - Total Governmental Funds		
(Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$	11,029,753
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital asset additions recorded as expenditures in the governmental funds but capitalized in the Statement of Net Position		2,654,019
Depreciation expense recorded in the Statement of Activities but not recorded as expenditures in the governmental funds		(4,518,145)
Net change in compensated absences recorded in the Statement of Activities as a liability but not recorded in the governmental funds		133,896
Change in inventory		<u>411,971</u>
Change in net position of governmental activities		
(Statement of Activities)	\$	<u><u>9,711,494</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200
Year Ended June 30, 2019

	PROGRAM SUPPORT			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 18,062,000	18,062,000	18,062,000	-
Other state funds	938,800	938,800	1,160,432	221,632
Other sources	203,200	203,200	203,200	-
Total revenues	19,204,000	19,204,000	\$ 19,425,632	221,632
Fund Balance Budgeted	-	-		
Total revenues and fund balance budgeted	\$ 19,204,000	19,204,000		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 13,864,900	12,121,900	10,786,936	1,334,964
Contractual services	3,311,000	4,704,000	4,458,572	245,428
Other	2,028,100	2,378,100	2,255,468	122,632
Total expenditures	\$ 19,204,000	19,204,000	17,500,976	1,703,024

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2019

TAX ADMINISTRATION ACT *				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 21,878,100	21,878,100	21,878,100	-
Other state funds	6,559,600	6,559,600	6,521,514	(38,086)
Federal funds	1,506,800	1,506,800	1,063,242	(443,558)
Other sources	269,800	269,800	269,800	-
Total revenues	30,214,300	30,214,300	\$ 29,732,656	(481,644)
Fund Balance Budgeted	-	-		
Total revenues and fund balance budgeted	\$ 30,214,300	30,214,300		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 24,644,500	23,916,500	21,872,744	2,043,756
Contractual services	236,400	264,400	121,641	142,759
Other	5,333,400	6,033,400	5,936,491	96,909
Total expenditures	\$ 30,214,300	30,214,300	27,930,876	2,283,424

* Less Fund 99400

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2019

MOTOR VEHICLE PROGRAM *

	MOTOR VEHICLE PROGRAM *			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 11,649,800	11,649,800	11,649,800	-
Other state funds	17,024,200	17,252,200	19,587,941	2,335,741
Federal funds	78,000	2,508,418	60,252	(2,448,166)
Other sources	93,700	93,700	93,700	-
Total revenues	28,845,700	31,504,118	\$ 31,391,693	(112,425)
Fund balance budgeted	-	-		
Total revenues and fund balance budgeted	\$ 28,845,700	31,504,118		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 15,583,000	14,284,679	13,852,575	432,104
Contractual services	7,551,100	8,050,781	7,648,142	402,639
Other	5,711,600	9,168,658	8,348,488	820,170
Other financing uses	-	-	-	-
Total expenditures	\$ 28,845,700	31,504,118	29,849,205	1,654,913

* Less Fund 99400

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2019

PROPERTY TAX PROGRAM

	PROPERTY TAX PROGRAM			Variance with
	Budgeted Amounts		Budgetary Basis Actual Amounts	Final Budget
	Original	Final		Positive (Negative)
Revenues				
State General Fund Appropriations	\$ -	-	-	-
Other state funds	4,076,700	4,076,700	5,758,901	1,682,201
Total revenues	4,076,700	4,076,700	\$ 5,758,901	1,682,201
Fund balance budgeted	-	-		
Total revenues and fund balance budgeted	\$ 4,076,700	4,076,700		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 2,714,600	2,654,600	2,050,786	603,814
Contractual services	668,000	668,000	205,469	462,531
Other	694,100	754,100	646,390	107,710
Other Financing Uses	-	-		-
Total expenditures	\$ 4,076,700	4,076,700	2,902,645	1,174,055

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2019

	COMPLIANCE ENFORCEMENT			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 1,555,300	1,555,300	1,555,300	-
Other state funds	-	-	-	-
Other sources	20,300	20,300	20,300	-
Total revenues	1,575,600	1,575,600	\$ 1,575,600	-
Fund balance budgeted	-	-		
Total revenues and fund balance budgeted	\$ 1,575,600	1,575,600		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 1,302,700	1,242,700	931,304	311,396
Contractual services	6,800	38,800	339	38,461
Other	266,100	294,100	251,064	43,036
	\$ 1,575,600	1,575,600	1,182,707	392,893

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2019

Fund 17200 SPECIAL APPROPRIATIONS
Severance Tax Appropriation ZA0705

	PROGRAM SUPPORT			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other sources	\$ 1,746,708	1,746,708	2,597,536	850,828
Total revenues	1,746,708	1,746,708	\$ 2,597,536	850,828
Fund balance budgeted	-	-		
	\$ 1,746,708	1,746,708		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 100,000	11,542	11,542	-
Contractual services	1,646,708	21,968	(3,590)	25,558
Other	-	1,713,198	296,349	1,416,849
Other financing uses	-	-	-	-
Total expenditures	\$ 1,746,708	1,746,708	304,301	1,442,407

Property Tax System Modernization ZA0706

	PROGRAM SUPPORT			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ -	-	-	-
Other sources	-	-	-	-
Total revenues	-	-	\$ -	-
Fund balance budgeted	881,253	881,253		
	\$ 881,253	881,253		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	881,253	881,253	62,407	818,846
Other	-	-	589,804	(589,804)
Other financing uses	-	-	-	-
Total expenditures	\$ 881,253	881,253	652,211	229,042

* Does not represent an over expenditure. Other cost represents capitalized professional services

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2019

Fund 17200 SPECIAL APPROPRIATIONS

Data Analytics - ZC7005

	PROGRAM SUPPORT			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ -	-	-	-
Other sources	-	-	-	-
Total revenues	-	-	\$ -	-
Fund balance budgeted	1,150,000	1,150,000		
	<u>\$ 1,150,000</u>	<u>1,150,000</u>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	1,150,000	1,150,000	-	1,150,000
Other	-	-	1,042,000	(1,042,000)
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 1,150,000</u>	<u>1,150,000</u>	<u>1,042,000</u>	<u>108,000</u>

* Does not represent an over expenditure. Other cost represents capitalized professional services

See Notes to Financial Statements.

Tax Protests - ZC5526

	PROGRAM SUPPORT			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ -	-	-	-
Other sources	-	-	-	-
Total revenues	-	-	\$ -	-
Fund balance budgeted	296,272	296,272		
	<u>\$ 296,272</u>	<u>296,272</u>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	296,272	296,272	250,129	46,143
Other	-	-	-	-
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 296,272</u>	<u>296,272</u>	<u>250,129</u>	<u>46,143</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2019

Fund 17200 SPECIAL APPROPRIATIONS

	MOTOR VEHICLE			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 50,000	50,000	50,000	-
Other sources	-	-		-
Total revenues	50,000	50,000	\$ 50,000	-
Fund balance budgeted				
	\$ 50,000	50,000		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 30,000	30,000	-	30,000
Contractual services	-	-	-	-
Other	20,000	20,000	-	20,000
Other financing uses	-	-	-	-
Total expenditures	\$ 50,000	50,000	-	50,000

	PROGRAM SUPPORT			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 1,000,000	1,000,000	1,000,000	-
Other sources	-	-		-
Total revenues	1,000,000	1,000,000	\$ 1,000,000	-
Fund balance budgeted				
	\$ 1,000,000	1,000,000		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	1,000,000	1,000,000	-	1,000,000
Other	-	-	-	-
Other financing uses	-	-	-	-
Total expenditures	\$ 1,000,000	1,000,000	-	1,000,000

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2019

	TOTAL OPERATING FUND			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 54,195,200	54,195,200	54,195,200	-
Other state funds	28,599,300	28,827,300	33,028,788	4,201,488
Federal funds	1,584,800	4,015,218	1,123,494	(2,891,724)
Other sources	2,333,708	2,333,708	3,184,536	850,828
Total revenues	86,713,008	89,371,426	\$ 91,532,018	2,160,592
Fund balance budgeted	2,327,525	2,327,525		
Total revenues and fund balance budgeted	\$ 89,040,533	91,698,951		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 58,239,700	54,261,921	49,505,887	4,756,034
Contractual services	16,747,533	17,075,474	12,743,109	4,332,365
Other	14,053,300	20,361,556	19,366,054	995,502
Other financing uses	-	-	-	-
Total expenditures	\$ 89,040,533	91,698,951	81,615,050	10,083,901

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
WEIGHT DISTANCE TAX PERMIT FEE FUND 99400
Year Ended June 30, 2019

TAX ADMINISTRATION ACT				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ -	-	-	-
Total revenues	-	-	\$ -	-
Fund balance budgeted	-	-		
Total revenues and fund balance budgeted	\$ -	-		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	(56)	56
Other financing uses	-	-	-	-
Total expenditures	\$ -	-	(56)	56

MOTOR VEHICLE PROGRAM				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ -	-	7,733,450	7,733,450
Total revenues	-	-	\$ 7,733,450	7,733,450
Fund balance budgeted	3,313,900	3,313,900		
Total revenues and fund balance budgeted	\$ 3,313,900	3,313,900		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	(9,689)	9,689
Other	-	-	-	-
Other financing uses	3,313,900	3,313,900	3,313,900	-
Total expenditures	\$ 3,313,900	3,313,900	3,304,211	9,689

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
WEIGHT DISTANCE TAX PERMIT FEE FUND 99400 (CONTINUED)
Year Ended June 30, 2019

	TOTAL WEIGHT DISTANCE TAX PERMIT FEE FUND			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ -	-	7,733,450	7,733,450
Total revenues	-	-	<u>\$ 7,733,450</u>	<u>7,733,450</u>
Fund balance budgeted	<u>3,313,900</u>	<u>3,313,900</u>		
Total revenues and fund balance budgeted	<u>\$ 3,313,900</u>	<u>3,313,900</u>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	(9,689)	9,689
Other	-	-	(56)	56
Other financing uses	3,313,900	3,313,900	3,313,900	-
Total expenditures	<u>\$ 3,313,900</u>	<u>3,313,900</u>	<u>3,304,155</u>	<u>9,745</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
DRIVE MVD FUND 79800
Year Ended June 30, 2019

	PROGRAM SUPPORT			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ 108,100	108,100		(108,100)
Federal funds	-	-	-	-
Total revenues	108,100	108,100	\$ -	(108,100)
Fund balance budgeted	-	-		
Total revenues and fund balance budgeted	\$ 108,100	108,100		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 108,100	108,100	-	108,100
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
Total expenditures	\$ 108,100	108,100	-	108,100

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
NATIVE AMERICAN FUND 10690
Year Ended June 30, 2019

FUND 10690 SPECIAL APPROPRIATIONS Native American PIT Settlement Z40519	TAX ADMINISTRATION ACT			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ -	-	-	-
Total revenues	-	-	\$ -	-
Fund Balance Budgeted	-	25,445		
Total revenues and fund balance budgeted	\$ -	25,445		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	25,445	-	25,445
Other financing uses	-	-	-	-
Total expenditures	\$ -	25,445	-	25,445

	TOTAL NATIVE AMERICAN FUND			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ -	-	-	-
Total revenues	-	-	\$ -	-
Fund Balance Budgeted	-	25,445		
Total revenues and fund balance budgeted	\$ -	25,445		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	25,445	-	25,445
Other financing uses	-	-	-	-
Total expenditures	\$ -	25,445	-	25,445

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Operating Fund 17200	Weight Distance Fund 99400	Drive MVD Fund 79800	Native American Fund 10690	Total General Fund
Total Expenditures and Other Financing Uses (Statement of Revenues, Expenditures and Changes in Fund Balance)	\$ 81,615,050	3,304,155	-	-	84,919,205
Reversions to State General Fund-FY18	3,589,685	-	-	-	3,589,685
Total Expenditures (Statement of Revenues and Expenditures - Budget and Actual)	\$ 85,204,735	3,304,155	-	-	88,508,890

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND TYPE - AGENCY FUNDS
JUNE 30, 2019

ASSETS

Interest in State General Fund Investment Pool (SGFIP)	\$ 56,031,748
Receivables:	
Due from taxpayers	352,933,531
	<hr/>
Total assets	\$ 408,965,279
	<hr/> <hr/>

LIABILITIES

Due to component units	\$ 13,692,172
Due to counties and municipalities	395,273,107
	<hr/>
Total liabilities	\$ 408,965,279
	<hr/> <hr/>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. NATURE OF ORGANIZATION

The Taxation and Revenue Department (Department) was created under the Executive Reorganization Act of 1977 (Laws of 1977, Chapter 249, Section 9-11-4, NMSA 1978) to act as the state's principal agency for tax collection and administration. The chief executive of the Department is the Secretary, who is appointed by the Governor of New Mexico and is a member of the Governor's cabinet. These financial statements include all funds over which the Department Secretary has authority. The functions of the Department are administered through the following divisions:

Office of the Secretary. The Office provides overall leadership, administration, and support for the department. The Office sets forth policy for the administration and enforcement of tax laws, oversees Department operations, the Office of Internal Oversight and advises the Governor on matters of tax and motor vehicle policy. As of July 1, 2015, the Internal Audit Bureau which previously reported to the Tax Fraud Investigations Division will now be a part of the Office of Internal Oversight.

Administrative Services Division. The Administrative Services Division ensures the Department meets its vision, mission, and objectives by providing guidance, information and expertise in the administrative support areas. The division consists of the General Services Bureau, Budget Bureau, Financial Services Bureau, Financial Distribution Bureau and the Human Resources Bureau which includes the Training Bureau.

Information Technology Division. The Information Technology Division provides technology services, resources, and tools to assist the Department in meeting its goals, objectives and performance measures. The director (Agency CIO) is responsible to the Secretary for all of the Department's computer hardware, software, network and internet resources.

ONGARD Service Center. The ONGARD (Oil and Natural Gas Administration and Revenue Database) Service Center is responsible for maintaining and supporting the operations of the ONGARD computer system. The ONGARD Service Center is a multi-agency project comprised of Energy, Minerals and Natural Resources Department, State Land Office and the Taxation and Revenue Department. The ONGARD Service Center transitioned to the State Land Office as of July 2018 and all assets transferred as of October 2018.

Audit and Compliance Division. The Audit and Compliance Division collects tax and fee revenue through the fair, impartial and consistent application of New Mexico tax laws by implementing effective and timely collection, deposit and auditing activities.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. NATURE OF ORGANIZATION (CONTINUED)

Revenue Processing Division. The Revenue Processing Division is responsible for receiving, processing, depositing and accounting for all tax returns, registration requests, reports and money received from tax and motor vehicle programs administered by the Department.

Property Tax Division. The Property Tax division is responsible for administering and enforcing the Property Tax Code and recommending policies and procedures concerning property taxation. The Division Director is also responsible for establishing liaison with the county assessors and treasurers.

Motor Vehicle Division. The Motor Vehicle Division is responsible for the administration of the Motor Vehicle Code. Responsibilities of the Division Director are to license motorists and maintain their records; register and title vehicles; license, regulate and inspect automobile dealers and dismantlers; collect taxes and revenues; provide timely information to law enforcement agencies and other government organizations and provide certain special services such as legal hearings and special license plates.

Tax Fraud Investigations Division. The Tax Fraud Investigations Division is responsible for investigations of various types of tax fraud, motor vehicle fraud and other financial crimes. The division consists of the Internal Investigations Bureau and the Tax Fraud Investigations Bureau. As of July 1, 2015, the Internal Audit Bureau will now be a part of the Office of Internal Oversight under the Office of the Secretary.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting and issues statements that establish the financial reporting requirements for state and local governments throughout the United States. The Department is responsible for the fair presentation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America. The Department has prepared required supplementary information entitled, *Management's Discussion and Analysis*, which precedes the basic financial statements.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A primary government is any state or general-purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Department, therefore, is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State. The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting Standards Board (GASB). The Department has no component units.

Copies of the State of New Mexico's Comprehensive Annual Financial Report can be requested from the Department of Finance and Administration, Financial Control Division/State Controller, Bataan Memorial Building Room 320, Santa Fe, NM 87501.

Government-wide and Fund Financial Statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Department. The Department has no business-type activities or component units to report on. Inter-fund balances have been eliminated in the government-wide financial statements. It is the Department's policy to eliminate the internal activity; therefore, amounts due to and due from the agency funds are reported in the statement of net position as due to and due from external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Department's program revenues consist of operating grants that are restricted to meeting the operational requirements of a particular function or segment. General fund appropriations and other items not properly included among program revenues are reported instead as general revenues. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Department's policy to use restricted resources first. When expenditures are incurred for purposes, for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Department's policy to spend committed resources first. The Department reserves the right to selectively spend unassigned resources first to defer use of restricted or committed resources.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Department's major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation. The accounts of the Department are organized on the basis of funds, each of which is considered a separate accounting entity. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The government-wide and agency fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Derived tax revenues are recognized when the underlying exchange transaction takes place. The Department estimates the amount receivable at year end primarily by looking at subsequent cash receipts up to 120 days past year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State appropriations, derived tax revenues, federal grant revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available when the Department receives cash.

The Department reports the following major governmental funds:

The General Fund is the Department's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The Department's operations are funded primarily by appropriations from the State General Fund, which are recorded as revenues in the general fund in the year appropriated.

The General Fund includes an appropriation for the *Weight Distance Tax Permit Fee Fund*, the purpose of which is to provide an account from which the Department may pay the costs of issuing and administering weight distance tax identification permits.

The General Fund includes special appropriations for the Native American Fund. The net position of this fund is used for Native American personal income tax refunds, for Native American veterans who may have been exempt from paying state personal income taxes on their military income but may have had state personal income taxes withheld from their military income.

The General Fund also includes funds held and funds due from other state agencies, or components of the New Mexico Comprehensive Annual Financial Report (CAFR). These funds are described starting at page 84.

Additionally, the Department reports the following fund types:

Special Revenue Funds. Special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes.

The Property Valuation Fund. This special revenue fund provides loans to counties to be used to obtain technical assistance in the areas of property valuation, mapping and reappraisal. The Property Valuation Fund (Section 7-35-3 NMSA 1978) was created via a special appropriation. The net assets of this fund are legally restricted for loans to counties to assist with residential and non-residential property valuations. Due to the lack of activity, this fund is not budgeted.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Project Funds. Capital project funds account for financial sources to be used for the acquisition of major capital items.

STB Capital Outlay Fund. This capital project fund is used to account for severance tax bond funded capital projects. The bond proceeds are appropriated by the legislature for construction projects administered by the Department. This fund reverts upon completion of the appropriation project or upon expiration of the appropriation period. Appropriations are received on a reimbursement basis as expenditures occur; therefore, only budgetary reversions are made when applicable.

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

Fiduciary Funds. Fiduciary funds account for assets held by the Department in a trustee capacity or as an agent for individuals, private organizations other government units and/or funds. The fiduciary fund type includes agency funds, which are custodial in nature and do not present results of operations. Agency funds are used to account for assets that the Department holds for others in an agency capacity. It is comprised of collection funds, which account for all activity of the tax programs administered by the Department, unclaimed property and fuel users/supplier's bonds. Unmatched money (money that cannot be matched to tax returns) over sixty days is remitted to the State General Fund per statute. These funds are subject to be refunded to the taxpayer or subject to being distributed to local governments once the proper tax return is identified and matched to the funds.

Cash Deposits and Interest in the State General Fund Investment Pool. The Department is required by statute to remit any money received for or on behalf of the state into the state treasury. Money deposited by the Department with the State Treasurer is pooled and invested by the State Treasurer. Investment securities are exposed to custodial credit risk when the securities are uninsured and not registered in the name of the government and are held by either the counterparty or the counterparty's trust department or agent, but not in the agency's name. Specific pledged collateral for amounts held by the State Treasurer is included in the New Mexico State Treasurer's Office separately issued financial statements for the fiscal year ended June 30, 2019.

Cash in transit and in banks is comprised of monies received by the various Department field and port of entry collection offices initially deposited in local banks. On a daily basis, cash in local banks is transferred to the State Treasurer.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

“Interest in the State General Fund Investment Pool” is comprised of all of the Department’s accounts placed in the custody of the State Treasurer.

Cash on hand (petty cash and change funds) represents imprest amounts at Audit and Compliance Division district field offices, Motor Vehicle Division field offices, and the Tax Fraud Investigations Division offices.

Inventory of Supplies. Inventory is valued at cost (first-in, first-out valuation basis). The purchase method is used to account for inventories in the general fund. Under the purchase method, inventories are recorded as expenditures when purchased. Inventories at year-end are reported as assets of the General Fund and are classified as nonspendable fund balance, which indicates it is unavailable for appropriation, even though it is a component of reported net position.

Capital Assets. Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets purchased or acquired at a value of \$5,000 or greater are capitalized per Section 12-6-10 NMSA 1978. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Department utilizes works of art and historical treasures, in addition to facilities and buildings that are owned by the Property Control Division of the State of New Mexico General Services Department. These assets and the related depreciation expense are not included in the accompanying financial statements, since they are not owned by the Department. GASB 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc. The Department does not own any infrastructure assets.

Property and equipment of the Department is depreciated using the straight-line method over the following estimated useful lives:

Furniture and fixtures	7 years
Software	8 years
Machinery and equipment	5 years
Vehicles	5 years
Tenant leasehold improvements	15 years

Compensated Absences. Employees are permitted to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Qualified employees are entitled to accumulate vacation leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon the length of service and the employee's hire date. A maximum of thirty working days (240 hours) of such accumulated vacation leave may be carried forward into the beginning of the subsequent calendar year with any excess forfeited.

When employees terminate, they are compensated for accumulated unpaid vacation leave at the date of termination, up to a maximum of thirty days (240 hours).

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave which an employee may accumulate. Once per fiscal year in either January or July, employees may elect to be paid for 50 percent of accrued sick leave in excess of 600, up to 720 hours, not to exceed 120 hours. In the case of retiring employees, they may be paid for 50 percent of accrued sick leave in excess of 600, up to 1,000 hours, not to exceed 400 hours. All sick leave balances from 600 to 720 hours have been recorded at 50 percent of the employees' hourly rate in the government-wide financial statements.

Deferred Outflows/Inflows of Resources. In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The Department did not have any items that qualified for reporting as a deferred outflow or deferred inflow as of June 30, 2019.

Fund Balance. In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, committed, assigned, or unassigned. Non-spendable represents reserves for imprest petty cash and change funds, supplies inventory, and prepaid postage. 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 branches intent to be used for specific purposes or in some cases by legislation. See Note 15 for additional information about fund balances.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position. Net position represents the difference between all other elements in a statement of net position and should be displayed in the applicable components of net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. The Department does not have any debt related to capital assets.

Restricted. Restricted consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The Department restricts fund balance for multi-year appropriations, loans to counties and other funds committed to specific purposes pursuant to legislation.

Unrestricted. Unrestricted consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Budgetary Data. The State Legislature makes annual appropriations to the Department. Legal compliance is monitored through the establishment of an annual budget for the General Fund (Operating Fund 17200, Weight Distance Tax Permit Fee Fund 99400 and the Native American Fund 10690). A budget is never prepared for the Property Valuation Fund 34800, a special revenue fund.

Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired, or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

The following are the procedures followed in establishing the budgetary data presented in the financial statements:

1. The Department submits a proposed budget to the New Mexico state legislature for the fiscal year commencing the following July 1. The state legislature must approve the budget prior to its legal enactment.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The expenditures and encumbrances of each appropriation unit may not legally exceed the budget for that category. Budgets are controlled at the “appropriation unit” level within activities (personal services and benefits, contractual services, etc.).
3. Any adjustment to the budget must be submitted to and approved by the State of New Mexico Department of Finance and Administration State Budget Division in the form of a budget adjustment request.
4. Beginning in FY 2006, the annual budget, per the General Appropriations Act, Laws of 2006, Chapter 109, Section 3, Subsections N and O, was adopted on a 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 (Section 6-10-4 NMSA 1978) which must be paid out of the next year’s budget. The modified accrual basis of accounting is consistent with generally accepted accounting principles (GAAP). Budgeted revenues may be less than budgeted expenditures as the ending fund balance may, in certain instances, be re-budgeted for expenditures in the next fiscal year. Budgetary comparisons presented in the financial statements are on a modified accrual basis of accounting.

The Department has been designated as a “reverting agency” by the New Mexico state legislature and, therefore, pursuant to the Laws of 2004, Chapter 114, Section 2(E), “unencumbered balances in agency accounts remaining at the end of the fiscal year 2019 shall revert to the [state] general fund by September 30, 2019, unless otherwise indicated in the General Appropriations Act of 2004 or otherwise provided by law.” The budget does not consider reversions.

5. The Department had a number of invoices where the goods and services were received by June 30, 2019 (FY19) but were unpaid by that date. Accounts payable amounts were established in FY19 at fiscal year-end because as an accrual and accounted for in FY19 expenses.

Encumbrances. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, was previously utilized in governmental funds. Beginning in FY 2005, the expenditure budget was established on the modified accrual basis. Encumbrances related to single-year appropriations lapse at fiscal year-end.

The Department also receives funding from various special appropriations. The language of a particular special appropriation determines when it lapses and whether or not unexpended or unencumbered balances revert to the State General Fund.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition. Federal grant revenues are recognized as revenue when the expenditure is incurred. State General Fund appropriations are recognized as other financing sources in the year the appropriation is earned. Certain unexpended appropriations are reverted back to the State General Fund.

Severance Tax Bond Proceeds. While the Department receives severance tax bond proceeds for capital outlay projects specified by the legislature, it has no obligation for repayment of the bonds and reports no liability for severance tax bonds payable in its financial statements. These bonds are obligations of the State of New Mexico. The liabilities are reported in the State of New Mexico's Comprehensive Annual Financial Report, or CAFR, issued by the State Controller's Office. The CAFR can be obtained by contacting the State Controller at the Bataan Memorial Building, Santa Fe, NM 87501.

Inter-fund Transfers. Inter-fund transfers represent transfers of funds from one fund to another fund when both funds are part of the same reporting entity. Inter-fund transfers are a legally authorized transfer between funds in which one fund is responsible for the initial receipt of funds (tax collections) and another fund is authorized to use the resources to finance its operating expenditures.

Inter-fund transfers are not considered revenues by the receiving fund or expenditures by the disbursing fund and are recorded as other sources and other transfers under the other financing sources (uses) category. Inter-fund transfers have been eliminated in the government-wide financial statements.

NOTE 3. STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool, are reported as assets by the various agencies investing in the Pool.

The State Controller indicated on September 17, 2019 that as of June 30, 2019, resources held in the pool were equivalent to the corresponding business unit claims on those resources and all claims as recorded in SHARE shall be honored at face value.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

**NOTE 4. CASH AND INTEREST IN THE STATE GENERAL FUND INVESTMENT
POOL**

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

Interest in State General Fund Investment Pool: \$384,604,651

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.

The Department’s cash funds, other than petty cash and change funds, are deposited into its accounts with the New Mexico State Treasurer’s Office, which are pooled and invested by the State Treasurer or deposited by the Department with local banks as State Agency cash deposits to the credit of the New Mexico State Treasurer’s Office.

Provisions of the New Mexico State Public Money Act (Article 10, Sections 6-10-1 to 6-10-63 NMSA 1978) require a bank to be qualified to receive deposits of public monies by depositing collateral security or by giving bond at a minimum level of 50 percent to collateralize governmental cash deposits when they exceed the amounts of depository insurance by the federal deposit insurance corporation (FDIC) or the national credit union administration (NCUA). The State Treasurer’s Office financial statements disclose the type of purchased security investments held (i.e., bond, note, Treasury bill, etc.), categories of risk involved, security number, Committee on Uniform Securities Identification Procedures (CUSIP) identification number, fair market value, maturity date of securities held, name of the custodian and the place of safekeeping for all “collateral” pledged to secure State Agency cash deposits. The bank balances as of June 30, 2019, are entirely insured or collateralized with securities held by the agent in the bank’s name.

Cash in Banks consists of amounts temporarily deposited in local bank accounts statewide prior to being “swept” nightly into the department’s cash accounts at the State Treasurer’s Office. See the Schedule of Cash Balances in the Other Supplementary Information Section.

Cash on hand (petty cash and change funds) in the amount of \$21,203 was held at the various Audit and Compliance Division (ACD) district offices, Motor Vehicle Division (MVD) field offices and Tax Fraud Investigations Division (TFID) offices for change funds and small purchases. Also, \$5,000 is held by TFID to be used for special investigations.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

**NOTE 4. CASH AND INTEREST IN THE STATE GENERAL FUND INVESTMENT
POOL (CONTINUED)**

As of June 30, 2019, the Department's cash balances (called "Interest in the State General Fund Investment Pool") have been reconciled to the Department's portion of the SGFIP. See the Schedule of Cash Balances in the Other Supplementary Information Section.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate financial statements for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2019.

NOTE 5. RECEIVABLES

Tax assessments represent issued and uncollected assessments at fiscal year-end. As collections of tax assessments and citations cannot be assured, these assessments are not expected to be collected within one year, and a provision for uncollected has been established for all of the tax assessments and citations. The other receivables are considered collectable since they were accrued at year end from information reported to the Department within the accrual period.

\$1,391,272,459 of the active tax assessments issued by the Department and listed below are under protest and/or subject to litigation.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 5. RECEIVABLES (CONTINUED)

At June 30, 2019, the Department's receivables, including the applicable allowances for uncollectible accounts are as follows:

	Governmental Funds			Fiduciary Funds
	General	Special Revenue	Capital Project	Agency
Receivables:				
Accounts receivable	\$ 18,104	-	-	-
Federal Grants	593,705	-	-	-
County property valuation loans	-	310,422	-	-
Local government	5,288,184	-	-	-
Citations	5,292,511	-	-	-
Tax assessments considered uncollectible	1,391,272,459	-	-	-
Gross receivables	1,402,464,963	310,422	-	-
Allowance for uncollectibles	(1,401,853,120)	(240,000)	-	-
Total receivables, net	\$ 611,843	70,422	-	-
Due From:				
Other Funds	\$ -	-	-	-
Taxpayers	794,284,492	-	-	352,933,531
State General Fund	-	-	-	-
Local governments	-	-	-	-
Other Agencies	-	-	-	-
Total Due From	\$ 794,284,492	-	-	352,933,531

The following is a description of the accounts receivable recorded by the Department:

Accounts Receivable

Receivables are recorded in connection with payroll employee overpayments, PERA buybacks and database access fee revenues. To date, an allowance of \$20,115 has been recorded for accounts where collection cannot be assured. In FY19, no receivables were determined to be uncollectible. Article IV Section 32 of the New Mexico Constitution provides:

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 5. RECEIVABLES (CONTINUED)

No obligation or liability of any person, association or corporation held or owned by or owing to the state, or any municipal corporation therein, shall ever be exchanged, transferred, remitted, released, postponed or in any way diminished by the legislature, nor shall any such obligation or liability be extinguished except by the payment thereof into the proper treasury, or by proper proceeding in court.

The Department does not forgive debt or indicate that a debt properly owed has been forgiven or that the person owing the debt has been released from its payment. The Department maintains records and information concerning all debts due, including the ones that have been recognized as being doubtful. Collection efforts are made on all debt including accounts where collection cannot be assured.

Federal Grants

The Due from Federal Government account represents expenditures incurred under federal grant programs that will be reimbursed by the federal government. All account balances are considered collectible.

County Property Valuation Loans

The loans to counties account represent loans made to provide technical assistance in the areas of property valuation, mapping and reappraisal. An allowance for uncollectible loans of \$240,000 has been recorded for accounts where collection cannot be assured.

Other Receivables – Stale Dated Warrants

Represents warrants that are over twelve months old that need to be restored to the Interest in State General Fund Investment Pool account by the Department of Finance and Administration. No estimate for uncollectible accounts is recorded because the account balance is considered fully collectible.

Citations

Pursuant to state statute Section 66-8-116 NMSA 1978, citations represent “penalty assessments” for violations of the Motor Vehicle Code (Section 66-1-1 NMSA 1978) for traffic offenses. An estimate for uncollectible accounts equal to the penalty assessment amount is recorded where collections cannot be assured.

Tax Assessments

Pursuant to state statute Section 7-1-17.A. NMSA 1978, tax assessments represent the determination by the Department that a taxpayer is liable for taxes that are due. Section 7-1-17.B. NMSA 1978 states “assessment of tax are effective (1) when a return of a taxpayer is received by the Department showing a liability for taxes; (2) when a document denominated

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 5. RECEIVABLES (CONTINUED)

“notice of assessment taxes”, issued by the Department is mailed or or delivered in person to the taxpayer against whom the liability for tax is asserted, demanding of the taxpayer the immediate payment of the taxes and briefly informing the taxpayer of the remedies available to the taxpayer; or (3) when an effective jeopardy assessment is made as provided in the Tax Administrative Act (7-1-1 NMSA 1978).” An estimate for uncollectible accounts equal to the taxpayers’ assessment amount is recorded where collections cannot be assured.

Due From Taxpayers

Represents assets recognized from derived taxes revenue transactions in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. No estimate for uncollectible accounts is recorded since the receivable is based on when resources are received.

Write Offs

The Department’s policy does not allow for write offs of outstanding receivables. For receivables where collection cannot be assured, the Department will record an allowance for doubtful accounts.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 5. RECEIVABLES (CONTINUED)

Receivables – General Fund Tax Assessments

At June 30, 2019, tax assessments and penalty citations issued and uncollected reported in the General Fund were:

Combined reporting system (CRS) taxes	\$ 960,795,463
Personal income tax	299,531,663
Corporate income tax	66,826,450
Citations	5,314,257
Cigarette tax	4,863,307
Combined fuel tax	22,270,867
Weight distance tax	19,752,023
Delinquent tax	-
Workers' compensation tax	923,138
Restitution	-
Fiduciary income tax	1,512,631
Gasoline tax	-
Tobacco products	788,084
Special fuel supplier	-
Enhanced 911 tax	517,812
Petroleum products loading fee	.
Liquor excise tax	82,552
International fuel tax agreement/international registration plan	201,820
Water conservation fees	22,503
Local liquor tax	71,620
Daily bed surcharge	3,493
Railroad car tax	172
Unclaimed property	-
Bingo and raffle tax	8,293
Telecommunications relay surcharge	176,108
Gaming	3,276
Alternative fuel distributors	125
Oil and gas tax programs:	
Oil and gas taxes (OGT & HM)	<u>12,899,313</u>
 Total general fund tax assessments	 <u>\$1,391,292,459</u>
 Total citations	 <u>\$ 5,292,511</u>

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Governmental activities:					
Furniture and fixtures	\$ 582,666	110,721	-	-	693,387
Software	42,315,162	427,728	2,587,686	(329,975)	45,000,601
Machinery and data processing equipment	6,454,444	-	-	(193,720)	6,260,724
Tenant leasehold improvements	550,445	-	-	(9,680)	540,765
Vehicles	<u>132,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,902</u>
Total depreciable assets	<u>50,035,619</u>	<u>538,449</u>	<u>2,587,686</u>	<u>(533,375)</u>	<u>52,628,379</u>
Construction in process	<u>2,579,166</u>	<u>2,115,570</u>	<u>(2,587,686)</u>	<u>-</u>	<u>2,107,050</u>
Total non-depreciable assets	<u>2,579,166</u>	<u>2,115,570</u>	<u>(2,587,686)</u>	<u>-</u>	<u>2,107,050</u>
Total assets	<u>52,614,785</u>	<u>2,654,019*</u>	<u>-</u>	<u>(533,375)</u>	<u>54,735,429</u>
Less accumulated depreciation for:					
Furniture and fixtures	(523,123)	(16,047)	-	-	(539,170)
Software	(17,822,913)	(3,997,316)	-	329,975	(21,490,254)
Machinery and data processing equipment	(5,698,808)	(461,051)	-	193,720	(5,966,139)
Tenant leasehold improvements	(295,060)	(33,641)	-	9,680	(319,021)
Vehicles	<u>(111,406)</u>	<u>(10,090)</u>	<u>-</u>	<u>-</u>	<u>(121,496)</u>
Total accumulated depreciation	<u>(24,451,310)</u>	<u>(4,518,145)</u>	<u>()</u>	<u>533,375</u>	<u>(28,436,080)</u>
Capital assets, net	\$ <u>28,163,475</u>	<u>(1,864,126)</u>	<u>-</u>	<u>-</u>	<u>26,299,349</u>

Depreciation expense was charged to the following programs:

Program Support	\$1,820,567
Tax Administration Act	449,776
Motor Vehicle Program	2,246,695
Compliance Enforcement	1,099
Property Tax Program	<u>8</u>
	<u>\$4,518,145</u>

Capital asset activity included \$2,115,570 of capital outlay acquisitions, primarily for purchases of data processing equipment and software enhancements to the Department's major computer processing systems.

*Capital asset activity also includes \$305,221 of internally generated software related to capitalized employee salaries and benefits.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 6. CAPITAL ASSETS (CONTINUED)

For the Statement of Activities, depreciation expense is included as expenses and allocated to the programs using actual depreciation expense for each program. The Department does not have any debt related to capital assets at June 30, 2019.

NOTE 7. LEASES

Operating Leases. The Department leases facilities and equipment under numerous operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Department's Statement of Net Position. Leases are subject to future appropriation 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:		
2020		\$ 1,266,455
2021		260,240
2022		264,198
2023		268,276
2024		272,478
2025-2029		1,427,487
2030-2034		1,129,617
2035-2039		720,290

For the year ended June 30, 2019, facilities rental expenditures were \$3,951,403 and equipment rental expenditures were \$592,248.

NOTE 8. LIABILITIES

Current Liabilities. The Department's Governmental Funds total current liabilities at fiscal year-end were \$1,086,528,122. Accounts payable of \$7,140,479 consists of goods or services received by the Department by June 30, 2019 but paid after June 30, 2019. Accrued payroll of \$1,975,619 consists of payroll expenditures incurred from June 20, 2018 through June 30, 2019 but paid after June 30, 2019.

Compensated Absences. A summary of changes in compensated absences payable for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences payable	\$ 1,866,608	2,016,795	(2,150,691)	1,732,712	1,732,712

For the Statement of Activities, change in compensated absences included as expenses is allocated to the programs using a payroll allocation percentage. Amounts have been paid out of the General Fund in the past.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 9. DUE TO OTHER STATE AGENCIES

The General Fund due to other state agencies reported for the year ended June 30, 2019 consisted of the following:

Due to Other State Agencies					
Other Agency Information		Description	Amount	Department Information	
Business Unit Number	Fund Number			Unit Number	Number
				Business Unit Number	Fund Number
34100	2100	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	\$ (2,201,351)	33300	67940
34100	23300	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(44,153)	33300	67940
34100	56000	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(1,879,483)	33300	67940
34100	73700	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(1,070,681)	33300	67940
34100	74500	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(980,221)	33300	67940
34100	80000	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(1,945,362)	33300	67940
34101	84300	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(106,505,794)	33300	67940
34101	85300	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(480,235,625)	33300	67940
34300	38100	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(2,188,018)	33300	67940
36600	60605	To book receivable for employee share of unremitted PERA contributions for Richard N. Ramsey (PERA ID 96956) and record liability for amount due to PERA plus interest	(28,434)	33300	17200
39400	41000	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(125,498,267)	33300	67940
50500	19305	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(400)	33300	67940
50500	69100	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(38,330)	33300	67940
52100	20010	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(9,603)	33300	67940
52100	20010	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	-	33300	82800
52100	30900	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(17,827)	33300	67940
52100	31100	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(577,182)	33300	67940
52100	64600	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(536,589)	33300	67940
52200	1400	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(383,329)	33300	67940
60400	4600	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(117,401)	33300	67940
63200	98300	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(2,739,101)	33300	67940
66700	56700	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(234,389)	33300	67940
66700	99000	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(1,800,443)	33300	67940
80500	20100	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(41,024,442)	33300	67940
80500	20200	To correct (CSH 3331900685) Reversal for FY 18 entry to separate assets and liabilities belonging to the State of New Mexico from TRD's agency funds	567,922	33300	67940
80500	20200	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(637,373)	33300	67940
80500	20300	To correct (CSH 3331900685) Reversal for FY 18 entry to separate assets and liabilities belonging to the State of New Mexico from TRD's agency funds	189,307	33300	67940
80500	20300	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	(2,092,155)	33300	67940
80500	20500	Various reversal and correcting entries in the due to account	(1,236,445)	33300	67940
95000	63700	To separate FY 19 assets and liabilities belonging to the State of New Mexico from TRD's agency funds.	3	33300	67940
Total Due To Other State Agencies			\$ (773,265,166)		

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 10. DUE TO COMPONENT UNITS AND OTHER STATE ENTITIES

The Agency Fund due to component units and other state entities reported for the year ended June 30, 2019 consisted of the following:

New Mexico Finance Authority	\$ 13,630,160
New Mexico State University (NMSU)	10,620
New Mexico Institute of Mining and Technology	3,425
University of New Mexico (UNM)	41,835
Eastern New Mexico University	1,800
Cumbres and Toltec Scenic RR Commission	1,975
New Mexico Military Institute	450
New Mexico Highlands University	1,257
Western New Mexico University	275
Northern New Mexico College	375
Total Due to Component Units and Other State Entities	\$ 13,692,172

NOTE 11. DUE TO STATE GENERAL FUND (REVERSIONS)

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end. For certain funds, cash recoveries during the fiscal year from stale-dated warrants are also due to the State General Fund. During fiscal year 2017, the Department's reversion was over remitted by \$29,630. The Department is currently working towards requesting a deficiency appropriation to collect the over remitted funds. Current year reversions due to the State General Fund as of June 30, 2019 were as follows:

FY19 Reversions:

Total FY19 Reversions	\$ 3,589,685
FY19 Reversion Transferred	<u>(2,513,372)</u>

Total Due to State General Fund at June 30, 2019	<u>\$ 1,076,313</u>
--	---------------------

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

The Taxation & Revenue 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, 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 Component Appropriation Funds Annual Financial Report (General Fund) and 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 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, New Mexico 87501.

Plan Description. Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and

required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2019, was \$5,718,471 which equal the amount of the required contributions for the year.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 13. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 13. POST-EMPLOYMENT 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 on a monthly basis. 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, 2019, 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 2019, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; 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, 2013, 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 in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the year ended June 30, 2019 was \$671,566, which equal the required contributions for the year.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 14. RISK MANAGEMENT

The Department is exposed to various risks of loss for which the Department carries insurance (Auto; Employee Fidelity Bond; General Liability; Civil Rights and Foreign Jurisdiction; Law Enforcement Officers Liability; Money and Securities; Property; and Workers' Compensation) with the State of New Mexico General Services Department, Risk Management Division.

NOTE 15. CONTINGENCIES

A. Federal Grant Programs. The Department participates in numerous federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Department has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable as of June 30, 2019, may be impaired.

In the opinion of the Department, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies. Expenditures disallowed and required to be repaid to the grantor agencies as a result of such audits, if any, would require an appropriation from the State General Fund.

B. Pending or Threatened Litigation. There are various protests and lawsuits by taxpayers or other parties claiming abatements, refunds and the recovery of unclaimed property in the Department's possession arising from various tax programs administered by the Department. The total dollar amount representing the claims either in protest with the department or pending in state courts is \$269,070,757 for the fiscal year. Management intends to contest all cases vigorously. Any liability would be paid for out of the Department's agency funds.

The Department is also subject to other legal proceedings, claims and liabilities, including employee claims, which arise in the ordinary course of the Department's operations. The litigation is handled through the Department and the State of New Mexico General Services Department, Risk Management Division. 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.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 15. CONTINGENCIES (CONTINUED)

C. Film Production Tax Credit. Pursuant to the New Mexico Film Production Tax Credit Act (Article 2F 7-2F-1 through 7-2F-12, NMSA 1978), the state provides film and television companies the opportunity to be reimbursed for a portion of in state production expenditures. In 2011, a cap on annual program disbursements was enacted and set at \$50.0 million/year. In 2019, authorization to pay approved film credits prior to July 1, 2019 was enacted and cannot exceed \$100.0 million. Thus, total amount authorized to pay approved film credits is \$150.0 million. As of June 30, 2019, the estimated unpaid film tax credit obligation is \$29.0 million. This obligation will be paid out of future tax collections, reducing the distribution sent to the State General Fund. On or after July 1, 2019, but prior to July 1, 2020 the aggregate amount of claims for credit may authorized for payment to not exceed to \$95.0 million. If the fiscal year 2019 general fund revenues estimated exceeds the fiscal year 2019 general fund revenues forecasted by the consensus revenue estimating group in February 2019 by at least \$30.0 million, then the threshold is increased to \$125.0 million. This obligation is a liability of the State General Fund and is not recorded in the Department's financial statements.

NOTE 16. JOINT POWERS AGREEMENTS / MEMORANDUMS OF UNDERSTANDING

The Department has entered into Joint Powers Agreements (JPA) and Memorandums of Understandings (MOU) with numerous New Mexico state agencies, local governments, Tribal entities and other States. These primarily provide for information sharing agreements and database access agreements for Property Tax and Motor Vehicles. None of these JPAs or MOUs creates a joint venture or ongoing financial interest in another organization. Transactions made pursuant to these agreements are reported by the Department on the modified accrual basis of accounting as general revenues and program expenses. The Schedule of Joint Powers Agreements are in the Other Supplementary Information section of this report.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17. GOVERNMENTAL FUND BALANCES - RESTRICTED

The Department's fund balances represent restricted purposes which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; A summary of the nature and purpose of these reserves by fund type at June 30, 2019 follows:

Fund/Program	Laws	Restricted Purposes
General Fund:		
Native American Settlement	Laws of 2011, Chapter 179, Section 5, Item 9, \$250,000 non-reverting	\$ (24,555)
Native American Settlement	Laws of 2014, Chapter 313, Section 5, Item 19, \$50,000 non-reverting	50,000
ONGARD Upgrade	Laws of 2014, Chapter 63, Section 7, Item 3, \$6,000,000 through FY16	-
Replace MVD System	Laws of 2015, Chapter 101, Section 7, Item 3, \$8,861,500 through FY17	-
Replace MVD System	Laws of 2014, Chapter 63, Section 7, Item 2, \$12,897,100 through FY16	-
Replace MVD System	Laws of 2014, Chapter 63, Section 7, Item 2, administrative fees	-
ONGARD Upgrade	Laws 2016, 2nd S, Chapter 11, Section 7, item 5	-
Cash Remediation Upgrades	Laws 2016, 2nd S, Chapter 11, Section 7, item 7	-
Legal Protest	Laws 2018, 2nd S, Chapter 73, Section 7, item 5	-
Data Analytics	Laws 2018, 2nd S, Chapter 73, Section 7, item 26	108,000
MVD Pilot Program-Shiprock	Laws 2019, 1st S, Chapter 279, Section 6	50,000
Implementation Insurance Premium Tax Change	Laws 2019, 1st S, Chapter 271, Section 5, item 32	1,000,000
Total General Fund:		<u>1,183,445</u>
Total Fund Balance - Restricted for Special Appropriations		<u>1,183,445</u>
Fund Balance:		
General Fund:		
Financial Responsibility Act	NMSA 1978, Section 66-5-201 and 66-6-23A(5)(e)	584,092
EDL - Enhanced Driver's License	NMSA 1978, Section 66-5-44, C	2,108,382
Replace MVD System	Laws of 2014, Chapter 63, Section 7, Item 2, administrative fees	2,025,313
Delinquent Property Tax	NMSA 1978, Section 7-38-62	12,638,845
PIT Intercept Administration Fees	NMSA 1978, Section 7-2C-12	263,561
MVD Non-Reverting Revenues	Laws of 2009, Chapter 156, Section 1 through 7	10,349,691
Out of State DWI Verification	NMSA 1978, Section 66-5-44, B	698,972
Weight Distance Tax Fund 99400	NMSA 1978, 7-15A-14	6,840,521
Total General Fund Balance - Restricted for Subsequent Years' Expenditures		<u>35,509,377</u>
Property Valuation Fund 34800 - Loans to Counties	NMSA 1978, 7-35-3(B)	444,852
Capital Projects Fund 89200 - Restricted for Capital Projects		372,146
Capital Projects Fund 93100 - Restricted for Capital Projects		259,725
Total Fund Balance		<u><u>37,769,545</u></u>

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 18. REVENUES, OTHER FINANCING SOURCES AND OTHER FINANCING USES

General fund revenue and other financing sources reported for the year ended June 30, 2019 consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other State Funds:			
Delinquent Property Tax	\$ 5,701,604	-	5,701,604
Workers Comp Assessment	660,111	-	660,111
Alcoholic Beverage Tax	68,169	-	68,169
Unclaimed Property	379,800	-	379,800
Sale of MVD Data	7,663,231	-	7,663,231
Motor Vehicle - Special Plates	192,655	-	192,655
Private Retail Agents	1,295,107	-	1,295,107
Enhanced Drivers License (EDL)	2,151,463	-	2,151,463
Parental Responsibilities	113,427	-	113,427
Provisional License	178,668	-	178,668
Financial Responsibilities	3,749,336	-	3,749,336
Motorcycle & Off Highway Registration Fee	254,939	-	254,939
Out of State DWI Verification Interlock	519,271	-	519,271
Weight Distance Tax Administrative Fees	7,733,450	-	7,733,450
Motor Vehicle Admin Fees	3,469,373	-	3,469,373
Interest Income	-	13,304	13,304
Other Admin Fees (PIT & GRT)	6,562,031	-	6,562,031
Misc. Revenue - Program	69,603	-	69,603
Total Other State Funds	<u>40,762,238</u>	<u>13,304</u>	<u>40,775,542</u>
Other Financing Sources:			
	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>
State General Fund:			
State General Fund Appropriations	54,195,200	334,000	54,529,200
Special Appropriations	3,184,536	-	3,184,536
Total State General Fund	<u>57,379,736</u>	<u>334,000</u>	<u>57,713,736</u>
Total State Funds	98,141,974	347,304	98,489,278
Federal Funds	<u>1,123,494</u>	<u>-</u>	<u>1,123,494</u>
Total Revenues - GAAP	<u>\$ 99,265,468</u>	<u>347,304</u>	<u>99,612,772</u>
Other Financing Uses:			
Transfers to Other State Agencies	(3,313,900)	-	(3,313,900)
Total Other Financing Uses	<u>\$ (3,313,900)</u>	<u>-</u>	<u>(3,313,900)</u>

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 19. TAX ABATEMENT DISCLOSURES – GASB 77

The Department has provided disclosure of tax abatements affecting the State of New Mexico. Tax receipts processed by the Department are recognized as revenue in various departments of the State, thus the Department does not recognize tax revenues. Abatements affecting the State of New Mexico as a whole are disclosed in the State of New Mexico's Comprehensive Annual Financial Report, or CAFR, issued by the State Controller's Office, beginning June 30, 2017 and subsequent fiscal years. The CAFR can be obtained by contacting the State Controller at the Bataan Memorial Building, 407 Galisteo Street, Santa Fe, NM 87501.

Abatements affecting local governments are disclosed in the financial statements of each local governmental entity, and can be obtained from the accounting department of each local government.

The Department attempted to obtain disclosure information from all other abating entities, however, the amounts and disclosures presented below include only information that was provided.

The State provides for a film production tax credit, which requires a film production company to be eligible to submit to the State, information required to demonstrate conformity with the requirements of the Film Production Tax Credit Act, including detailed information on each direct production expenditure and each postproduction expenditure. A film production company shall make reasonable efforts, as determined by the division, to contract with a specialized vendor that provides goods and services, inventory or services directly related to that vendor's ordinary course of business. A film production company shall provide to the Department a projection of the film production tax credit claim the film production company plans to submit in the fiscal year.

During fiscal year 2019, the Department estimates the State's revenues were reduced by approximately \$150.0 million as a result of these tax credits authorized under Section 7-2F-6 NMSA 1978. Included were approved unpaid film credits prior to July 1, 2019; legislation enacted authorized \$100.0 million to pay these credits.

In addition, as allowed by state statute, the various local governments in the State participate in various Industrial Revenue Bond Programs/Industrial Development Projects (IRBs/IDPs) which result in reduced revenues for all participating governments. Various local governments have identified the State of New Mexico as a governmental as a part of these programs that has been impacted by reduced revenues. The specific amount of loss revenues of the State as a result of these various programs has not been determined, however it is deemed to be insignificant to the State of New Mexico as a whole.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 20. SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The Department has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The Department has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NON-MAJOR FUNDS
June 30, 2019**

Special Revenue Funds. Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes.

Property Valuation Fund (34800) – This fund provides loans to counties to be used to obtain technical assistance in the areas of property valuation, mapping and reappraisal. This fund was statutorily created by the Laws of 1978, Section 7-35-3. The net assets of this fund are legally restricted for loans to counties to assist with residential and non-residential property valuations. This fund is not budgeted.

Capital Project Funds. Capital Project Funds account for financial sources to be used for the acquisition of major capital items.

STB Capital Outlay Fund (89200) – This capital project fund is used to account for severance tax bond funded capital projects. The bond proceeds are appropriated by the legislature for construction projects administered by the Department. This fund reverts upon completion of the appropriation project or upon expiration of the appropriation period. Appropriations are received on a reimbursement basis as expenditures occur; therefore, only budgetary reversions are made when applicable.

GF Capital Outlay Fund (93100) – This fund was established to account for Capital Outlay projects utilizing General Fund Appropriations. This fund reverts upon completion of the appropriation project or upon expiration of the appropriation period

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Fund 34800	Fund 89200	Fund 93100	Total
	Property	Capital	Capital	
ASSETS				
Interest in the State Treasurer General Fund				
Investment Pool	\$ 374,430	372,146	269,555	1,016,131
Receivables:				
Due from other state agencies	-	-	-	-
Loans to counties, net	70,422	-	-	70,422
Total assets	\$ 444,852	372,146	269,555	1,086,553
LIABILITIES AND FUND BALANCES				
Liabilities				
Overdraft in Interest in SGFIP	-	-	-	-
Accounts payable	-	-	9,830	9,830
Total liabilities	-	-	9,830	9,830
Fund Balances				
Restricted	-	372,146	259,725	631,871
Restricted for loans to counties	444,852	-	-	444,852
Total fund balances	444,852	372,146	259,725	1,076,723
Total liabilities and fund balances	\$ 444,852	372,146	269,555	1,086,553

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	<u>Fund 34800</u> <u>Property</u>	<u>Fund 89200</u> <u>Capital</u>	<u>Fund 93100</u> <u>Capital</u>	<u>Total</u>
Revenues				
Miscellaneous revenue	\$ 13,304	-	-	13,304
Total revenues	13,304	-	-	13,304
Expenditures				
Current expenditures:				
Operating costs	-	(146)	9,830	9,684
Capital outlay	-	-	64,445	64,445
Total expenditures	-	(146)	74,275	74,129
Excess of revenues over expenditures	13,304	146	(74,275)	(60,825)
State General Fund Appropriation	-	-	334,000	334,000
Other Financing Sources (Uses)				
Severance tax bond proceeds	-	-	-	-
Net other financing sources (uses)	-	-	334,000	334,000
Net change in fund balance	13,304	146	259,725	273,175
Fund balance, June 30, 2018	431,548	372,000	-	803,548
Fund balance, June 30, 2019	<u>\$ 444,852</u>	<u>372,146</u>	<u>259,725</u>	<u>1,076,723</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
FIDUCIARY FUND TYPES
June 30, 2019**

Fiduciary fund types are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

The Tax Administration Act was created by Chapter 7, Article 1, Sections 1 to 82, NMSA 1978, and applies to and governs the administration and enforcement. The following is a list of key taxes, tax acts, surtaxes, advance payments, surcharges and fees:

- Income Tax Act
- Withholding Tax Act
- Gross Receipts and Compensating Tax Act
- Venture Capital Investment Act
- Liquor Excise Tax Act
- Local Liquor Excise Tax Act
- Any municipal local option gross receipts tax
- Any county local option gross receipts tax
- Special Fuels Supplier Tax Act
- Gasoline Tax Act
- Petroleum products loading fee, which fee shall be considered a tax for the purposes of the TAA
- Alternative Fuel Tax Act
- Cigarette Tax Act
- Estate Tax Act
- Railroad Car Company Tax Act
- Investment Credit Act
- Corporate Income and Franchise Tax Act
- Uniform Division of Income for Tax Purposes Act
- Multi-state Tax Compact
- Tobacco Products Tax Act
- Telecommunications relay service surcharge, which surcharge shall be considered a tax for the purposes of the TAA
- Resources Excise Tax Act
- Severance Tax Act
- Severance Surtax

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
FIDUCIARY FUND TYPES (CONTINUED)
June 30, 2019**

- Oil and Gas Severance Tax Act
- Oil and Gas Conservation Tax Act
- Oil and Gas Emergency School Tax Act
- Oil and Gas Ad Valorem Production Tax Act
- Natural Gas Processors Tax Act
- Oil and Gas Production Equipment Ad Valorem Tax Act
- Copper Production Ad Valorem Tax Act
- Any advance payment required to be made by any act, which advance payment shall be considered a tax for the purposes of the TAA
- Enhanced Oil Recovery Act
- Natural Gas and Crude Oil Production Incentive Act
- Intergovernmental production tax credit and intergovernmental production equipment tax credit
- Weight Distance Tax Act
- Workers' compensation fee, which fee shall be considered a tax for purposes of the TAA
- Uniform Unclaimed Property Act
- 911 emergency surcharge and the network and database surcharge which surcharges shall be considered tax for purposes of the TAA
- Solid waste assessment fee, which fee shall be considered a tax for purposes of the TAA
- Water conservation fee, which fee shall be considered a tax for purposes of the TAA
- Gaming Control Act
- Interstate Telecommunication Gross Receipts Tax Act
- Capital Equipment Tax Credit Act
- Small Business Tax Credit Act
- Technology Jobs Tax Credit Act
- Leased Vehicle Gross Receipts Tax Act
- Rural Job Tax Credit
- Motor Vehicle Excise Tax Act
- Film Production Tax Credit

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
FIDUCIARY FUND TYPES (CONTINUED)
June 30, 2019**

The Department uses the following funds to account for the activities of various tax programs it administers:

Collections funds:

CRS Suspense Funds (Funds 70700 and 83200) – used for the taxes reported through the combined reporting system (CRS), which reports gross receipts taxes, compensating taxes, withholding taxes and leased vehicle surcharges.

Personal Income Tax Funds (Funds 23600, 64200, 81900 and 82900) – used for reporting personal income taxes.

Corporate Income Tax (Fund 27900) – used for reporting corporate income taxes, franchise taxes, and past-through entity annual withholding taxes.

TAA Suspense and Other Funds (Funds 68100, 68200, 68300, 68400, 70900, 82800, 83000 and 83100) – used for reporting gasoline taxes, special fuel taxes, alternative fuel taxes, petroleum products loading fees, water conservation fees, liquor taxes, cigarette taxes, tobacco products taxes, gaming taxes, fiduciary taxes, estate taxes, railroad car tax, worker's compensation fees, 911 emergency surcharges, telecommunications relay service surcharges and delinquent property taxes.

Motor Vehicle Funds (Funds 82500 and 68000) – used for reporting motor vehicle excise taxes, vehicle registrations, boat registrations and taxes, special fuel taxes paid through IFTA, weight distance taxes, commercial vehicle permits, and motor vehicle / driver penalties.

Oil and Gas Funds (Funds 23700, 23800, 23900, 71300, 71400, 71500 and 83300) – used for reporting taxes relating primarily to oil and gas, natural gas and other natural resources.

Non-Collection funds:

Other Funds (Funds 70600, 71000 and 82700) – used for reporting cash, securities or bonds posted by special fuel suppliers and dealers, and property presumed to be abandoned and delivered to the custody of the state under the provisions of the Uniform Unclaimed Property Act. Fund 82700 is used for processing unidentified remittances until identification can be resolved.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND TYPE - AGENCY FUNDS
JUNE 30, 2019

	Collection Funds						Non-Collection	Eliminations	June 30, 2019
	CRS Suspense	Personal Income Tax Funds	Corporate Income Tax	TAA Suspense / Other	Motor Vehicle Funds	Oil & Gas	Other Funds		Totals
Interest in State General Fund Investment Pool	\$ -	-	-	17,378,914	-	38,652,834	-	-	56,031,748
Cash on hand and in banks	-	-	-	-	-	-	-	-	-
Receivables:									
Due from taxpayers	346,592,958	-	-	2,972,208	3,368,365	-	-	-	352,933,531
Total assets	\$ 346,592,958	-	-	20,351,122	3,368,365	38,652,834	-	-	408,965,279
LIABILITIES									
Due to component units	\$ 10,683,663	-	-	2,946,495	62,014	-	-	-	13,692,172
Due to counties and municipalities	335,909,295	-	-	17,404,628	3,306,350	38,652,834	-	-	395,273,107
Total liabilities	\$ 346,592,958	-	-	20,351,123	3,368,364	38,652,834	-	-	408,965,279

See Notes to Financial Statements.

**OTHER SUPPLEMENTARY INFORMATION –
SCHEDULES REQUIRED UNDER 2.2.2 NMAC**

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF GENERAL FUND COMPONENTS - BALANCE SHEET
GENERAL FUNDS
June 30, 2019

	Fund 17200 Operating	Fund 99400 Weight Distance	Fund 79800 Drive MVD	Fund 10690 Native American	Collection Funds						Non-Collection Other Funds	Total
					CRS Suspende	Personal Income	Corporate	TAA Suspende /	Motor Vehicle	Oil & Gas		
ASSETS												
Interest in the State Treasurer General Fund												
Investment Pool	\$ 39,769,678	6,841,492	-	25,445	175,592,965	-	27,057,995	31,549,859	-	43,705,029	3,207,896	327,750,359
Cash on hand	26,203	-	-	-	-	-	-	-	43,880	-	-	70,083
Receivables:												
Due from federal government	593,705	-	-	-	-	-	-	-	-	-	-	593,705
Loans to counties, net	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables, net	18,104	-	-	-	-	-	-	-	-	-	-	18,104
Counties, municipalities and fee agents	-	-	-	-	5,288,150	-	-	-	-	34	-	5,288,184
Due from taxpayers	-	-	-	-	188,570,920	71,372,843	35,549,493	47,722,262	20,992,191	430,076,783	-	794,284,492
Citations	-	-	-	-	-	-	-	-	5,292,511	-	-	5,292,511
Tax assessments	-	-	-	-	960,795,462	299,760,188	66,826,450	31,424,057	19,752,023	12,714,279	-	1,391,272,459
Allowance for uncollectibles	-	-	-	-	(966,083,612)	(299,760,188)	(66,826,450)	(31,424,057)	(25,044,534)	(12,714,279)	-	(1,401,853,120)
Due from:												
Other funds	-	-	-	-	-	-	-	-	-	-	-	-
Other state agencies	-	-	-	-	-	-	-	-	-	-	-	-
Inventory of supplies	796,932	47,431	-	-	-	-	-	-	-	-	-	844,363
Prepaid expenses	176,114	-	-	-	-	-	-	-	-	-	-	176,114
Prepaid travel	6,514	-	-	-	-	-	-	-	-	-	-	6,514
Total assets	\$ 41,387,250	6,888,923	-	25,445	364,163,885	71,372,843	62,607,488	79,272,121	21,036,071	473,781,846	3,207,896	1,123,743,768
LIABILITIES AND FUND BALANCES												
Liabilities												
Accounts payable	\$ 6,740,348	1,052	-	-	235,348	6,374	56,696	3,615	9,685	1,044	76,487	7,130,649
Loans Payable	1,250,000	-	-	-	-	-	-	-	-	-	-	1,250,000
Overdraft in Interest in SGFIP	-	-	-	-	-	122,442	-	-	71,145	-	-	193,587
Accrued payroll	1,975,700	(81)	-	-	-	-	-	-	-	-	-	1,975,619
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-
Due to other state agencies	28,434	-	-	-	361,080,438	71,244,027	35,549,493	41,909,118	20,955,241	242,498,415	-	773,265,166
Due to counties and municipalities	-	-	-	-	-	-	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-	-	-	-	-	-	-
Due to State General Fund	1,076,313	-	-	-	-	-	-	-	-	-	-	1,076,313
Refunds due to taxpayers	-	-	-	-	-	-	-	1,606,636	-	148,925,534	144,000	150,676,170
Unidentified tax collections	-	-	-	-	2,848,099	-	27,001,299	35,752,752	-	82,356,853	2,987,409	150,946,412
Other Liabilities	4,376	-	-	-	-	-	-	-	-	-	-	4,376
Total liabilities	11,075,171	971	-	-	364,163,885	71,372,843	62,607,488	79,272,121	21,036,071	473,781,846	3,207,896	1,086,518,292
Fund Balances												
Nonspendable												
Inventory of supplies	796,932	47,431	-	-	-	-	-	-	-	-	-	844,363
Prepaid expenses	176,114	-	-	-	-	-	-	-	-	-	-	176,114
Restricted	29,826,856	6,840,521	-	25,445	-	-	-	-	-	-	-	36,692,822
Unassigned	(487,823)	-	-	-	-	-	-	-	-	-	-	(487,823)
Total fund balances	30,312,079	6,887,952	-	25,445	-	-	-	-	-	-	-	37,225,476
Total liabilities and fund balances	\$ 41,387,250	6,888,923	-	25,445	364,163,885	71,372,843	62,607,488	79,272,121	21,036,071	473,781,846	3,207,896	1,123,743,768

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF GENERAL FUND COMPONENTS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GENERAL FUNDS
Year Ended June 30, 2019

	Fund 17200 Operating	Fund 99400 Weight Distance	Fund 79800 Drive MVD	Fund 10690 Native American	Total
Revenues					
Other state funds	\$ 33,028,788	7,733,450		-	40,762,238
Federal funds	1,123,494	-	-	-	1,123,494
Total revenues	34,152,282	7,733,450	-	-	41,885,732
Expenditures					
Current expenditures:					
Personal services and employee benefits	49,505,887	-	-	-	49,505,887
Contractual services	12,743,109	(9,689)	-	-	12,733,420
Other costs	17,083,340	(56)	-	-	17,083,284
Capital outlay	2,282,714	-	-	-	2,282,714
Total expenditures	81,615,050	(9,745)	-	-	81,605,305
Excess of revenues over expenditures	(47,462,768)	7,743,195	-	-	(39,719,573)
Other Financing Sources (Uses)					
State General Fund appropriations	54,195,200	-	-	-	54,195,200
State General Fund special appropriations	3,184,536	-	-	-	3,184,536
Transfer of fund balance from 79800 to 17200	2,634,804	-	(2,634,804)	-	-
Transfers to other state agencies	-	(3,313,900)	-	-	(3,313,900)
Transfers from other state agencies	-	-	-	-	-
Reversions to State General Fund - FY19	(3,589,685)	-	-	-	(3,589,685)
Net other financing sources (uses)	56,424,855	(3,313,900)	(2,634,804)	-	50,476,151
Net change in fund balance	8,962,087	4,429,295	(2,634,804)	-	10,756,578
Fund balance, June 30, 2018	20,945,255	2,451,423	2,634,804	25,445	26,056,927
Increase (Decrease) in Inventory	404,737	7,234	-	-	411,971
Fund balance, June 30, 2019	\$ 30,312,079	6,887,952	-	25,445	37,225,476

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF SPECIAL APPROPRIATIONS
Year Ended June 30, 2019

<u>Special Appropriation</u>	<u>Amount Appropriated</u>	<u>Amount Received to Date</u>	<u>Unaudited Expenditures to Date</u>	<u>Unencumbered Balance</u>	<u>Amount Reverted</u>
General Fund:					
Special appropriation to Taxation & Revenue Department for Native American Settlement, Laws of 2011, Chapter 179, Section 5, Item 9, Non-reverting.	\$ 250,000	250,000	249,788	212	-
Special appropriation to Taxation & Revenue Department for Native American Settlement, Laws of 2014, Chapter 313, Section 5, Item 19, Non-reverting.	50,000	50,000	24,767	25,233	-
Special appropriation to Taxation & Revenue Department for MVD Modernization, Laws of 2014, Chapter 63, Section 7, Item 2, through FY18.	12,897,100	12,897,100	12,369,865	-	527,235
Special appropriation to Taxation & Revenue Department for MVD Modernization, Laws of 2015, Chapter 101, Section 7, Item 3, through FY18	8,861,500	7,536,500	7,454,242	-	82,258
Special appropriation to Taxation & Revenue Department ONGARD Upgrade, Laws 2016, 2nd S, Chapter 11, Section 7, item 5	5,130,825	5,130,825	3,688,418	1,442,407	1,442,407
Special appropriation to Taxation & Revenue Department Data Analytics, Laws 2018, 2nd S, Chapter 73, Section 7, item 26	1,150,000	1,150,000	1,042,000	108,000	-
Special appropriation to Taxation & Revenue Department Legal Protests, Laws 2018, 2nd S, Chapter 73, Section 7, item 5	500,000	500,000	464,211	35,789	35,789
Special appropriation to Taxation & Revenue Department MVD Pilot Program - Shiprock, Laws 2019, 1st S, Chapter 279, Section 6	50,000	50,000	-	50,000	-
Special appropriation to Taxation & Revenue Department Implementation Insurance Premium Tax Changes Laws 2019, 1st S, Chapter 271, Section 5, item 32	1,000,000	1,000,000	-	1,000,000	-
General Fund Total	29,889,425	28,564,425	25,293,291	2,661,641	2,087,689
STB Capital Outlay Fund:					
Severance Tax Bond proceeds to Taxation & Revenue Department to purchase equipment, Laws of 2013, Chapter 226, Section 35. Extended Laws of 2014, Chapter 64, Section 51, through FY18	1,800,000	1,800,000	1,768,029	31,971	-
Capital Outlay to Taxation & Revenue Department to purchase equipment, Laws 2019, Chapter 277, Section 39, Paragraphs 1-3	334,000	334,000	71,275	262,725	-
Total Special Appropriations	\$ 32,023,425	30,698,425	27,132,595	2,956,337	2,087,689

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SUPPLEMENTAL SCHEDULE OF INTER-AGENCY TRANSFERS
Fiscal Year Ended June 30, 2019

	Account Transfer to:	Account Transferred from:	Reason for	Account	Net Amount
Aging and Long Term Services Department:					
	Senior Services Voluntary Contribution	62400-04900	Income Tax Suspense Fund	1	81900-33300 \$ 9,904
Children Youth and Families Department:					
	CYFD-Children's Trust Fund	78000-69000	Transportation & MVD Suspense	1	82500-33300 29,096
Department of Cultural Affairs:					
	OCA Capital Projects/Laws of 1992	69100-50500	CRS TAA Suspense Fund	1	83200-33300 498,273
	COA/Municipal Event Surcharge	19305-50500	TAA Suspense Fund	1	82800-33300 784
Department of Education:					
	Substance Abuse Education	05700-92400	Income Tax Suspense Fund	1	81900-33300 9,637
	Driving Safety Fees	57300-92400	Transportation & MVD Suspense	1	82500-33300 1,648,227
	Lottery Tuition	63700-95000	Income Tax Suspense Fund	1	81900-33300 10,617
	Lottery Tuition	63700-95000	TAA Suspense Fund	1	82800-33300 149
Department of Environment:					
	Tire Recycling Fund	02600-66700	Transportation & MVD Suspense	1	82500-33300 983,581
	Water Conservation Fund (WCF)	56700-66700	TAA Suspense Fund	1	82800-33300 2,133,927
	Corrective Action Fund (PPL)	99000-66700	TAA Suspense Fund	1	82800-33300 21,039,726
Department of Finance and Administration:					
	DFA Appropriations - Restitution	85300-34100	TRD Restitution Fund	1	23600-33300 1,440
	DFA Appropriations - CIT	85300-34100	CIT TAA Suspense Fund	1	27900-33300 19,187,335
	DFA Appropriations - PIT	85300-34100	PIT TAA Suspense Fund	1	64200-33300 1,495,853,556
	DFA Appropriations - Unclaimed Property	85300-34100	Unclaimed Property Susp Fund	1	71000-33300 28,089,037
	SBOF - State Debt	80000-34100	Oil & Gas Ad Valorem Prod Fund	1	71300-33300 12,637,821
	SBOF - State Debt	80000-34100	Copper Production Tax Fund	1	71400-33300 271,402
	SBOF - State Debt	80000-34100	Ad Valorem Equipment Tax Fund	1	71500-33300 1,373,559
	Juvenile Adjudication Fund	10780-34100	Transportation & MVD Suspense	1	82500-33300 113,377
	Santa Fe 400th Plate	10880-34100	Transportation & MVD Suspense	1	82500-33300 -
	Judicial Education Fund	58900-34100	Transportation & MVD Suspense	1	82500-33300 340,132
	DFA Appropriations - MVC	85300-34100	Transportation & MVD Suspense	1	82500-33300 157,376,447
	Enhanced 911 Fund	01700-34100	TAA Suspense Fund	1	82800-33300 12,006,665
	Cancer Research & Treatment Center	23300-34100	TAA Suspense Fund	1	82800-33300 629,509
	Local DWI Grant Fund	56000-34100	TAA Suspense Fund	1	82800-33300 20,913,833
	DFA Appropriations - TAA	85300-34100	TAA Suspense Fund	1	82800-33300 163,730,747
	DFA Appropriations - WKC	85300-34100	Workmen's Compensation Fund	1	83100-33300 678,331
	County-supported Medicaid Fund	02100-34100	CRS TAA Suspense Fund	1	83200-33300 24,153,329
	Small Counties Assistance Fund	73700-34100	CRS TAA Suspense Fund	1	83200-33300 10,937,762
	DFA Appropriations - CRS TAA	85300-34100	CRS TAA Suspense Fund	1	83200-33300 2,927,397,252
	DFA Appropriations - Oil & Gas	85300-34100	Oil & Gas Accounting Suspense	1	83300-33300 643,084,808
	Administrative Hearing Officer	71820-34000	Transportation & MVD Suspense	1	82500-33300 165,000
Department of Game & Fish:					
	Game & Fish - Intercept Fund	30700-71700	Income Tax Suspense Fund	1	81900-33300 22,739
	Game & Fish-ATV Registration	10840-51600	Transportation & MVD Suspense	1	82500-33300 795,547
	Game Protection Fund - Bass Habitat Program	19800-51600	Transportation & MVD Suspense	1	82500-33300 18,380
	Game Protection Fund - Wildlife Program	30700-51600	Transportation & MVD Suspense	1	82500-33300 69,859
Department of Human Services					
	Child Support Enforcement Fund	97800-63000	Income Tax Suspense Fund	1	81900-33300 1,939,527
	Brain Injury Services Fund	76800-62400	Transportation & MVD Suspense	1	82500-33300 566,903
	Pit Intercepts	97800-63000	Income Tax Suspense Fund	1	81900-33300 -
Department of Health:					
	DOH Breast Cancer Awareness	06100-66500	Transportation & MVD Suspense	1	82500-33300 27,547
	Blood Donor Plate	06105-66500	Transportation & MVD Suspense	1	82500-33300 535
	Children's Eyesight Fund	26104-66500	Transportation & MVD Suspense	1	82500-33300 79,242
	Sexual Assault Exam Kit	68244-66500	Income Tax Suspense Fund	1	81900-33300 8,946
Department of Public Safety:					
	Sexual Assault Exam Kit Fund	67950-79000	Income Tax Suspense Fund	1	81900-33300 8,946
Department of Tourism:					
	National Scenic By-Ways Program	03000-41800	Workers' Compensation Suspense Fund	1	82500-33300 20,895
	Litter Control & Beautification Fund	26200-41800	Workers' Compensation Suspense Fund	1	82500-33300 1,093,625
Department of Transportation:					
	State Road Fund Appropriations	20100-80500	Transportation & MVD Suspense	1	82500-33300 208,597,358
	Recycling & Illegal Dumping Fund	20200-80500	Transportation & MVD Suspense	1	82500-33300 1,909,813
	Local Government Road Fund	20300-80500	Transportation & MVD Suspense	1	82500-33300 795,265
	Motorcycle Training Fund	20600-80500	Transportation & MVD Suspense	1	82500-33300 122,542
	DOT DWI Prevention & Education Program	20700-80500	Transportation & MVD Suspense	1	82500-33300 445,592
	Traffic Safety Education & Enforcement Fund	20800-80500	Transportation & MVD Suspense	1	82500-33300 340,133
	Interlock Device Fund	82600-80500	Transportation & MVD Suspense	1	82500-33300 425,953
	State Road Fund Appropriations	20100-80500	TAA Suspense Fund	1	82800-33300 229,943,169
	Local Government Road Fund	20300-80500	TAA Suspense Fund	1	82800-33300 21,780,739
	State Aviation Fund	20500-80500	TAA Suspense Fund	1	82800-33300 415,053

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SUPPLEMENTAL SCHEDULE OF INTER-AGENCY TRANSFERS (CONTINUED)
Fiscal Year Ended June 30, 2019

	Account Transfer to:	Account Transferred from:	Reason for	Account	Net Amount	
Department of Transportation (Continued):						
	Highway Infrastructure Fund	20200-80500	CRS TAA Suspense Fund	1	83200-33300	\$ 6,760,412
	Local Government Road Fund	20300-80500	CRS TAA Suspense Fund	1	83200-33300	2,253,471
	State Aviation Fund	20500-80500	CRS TAA Suspense Fund	1	83200-33300	5,286,506
Department of Veterans' Services:						
	Veterans National Cemetery	12300-67000	Income Tax Suspense Fund	1	81900-33300	8,805
	New Mexico VSC/ Enterprise Fund	20490-67000	Transportation & MVD Suspense	1	82500-33300	86,359
	New Mexico VSC/ Armed Forces	78400-67000	Transportation & MVD Suspense	1	82500-33300	66,387
	New Mexico VSC/Enterprise Fund	20490-67000	Income Tax Suspense Fund	1	81900-33300	4,404
Energy, Minerals & Natural Resources Department:						
	EMNRD Parks & Recreation/Vietnam Memorial	20010-52100	Income Tax Suspense Fund	1	81900-33300	11,213
	EMNRD Forest Relief	32100-52100	Income Tax Suspense Fund	1	81900-33300	14,403
	EMNRD - Parks & Recreation	20010-52100	Transportation & MVD Suspense	1	82500-33300	398,394
	Boat Suspense Fund	77300-52100	Transportation & MVD Suspense	1	82500-33300	564,729
	EMNRD Parks & Recreation	20010-52100	TAA Suspense Fund	1	82800-33300	18,809
	Motor Boat Fuel Tax Fund	30900-52100	TAA Suspense Fund	1	82800-33300	207,657
	NM Youth Conservation Corps Fund	01400-52200	CRS TAA Suspense Fund	1	83200-33300	4,983,161
	EMNRD Capital Projects/ 1994	64600-52100	CRS TAA Suspense Fund	1	83200-33300	6,975,479
	OCD - Oil and Gas Reclamation	31100-52100	Oil & Gas Accounting Suspense	1	83300-33300	3,529,475
General Services Department:						
	Handicapped Phone Access Fund	56500-35000	TAA Suspense Fund	1	82800-33300	1,636,397
Livestock Board						
	NM Livestock/Horse Shelter	12130-50800	Income Tax Suspense Fund	1	81900-33300	7,856
Military Affairs Department						
	Veterans Service/Armed Forces	10580-70500	Income Tax Suspense Fund	1	81900-33300	5,429
New Mexico Administrative Office of the Courts:						
	Admin Office of the Courts	53300-21800	Income Tax Suspense Fund	1	81900-33300	252,255
	Jury & Witness Fee Fund	01200-21800	Transportation & MVD Suspense	1	82500-33300	566,898
	Court Automation Fund	07800-21800	Transportation & MVD Suspense	1	82500-33300	1,133,819
	Magistrate Court Operations Fund	11120-21800	Transportation & MVD Suspense	1	82500-33300	1,774
	Court Facilities Fund	53200-21800	Transportation & MVD Suspense	1	82500-33300	1,237,031
	Local Government Corrections Fund	68800-21800	Transportation & MVD Suspense	1	82500-33300	2,120,176
Bernalillo County Metro Court:						
	Bernalillo County Metro Court	69300-24400	Income Tax Suspense Fund	1	81900-33300	-
New Mexico Retiree Health:						
	NM Retiree Health Care Fund	38100-34300	CRS TAA Suspense Fund	1	83200-33300	26,256,221
Office of the State Treasurer:						
	Severance Bonding Fund	41000-39400	Oil & Gas Accounting Suspense	1	83300-33300	672,441,064
Public Employees Retirement Association:						
	PERA - Administration	60605-36600	PIT TAA Suspense Fund	1	64200-33300	-
Public Regulation Commission						
	Firefighters Survivor Fund	56400-43000	Transportation & MVD Suspense	1	82500-33300	4,170
Regulation and Licensing Department						
	Animal Shelter Fund	20120-42000	Transportation & MVD Suspense	1	82500-33300	26,476
	Animal Shelter	42000-20120	Income Tax Suspense Fund	1	81900-33300	18,689
State Land Office:						
	ONGARD/ Oil & Gas Royalty	26400-53900	Oil & Gas Accounting Suspense	1	83300-33300	171,570
Secretary of the State:						
	Public Election Fund	81200-37000	Unclaimed Property Susp Fund	1	71000-33300	1,200,000
Workers Compensation Administration:						
	Workers' Compensation Administration Fund	98200-63200	Workers' Compensation Suspense Fund	1	83100-33300	13,536,288
	Workers Comp Administration	98300-63200	Income Tax Suspense Fund	1	81900-33300	949
					\$ 6,766,520,295	

Transfer Purpose

1 Transfers to other state agencies (beneficiaries) from the Taxation and Revenue Department's fiduciary funds as provided by New Mexico Statutes.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2019**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<u>ASSETS</u>				
Interest in State General Fund Investment Pool	\$ 50,275,471	3,268,752,328	3,262,996,051	56,031,748
Receivables:				
Counties, municipalities and fee agents	3,663	3,338,841	3,342,504	-
Due from taxpayers	348,759,852	1,049,253,169	1,045,079,490	352,933,531
	<hr/>			
Total assets	\$ 399,038,986	4,321,344,338	4,311,418,045	408,965,279
	<hr/>			
<u>LIABILITIES</u>				
Due to component units	13,845,685	13,845,685	13,692,172	13,692,172
Due to counties and municipalities	385,193,301	375,972,998	386,052,804	395,273,107
	<hr/>			
Total liabilities	\$ 399,038,986	389,818,683	399,744,976	408,965,279
	<hr/>			

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF CASH BALANCES
Year Ended June 30, 2019

Interest in the State General Fund Investment Pool

Account Name	Fund Type	DFA SHARE Acct No.	Bank Balance per State Treasurer	Adjustments Not in SHARE	Balance per Financial Statements
Governmental Funds:					
TRD - Operating Fund	Govt'l	17200 - 333	\$ 39,769,678	-	39,769,678
Restitution Fund	Agency	23600 - 333	-	-	-
Oil & Gas Ad Valorem	Agency	23800 - 333	-	-	-
Corporate Income Tax (CIT)	Agency	27900 - 333	27,057,995	-	27,057,995
Personal Income Tax (PIT)	Agency	64200 - 333	-	-	-
HazMat Fingerprinting	Agency	68000 - 333	-	-	-
County & Municipal Gasoline Tax	Agency	68100 - 333	642,842	-	642,842
County & Municipal Cigarette	Agency	68300 - 333	-	-	-
Small Cities Assistance	Agency	68400 - 333	-	-	-
Motor Transportation	Agency	70600 - 333	144,000	-	144,000
Local Liquor Excise Tax	Agency	70900 - 333	112,200	-	112,200
Unclaimed Property Suspense Fund	Agency	71000 - 333	3,052,665	-	3,052,665
Oil & Gas Ad Valorem	Agency	71300 - 333	1,941,500	-	1,941,500
Ad Valorem Equipment	Agency	71500 - 333	1,209	-	1,209
Income Tax Suspense Fund	Agency	81900 - 333	(122,442)	-	(122,442)
Transportation & Motor Vehicle	Agency	82500 - 333	(71,145)	-	(71,145)
Unidentified Remittances	Agency	82700 - 333	11,231	-	11,231
Tax Administration Act (TAA)	Agency	82800 - 333	25,290,164	-	25,290,164
Delinquency List Suspense	Agency	83000 - 333	5,442,818	-	5,442,818
Worker's Compensation	Agency	83100 - 333	61,836	-	61,836
CRS (TAA) Suspense Fund	Agency	83200 - 333	175,592,964	-	175,592,964
Oil and Gas Accounting	Agency	83300 - 333	41,762,320	-	41,762,320
Property Valuation Fund	S R	34800 - 333	374,430	-	374,430
Native American Fund	S R	10690 - 333	25,445	-	25,445
STB Capital Projects Fund	Capital	89200 - 333	372,146	-	372,146
GF Capital Outlay Fund	Capital	93100 - 333	269,555	-	269,555
Drive MVD Fund	Govt'l	79800 - 333	-	-	-
Weight Distance Tax Permit Fee Fund	Govt'l	99400 - 333	6,841,492	-	6,841,492
Total governmental funds			328,572,903	-	328,572,903
Fiduciary Funds:					
County & Municipal Gasoline Tax	Agency	68100 - 333	6,689,046	-	6,689,046
Small Cities Assistance	Agency	68400 - 333	10,395,985	-	10,395,985
Local Liquor Excise Tax	Agency	70900 - 333	293,883	-	293,883
Oil & Gas Ad Valorem	Agency	71300 - 333	38,649,740	-	38,649,740
Ad Valorem Equipment Tax Fund	Agency	71500 - 333	3,094	-	3,094
Transportation & Motor Vehicle	Agency	82500 - 333	-	-	-
CRS (TAA) Suspense Fund	Agency	83200 - 333	-	-	-
Total fiduciary funds			56,031,748	-	56,031,748
Total interest in the State General Fund Investment Pool			\$ 384,604,651	-	384,604,651

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF CASH BALANCES (CONTINUED)
JUNE 30, 2019**

Cash in Banks

As of June 30, 2019, reconciled motor vehicle field office cash in banks (checking accounts) totaled \$43,880 as follows:

<u>Name of Depository Bank</u>	<u>Account Name</u>	<u>Balance per Financial Statements</u>	<u>Bank Balance</u>
The First Natl. Bank of New Mexico (Nara Visa)	NM Taxation & Revenue Department	\$ 1,765	1,765
Farmers & Stockmens Bank (Clayton MVD)	NM Taxation & Revenue Department	13,780	13,780
International Bank (Springer MVD)	NM Taxation & Revenue Department	15,816	15,816
Western Bank (Lordsburg MVD)	NM Taxation & Revenue Department	3,625	3,625
Western Bank (Lordsburg POE)	NM Taxation & Revenue Department	8,894	8,894
Total cash in banks		43,880	43,880
Outstanding checks and adjustments		-	-
Petty Cash		1,450	-
Cash on Hand - MVD Change Funds		24,753	43,880
Total cash on hand		26,203	43,880
Total cash on hand and in banks		\$ 70,083	43,880

Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral from all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
Year Ended June 30, 2019**

Participants	Administrative Agency	Description	Date of Agreement	Amount
TRD/NMSLO/EMNRD	TRD	Shared responsibility of the ONGARD System	1/4/2004-Indefinitely	***
*** The Tri-Agencies are responsible for the ONGARD Service Center and all expenses as allocated by the NM State Legislature				

SINGLE AUDIT

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures
US Department of Interior: Audits of Oil and Gas Leases	15.427	N/A	\$ -	\$ <u>1,063,242</u>
Total US Department of Interior				1,063,242
US Department of Transportation: CDL Project & Administration 2017	20.232	N/A	-	13,117
Total US Department of Transportation				<u>13,117</u>
US Department of Health and Human Services: Claremont Graduate University Organ Donor (Sub-Award)	93.134	1R39OT29877-01-00	-	47,135
Total US Department of Health and Human Services				<u>47,135</u>
Total Expenditures of Federal Awards				<u>\$ 1,123,494</u>

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019**

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting which is described in Note 2 to the Department’s governmental fund financial statements. Such expenditures are recognized following the cost principles contained in *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Taxation and Revenue Department used an indirect cost rate of 7.417 percent for FY19.

NOTE 3. NON-CASH ASSISTANCE

The Department did not receive any Federal non-cash assistance in fiscal year 2019.



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

Stephanie Schardin Clarke, Cabinet Secretary
New Mexico Taxation and Revenue Department
Honorable Michelle Lujan Grisham, Governor
Brian Colón, New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, the budgetary comparison for the general fund, and the aggregate remaining fund information of New Mexico Taxation and Revenue Department, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 8, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003 to be material weaknesses.

Stephanie Schardin Clarke, Cabinet Secretary
New Mexico Taxation and Revenue Department
Honorable Michelle Lujan Grisham, Governor
Brian Colón, New Mexico State Auditor

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 matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-006 to 2019-014.

The Department's Response to Findings

The Department's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The department's response was not subjected to the auditing procedures applied in the audit of 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 results 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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 8, 2019



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

Stephanie Schardin Clarke, Cabinet Secretary
New Mexico Taxation and Revenue Department
Honorable Michelle Lujan Grisham, Governor
Brian Colón, New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

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

Auditors' 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.

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Stephanie Schardin Clarke, Cabinet Secretary
New Mexico Taxation and Revenue Department
Honorable Michelle Lujan Grisham, Governor
Brian Colón, New Mexico State Auditor

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-004 and 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-004 and 2019-005, which we consider to be significant deficiencies.

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

Stephanie Schardin Clarke, Cabinet Secretary
New Mexico Taxation and Revenue Department
Honorable Michelle Lujan Grisham, Governor
Brian Colón, New Mexico State Auditor

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 8, 2019

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?

Yes No

• Significant deficiency(s) identified?

Yes None noted

Non-compliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

• Material weakness (es) identified?

Yes No

• Significant deficiency(s) identified?

Yes None noted

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

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 Name of Federal Program or Cluster

15.427 US Department of Interior – Audits of Oil and Gas Leases

Dollar threshold used to distinguish between type A and type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

B. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING

2019-001 State Fair Gross Receipts Tax Collection and Combined Reporting System (CRS) Controls (Material Weakness)

Condition/Context: During our audit, we were made aware of the following matter by the Department's Internal Audit Department.

- For more than a decade, the Audit and Compliance Division (ACD) has collected gross receipts tax (GRT) from vendors at the New Mexico State Fair and other special events.
- ACD required vendors to visit their booth at the special events to pay GRT. Vendors could visit the booth and make payments up to four times during the course of the State Fair. It appears there was no enforcement action taken on vendors that did not visit the booth to make GRT payments.
- Revenue agents would request the amount of gross receipts from the vendor and indicate the GRT due. Payments were either made with cash or check by the vendor to the revenue agent.
- The bureau chief would receive all payments from the revenue agents, recorded all payments into an excel spreadsheet, maintain custody of all payments (cash/checks) and prepared the majority of the GRT filings. We noted the computer used to log the payments was not connected to the Department's network and the password was written on the keyboard.
- A reconciliation between tax payments received, tax payments logged, tax payments deposited and GRT filings does not appear to have occurred.
- All payments received at the state fair were reported by ACD under a CRS number that was created specifically for the state fair or other special events. We noted the CRS numbers used did not have the required forms listed in Gentax for creation of a CRS number.
- We noted in the Gentax system, accounts are created annually for the State Fair and other special events and money received is placed in these accounts. If a CRS-1 form is not completed for the money received, the money remains unmatched and the Department is unable to distribute the monies collected.
- During our review of the Gentax system on August 29th, 2019, we noted at least \$1 million of tax receipts from the State Fair and Special events are held in "suspense" the payments are essentially unmatched to a proper tax return/filing.
- We were informed that Internal Audit recommend to ACD that the Gentax accounts be closed, however they were still active during our walkthrough on August 29th, 2019.
- We were informed that the Department ceased using this procedure as of date. No payments were collected in this manner at the State Fair in September 2019.

Criteria: Section 6-5-2 (C) NMSA 1978 requires state agencies to implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, Section 2.20.5.8 C (1) NMAC requires an internal control structure that exists and is functioning properly. The Committee of Sponsoring Organizations of

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

**B. FINDINGS - INTERNAL CONTROL OVER FINANCIAL REPORTING
(CONTINUED)**

**2019-001 State Fair Gross Receipts Tax Collection and CRS Controls (Material Weakness)
(Continued)**

Criteria (Continued): the Treadway Commission (COSO) internal control framework is recognized as the leading guidance for designing, implementing and conducting internal control and assessing its effectiveness. An “effective” internal control system includes five components; the control environment, risk assessment, control activities, information, and communication and monitoring. These components should be addressed in entity-level controls related to financial reporting and transaction level processes.

Section 7-10-4 NMSA 1978 requires, “Any person leasing or selling property to the state or performing services for the state, as those terms are used in the Gross Receipts and Compensating Tax Act, shall be registered with the department to pay the gross receipts tax unless that person has no business location, employees or property in New Mexico and does not conduct business in New Mexico through agents or contractors.”

Section 7-9-11 NMSA 1978 requires, “The taxes imposed by the Gross Receipts and Compensating Tax Act are to be paid on or before the twenty-fifth day of the month following the month in which the taxable event occurs.”

Cause: Historical lack of proper oversight, understanding of proper internal controls and understanding of statutory requirements related to GRT.

Effect: Related to the receipt of GRT payments and understanding of the Department’s process related to the State Fair, the absence of internal controls presents significant risks related to misappropriation of assets, fraud and theft of public monies. We were informed that GRT collections as described above did not occur for the State Fair that occurred in September 2019.

The Department is in violation of Section 7-10-4 NMSA 1978 as CRS numbers created by the Department do not correspond to a specific taxpayer. It also appears the Department is in violation of its internal policies related to the creation of CRS numbers in Gentax.

The Department is in violation of Section 7-9-11 NMSA 1978 as ACD implied a requirement to pay GRT prior the statutory requirement. Furthermore, since tax receipts were collected prior to the end of the event, it is likely the amounts received were based on inaccurate gross receipts reporting.

While the Department did collect GRT as noted above, since the CRS numbers used do not correspond to a specific taxpayer location code, approximately \$1 million of collected GRT is held in suspense and remains undistributed.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

**B. FINDINGS - INTERNAL CONTROL OVER FINANCIAL REPORTING
(CONTINUED)**

**2019-001 State Fair Gross Receipts Tax Collection and CRS Controls (Material Weakness)
(Continued)**

Recommendation: We recommend the Department perform a comprehensive review of procedures related to all special events to determine if further non-compliance exists.

We recommend collections of GRT at the State Fair and other special events to cease related to the requirements of 7-9-11 NMSA 1978.

We recommend the Department revisit their internal procedures over CRS number creation and perform a comprehensive review of user access and segregation of duties related to that process. The use “pseudo” CRS numbers should be immediately suspended.

We recommend the Department to suspend accounts in Gentax created for the State Fair and other special events.

We recommend the Department perform a historical reconciliation of the GRT payments held in suspense to determine the proper distribution of these monies.

We recommend the Department provide additional resources to the divisions for the creation of written policies and procedures for activities not inherently covered by MAPs. Internal control training should be provided department-wide for all employees, including the COSO internal control framework.

Management’s Response: This has been an issue for over a decade and was self-reported to the auditors by the Department’s Management and Office of Internal Audit. The Department implemented procedure TRD-00034- Special Event Preparation and Attendance on September 27, 2019. Currently, Audit and Compliance Division are working with the Office of Internal Audit to write procedures for all registration at Taxation and Revenue Department. The 2019 State Fair compliance efforts consisted of the use of this new procedure, which did not include cash collection but instead focused on vendor registration. All vendors are now required to register and be issued individual CRS numbers pursuant to 7-1-12 NMSA 1978.

The Department has suspended and or closed annually created State Fair and Other Special Events accounts in Gentax as of September 1, 2019

The Audit and Compliance Division Director, with staff responsible for these distributions, will perform a historical reconciliation of the GRT payments held in suspense to determine the proper distribution of these monies. Training for internal controls and COSO framework will be provided during the implementation of the adopted procedures. These efforts are expected to be complete by June 30, 2020.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

**B. FINDINGS - INTERNAL CONTROL OVER FINANCIAL REPORTING
(CONTINUED)**

2019-002 (2018-004) Financial Close and Reporting (Material Weakness)

Condition/Context: During our review of financial close and reporting, we noted the following issues:

- When drafting financial statements, we noted the Department duplicated the agency fund balances in the general fund balance sheet due to an overall misunderstanding of the conceptual reporting approach between the general and agency funds. Agency fund balances that are due to local governments and component units of the State of New Mexico are retained and reported the agency funds of the Department.
- During our review of SHARE, we noted fund 64200 (Personal Income Tax) listed SGFIP overdraft and negative taxpayer receivables of \$30,776,333. The balances for Fund 64200 were properly listed as zero on the Department prepared financial statements, thus the financial statements were properly stated, however SHARE contained invalid balances.
- During our review of the Personal Income Tax Fund and Combined Reporting System Fund, we noted unusual balances in tax assessments, undistributed receipts and SGFIP between these two funds. After our inquiry, the Department determined certain closing entries were recorded incorrectly due to inadvertent reversal of account signs and incorrect information obtained and relied upon from Gentax. Correcting entries were provided and posted by the Department.
- The Department prepared schedule of special appropriations was not updated from the prior year, thus did not reconcile to the prepared financial statements.

Management's Progress for Repeat Finding 2018-004: See management's response

Criteria: Per 2.20.6.8 NMAC, all reporting of financial information to the state agency's management and to oversight agencies and entities must be timely, complete, and accurate. A well-documented internal control structure shall exist within the state agency and function properly.

Cause: Lack of timely preparation of financial statements and robust review and reconciliation procedures. The Department relies on a combination of Excel and Word documents to compile the Financial Statements which are not sufficiently linked to allow efficient and accurate financial statement preparation.

Effect: Potential misstatements to the financial statements and SHARE. Inaccurate supplementary information.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

**B. FINDINGS - INTERNAL CONTROL OVER FINANCIAL REPORTING
(CONTINUED)**

2019-002 (2018-004) Financial Close and Reporting (Material Weakness) (Continued)

Recommendation: We recommend management consider the use of financial preparation software to aid in financial statement preparation. We recommend management perform a comprehensive review of the financial statement preparation process to identify inefficiencies and opportunities to simplify the preparation process. We recommend management designate an individual separate from the financial statement preparation process, with sufficient skills, knowledge and experience, to review the financial statements in entirety prior to the submission of the audit. We recommend management perform a comprehensive review of Gentax upgrades and revisions to determine the both the accounting and reporting impacts.

Management's Response: The Administrative Services Division (ASD) has focused on maintaining a high level of service both to the taxpayers and to internal customers. This, coupled with efforts to fill critical vacancies, has stretched the staff very thin. Review has not been to the level that Management desires. With critical positions almost filled, more time is now being devoted to multiple levels of review to identify inefficiencies and simplify the preparation process. The duplication of the agency fund balances in the general fund statements, as well as the failure to update the statement of special appropriations, were errors that Management believes can be prevented through additional internal review. Prior to the issuance of the FY19 financial statements, the negative taxpayer receivables for Fund 64200 were correctly posted via journal entry to the general ledger and the special appropriation schedules were updated. The financial statements, though not submitted in the time frames discussed in the audit deliverables schedule, were turned in a month earlier than last year. The Agency's goal is to have a timely audit.

The ASD Division Director and CFO will work with the Financial Services Bureau and the Financial Distributions Bureau to draft procedures for timely financial statement preparation. The procedures will include enough time for review prior to submission and ensure adherence with the Governmental Accounting Standard Board (GASB) requirements for state and local governments. Training on Generally Accepted Accounting Principles and GASB requirements will be scheduled for staff. The Department is exploring the procurement of a financial statement preparation software to enhance accuracy and timeliness. Estimated completion date is June 30, 2020.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

2019-003 (Previously 2018-002) Controls over Accounts Payable (Material Weakness)

Condition/Context: During our review of accounts payable and disbursements, we noted the Department accrued \$1,175,328 of accounts payable related to goods and services received as of June 30, 2019, for which invoices had not been received. We noted that only \$331,037 of this accrual had been paid as of October 20, 2019, thus approximately \$844,291 remains outstanding +110 days after year-end. After our inquiry, management updated and reversed the accounts payable accrual of \$844,291, which is reflected in the financial statements.

Management's Progress for Repeat Finding 2018-002: See management's response

Criteria: Per 2.20.6.8 NMAC, All accounting systems, including subsidiary systems, shall record transactions timely, completely, and accurately. All payments to vendors shall be accurate and timely and be for services already rendered or goods received and accepted by the state agency as complying with the contract or purchase order.

Cause: Insufficient determination of good and services received as of June 30, 2019, for which invoices have not been received.

Effect: Potential misstatement of accounts payable and reversion to the State General Fund.

Recommendation: We recommend the Department closely monitor year-end accounts payable (account 296900) to determine if additional adjustments are needed prior to the reversion to the State General Fund.

Management's Response: The Administrative Services Division (ASD) processes thousands of voucher payments to vendors every year. As a means of determining year-end outstanding obligations, an open balance encumbrance report is used. Outstanding invoices from vendors were received late despite considerable effort made by the Department to obtain and pay them timely.

Currently, the purchasing team is understaffed with one employee processing purchase orders and two vacant positions. Numerous items were received after the June 30, 2019 deadline and had to be returned to the vendor. For FY19, per guidance from the Department of Finance and Administration (DFA), the deadline for paying/reversing all accrued accounts payable was October 31, 2019. As of the date that the condition was noted, October 20, 2019, there were 10 days remaining within the DFA time frame for payment and reversal of FY19 accruals.

During FY20 ASD will implement procedures to disencumber purchase orders that are no longer valid or necessary. This process will allow the Department to monitor Accounts Payable throughout the fiscal year. The Chief Financial Officer will work with the Financial Services Bureau to explore a more accurate methodology to attain better precision in accruing outstanding bills. These procedures are expected to be in place by June 30, 2020.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

C. FEDERAL AWARD FINDINGS

2019-004 (Previously 2017-002) Federal Program Cash Management - Repeated and Modified

Federal Program: CFDA 15.427 – Office of Natural Resources Revenue

Federal Agency: U.S. Department of Interior

Federal Award Number/Year: D12AC00006/2018

Type of Finding: Significant Deficiency in Internal Control over Compliance and Other Matter

Questioned Costs: \$0

Condition/Context: During our single audit testwork over cash management, we noted that 9 out of 12 requests for reimbursements were not submitted within 60 days of period end.

Management's Progress for Repeat Finding 2017-002: See management's response

Criteria: Requests for reimbursement are due within 60 days of period end per the grant agreement.

Cause: Management oversight and staffing vacancies.

Effect: Noncompliance with federal requirements.

Repeat Finding: Yes, prior year 2018-006

Auditors' Recommendation: We recommend management establish procedures to ensure timely reimbursement submissions.

Management's Response: The Administrative Services Division has made significant efforts to hire qualified staff to fill multiple vacancies. Training is required for new employees to perform job duties and ensure timeliness and continuity of service. Specific roles have been assigned to the appropriate staff for adequate task ownership and accountability with respect to meeting federally mandated timelines. The Chief Financial Officer and the Financial Services Bureau Chief will work closely with staff to ensure federally mandated reimbursement timelines are met. Additionally, the Chief Financial Officer will work with the Department's Office of Internal Audit team to create a procedure to document the Federal reimbursement request process.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

C. FEDERAL AWARD FINDINGS (CONTINUED)

2019-005 Allowable Costs

Federal Program: CFDA 15.427 – Office of Natural Resources Revenue

Federal Agency: U.S. Department of Interior

Federal Award Number/Year: D12AC00006/2018

Type of Finding: Significant Deficiency in Internal Control over Compliance and Other Matter

Questioned Costs: \$50.20

Condition/Context: During our review of general disbursements, we noted 1 out of 14 disbursements tested was for a travel reimbursement in which an employee was reimbursed \$1,055.20, however the supporting receipts totaled \$1,005.

Criteria: Charges are to be supported by appropriate documentation and correctly charged as to account, amount, and period.

Cause: Management oversight.

Effect: Noncompliance with federal requirements.

Repeat Finding: No

Auditors' Recommendation: We recommend management implement a procedure to ensure all reimbursed costs are reconciled to supporting documentation.

Management's Response: The Financial Services Bureau within the Administrative Services Division has had significant employee turnover within the last year. Staff also were not provided adequate training on every aspect of their jobs. Management has made significant progress in hiring experienced staff who are currently undergoing training to avoid such errors in the future. More emphasis will be placed on transaction review at all levels prior to submission for reimbursement. The Chief Financial Officer, the Financial Services Bureau Chief, the Accounts Payable Supervisor, and the Grant Accountant are working with the Department's Office of Internal Audit finalize accounts payable procedures, which include adequate internal control mechanisms including reconciliation of reimbursement amounts to supporting documentation. The new procedures are expected to be finalized by June 30, 2020.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

D. OTHER

2019-006 (Previously 2018-005) MVD Distributions (Other Non-Compliance)

Condition: The distribution of fees collected pursuant to Section 66-6-23(A)(14) NMSA 1978 is to be divided to each of the counties based on the proportion of the number of miles of public roads maintained by that county to the total number of miles of public roads maintained for all counties in New Mexico. However, the Department had been adding this portion of the distribution to the formulaic distribution defined in Section 66-6-23.1(A)(2-3) NMSA 1978, and distributing half based on the individual county's proportion of number of miles of public roads maintained and half based on the individual county's proportion of registration fees. This resulted in an estimated net under distribution of approximately \$152,000 to 23 of the 33 counties in the state, and a net over distribution of the same amount to the remaining 10 counties for FY 2019 from the half of the distribution which was made based on the proportion of registration fees.

Management's Progress for repeat finding 2018-005: The Department has made progress in implementing the prior year corrective action plan. Beginning in February 2019 the distribution(s) per Sections 66-6-23(A)(2), (3), and (14) NMSA 1978 appear to have been corrected.

The Department is still working towards a final determination of how to correct the prior distributions in a fair manner, based on legal requirements.

Criteria: Pursuant to Section 66-6-23(A)(14) NMSA 1978, to each county, an amount equal to fifty percent of the fees collected pursuant to Section 66-6-19 NMSA 1978 based on the proportion of miles of public roads maintained in each county to the total miles of public roads maintained by all counties.

Section 66-6-23.1(A)(2) NMSA 1978 requires the formulaic distribution of 7.6% of the remaining identified balance to the counties based on the proportion of registration fees for the county to the total registration fees for all counties.

Section 66-6-23.1(A)(3) NMSA 1978 requires the formulaic distribution of 7.6% of the remaining identified balance to the counties based on the proportion of the number of miles of public roads maintained by the county to the total number of miles of public roads maintained by all counties.

Section 66-6-23.1(A)(4) NMSA 1978 requires 4.06% of the remaining identified balance be allocated to each county based on the proportion of registration fees for each county to the total registration fees for all counties. This allocated balance to each county is then to be transferred to the incorporated municipalities within the county in the proportion, determined by the DFA based on their proportion of amounts determined in accordance with Sections 7-32-1 NMSA 1978, 7-35-1 NMSA 1978, and 7-34-1 NMSA 1978.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

D. OTHER (CONTINUED)

2019-006 (Previously 2018-005) MVD Distributions (Other Non-Compliance) (Continued)

Criteria (Continued): Section 66-6-23.1(A)(5) NMSA 1978 requires the remaining 6.09% of the identified balance for the formulaic portion of the distribution to be distributed to the counties and incorporated municipalities based on the proportions determined by DFA in accordance with applicable requirements.

Cause: Misapplication of the State Statute related to the distribution of fees in accordance with Section 66-6-23.1(A)(4) NMSA 1978. Tapestry included incorrect coding related to rates/percentages to be distributed.

Effect: Noncompliance with the State statute. Errors in distributions of approximately \$152,000 to beneficiaries.

Local Governments that received over distributions may have already utilized or obligated the funds for future use for public benefit. Local governments that did not receive their full distributions could have used these funds for projects to the benefit of their communities or as matching funds for projects primarily funded from state or federal sources.

Additionally, this may cause difficulty in budgeting for local governments and the local government division of the Department of Finance and Administration due to a fluctuation in the anticipated and budgeted revenues for fiscal year 2020 and forward.

Recommendation: We recommend the Department continue working to redesign Tapestry to distribute the MVD receipts in accordance with State statute. During this process, the Department should review the applicable distribution statutes and ensure that the system reports and distributions comply, are not misleading, do not combine different distributions into one when the division or defined use of these distributions is not the same and provide sufficient information to allow the users of the reports to be able to test compliance with State statute. The Department should also evaluate the effect of these distributions and the full impact to the beneficiaries, in addition to the legal requirements regarding any prior distributions. Additionally, the Department should implement a system to monitor controls over collections and distributions and statutory compliance.

Management's Response: By February 2019, the Department corrected the distribution(s) per Sections 66-6-23(A)(2), (3), and (14) NMSA 1978. The ASD Financial Distributions Bureau (FDB) continues to work to ensure that Tapestry accurately distributes MVD residual receipts in accordance with State statute. Internal control monitoring efforts in FY20, will include a review of applicable statutes, verification that the system complies with statutory requirements, verification that MVD distributions are not combined with other distributions, and review of distribution processes.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

D. OTHER (CONTINUED)

2019-006 (Previously 2018-005) MVD Distributions (Other Non-Compliance) (Continued)

Management's Response (continued)

The Financial Distributions Bureau Chief and the Motor Vehicle Division Director will work with the Tapestry team and the Department's Legal Services Bureau to resolve the historical over (under) distributions as soon as possible. This is expected to be completed by June 30, 2020

2019-007 (Previously 2018-001) Controls over Capital Assets (Other Matters)

Condition/Context: During our review of capital assets, we noted the following:

- The Department's ONGARD system was transferred to the State Land Office during the year. We noted the ONGARD system was not fully depreciated prior to the transfer, however we noted depreciation was accelerated in period 12 per review of SHARE. This resulted in accelerated depreciation expense of approximately \$59,000.
- The Department listed a construction in process (CIP) balance of \$334,305 that management initially did not determine or indicate what project the CIP related to. After our inquiry, management determined the CIP related to Gentax and Tapestry, which were placed into service prior to the end of the fiscal year. We noted no depreciation expense was calculated for these assets.

Management's Progress for Repeat Finding 2018-005: See management's response.

Criteria: 2.20.1.15 states that "each agency shall establish controls over its fixed assets for the primary purposes of safeguarding them and establishing accountability for their custody and use."

Cause: Lack of effective procedures over capital assets.

Effect: Potential misstatement of capital assets.

Recommendation: We recommend management implement effective procedures over capital assets that includes monthly reconciliation of the SHARE Asset Module, recording of additions, recording of depreciation expense and recording of disposals, as applicable.

Management's Response: The CIP in question was a residual balance from FY17, which had been placed in service prior to the current fiscal year end. The Department will monitor the depreciation process in SHARE to ensure that depreciation is calculated on time and accurately. The Chief Financial Officer is working on policies and procedures for recording and processing capital assets to include enhanced control and review functions. With the Financial Services Bureau now staffed, training will be provided by the CFO to ensure accuracy and timeliness in the acquisition, tracking and disposal of capital assets.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

D. OTHER (CONTINUED)

2019-007 (Previously 2018-001) Controls over Capital Assets (Other Matters) (Continued)

Management's Response (continued)

Monthly reconciliations will be performed to reconcile the SHARE asset module and any other module that accounts for capital outlay expenditures and related capital assets in SHARE. Policies and procedures are expected to be in place by June 30, 2020.

2019-008 (Previously 2018-015) Late Audit Report (Other Noncompliance) Repeated and Modified

Condition: The fiscal year 2019 audit was not delivered on the statutory due date of November 1, 2019 to the State Auditor.

Management's Progress for Repeat Finding 2018-015: See management's response.

Criteria: Per New Mexico Audit Rule, if an audit report is not delivered on time to the state auditor, the auditor shall include this instance of non-compliance with Subsection A of Section 2.2.2.9 NMAC as an audit finding in the audit report. This requirement is not negotiable.

Cause: Abnormal balances were noted in the PIT and CRS funds during the auditor's review of the financial statements. The Department required additional time to properly research the matter and to identify corrective action.

Effect: Non-compliance with State Audit Rule.

Recommendation: We recommend management establish robust review procedures of the Department prepared financial statements prior to submission to the annual auditor. We recommend the internal review be completed at least 15 days prior to the statutory due date.

Management's Response: The Administrative Services Division has experienced significant turnover in the Financial Services Bureau, Budget Bureau and General Services Bureau. The addition of staff toward the end of FY19 included an Administrative Services Director and a Deputy Administrative Services Director. These administrative positions will focus on filling vacancies with qualified individuals and concentrate on implementing financial statement review procedures to include an internal review at least 15 days prior to the statutory due date. Administration is committed to meeting the statutory audit due date for FY20.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

D. OTHER (CONTINUED)

2019-009 (Previously 2014-001) Untimely Deposits (Other Non-Compliance) Repeated and Modified

Condition: When reviewing 42 days of cash receipts from MVD Field offices across the state, we noted 21 instances in which the field offices did not make the deposit with the respective financial institution within the required 48 hours of receipt, affecting 8 of the receipt days tested.

<i>Office</i>	<i>Number of Late Deposits</i>	<i>Total Amount of Late Deposits</i>
Roswell	1	\$ 12,613
Portales	1	2,010
Las Vegas	1	3,575.
T or C	3	5,958.
Moriarty	1	2,326
Los Alamos	2	3,576
Vehicle Services SF	3	2,674
DWI Santa Fe	5	1,377
Driver Santa Fe	4	6,378
Total	<u>21</u>	<u>\$ 40,487</u>

- When reviewing cash receipts related to the Financial Service Bureau, we noted 9 out of 15 deposits were not within 24 hours of receipt.

Management's Progress for Repeat Finding 2014-001: Progress has been made on resolving this finding related to MVD. The number of late deposits decreased by 28, from 49 to 21, with a corresponding reduction total amount of \$66,183, from \$106,670 to \$40,487. *See also management's response*

Criteria: Pursuant to Section 66-6-22.1 NMSA 1978, Motor Vehicle Suspense, all monies collected daily must be deposited to the bank within 48 hours (2 business days). For financial services all monies collected must be deposited to the bank within 24 hours.

Cause: While it is difficult to determine the exact cause, we note that 12 of the 21 late deposits occurred in Santa Fe. The underlying cause may be due to high turnover, lack of training, or both.

Effect: Noncompliance with the State Statute resulting in possible misappropriation and/or theft when cash isn't deposited within the required timeframe.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

D. OTHER (CONTINUED)

2019-009 (Previously 2014-001) Untimely Deposits (Other Non-Compliance) Repeated and Modified (Continued)

Recommendation: We recommend the Department continue to evaluate processes and work towards compliance with the State statute, and ensure that field offices provide adequate training to employees handling deposits. We recommend management implement a procedure to ensure all monies related to the Financial Services Bureau are deposited within 24 hours of receipt and appropriately staff the Financial Services Bureau.

Management's Response: Policies and procedures related to cash handling have been developed and implemented however review and restructuring of the procedures is underway to include a more comprehensive process. Prior to an employee accessing MVD's system (Tapestry) to conduct transactions and accept payments, the employee must complete appropriate training modules. While each MVD agent is responsible for balancing and closing their own cash drawer at the end of every day, it is a "lead" agent, supervisor, manager or bureau chief who finalizes the deposit each day and completes the process within Tapestry.

Proper exit procedures for employees who leave the Department will be followed to ensure that all documents including checks are properly transferred and processed in a timely manner. The Motor Vehicle Division Director and the CFO will work together to stress the importance of adhering to the Department of Finance and Administration's MAPs policies and procedures FIN 2 related to the 24-hour deposit timeline. The agency will continue to explore possible improvements to the deposit process and how each step impacts the next to mitigate risks associated with non-compliance with Section 66-6-22.1 NMSA 1978.

2019-010 (Previously 2014-003) Use of State Issued Gas Credit Cards (Other Non-Compliance) Repeated and Modified

Condition: During testwork over fiscal year 2019 gas card purchases, we identified 3 out of 42 instances in which receipts were not maintained or provided by the Department.

Management's Progress for Repeat Finding 2014-003: See management's response.

Criteria: NMAC 1.5.3.19 NMSA 1978 states that all fuel purchases must be for unleaded fuel and exception reports are to be reviewed on a monthly basis.

Cause: While the Department has made progress to resolving the finding, current procedures do not ensure 100% compliance.

Effect: Noncompliance with New Mexico Statutes.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

D. OTHER (CONTINUED)

2019-010 (Previously 2014-003) Use of State Issued Gas Credit Cards (Other Non-Compliance) Repeated and Modified (Continued)

Recommendation: We recommend the Department remind their employees of their policies and procedures pertaining to WEX fuel card usage and need to maintain receipts for all purchases.

Management's Response: The Administrative Services Division (ASD) will continuously address this issue through periodic reminders to employees to use regular unleaded fuel. The ASD General Services Bureau Chief reconciles and reviews the WEX fuel statement monthly, comparing actual receipts to the statement detail. Any purchases outside of policy and procedures are reported to the applicable Division Director, including details about the questionable items and the name of the employee who purchased the unauthorized items. ASD continues to monitor, report and inform all employees of the requirement that only unleaded fuel is allowed. The CFO will continue to work with staff and employees to comply with the fuel card policy. ASD will continue to notify Division Directors of unauthorized purchases and request action on policy enforcement.

2019-011 (Previously 2017-007) Procurement (Other Non-Compliance) Repeated and Modified

Condition/Context: During our review of procurement, we noted the following related to Property Tax Division.

- One vendor was reimbursed for travel, training, mileage, meals, lodging and other costs which approximated \$10,830. We noted the vendor's contract allowed for hourly compensation only and did not include provisions for expense reimbursement or payment of other costs. Additionally, based on the frequency of payments, reimbursements and reimbursement rates used, it is questionable if the individual was acting as an employee or independent contractor.
- We noted another vendor was reimbursed in excess of approximately \$4,190 related to hours worked in excess of the allowed weekly amount. We also noted the vendor was reimbursed a weekly amount of \$120 for "miscellaneous" expenses, for which no evidence of actual expenses was provided.
- We noted another vendor was reimbursed in excess of approximately \$120 related to hours worked in excess of the allowed weekly amount. We also noted the vendor was reimbursed a weekly amount of \$120 for "miscellaneous" expenses, for which no evidence of actual expenses was provided.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

D. OTHER (CONTINUED)

2019-011 (Previously 2017-007) Procurement (Other Non-Compliance) Repeated and Modified (Continued)

Condition/Context (Continued):

- Two of the three vendors mentioned above were determined to be providing general services by the Department, thus were encumbered by purchase order. All three vendors listed above provided property tax assessment services, which appears to be a professional service.

Management's Progress for Repeat Finding 2017-007: See management's response.

Criteria: 6-5-3 NMSA 1978 states, "before any vouchers or purchase orders are issued or contracts are entered into involving the expenditure of public funds by a state agency, the authority for the proposed expenditure shall be determined by the division and the state agency. After the authority for the expenditure is determined, the appropriate fund shall be shown by the division to be encumbered to the extent of the proposed expenditure." FIN 4.8 requires three formal quotes for purchases greater than \$20,000, but less than \$60,000 for the procurement of general services.

Cause: The Department experienced turnover and miscommunication related to procurement. The Department lacks sound policies and procedures to properly comply with the New Mexico Procurement Code.

Effect: Noncompliance with New Mexico Statutes. Invalid procurement.

Recommendation: We recommend the Department establish written policies and procedures for procurement and provide sufficient training for all individuals involved in the procurement process. We recommend the perform a comprehensive review of direct purchase orders and outstanding contracts to determine proper compliance.

Management's Response: In FY20, the Administrative Services Division (ASD) renegotiated professional services contracts scope of work within the procurement code regulation. Continued efforts will be made by the CFO to ensure procurement training and written policies and procedures are implemented by June 30, 2020. The Department plans to conduct a comprehensive review of all contracts during FY20. The Chief Financial Officer and other management staff are working on policies and procedures for procurement (including P-Card usage) to ensure all procurement and contractor payments are valid and in compliance with the procurement code. All staff involved with the procurement process in one way or another will take the Procurement 101 course offered by the State Purchasing Division of the General Services Department. Staff critical to the procurement process will take the CPO certification course. Procurement training and procedure writing are expected to be completed by June 30, 2020.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

D. OTHER (CONTINUED)

2019-012 (Previously 2018-014) Travel and Per Diem Disbursements (Other Non-Compliance)

Condition/Context: During our review of travel and per diem disbursements, the Department was unable to provide documentation of notification of employee travel of \$1,500 singular or in the aggregate, to the Cabinet Secretary, for 4 out of 22 travel disbursements tested.

Criteria: 10-8-5 NMSA 1978 states that any person who is not an employee, appointee or elected official of a county or municipality and who is reimbursed under the provisions of the Per Diem and Mileage Act in an amount that singly or in the aggregate exceeds one thousand five hundred dollars (\$1,500) in any one year shall not be entitled to further reimbursement under the provisions of that act until the person furnishes in writing to his department head or, in the case of a department head or board or commission member, to the governor or, in the case of a member of the legislature, to the New Mexico legislative council, an itemized statement on each separate instance of travel covered within the reimbursement, the place to which traveled and the executive, judicial or legislative purpose served by the travel.

Cause: Management oversight.

Effect: Non-compliance with State statute.

Recommendation: We recommend management ensure proper notification is made and documentation of notification is maintained and kept.

Management's Response: The CFO will work closely with the Financial Services Bureau Chief to ensure employee travel is tracked, furnishing the statutorily required itemized statement of travel that exceeds \$1,500. The Department is in the process of writing policies and procedures over travel and per diem requirements to mitigate risks associated with non-compliance with state statute. Additional travel training will be offered and required for staff processing travel reimbursements. Estimated completion date is June 30, 2020.

2019-013 Tax Payments Misapplied to A Prior Tax Year (Other Non-Compliance)

Condition/Context: We identified two taxpayers who submitted estimated tax payments for tax year 2018 that were erroneously applied to a prior period. In the first instance, a payment of \$1,000 was applied to tax year 2017, and in the second instance a payment of \$658 was erroneously applied to tax year 2014. The second taxpayer paid a penalty assessed, totaling \$24.85, in efforts to avoid additional interest or penalty assessments. Both instances appear to be Department clerical errors.

We also noted that the Department does not appear to have a process in place to prevent a payment from being applied to a tax year with a zero balance, or to monitor/detect when errors occur so they can be corrected timely.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

D. OTHER (CONTINUED)

**2019-013 Tax Payments Misapplied to A Prior Tax Year (Other Non-Compliance)
(Continued)**

Criteria: Section 6-5-2 (C) NMSA 1978 requires state agencies to implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, Section 2.20.5.8 C (1) NMAC requires an internal control structure that exists and is functioning properly. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework is recognized as the leading guidance for designing, implementing and conducting internal control and assessing its effectiveness. An “effective” internal control system includes five components; the control environment, risk assessment, control activities, information, and communication and monitoring. These components should be addressed in entity-level controls related to financial reporting and transaction level processes. Section 7-1-4.2.A NMSA 1978 gives New Mexico taxpayers the right to available public information and prompt and courteous tax assistance.

Cause: The root cause appears to be a combination of inadequate training and an inadequate internal control framework to prevent or detect clerical errors resulting in misapplying payments to a prior year.

Effect: Inaccurate tax assessment amounts. Taxpayers are expected to monitor their account and request a refund to correct any potential errors made by the Department due to misapplied payments. Taxpayers will not receive an adjustment for misapplied payments by the Department unless the taxpayer identifies a discrepancy and/or requests a refund. The Department did refund \$24.85 in penalties and interest after the second taxpayer notified them of the error. This can put undue hardship on the taxpayer.

Recommendation: We recommend the Department create a report to identify credit balances inadvertently applied to prior year taxpayer accounts, correct, as applicable, or promptly notify the taxpayer that they have a credit and the steps they need to take to receive a refund.

Management’s Response: The Revenue Processing Division Director, will create a monthly report to identify credit balances inadvertently applied to prior year taxpayer accounts and will subsequently notify the taxpayer of the credit and provide the taxpayer with instructions to apply for a refund. The Administrative Resolutions and Services Bureau as well as the Returns Processing Bureau will utilize the report on a monthly basis for taxpayer account analysis and outreach. Expected completion date is June 30, 2020.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

D. OTHER (CONTINUED)

2019-014 Communicating Concerns Noted with Tax Returns (Other Matters)

Condition/Context: As a result of inquiries received from a local government, we noted that for the August 2018 Distribution collected in June 2018, the Town of Carrizozo received a Gross Receipts Tax (GRT) Distribution of \$215,017. On average, the Town’s normal distribution is approximately \$28,000. Follow up with Department staff determined that a GRT return(s) was filed using a wrong location code. The location code for the Town of Carrizozo was used, but the correct location code should have been Lincoln Country as that is where the work was performed. This was caused by taxpayer error. It should be noted that the taxpayer appears to have overpaid by approximately \$99,064, and the distributions to the municipality, the county and the state are also affected.

Although aware of the issue the Department did not notify the taxpayer of the discrepancy until after inquiries were made in August 2019. In addition, the Department does not appear to have adequate controls to identify significant variances in GRT amounts reported, or a mechanism for reporting problems to affected parties.

The following tables summarize the estimated impact of the initial filing and potential amendment.

	<i>Current Distribution based on Inaccurate Location Code</i>	<i>Calculated Corrected Distribution based on Corrected Location Code</i>	<i>(Over)/Under Distributed by Beneficiary</i>
Town of Carrizozo	\$188,224	\$ -	\$(188,224)
Lincoln County	16,511	24,766	8,255
State of New Mexico	257,568	338,471	80,903
Total	462,303	363,237	(99,064)

(Note: All calculations are estimates based on enacted rates of Lincoln County and Town of Carrizozo for the filing period affected.)

Criteria: Section 7-1-14 (B) NMSA 1978 states that for persons engaged in the construction business, the place where the construction project is performed is a "place of business", and all receipts from that project are to be reported from that place of business.

Section 6-5-2 (C) NMSA 1978 requires state agencies to implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, Section 2.20.5.8 C (1) NMAC requires an internal control structure that exists and is functioning properly. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework is recognized as the leading guidance

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

D. OTHER (CONTINUED)

2019-014 Communicating Concerns Noted with Tax Returns (Other Matters) (Continued)

Criteria (Continued): for designing, implementing and conducting internal control and assessing its effectiveness. An “effective” internal control system includes five components; the control environment, risk assessment, control activities, information, and communication and monitoring. These components should be addressed in entity-level controls related to financial reporting and transaction level processes.

Cause: The Department was made aware of this error and did not notify the taxpayer so an amended return could be filed, triggering a system correction.

Effect: An inaccurate location code used by taxpayer(s) appears to have resulted in under distributions to Lincoln County and to the State of New Mexico of approximately \$8,255, and \$80,903 respectively and an over distribution to the Town of Carrizozo by approximately \$188,224. The taxpayer also overpaid taxes by approximately \$99,064 as the Town of Carrizozo has a higher tax rate than Lincoln County. Delays in notify taxpayers of errors may cause undue hardship on a Municipality or County as they may have unknowingly spent the overpayment or used it for budgetary purposes.

Recommendation: The Department should research, develop, and implement a method to review the location codes reported by taxpayers to help ensure accurate distributions. The Department should develop a process to communicate errors to the affected taxpayer(s) in a timely manner.

Management’s Response: The Department plans to develop a risk-based approach to analyze and review variances of distributions based on location codes reported by taxpayers and to timely communicate errors to the affected taxpayer(s). Under the guidance of the Local Government Liaison and the Financial Distribution Bureau Chief, new procedures will be developed. The new procedures are expected to be in place by June 30, 2020.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2019**

2013-003 Information Technology – Overall IT Controls (Other Noncompliance)	Resolved
2017-002 Federal Program Cash Management (Other Noncompliance)	Repeated and Modified
2014-005 Untimely Deposits (Other Non-Compliance).....	Repeated and Modified
2017-006 Use of State Issued Gas Credit Cards (Other Non-Compliance)	Repeated and Modified
2017-007 Procurement (Findings that do not rise to the level of a significant deficiency)	Repeated and Modified
2017-011 Reconciliation Process Related to Gross Receipts Tax Distributions (Findings that do not rise to the level of a significant deficiency).....	Resolved
2018-001 Controls over Capital Assets (Material Weakness)	Repeated and Modified
2018-002 Controls over Accounts Payable (Material Weakness)	Repeated and Modified
2018-003 Internal Controls over GenTax User Access (Material Weakness)	Resolved
2018-004 Financial Close and Reporting (Significant Deficiency).....	Repeated and Modified
2018- 005 MVD Distributions (Material Non-Compliance) (Material Non-Compliance).....	Repeated and Modified
2018-007 Allowability – Documented Procedures over Payroll (Instance of Noncompliance) (Instance of Noncompliance).....	Resolved
2018-008 Reporting (Significant Deficiency and Instance of Noncompliance) (Instance of Noncompliance).....	Resolved
2018-014 Travel and Per Diem Disbursements (Other Non-Compliance) (Other Noncompliance)	Repeated and Modified
2018-015 Late Audit Report (Other Noncompliance)	Repeated and Modified

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2019**

2018-016 Budgetary Matters
(Findings that do not rise to the level of a significant deficiency).....Resolved

2018-017 MVD Distributions to Recently Incorporated Communities
(Other Noncompliance)Resolved

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
EXIT CONFERENCE
June 30, 2019**

An exit conference was held with the State of New Mexico Taxation and Revenue Department (Department) on October 31, 2019. The conference was held at the Joseph M. Montoya Building in Santa Fe, New Mexico. In attendance were:

FOR THE DEPARTMENT:

Stephanie Schardin Clarke, Cabinet Secretary
Emily K. Oster, Deputy Cabinet Secretary & Acting CPO
Denise A. Irion, ASD Director
Miranda Ntoko, Deputy ASD Director & CFO
Brandie Marquez, TAA Financial Manager
Lilian Ukadike, MVD Financial Manager
Arianna Burger, Financial Services Bureau Chief
Mike Baca, CIO
Raja Sambandam, Chief Security Officer
Lydia VanOrman, Chief Auditor

FOR THE OFFICE OF THE STATE AUDITOR:

Natalie Cordova, Deputy State Auditor, Office of the State Auditor
Liza Kerr, Financial Audit Manager, Office of the State Auditor

FOR CLIFTONLARSONALLEN LLP:

Matt Bone, CPA, CGMA, CGFM, Principal
Victor Kraft, CPA, CFE, CGFM, Manager
Alex Roczen, Associate

The Financial Statements were prepared by the Department with assistance from the IPA.