

**TAXATION**  
**REVENUE**   
N E W M E X I C O

**FINANCIAL STATEMENTS AND**  
**REPORT OF INDEPENDENT**  
**AUDITORS**

**JUNE 30, 2018**

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

**Official Roster**

**Year Ended June 30, 2018**

<u>Name</u>	<u>Title</u>
John Monforte	Acting Cabinet Secretary
Division Directors:	
JoAnn Chavez	Administrative Services Division
Mike Baca	Information Technology Division
Aysha Mora	Audit and Compliance Division
Charlene Trujillo	Revenue Processing Division
Michael O'Melia	Property Tax Division
Alicia Ortiz	Motor Vehicle Division
Lilia Ruiz	Tax Fraud Investigations Division

## INDEPENDENT AUDITORS' REPORT

John Monforte, Acting-Cabinet Secretary  
New Mexico Taxation and Revenue Department  
Honorable Susana Martinez, Governor  
Wayne A. Johnson, 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, 2018, 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.

John Monforte, Acting-Cabinet Secretary  
New Mexico Taxation and Revenue Department  
Honorable Susana Martinez, Governor  
Wayne A. Johnson, 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, 2018, 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, 2018, and the changes in financial position, where applicable, 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United



John Monforte, Acting-Cabinet Secretary  
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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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 (except for Note 13.C., as to which the date is January 15, 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 30, 2018  
(except for Note 13.C., as to which the date is January 15, 2019)

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018**

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 \$53,157,342 (net position). \$28,163,475 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 \$3,918,134 during FY18. 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 \$82,025,504. The Department administers and enforces New Mexico's taxation and revenue laws and motor vehicle code.

**Department Accomplishments**

**FY 2018 TRD Collections and Distributions**

**Net Collections:** TRD collected a total of \$8.7 billion in FY18. Combined reporting system taxes (gross receipts, withholding and compensating taxes) were the single largest category of collections at \$5.3 billion, or 61%, of total collections. Income taxes were next at \$1.0 billion, or 12%. Mineral extraction taxes were at \$1.2 billion, or 14%. Motor vehicle taxes and fees were \$400 million, or 5%, and other state funds were \$786 million, or 8%.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

**Net Distributions:** TRD distributed a total of \$9.1 billion in FY18. Of those distributions; \$4.8 billion, or 52%, was distributed to the State General Fund, \$1.9 billion, or 21%, was distributed to local governments, \$426 million, or 5%, was distributed to the New Mexico Department of Transportation, and \$1.9 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 2018 (FY18) by employing leading edge technology. ACD is in the process of implementing a Data Analytics solution to assist with CRS Audit Selection, while also expanding the existing functionality for additional tax programs in GenTax. Severance Tax was migrated into GenTax during the fiscal year and ACD is expanding the audit and collections functionality for this tax program. ACD participated in the identification and implementation of a Segregation of Duties model in GenTax to prevent internal fraud and abuse.

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  $\$241,029,984/\$21,479,500 = 11.2:1$  against the 11:1 target for FY18. 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 FY19 our goal remains at 65%. ACD continues to monitor this monthly, to can make data driven changes throughout the year to reach our goal.

The goal for FY19 has changed to 28%, and the receivables have grown to about \$913M, but vacancy rate continues to increase. Every attempt will be made to leverage current technology to meet this goal, but receivables are expected to continue to outpace collections. ACD requested additional 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 FY18 compliance effort was \$254 million, including \$241 million in collections and 13 million in credit denials. The discovery data warehouse identified 15,157 noncompliant tax periods through audit and IRS matching programs of income sources for delinquent taxpayers totaling \$29 million in FY18. These assessments also resulted in an additional \$36.8 million in Managed Audit Assessments.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

Compliance Enforcement Program

The Tax Fraud Investigations Division (TFID) referred one (01) criminal case to the district attorney's office in the second judicial district of New Mexico. The outcome of the majority of these investigations will have a widespread impact on voluntary compliance in all areas of the state. The division's 50% rate of referrals was below the established 85% target. TFID currently has two assigned Special Agents, one who recently graduated from the New Mexico Law Enforcement Academy and another recent hire who spent the majority of their time on military leave and is currently out of FMLA.

The one referred investigation comprised of a tax fraud case in which the individual (a state employee) fraudulently reported state withholdings on their NMPIT.

The Division currently employs four (04) New Mexico Law Enforcement Officers (LEO) now and plans to increase this number by two prior to fiscal year end. The division will operate more efficiently in that the TFIB will no longer need to rely on other state law LEOs to achieve certain aspects of its criminal investigations.

The Internal Investigations Bureau (IIB) completed 100% of the investigations involving employee misconduct within the required sixty-day timeframe. The IIB also spent time following up on a multitude of possible violations involving drivers' license fraud. The IIB has an established partnership with a federal agency on the investigation of driver's licenses obtained using fraudulent documents. One of these investigations resulted in three (03) individuals who were arrested on federal charges of aggravated identity theft, transfer of identification documents, aiding and abetting, and conspiracy. It is believed IIB and Homeland Security have identified at least 70 driver's licenses obtained in New Mexico through the group, with illegal immigrants paying them thousands of dollars each to get Real ID-compliant licenses that can be used for air travel identification and to prove legal status in the United States.

Internal Audit

Internal Audit function has a Chief Auditor and four (4) internal auditors. A risk-based enterprise risk assessment was conducted, and an audit program was developed based on the results of this assessment. The annual TRD-wide corporate culture assessment was placed on hold and will resume in FY 2019.

During FY 2018, Internal Audit completed twenty-nine (29) audits and twelve (12) special projects, as shown in the table below. Internal Audit's monitoring process has resulted in 282 of 315 (93.65%) implementation of findings due for FY 2018.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

<b>Internal Audits and Special Projects Completed During FY 2017</b>	
<b>Division/Department</b>	<b>Audits / Special Audits</b>
ACD	2
ASD	1
ITD	1
LSB	1
MVD	21
OOS	1
RPD	1
TFID	1
<b>Subtotal</b>	<b>29</b>
Special Projects	12
<b>Subtotal</b>	<b>12</b>
<b>Total</b>	<b>41</b>

**The Information Technology Division of TRD** accomplishments in FY18.

**A. SFY 2018 STRATEGIC IT ACCOMPLISHMENTS**

**IT STRATEGIC GOAL 1**

- Improve support for all TRD information technology systems, collaborating with business divisions
- Partner with Divisions, Business Owners and key stakeholders to ensure comprehensive and holistic support in a proactive manner.
- Rescue struggling initiatives

**Metric 1** Successful completion of initiatives and improved support for IT initiatives and system.

## **STATE OF NEW MEXICO**

### **TAXATION AND REVENUE DEPARTMENT**

#### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**June 30, 2018**

#### **Accomplishments**

- Collaborated with all divisions to manage the PCI compliance initiative. This is a statewide mandate from DFA.
- Collaborated with all stakeholders to lead and manage procurement of Acquirer Services.
- Managed TRD Severance Tax Project, implementation completed on scope, schedule and budget.
- Significant progress on Property Tax division business modernization Project
- Full DS/VS implementation, and Real ID
- IBML Upgrade
- Cash Remediation
- Data Analytics C2 and Data Analytics Summit
- Acquirer services RFP, and procurement of new payment processing vendor
- PTD RFP, and Axiomatic procurement
- IRS CAPs and subsequently improved Audit
- Improved processes in Quality Assurance and Testing (particularly in rates, SP's, and security)
- Spectre and Meltdown (bad security threats averted)
- Gross receipts location codes and tax rates web map
- Captiva upgrade (Document Management System)
- VLS 3.1 and State to State changes in Tapestry
- New Plates – Chile, off-highway, cutthroat trout, fun plates
- Assisted with One Stop Business Portal
- Firewall improvements
- Service packs for the GenTax and Tapestry environments.
- Aligned Enterprise Legislative review and implementation processes within ITD
- Additional levels of one on one and group trainings with our sister TRD divisions
- Additional support for business testing
- Implemented developer configurations and peer reviews
- Improved change management
- Standardized and improved contract management within ITD
- Standardized and improved procurement within ITD
- Standardized and improved budget management within ITD
- Assured appropriate review, guidance, and sign off on most TRD technology procurements

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

**IT STRATEGIC GOAL 2**

- Plan acquisition, implement, maintain and refresh TRD technology infrastructure to support the delivery of IT services and assure the redundancy and continuity of those services.
- Identify infrastructure failure points, weaknesses and equipment nearing End-of-Life and plan for the mitigation of those items.

**Metric 1**      System up time

**Accomplishments**

- Maintained uptime for critical systems through continuous monitoring to identify underperforming or vulnerable objects or software.
- Tuning and redirection of resources as necessary.
- Regular system scans, reduced fraudsters, security threats and firewall bottlenecks.
- Enhancement of product performance and features
- Defined Recovery Point Objective (RPO)/Recovery Time Objective (RTO)
- Agency wide BIA analysis initiated. This is anticipated to be complete in FY18.
- Identify and implement servers/systems needed for DR. Assess hardware/software requirements needed to support systems
- Began migrating all Oracle data to SQL Server

**IT STRATEGIC GOAL 3**

- Plan acquisition, recruit, sustain, retain, and plan succession for technology workforce necessary to support excellent delivery of IT services.
- Develop ITD training and retention strategies to align resources with division's needs and common platforms

**Metric 1**      Improved ability to support systems and retention rates

**Metric 2**      Implement processes and mechanisms to promote growth, learning, knowledge transfer and training for IT staff to be able to support modernized systems

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

**Accomplishments**

- Overall retention improved in last 2 FYs.
- Tapestry system was implemented demanding IT support teams to quickly transition from supporting a legacy mainframe-based system to a modern technology.
- ITD successfully implemented a new support structure as part of transition to operations, to include colocation of support teams (from IT, Business and contractor).
- Introduced knowledge transfer and ongoing weekly training sessions for IT support teams to learn the new system and technology. This has resulted in improved staff motivation and in-house staff are now able to do provide a lot more support while reliance on contractor is reducing.
- On the GenTax support team, cross training mechanisms have been implemented to provide growth paths for staff, through advanced technologies. Significant improvements in cross training, process, and overall support were realized by alignments and staff resourcing in data warehouse.
- Restored order within budget that had been rocked by massive cuts.
- Quarterly all hands meetings
- Coffee with the CIO
- Training and professional development for staff
- Increased attendance and participation in FTA
- Gartner facilitated trainings
- Online services (UDEMY AND Safari and others)
- Support for EDU's, professional certifications
- Sent multiple staff to low cost in state conferences on data, project management, infrastructure, and more
- Tech "Brown Bags"
- Re-Established mission, vision and focus areas for ITD.



**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

**B. OTHER SFY 2018 IT ACCOMPLISHMENTS**

**GenKFI Upgrade** - Upgraded GenKFI extracts to work with new IBML equipment and software.

**MVD Tapestry** - Established teams and processes post transition to operations. Standard processes established for change management, new office setup, communications etc.

**MVD Tapestry New License plates** - Chile plate received America's Best License Plate Award for Chile design.

**CUSTOMER SERVICE** - TAP conversion for small tax programs. Added 7 small tax programs (ex: Alternative Fuels, Emergency 911, Cigarette, etc.) to TAP for online filing of tax returns.

**DATA** - Enhanced discoveries for Audit Selection, Fraud Detection and Collections. Reduced auditors' research time into questionable refund cases, and able to generate letters with the exact information required from customers; thereby, reduced human error and improved customer service.

**INFRASTRUCTURE PCI Compliance** -TRD moved from 22% compliant to 97% compliant

**MANAGEMENT Data Analytics Summit** - In April of 2018 TRD conducted a Gartner maturity assessment and executive management met with Gartner analysts to plan a roadmap and align priorities for TRD's underfunded data analytics initiatives. Established Governance for oversight of support for both critical systems Collaborative prioritization on support requests and resolution of issues

**PROCESS IMPROVEMENT** - Updated Solution Request (SQR) process for GenTax and Tapestry. Unified, consistent method of logging and tracking issues reported by department staff.

**SECURITY GenTax Security Re-Engineering** - Enhanced Separation of Duties (SOD), including system supported business process improvements, and new onboarding process to ensure system and data security.

**WORKFORCE** - Training; Significant improvements to Online and professional development opportunities including supporting professional certifications as well as increased conference attendance (MVA and FTA) for more ITD staff (15% staff participation in national conference attendance used to align TRD initiatives with business best practices and ensure alignment with national trends and directives). Trainings provide employees the ability to strengthen their skills and enhance their knowledge base.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

Delinquent Property Accounts

The Property Tax Division (PTD), Delinquent Property Tax Bureau is responsible for the collection of real property taxes that have been delinquent for more than two years. During FY18 the Bureau resolved a total of 9,442 delinquent property accounts, either by field collections or through property tax sales. FY18 collections produced \$5,012,673 in penalty and interest, \$1,014,828 in State Cost aggregating \$6,027,501 that includes \$785 in combined P&I, state costs and contract fees attributable to installment agreements. These are the combined funding sources for the Property Tax Division. There is no funding from the General fund. Base delinquent taxes collected for New Mexico's Counties totaled \$14,635,424 for FY18.

Field collections resolved 7,165 accounts or 75.9% of the total resolved delinquent property accounts. The amount of penalty and interest collected through field collections was \$4,471,686 or 89.2% of the total penalty and interest collected. Field collections netted \$922,312 in State Cost or 90.9% 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. Penalty and interest collections from Installment Agreements totaled \$625.23. State costs from installment agreements totaled \$125. Additional interest on installment agreements was \$10 and contract fees aggregated \$25 on installment agreements in FY18.

Accounts that are not resolved through field collections or installment agreements are scheduled for sale. There were 32 property tax sales conducted in FY18. We achieved our statutory goal of having a sale in each county requiring a sale and had one county where resolution of outstanding delinquencies made a sale unnecessary. The number of accounts listed for sale in all counties was 2,747. Actual accounts sold totaled 812 and accounts listed for sale but resolved prior to the actual sale aggregated 1,465. 470 accounts which were listed for sale did not receive bids. The Property Tax sales process resolved 2,277 accounts or 24.2% of the total resolved delinquent property accounts if properties listed for sale and subsequently paid is included, or 5.0% if only successfully auctioned properties is counted. The amount of penalty and interest collected through sales was \$539,736 or 10.8% of the total penalty and interest collected. Sale collections produced \$92,265 in state costs, or, 9.1% of the total state costs collected.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

PTD's performance target of returning \$11,500,000 in base taxes to New Mexico's counties was met and exceeded. PTD returned \$14,635,424 in previously uncollected property taxes. Of that base tax total, field collections generated \$13,611,357 or, \$93.0%. Delinquent property tax sales accounted for \$1,021,099 or 7.0% of base taxes. Installment agreements contributed \$2,966 (.0002%) of delinquent base taxes to New Mexico's counties.

Pursuant to 7-38-65D 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 FY18. Tax delinquencies are allowed to be paid up to 5:00 PM of the day prior to the date of sale under 7-38-66 A. (1) NMSA. We intend to hold one in each of New Mexico's 33 Counties in FY19 as well as multiple sales in individual counties as needed. In past years, the Property Tax Division employed bulk sales and concentrated on selling properties that were in their tenth year of delinquency. Because delinquencies aged more than ten years are statutorily uncollectable. It seemed logical to prevent unrecoverable losses in property tax revenue. Similarly, the possibility of bulk sales of low value accounts was an attempt to generate economies of scale and allow potential purchasers to purchase adjoining properties and assemble more useable tracts of vacant land to develop or graze.

Neither strategy met our expectations. The market didn't respond to bulk sales of often unbuildable lots. The strategy of prioritizing tenth year delinquencies didn't help us achieve our goals of returning the maximum delinquent base taxes to our counties and resolving the highest amount of accounts. Ten-year delinquencies proved less valuable than the majority of delinquencies and had higher percentages of delinquent taxes that were uncollectable. PTD continues to commit a fair share of collection efforts to low demand areas strategically when the market exhibits opportunities. We list properties for sale near what we perceive as the fringes of demand and expand our geographical efforts accordingly.

There were 116,155 delinquent accounts transferred to the Property Tax Division on the 2013. As we work on the 2014 Delinquency List, our best estimate of current delinquent accounts statewide has increased to about 121,000. Despite the growth in the number of accounts, our efforts in the previous year significantly reduced current year base tax delinquencies from approximately \$55.0 million to current levels \$50.8 million.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

Zombie subdivisions, those with properties without significant infrastructure and predominantly vacant, remain a challenge. The legislature passed HB88/SB 105 in the 2018 Session. It became 7-38-67.1. NMSA which initiated a new classification for Abandoned Property and provides methods of sale, notice of sale and requirements of sale. It includes new methods for sale and dispositions of abandoned property providing a right of first offer to which requires the Department to enter into good faith negotiations with Land Grants and prior owners such as Pueblos and tax-free entities. There remain about 85,000 delinquent accounts in New Mexico's nine largest inactive subdivisions. This equates to 70% of total delinquent accounts statewide. Base taxes in these accounts is reported at \$7,103,103, which equates to 14% of base delinquent taxes statewide, or, \$83.56 per account due the counties. It's important to note that the 70% total doesn't include smaller failed subdivisions, just the largest nine.

PTD's certified mailing system continues 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. We completed analyses of our needs, time line planning and appropriation work and hired a developer, Axiomatic. The modernization system will incorporate Geospatial Information to map and market delinquent properties for sale. This will be accompanied by a Case Management System allowing us to work more accounts and eliminate inefficiencies in the process. We intend to add electronic filing to our State Assessed Property practice. For the first time in 15 years we have an Auditor III in PTD which will add another dimension to our compliance abilities.

Electronically Filed Tax Returns

The Revenue Processing Division (RPD) received approximately 900,324 Personal Income Tax (PIT) returns and 1,162,018 Combined Reporting System (CRS) returns that were filed electronically. These returns amount to 84% of all incoming PIT returns and 90% of all CRS returns received by the Department.

In addition, RPD received 52,317 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.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

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. Performance has been greatly enhanced as have customer outcomes. 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 FY18 improvements include, but are not limited to, the following:

- MVD launched Tapestry, a \$38 million project to replace its motor vehicle IT system. The project finished well under projected budget and was officially closed out by the PCC in early FY18.
- In compliance with the federal Real ID Act and HB99, MVD went live with issuing its two-tier credentials on November 14, 2016. The conversion rate of "legacy" credentials to Real ID compliant driver licenses (DLs) and identification cards (IDs) and non-Real ID compliant Driver Authorization Cards (DACs) and IDs is progressing steadily. Two years into the project, and with two years prior to the Real ID deadline (October 1, 2020), approximately 45% of credentials have been converted and we are well on our way to converting the one millionth credential. A marketing campaign will be launched in FY19 to target the approximately 373,000 credential holders whose DL or ID is scheduled to expire after 10/1/2020 ensuring that all New Mexicans who want to have a DL or ID that can be used for federal purposes will have one.
- To facilitate the conversion of legacy credentials to Real ID compliant and non-compliant DLs and IDs, MVD collaborated heavily with the Department of Health's Office of Vital Records, the Social Security Administration, the Navajo Nation, Aging and Long Term Services, and other agencies to meet the needs of those populations that are hardest pressed to meet the requirements of Real ID.
- MVD resolved a DAC lawsuit and revised regulations to comply with the associated stipulated order.
- In FY18, MVD continued to enhance customer service by increasing the number of entities that participate in its partner model and increasing the ways in which customers can access needed MVD services.
- Through sustained focus on customer service, MVD restored field office wait times within its KPI and has maintained a wait time below 18 minutes.
- The MVD mobile unit remained available during special events and to provide services in underserved parts of the state.
- On line services were expanded to include central issuance of certain license plates, paving the way for a procurement during FY19, which could eliminate the need to maintain inventory.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

- MVD continues to be a model for motor vehicle operations and was invited to make a number of presentations at conferences and meetings hosted by trade associations and other states.
- In June 2018 MVD successfully secured federal funds to implement the State to State (S2S) program that ensures DL/ID holders have only one credential in the United States.
- In FY18, MVD was awarded a federal grant to support a cross-state, multiple platform facial recognition program for commercial driver's license holders. Funding and implementation of such a program will greatly enhance highway safety and reduce fraud among commercial vehicle operators.
- MVD opened the largest MVD office in the Westside of Albuquerque (Eagle Vista) in FY18.
- MVD procured a robust system to facilitate customer service in the Call Center. We continue to fine-tune usage of the system and are exploring options to optimize customer service and responsiveness.
- MVD continued to work closely with the Secretary of State to enhance its voter registration program.
- 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." In FY18 MVD has continued to maintain a 98.4 percent "good" or "excellent" service rating.
- As the development, adoption and production of autonomous vehicles continues to grow, MVD has collaborated with the Department of Transportation and other state and federal agencies, trade organizations and non-profit organizations to distill the impact on state statute, regulation, policies and procedures.
- Collaboration with the Children, Youth & Families Department (CYFD) continued in FY18. MVD service locations served as donation collection points at various points throughout the year, including Thanksgiving and Christmas. The CYFD Heart Gallery also prominently featured on big screens in MVD field offices.
- In FY18 MVD was again recognized for outstanding organ donation results among driver license and identification card applicants. Through collaboration with New Mexico Donor Services, MVD launched a campaign funded by the Health Resources and Services Administration to place television monitors that provide information that dispels myths about organ donation and encourages DL and ID applicants to consider the option.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

**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 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.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

The major fund is the General Fund, which is the Department's primary operating fund and includes the Weight Distance Tax Permit Fee Fund, the Drive MVD 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 Fund 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 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).



**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

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, 2018 is \$53,157,342. 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 \$16,413,994 at the end of the fiscal year. Restricted net position includes \$431,548 legally committed for loans to other counties and \$15,982,446 in fund balances designated for subsequent year expenditures related to the Department's non-reverting programs. More detailed information is presented in Note 15 to the financial statements.

**The Department's Net Position**

	2018	2017
Assets		
Current and other assets	<b>\$1,162,555,837</b>	943,093,164
Capital assets	<b><u>28,163,475</u></b>	<u>29,925,526</u>
<b>Total assets</b>	<b><u>1,190,719,312</u></b>	<u>973,018,690</u>
Liabilities		
Current liabilities	<b><u>1,137,561,970</u></b>	<u>923,779,482</u>
<b>Total liabilities</b>	<b><u>1,137,561,970</u></b>	<u>923,779,482</u>
Net Position		
Net investment in capital assets	<b>28,163,475</b>	29,925,526
Restricted	<b>16,413,994</b>	12,942,485
Unrestricted (deficit)	<b><u>8,579,873</u></b>	<u>6,371,197</u>
<b>Total net position</b>	<b><u>\$ 53,157,342</u></b>	<u>49,239,208</u>

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

**Governmental Activities:** The table below summarizes the Department's activities for the fiscal years ended June 30, 2018 and 2017. Total change in net position from the previous fiscal year was \$3,947,496.

**The Department's Governmental Activities**

	<b>2018</b>	2017
Program expenses	\$ (83,280,060)	(92,607,928)
Program revenue	<u>1,254,556</u>	1,474,454
<b>Net program (expense) revenue</b>	<u><b>(82,025,504)</b></u>	(91,133,474)
General revenues	<b>90,554,988</b>	89,096,624
Transfers and reversions	<u>(4,611,350)</u>	(19,727,482)
<b>Net general revenues, transfers and reversions</b>	<u><b>85,943,638</b></u>	69,369,142
<b>Change in net position</b>	<u><b>3,918,134</b></u>	(21,764,332)
Net position, beginning of year	<u><b>49,239,208</b></u>	71,003,540
<b>Net position, end of year</b>	<u><b>\$ 53,157,342</b></u>	<u>49,239,208</u>

Revenues for the governmental activities totaled \$91,809,544 and \$101,109,747 in the fiscal years ended June 30, 2018 and 2017, respectively.

The Department's program expenses for government-type activities during the fiscal year were \$83,280,060. Personnel services and employee benefits totaled \$51,701,007 or 63% of the program expenses. Other costs of \$14,837,396 or 18% 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, 2018**

**Governmental Funds:** The General Fund of the Department is used to account for the Department's primary operations. Of the total fund balance of \$26,056,927, \$15,610,446 is legally restricted for specific purposes and 10,643,068 is committed.

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 \$431,548 is legally committed for this purpose.

During FY18, capital asset activity included \$2,996,219 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 \$26,860,475. More detailed information about the Department's fund balances is presented in Note 15 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, 2018**

**Operating Fund 17200:** Changes between the original and final budgets were \$7,333,393 for the Operating Fund. The difference between the original operating revenue budget and the final operating revenue budget included \$2,455,393 in federal grants.

Actual revenues collected which are classified as Other State Funds, were \$33,241,968 or \$4,892,168 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 FY18 in collections of penalty and interest on delinquent property taxes.

Actual Federal grants revenue collected was \$1,254,556 which represents a 49% 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 FY18 exceeded the budget by \$1,963,811. As a non-reverting program, fund balances will be assigned for subsequent year expenditures.

**Drive MVD Fund 79800:** There were no changes between the original and final budgets for the Drive MVD Fund. The operating revenue budget was for federal grant funds to support the MVD project to upgrade the driver and vehicle systems.

**Capital Assets**

At the end of fiscal year 2018, the Department has invested a total of \$52,614,785 in governmental-type activities in capital assets. This amount represents a net increase (including additions, adjustments and deductions) of \$2,775,511 (6%) greater than last year of \$49,839,274 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, 2018**

**The Department's Capital Assets**

	2018	2017
Furniture and fixtures	\$ 582,666	582,666
Software	42,315,162	41,294,216
Machinery and data processing equipment	6,454,444	6,669,655
Tenant leasehold improvements	550,445	550,445
Vehicles	132,902	132,902
Construction in process	2,579,166	609,390
	<u>52,614,785</u>	49,839,274
Accumulated depreciation	<u>(24,451,310)</u>	(19,913,748)
<b>Net total</b>	<b><u>\$ 28,163,475</u></b>	<b>29,925,526</b>

The FY18 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.

**Economic Factors and Next Year's Budgets**

The Department's budget is appropriated to the following programs:

- Program Support
- Tax Administration Act
- Property Tax Program
- Motor Vehicle Program
- Compliance Enforcement Program

The Department's operating budget for fiscal year 2018 is \$90,250,721 and includes 1,066.5 full time equivalents (FTE). This represents a 2% increase from FY17 primarily from an increase in the General Fund appropriation.

The Laws of 2014, Chapter 63, Section 7, Item 3 extended the appropriation for \$6,000,000 to stabilize and modernize the ONGARD revenue system through FY18.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2018**

The Laws of 2015, Chapter 101, Section 7, Item 3 appropriated \$8,861,500 to implement the motor vehicle division system modernization project funded from the computer systems enhancement fund and program cash balances.

**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, 2018**

Key measures and FY18 results are summarized in the table below.

<b>Type of Measure</b>	<b>HB2 Measure</b>	<b>FY18 Target</b>	<b>FY18 Result</b>
	<b>Tax Administration Act</b>		
Explanatory	Percent of electronically filed returns (PIT, CRS)		87.0 %
Outcome	Collections as a percent of collectable audit assessments generated in the current fiscal year	60%	49.8%
Outcome	Collections as a percent of collectables outstanding balances from the end of the prior fiscal year	18%	16.7%
Output	Average return on investment (all funds) for every dollar invested in the audit and compliance division	11:1	11.2:1
Explanatory	Percent of questionable refund tax returns stopped compared with the total number of personal income tax returns processed.		4.4%
Explanatory	Percent of taxpayer correspondence requests answered in an average of ten working days	n/a	100%
	<b>Motor Vehicle Program</b>		
Efficiency	Average call center wait time to reach an agent, in minutes	<5:00	3:55
Outcome	Percent of registered vehicles with liability insurance	92%	90.0%
Efficiency	Average wait time in Q-Matic equipped offices, in minutes	<15:00	20:45
Efficiency	Average number of days to post “court action” driving-while intoxicated citation to driver’s record on receipt	1.0	1.09
Quality	Percent of customers rating customer service as good or higher	> 95%	98.04%
Explanatory	Web transactions as a percent of total transactions	n/a	26.78%

	<b>Property Tax Program</b>		
Outcome	Percent of total delinquent property taxes recovered	10 %	22.4%
Output	Percent of counties in which a delinquent property sale was held	92%	97%
Outcome	Amount of delinquent property tax collected and distributed to counties, in millions	\$11.6	\$14.6
	<b>Compliance Enforcement Program</b>		
Outcome	Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year	85%	113%
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%
	<b>Program Support</b>		
Explanatory	Number of days after the close of a reporting period that financial reports are available		Next Day
Outcome	Number of tax protest cases resolved	1,400	1,315
Outcome	Percent of matched combine reporting system taxes distributed timely	100%	100%
Output	Percent of internal audit recommendations implemented	90%	93.65%

### **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, 2018**

	<b>Governmental Activities</b>
	<hr/>
<b>ASSETS</b>	
Unrestricted cash on hand	\$ 33,829
Interest in the State Treasurer General Fund	
Investment Pool	
Unrestricted	407,330,849
Restricted for loans to counties	431,548
Receivables	
Due from federal government	281,864
Other receivables, net	12,290
Counties, municipalities and fee agents	3,338,848
Due from taxpayers	753,812,857
Citations	4,863,900
Tax assessments	1,319,262,196
Allowance for uncollectibles	(1,327,464,937)
Prepaid expenses	220,201
Inventory of supplies	432,392
Capital assets, net	28,163,475
	<hr/>
<b>Total assets</b>	<b>1,190,719,312</b>
	<hr/>
<b>LIABILITIES</b>	
Overdraft in interest in SGFIP	78,135,062
Accounts payable	5,166,392
Accrued payroll	1,921,700
Due to other state agencies	749,948,211
Refunds due to taxpayers	75,515,031
Unidentified tax collections	224,971,252
Other liabilities	37,714
Compensated absences	1,866,608
	<hr/>
<b>Total liabilities</b>	<b>1,137,561,970</b>
	<hr/>
<b>NET POSITION</b>	
Net investment in capital assets	28,163,475
Restricted for loans to counties	431,548
Restricted for other purposes	15,982,446
Unrestricted	8,579,873
	<hr/>
<b>Total net position</b>	<b>\$ 53,157,342</b>
	<hr/> <hr/>

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018

	<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	\$ 19,843,639	28,274,295	30,997,551	2,864,095	1,300,480	83,280,060
<b>Total program expenses</b>	19,843,639	28,274,295	30,997,551	2,864,095	1,300,480	83,280,060
Program Revenues						
Federal operating grants	-	1,098,961	155,595	-	-	1,254,556
<b>Total program revenues</b>	-	1,098,961	155,595	-	-	1,254,556
Net Program Expense	\$ (19,843,639)	(27,175,334)	(30,841,956)	(2,864,095)	(1,300,480)	(82,025,504)
General Revenues						
Other state funds:						
Delinquent Property Tax						
Penalty and Interest						5,979,218
Weight Distance Administrative Fees						4,069,511
MVD Administrative Fees						19,644,994
Other Administrative Fees						7,621,494
<b>Total general revenues</b>						37,315,217
Transfers and Reversions						
State General Fund appropriations						45,573,700
State General Fund special appropriations						7,150,000
Severance tax bond proceeds						28,496
Transfers from other state agencies						487,575
Transfers to other state agencies						(1,265,500)
Reversions to State General Fund - FY18						(3,345,850)
<b>Total transfers and reversions</b>						48,628,421
Net General Revenues, Transfers and Reversions						85,943,638
<b>Change in net position</b>						3,918,134
Net position, beginning of year						49,239,208
<b>Net position, end of year</b>						<u>\$ 53,157,342</u>

See Notes to Financial Statements.

## **FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2018**

	<u>Major Funds</u> <u>General</u>	<u>Other Governmental</u> <u>Funds</u>	<u>Total Governmental</u>
<b>ASSETS</b>			
Interest in the State Treasurer General Fund			
Investment Pool	\$ 406,955,053	807,344	407,762,397
Cash on hand	33,829	-	33,829
Receivables			
Due from federal government	281,864	-	281,864
Other receivables, net	12,290	-	12,290
Counties, municipalities and fee agents	3,338,848	-	3,338,848
Due from taxpayers	753,812,857	-	753,812,857
Citations	4,863,900	-	4,863,900
Tax assessments	1,319,262,196	-	1,319,262,196
Allowance for uncollectibles	(1,327,464,937)	-	(1,327,464,937)
Inventory of supplies	432,392	-	432,392
Prepaid expenses	220,201	-	220,201
<b>Total assets</b>	<b>\$ 1,161,748,493</b>	<b>807,344</b>	<b>1,162,555,837</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 5,162,596	3,796	5,166,392
Overdraft in Interest in SGFIP	78,135,062	-	78,135,062
Accrued payroll	1,921,700	-	1,921,700
Due to other state agencies	749,948,211	-	749,948,211
Refunds due to taxpayers	75,515,031	-	75,515,031
Unidentified tax collections	224,971,252	-	224,971,252
Other liabilities	37,714	-	37,714
<b>Total liabilities</b>	<b>1,135,691,566</b>	<b>3,796</b>	<b>1,135,695,362</b>
Fund Balances			
Nonspendable			
Inventory of supplies	432,392	-	432,392
Prepaid expenses	220,201	-	220,201
Restricted	15,610,446	803,548	16,413,994
Committed	10,643,068	-	10,643,068
Unassigned	(849,180)	-	(849,180)
<b>Total fund balances</b>	<b>26,056,927</b>	<b>803,548</b>	<b>26,860,475</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,161,748,493</b>	<b>807,344</b>	<b>1,162,555,837</b>

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, 2018**

<b>Total Fund Balances - Governmental Funds  (Governmental Fund Balance Sheet)</b>	\$ 26,860,475
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	52,614,785
Accumulated depreciation recorded in the Statement of Net Position, but not recorded in the governmental funds	(24,451,310)
	<u>28,163,475</u>
Compensated absences recorded in the Statement of Net Position, but not recorded in the governmental funds	(1,866,608)
	<u>(1,866,608)</u>
<b>Net position of governmental activities (Statement of Net Position)</b>	<u><u>\$ 53,157,342</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, 2018**

	<u>Major Funds</u> <u>General</u>	<u>Other Governmental</u> <u>Funds</u>	<u>Total Governmental</u>
Revenues			
Other state funds	\$ 37,311,479	3,738	37,315,217
Federal funds	1,254,556	-	1,254,556
<b>Total revenues</b>	<b>38,566,035</b>	<b>3,738</b>	<b>38,569,773</b>
Expenditures			
Current			
Personal services and employee benefits	51,701,007	-	51,701,007
Contractual services	12,213,264	-	12,213,264
Other costs	14,833,600	3,796	14,837,396
Capital outlay	2,971,519	24,700	2,996,219
<b>Total expenditures</b>	<b>81,719,390</b>	<b>28,496</b>	<b>81,747,886</b>
Excess (Deficiency) of Revenues Over Expenditures	(43,153,355)	(24,758)	(43,178,113)
Other Financing Sources (Uses)			
State General Fund appropriations	45,201,700	372,000	45,573,700
State General Fund special appropriations	7,150,000	-	7,150,000
Severance tax bond proceeds	-	28,496	28,496
Transfers from other state agencies	487,575	-	487,575
Transfers to other state agencies	(1,265,500)	-	(1,265,500)
Reversions to State General Fund - FY18	(3,345,850)	-	(3,345,850)
<b>Total other financing sources (uses)</b>	<b>48,227,925</b>	<b>400,496</b>	<b>48,628,421</b>
<b>Net changes in fund balances</b>	<b>5,074,570</b>	<b>375,738</b>	<b>5,450,308</b>
Fund balances, June 30, 2017	20,982,357	427,810	21,410,167
<b>Fund balances, June 30, 2018</b>	<b>\$ 26,056,927</b>	<b>803,548</b>	<b>26,860,475</b>

*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, 2018**

<b>Net Changes in Fund Balances - Total Governmental Funds  (Statement of Revenues, Expenditures, and Changes in Fund Balances)</b>	\$ 5,450,308
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	2,996,219
Depreciation expense recorded in the Statement of Activities but not recorded as expenditures in the governmental funds	(4,758,270)
Net change in compensated absences recorded in the Statement of Activities as a liability but not recorded in the governmental funds	<u>229,877</u>
<b>Change in net position of governmental activities  (Statement of Activities)</b>	<u><u>\$ 3,918,134</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, 2018

	<b>PROGRAM SUPPORT</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Budgetary Basis Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
Revenues				
State General Fund Appropriations	\$ 17,863,700	17,863,700	17,863,700	-
Other state funds	997,600	997,600	1,043,762	46,162
Other sources	620,600	620,600	487,575	(133,025)
<b>Total revenues</b>	<b>19,481,900</b>	<b>19,481,900</b>	<b>\$ 19,395,037</b>	<b>(86,863)</b>
Fund Balance Budgeted	-	-		
<b>Total revenues and fund balance budgeted</b>	<b>\$ 19,481,900</b>	<b>19,481,900</b>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 13,192,300	12,589,200	11,824,243	764,957
Contractual services	3,306,400	3,867,900	3,830,909	36,991
Other	2,983,200	3,024,800	2,532,139	492,661
<b>Total expenditures</b>	<b>\$ 19,481,900</b>	<b>19,481,900</b>	<b>18,187,291</b>	<b>1,294,609</b>

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, 2018

TAX ADMINISTRATION ACT *				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 20,471,300	20,501,300	20,501,300	-
Other state funds	6,959,100	6,959,100	6,573,562	(385,538)
Federal funds	1,506,800	1,506,800	1,098,961	(407,839)
Other sources	-	-	-	-
<b>Total revenues</b>	<b>28,937,200</b>	<b>28,967,200</b>	<b>\$ 28,173,823</b>	<b>(793,377)</b>
Fund Balance Budgeted	-	-		
<b>Total revenues and fund balance budgeted</b>	<b>\$ 28,937,200</b>	<b>28,967,200</b>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 23,480,200	23,122,200	21,997,690	1,124,510
Contractual services	236,400	290,816	234,999	55,817
Other	5,220,600	5,554,184	5,402,234	151,950
<b>Total expenditures</b>	<b>\$ 28,937,200</b>	<b>28,967,200</b>	<b>27,634,923</b>	<b>1,332,277</b>

\* 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, 2018

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	\$ 4,811,400	4,811,400	4,811,400	-
Other state funds	13,018,500	16,596,500	19,645,070	3,048,570
Federal funds	216,500	2,671,893	155,595	(2,516,298)
Other sources	6,000,000	6,000,000	6,000,000	-
<b>Total revenues</b>	<b>24,046,400</b>	<b>30,079,793</b>	<b>\$ 30,612,065</b>	<b>532,272</b>
Fund balance budgeted	155,000	1,455,000		
<b>Total revenues and fund balance budgeted</b>	<b>\$ 24,201,400</b>	<b>31,534,793</b>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 14,630,100	14,955,828	14,137,396	818,432
Contractual services	3,967,300	7,785,981	7,458,915	327,066
Other	5,449,000	8,637,984	6,493,338	2,144,646
Other financing uses	155,000	155,000	-	155,000
<b>Total expenditures</b>	<b>\$ 24,201,400</b>	<b>31,534,793</b>	<b>28,089,649</b>	<b>3,445,144</b>

\* Less Funds 99400 and 79800

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, 2018

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	3,796,600	3,796,600	5,979,574	2,182,974
<b>Total revenues</b>	<b>3,796,600</b>	<b>3,796,600</b>	<b>\$ 5,979,574</b>	<b>2,182,974</b>
Fund balance budgeted	-	-		
<b>Total revenues and fund balance budgeted</b>	<b>\$ 3,796,600</b>	<b>3,796,600</b>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 2,505,900	2,505,900	2,223,265	282,635
Contractual services	628,000	628,000	143,878	484,122
Other	662,700	662,700	511,879	150,821
Other Financing Uses	-	-		-
<b>Total expenditures</b>	<b>\$ 3,796,600</b>	<b>3,796,600</b>	<b>2,879,022</b>	<b>917,578</b>

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, 2018

	<b>COMPLIANCE ENFORCEMENT</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Budgetary Basis Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
Revenues				
State General Fund Appropriations	\$ 1,555,300	1,525,300	1,525,300	-
Other state funds	-	-		-
Other sources	-	-	-	-
<b>Total revenues</b>	<b>1,555,300</b>	<b>1,525,300</b>	<b>\$ 1,525,300</b>	<b>-</b>
Fund balance budgeted	-	-		
<b>Total revenues and fund     balance budgeted</b>	<b>\$ 1,555,300</b>	<b>1,525,300</b>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 1,282,500	1,252,500	1,040,066	212,434
Contractual services	7,600	7,600	4,129	3,471
Other	265,200	265,200	260,274	4,926
<b>Total expenditures</b>	<b>\$ 1,555,300</b>	<b>1,525,300</b>	<b>1,304,469</b>	<b>220,831</b>

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, 2018

Fund 17200 SPECIAL APPROPRIATIONS  
ONGARD Appropriation ZA0705

	PROGRAM SUPPORT			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other sources	\$ 4,804,928	4,804,928	-	(4,804,928)
<b>Total revenues</b>	4,804,928	4,804,928	\$ -	(4,804,928)
Fund balance budgeted	-	-		
	\$ 4,804,928	4,804,928		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 295,900	295,900	20,985	274,915
Contractual services	3,872,528	3,872,528	1,848,281	2,024,247
Other	636,500	636,500	255,277	381,223
Other financing uses	-	-	-	-
<b>Total expenditures</b>	\$ 4,804,928	4,804,928	2,124,543	2,680,385

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	-	-	-	-
<b>Total revenues</b>	-	-	\$ -	-
Fund balance budgeted	140,000	140,000		
	\$ 140,000	140,000		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	140,000	140,000	36,965	103,035
Other	-	-	-	-
Other financing uses	-	-	-	-
<b>Total expenditures</b>	\$ 140,000	140,000	36,965	103,035

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL -  
OPERATING FUND 17200 (CONTINUED)  
Year Ended June 30, 2018

Fund 17200 SPECIAL APPROPRIATIONS  
Cash Remediation ZA0707

PROGRAM SUPPORT

	PROGRAM SUPPORT			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ -	-	-	-
Other sources	300,000	300,000		(300,000)
<b>Total revenues</b>	300,000	300,000	\$ -	(300,000)
Fund balance budgeted				
	\$ 300,000	300,000		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	300,000	300,000	-	300,000
Other	-	-	-	-
Other financing uses	-	-	-	-
<b>Total expenditures</b>	\$ 300,000	300,000	-	300,000

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, 2018

	TOTAL OPERATING FUND			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 44,701,700	44,701,700	45,201,700	500,000
Other state funds	24,771,800	28,349,800	33,241,968	4,892,168
Federal funds	1,723,300	4,178,693	1,254,556	(2,924,137)
Other sources	11,425,528	11,425,528	7,637,575	(3,787,953)
<b>Total revenues</b>	<b>82,622,328</b>	<b>88,655,721</b>	<b>\$ 87,335,799</b>	<b>(1,319,922)</b>
Fund balance budgeted	295,000	1,595,000		
<b>Total revenues and fund balance budgeted</b>	<b>\$ 82,917,328</b>	<b>90,250,721</b>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 55,386,900	54,721,528	51,243,645	3,477,883
Contractual services	12,158,228	16,592,825	13,761,803	2,831,022
Other	15,217,200	18,781,368	15,455,141	3,326,227
Other financing uses	155,000	155,000	-	155,000
<b>Total expenditures</b>	<b>\$ 82,917,328</b>	<b>90,250,721</b>	<b>80,460,589</b>	<b>9,790,132</b>

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, 2018

<b>TAX ADMINISTRATION ACT</b>				
	<b>Budgeted Amounts</b>		<b>Budgetary Basis Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Revenues				
Other state funds	\$ 906,800	906,800	906,800	-
<b>Total revenues</b>	<b>906,800</b>	<b>906,800</b>	<b>\$ 906,800</b>	<b>-</b>
Fund balance budgeted	-	-		
<b>Total revenues and fund     balance budgeted</b>	<b>\$ 906,800</b>	<b>906,800</b>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 794,000	794,000	566,379	227,621
Contractual services	-	-	-	-
Other	112,800	112,800	54,958	57,842
Other financing uses	-	-	-	-
<b>Total expenditures</b>	<b>\$ 906,800</b>	<b>906,800</b>	<b>621,337</b>	<b>285,463</b>

<b>MOTOR VEHICLE PROGRAM</b>				
	<b>Budgeted Amounts</b>		<b>Budgetary Basis Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Revenues				
Other state funds	\$ 1,198,900	1,198,900	3,162,711	1,963,811
<b>Total revenues</b>	<b>1,198,900</b>	<b>1,198,900</b>	<b>\$ 3,162,711</b>	<b>1,963,811</b>
Fund balance budgeted	1,265,500	1,265,500		
<b>Total revenues and fund     balance budgeted</b>	<b>\$ 2,464,400</b>	<b>2,464,400</b>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 700,700	700,700	363,466	337,234
Contractual services	301,200	301,200	223,839	77,361
Other	197,000	197,000	50,159	146,841
Other financing uses	1,265,500	1,265,500	1,265,500	-
<b>Total expenditures</b>	<b>\$ 2,464,400</b>	<b>2,464,400</b>	<b>1,902,964</b>	<b>561,436</b>

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, 2018

	<b>TOTAL WEIGHT DISTANCE TAX PERMIT FEE FUND</b>			
	<b>Budgeted Amounts</b>		<b>Budgetary Basis Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Revenues				
Other state funds	\$ 2,105,700	2,105,700	4,069,511	1,963,811
<b>Total revenues</b>	2,105,700	2,105,700	\$ 4,069,511	1,963,811
Fund balance budgeted	1,265,500	1,265,500		
<b>Total revenues and fund         balance budgeted</b>	\$ 3,371,200	3,371,200		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 1,494,700	1,494,700	929,845	564,855
Contractual services	301,200	301,200	223,839	77,361
Other	309,800	309,800	105,117	204,683
Other financing uses	1,265,500	1,265,500	1,265,500	-
<b>Total expenditures</b>	\$ 3,371,200	3,371,200	2,524,301	846,899

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, 2018

**PROGRAM SUPPORT**

	<b>Budgeted Amounts</b>		<b>Budgetary Basis Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Revenues				
Other state funds	\$ 108,100	108,100		(108,100)
Federal funds	-	-	-	-
<b>Total revenues</b>	108,100	108,100	\$ -	(108,100)
Fund balance budgeted	-	-		
<b>Total revenues and fund     balance budgeted</b>	\$ 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	-	-	-	-
<b>Total expenditures</b>	\$ 108,100	108,100	-	108,100

**TOTAL DRIVE MVD FUND**

	<b>Budgeted Amounts</b>		<b>Budgetary Basis Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Revenues				
Other state funds	\$ 108,100	108,100	-	(108,100)
Federal funds	-	-	-	-
Other sources	-	-	-	-
<b>Total revenues</b>	108,100	108,100	\$ -	(108,100)
Fund balance budgeted	-	-		
<b>Total revenues and fund     balance budgeted</b>	\$ 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	-	-	-	-
<b>Total expenditures</b>	\$ 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, 2018

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	\$ -	-	-	-
<b>Total revenues</b>	-	-	\$ -	-
Fund Balance Budgeted	-	25,445		
<b>Total revenues and fund     balance budgeted</b>	\$ -	25,445		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	25,445	-	25,445
Other financing uses	-	-	-	-
<b>Total expenditures</b>	\$ -	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	\$ -	-	-	-
<b>Total revenues</b>	-	-	\$ -	-
Fund Balance Budgeted	-	25,445		
<b>Total revenues and fund     balance budgeted</b>	\$ -	25,445		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	25,445	-	25,445
Other financing uses	-	-	-	-
<b>Total expenditures</b>	\$ -	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 - GENERAL FUND TO THE  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2018

	<u>Operating Fund 17200</u>	<u>Weight Distance Fund 99400</u>	<u>Drive MVD Fund 79800</u>	<u>Native American Fund 10690</u>	<u>Total General Fund</u>
<b>Total Expenditures and Other Financing Uses</b> (Statement of Revenues, Expenditures and and Changes in Fund Balance)	\$ 80,460,589	2,524,301	-	-	82,984,890
Reversions to State General Fund-FY18	3,345,850	-	-	-	3,345,850
<b>Total Expenditures (Statement of Revenues and Expenditures Budget and Actual)</b>	<u>\$ 83,806,439</u>	<u>2,524,301</u>	<u>-</u>	<u>-</u>	<u>86,330,740</u>

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, 2018**

ASSETS

Interest in State General Fund Investment Pool	\$	50,275,471
Receivables:		
Counties, municipalities and fee agents		3,663
Due from taxpayers		348,759,852
		<hr/>
Total assets	\$	<u><u>399,038,986</u></u>

LIABILITIES

Due to component units	\$	13,845,685
Due to counties and municipalities		385,193,301
		<hr/>
Total liabilities	\$	<u><u>399,038,986</u></u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**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 Human Resources Bureau, the Training Services Office, 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 and Financial Distribution 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 Deputy 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.

*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.

*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.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 1. NATURE OF ORGANIZATION (CONTINUED)**

*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.

*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.



**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 and Financial Reporting Standards.

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.

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.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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 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.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 also includes the *Drive MVD Fund*, the purpose of which is to provide an account from which the Department may track costs associated with the modernization of MVD's vehicle and driver IT systems.

The General Fund includes special appropriations for the Native American Fund. The net assets of this fund are 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).

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.

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

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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/suppliers 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, 2018.

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.

“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.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Inventory of Supplies.* Inventory is valued at cost (first-in, first-out valuation basis). The purchase method is used to account for inventories. 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 equally offset by a fund balance reserve, which indicates it is unavailable for I have 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 acquisition value. 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.

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.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2018.

*Fund Balance.* In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, or unrestricted (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.

*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.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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, Drive MVD Fund 79800, 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.
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.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 2018 shall revert to the [state] general fund by September 30, 2018, 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, 2018 (FY18), but were unpaid by that date. In these circumstances, accounts payable amounts were not established in FY18 at fiscal year-end because these amounts were immaterial to the financial statements. These payments were processed as "Requests to Pay Prior Year Bills" in FY18 and were paid from FY19 budget.

*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.

*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.



**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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 August 13, 2018 that as of June 30, 2018, 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.

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

At June 30, 2018, the Department had the following invested in the General Fund Investment Pool:

Interest in State General Fund Investment Pool: \$379,902,806

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

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

Interest Rate Risk – The New Mexico State Treasurer’s Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is 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, 2018, 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.

As of June 30, 2018, the Department’s cash balances (called “Interest in the State General Fund Investment Pool”) have been reconciled to the Department’s portion of the GFIP. 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 audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2018.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**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.

\$1,319,262,196 of the active tax assessments issued by the Department and listed below are under protest and/or subject to litigation.

At June 30, 2018, the Department's receivables, including the applicable allowances for uncollectible accounts are as follows:

	Governmental Funds			Fiduciary Funds
	General	Special Revenue	Capital Project	Agency
<b>Receivables:</b>				
Accounts receivable	\$ 12,290	-	-	-
Federal Grants	281,864	-	-	-
County property valuation loans	-	240,000	-	-
Local government	3,338,848	-	-	-
Citations	4,863,900	-	-	-
Tax assessments considered uncollectible	1,319,262,196	-	-	-
<b>Gross receivables</b>	<b>1,327,464,944</b>	<b>240,000</b>	<b>-</b>	<b>-</b>
Allowance for uncollectibles	(1,327,464,937)	(240,000)	-	-
<b>Total receivables, net</b>	<b>\$ 294,161</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Due From:</b>				
Other Funds	\$ -	-	-	-
Taxpayers	753,812,857	-	-	348,759,852
State General Fund	-	-	-	-
Local governments	-	-	-	3,663
Other Agencies	-	-	-	-
<b>Total Due From</b>	<b>\$ 753,812,857</b>	<b>-</b>	<b>-</b>	<b>348,763,515</b>

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 5. RECEIVABLES (CONTINUED)**

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 FY18, no receivables were determined to be uncollectible. Article IV Section 32 of the New Mexico Constitution provides:

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.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5. RECEIVABLES (CONTINUED)**

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 “notice of assessment taxes”, issued by the Department is mailed 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 Other Funds

The Department records due from other internal, fiduciary funds for revenues that are measurable and available as of June 30, 2018. The Department considers revenue to be available if they are collected within 60 days after the end of the current fiscal year.

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.

Due From State General Fund

Represents taxes collected that are over sixty days old that have not been matched to a tax return and are less than three years old that are eligible for refund pursuant to Section 7-1-26 NMSA 1978 and that have been transferred to the State General Fund in accordance with Section 7-1-6.1 NMSA 1978. No estimate for uncollectible accounts is recorded because the account balance is considered fully collectible.

Due From Other Agencies

The Department works with other agencies to determine outstanding revenues due at June 30, 2018.

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.

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**NOTE 5. RECEIVABLES (CONTINUED)**

Receivables – General Fund Tax Assessments and Citations

At June 30, 2018, tax assessments and penalty citations issued and uncollected reported in the General Fund were:

Combined reporting system (CRS) taxes	\$ 881,222,741
Personal income tax	281,848,083
Corporate income tax	93,129,305
Combined fuel tax	24,337,667
Weight distance tax	16,532,291
Oil and gas tax programs:	
Oil and gas taxes (OGT & HM)	11,536,881
Cigarette tax	7,049,967
Fiduciary income tax	1,020,201
Workers' compensation tax	860,462
Tobacco products	694,393
Enhanced 911 tax	649,966
Telecommunications relay surcharge	168,088
International fuel tax agreement/international registration plan	151,329
Liquor excise tax	28,068
Water conservation fees	18,792
Bingo and raffle tax	8,202
Daily bed surcharge	3,493
Delinquent tax	1,469
Gaming	524
Railroad car tax	172
Alternative fuel distributors	55
Local liquor tax	<u>47</u>
 Total General Fund Tax Assessments	 <u>\$1,319,262,196</u>
 Total Citations	 <u>\$4,863,900</u>

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**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<b>Governmental activities:</b>					
Furniture and fixtures	\$ 582,666	-	-	-	582,666
Software	41,294,216	745,861	275,085	-	42,315,162
Machinery and data processing equipment	6,669,655	5,497	-	(220,708)	6,454,444
Tenant leasehold improvements	550,445	-	-	-	550,445
Vehicles	<u>132,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,902</u>
Total depreciable assets	<u>49,229,884</u>	<u>751,358</u>	<u>275,085</u>	<u>(220,708)</u>	<u>49,229,884</u>
Construction in process	<u>609,390</u>	<u>2,244,861</u>	<u>(275,085)</u>	<u>-</u>	<u>2,579,166</u>
Total non-depreciable assets	<u>609,390</u>	<u>2,244,861</u>	<u>(275,085)</u>	<u>-</u>	<u>2,579,166</u>
Total assets	<u>49,839,274</u>	<u>2,996,219</u>	<u>-</u>	<u>(220,708)</u>	<u>52,614,785</u>
Less accumulated depreciation for:					
Furniture and fixtures	(507,603)	(15,520)	-	-	(523,123)
Software	(13,739,172)	(4,083,741)	-	-	(17,822,913)
Machinery and data processing equipment	(5,304,247)	(615,269)	-	220,708	(5,698,808)
Tenant leasehold improvements	(261,410)	(33,650)	-	-	(295,060)
Vehicles	<u>(101,316)</u>	<u>(10,090)</u>	<u>-</u>	<u>-</u>	<u>(111,406)</u>
Total accumulated depreciation	<u>(19,913,748)</u>	<u>(4,758,270)</u>	<u>(-)</u>	<u>-</u>	<u>(24,451,310)</u>
Capital assets, net	\$ <u>29,925,526</u>	<u>(1,762,051)</u>	<u>-</u>	<u>-</u>	<u>28,163,475</u>

The Department does not have any debt related to capital assets at June 30, 2018.

Depreciation expense was charged to the following programs:

Program Support	\$1,963,509
Tax Administration Act	459,473
Motor Vehicle Program	2,334,329
Compliance Enforcement	593
Property Tax Program	<u>366</u>
	<u>\$4,758,270</u>

Capital asset activity included \$2,996,219 of capital outlay acquisitions, primarily for purchases of data processing equipment and software enhancements to the Department's major computer processing systems.

For the Statement of Activities, depreciation expense is included as expenditures and allocated to the programs using actual depreciation expense for each program.

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**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. For the year ended June 30, 2018, facilities rental expenditures were \$3,802,913 and equipment rental expenditures were \$574,793.

**NOTE 8. LIABILITIES**

*Current Liabilities.* The Department's Governmental Funds total current liabilities at fiscal year-end were \$1,135,695,362. Accounts payable of \$5,166,392 consists of goods or services received by the Department by June 30, 2018 but paid after June 30, 2018. Accrued payroll of \$1,921,700 consists of payroll expenditures incurred from June 20, 2018 through June 30, 2018 but paid after June 30, 2018.

*Compensated Absences.* A summary of changes in compensated absences payable for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences payable	\$ 2,096,485	2,051,550	(2,281,426)	1,866,608	1,866,608

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

**NOTE 9. 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. There were no current year reversions due to the State General Fund as of June 30, 2018.



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**NOTE 10. 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](http://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, 2018, 2017, and 2016 were \$5,993,221, \$6,228,096, and \$6,502,275, respectively, which equal the amount of the required contributions for each year.

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**NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

*GASB 75 – Postemployment Benefits – State Retiree Health Care Plan.* Compliant with the requirements of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

The (Department, Agency, Commission, etc.), 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.

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**NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

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) for the year ended June 30, 2018 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.

*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](http://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, 2016, 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 2018, 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.

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**NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

The Department's contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$705,383, \$732,856, and \$765,188 respectively, which equal the required contributions for each year.

**NOTE 12. 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 13. 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, 2018, 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 \$321,570,478 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

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**NOTE 13. CONTINGENCIES (CONTINUED)**

The Department is also subject to legal proceedings involving local public bodies related to Gross Receipts Tax distributions (GRT). The plaintiffs assert that distributions have been improperly reduced. The Department is currently reviewing the details and gathering additional information. At the time of financial statement issuance, the impact cannot be estimated. It is management's assessment that the likelihood of the plaintiffs prevailing is remote. Liabilities arising from these lawsuits would be paid out of the Department's current tax collections, which would reduce the distribution sent to the State General Fund.

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.

*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 million/year. The estimated unpaid film tax credit obligation as of June 30, 2018 was \$179.4 million. This obligation will be paid out of future tax collections in the amount of up to \$50 million per year, reducing the distribution sent to the State General Fund. This obligation is a liability of the State General Fund and is not recorded in the Department's financial statements.

**NOTE 14. 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 JPA's or MOU's 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.

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**NOTE 15. GOVERNMENTAL FUND BALANCES - RESTRICTED AND COMMITTED**

The Department's fund balances represent: (1) 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; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. A summary of the nature and purpose of these reserves by fund type at June 30, 2018 follows:

<u>Fund/Program</u>	<u>Laws</u>	<u>Committed Purposes</u>	<u>Restricted Purposes</u>
<b>General Fund:</b>			
Native American Settlement	Laws of 2011, Chapter 179, Section 5, Item 9, \$250,000 non-reverting	\$ -	-
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	82,258	-
Replace MVD System	Laws of 2014, Chapter 63, Section 7, Item 2, \$12,897,100 through FY16	527,235	-
Replace MVD System	Laws of 2014, Chapter 63, Section 7, Item 2, administrative fees	2,025,311	-
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	296,273	-
Data Analytics	Laws 2018, 2nd S, Chapter 73, Section 7, item 26	1,150,000	-
<b>Total General Fund:</b>		<u>4,131,077</u>	<u>-</u>
<b>Total Fund Balance - Committed for Special Appropriations</b>		<u>4,131,077</u>	<u>-</u>
<b>Fund Balance:</b>			
<b>General Fund:</b>			
Financial Responsibility Act	NMSA 1978, Section 66-5-201 and 66-6-23A(5)(e)	-	544,557
EDL - Enhanced Driver's License	NMSA 1978, Section 66-5-44, C	-	1,875,475
Delinquent Property Tax	NMSA 1978, Section 7-38-62	-	9,876,685
PIT Intercept Administration Fees	NMSA 1978, Section 7-2C-12	-	270,680
MVD Non-Reverting Revenues	Laws of 2009, Chapter 156, Section 1 through 7	4,100,765	2,413,348
Out of State DWI Verification	NMSA 1978, Section 66-5-44, B	-	629,701
Weight Distance Tax Fund 99400	NMSA 1978, 7-15A-14	2,411,226	-
<b>Total General Fund Balance - Restricted / Committed for Subsequent Years' Expenditures</b>		<u>6,511,991</u>	<u>15,610,446</u>
Property Valuation Fund 34800 -			
Loans to Counties	NMSA 1978, 7-35-3(B)	-	431,548
Capital Projects Fund 89200-			
Restricted for Capital Projects		-	372,000
<b>Total Fund Balance</b>		<u>\$10,643,068</u>	<u>16,413,994</u>

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**NOTE 16. REVENUES AND OTHER FINANCING SOURCES**

General fund revenue and other financing sources reported for the year ended June 30, 2018 consisted of the following:

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Other State Funds:</b>			
Delinquent Property Tax	\$ 5,979,218	-	5,979,218
Workers Comp Assessment	576,855	-	576,855
Alcoholic Beverage Tax	70,412	-	70,412
Unclaimed Property	370,500	-	370,500
Sale of MVD Data	7,482,461	-	7,482,461
Motor Vehicle - Special Plates	184,991	-	184,991
Private Retail Agents	1,369,576	-	1,369,576
Enhanced Drivers License (EDL)	2,150,157	-	2,150,157
Parental Responsibilities	109,726	-	109,726
Provisional License	179,654	-	179,654
Hazmat Fingerprinting	-	-	-
Financial Responsibilities	3,685,263	-	3,685,263
Motorcycle & Off Highway Registration Fee	250,235	-	250,235
Out of State DWI Verification Interlock	468,389	-	468,389
Weight Distance Tax Administrative Fees	4,069,511	-	4,069,511
Motor Vehicle Admin Fees	3,764,542	-	3,764,542
Interest Income	-	3,738	3,738
Other Admin Fees (PIT & GRT)	6,593,895	-	6,593,895
Misc. Revenue - Program	6,094	-	6,094
<b>Total Other State Funds</b>	<b>37,311,479</b>	<b>3,738</b>	<b>37,315,217</b>
<b>Other Financing Sources:</b>			
Transfer from State Land Office	487,575	-	487,575
Severance Tax Bond Proceeds	-	28,496	28,496
<b>Total Other Financing Sources</b>	<b>487,575</b>	<b>28,496</b>	<b>516,071</b>
<b>State General Fund:</b>			
State General Fund Appropriations	45,201,700	372,000	45,573,700
Special Appropriations	7,150,000	-	7,150,000
<b>Total State General Fund</b>	<b>52,351,700</b>	<b>372,000</b>	<b>52,723,700</b>
<b>Total State Funds</b>	<b>90,150,754</b>	<b>404,234</b>	<b>90,554,988</b>
<b>Federal Funds</b>	<b>1,254,556</b>	<b>-</b>	<b>1,254,556</b>
<b>Total Revenues and Other Financing Sources - GAAP</b>	<b>\$ 91,405,310</b>	<b>404,234</b>	<b>91,809,544</b>

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**NOTE 17. TAX ABATEMENT DISCLOSURES – GASB 77**

The Department has provided the following 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, 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 FY18, the Department estimates the State's revenues were reduced by approximately \$4.8M as a result of these tax credits authorized under Section 7-2F-6 NMSA 1978.

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.

**NOTE 18. 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.



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June 30, 2018**

**NOTE 18. SUBSEQUENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

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, 2018**

*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.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2018

	<u>Fund 34800</u> <u>Property</u>	<u>Fund 89200</u> <u>Capital</u>	<u>Total</u>
<b>ASSETS</b>			
Interest in the State Treasurer General Fund			
Investment Pool	\$ 431,548	375,796	807,344
Receivables:			
Due from other state agencies	-	-	-
Loans to counties, net	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 431,548</b>	<b>375,796</b>	<b>807,344</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Overdraft in Interest in SGFIP		-	-
Accounts payable	\$ -	3,796	3,796
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b>-</b>	<b>3,796</b>	<b>3,796</b>
Fund Balances			
Restricted		372,000	372,000
Restricted for loans to counties	431,548	-	431,548
	<hr/>	<hr/>	<hr/>
<b>Total fund balances</b>	<b>431,548</b>	<b>372,000</b>	<b>803,548</b>
	<hr/>	<hr/>	<hr/>
<b>Total liabilities and fund balances</b>	<b>\$ 431,548</b>	<b>375,796</b>	<b>807,344</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2018**

	<u>Fund 34800</u> <u>Property</u>	<u>Fund 89200</u> <u>Capital</u>	<u>Total</u>
Revenues			
Miscellaneous revenue	\$ 3,738	-	3,738
<b>Total revenues</b>	3,738	-	3,738
Expenditures			
Current expenditures:			
Operating costs	-	3,796	3,796
Capital outlay	-	24,700	24,700
<b>Total expenditures</b>	-	28,496	28,496
<b>Excess of revenues over expenditures</b>	3,738	(28,496)	(24,758)
State General Fund Appropriation		372,000	372,000
Other Financing Sources (Uses)			
Severance tax bond proceeds	-	28,496	28,496
<b>Net other financing sources (uses)</b>	-	400,496	400,496
<b>Net change in fund balance</b>	3,738	372,000	375,738
Fund balance, June 30, 2017	427,810	-	427,810
<b>Fund balance, June 30, 2018</b>	<u>\$ 431,548</u>	<u>372,000</u>	<u>803,548</u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
FIDUCIARY FUND TYPES  
June 30, 2018**

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, 2018**

- 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, 2018**

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, 2018**

<u>ASSETS</u>	Collection Funds			
	CRS Suspense	Personal Income Tax Funds	Corporate Income Tax	TAA Suspense / Other
Interest in State General Fund Investment Pool	\$ -	-	-	15,889,601
Receivables:				
Counties, municipalities and fee agents	-	-	-	-
Due from taxpayers	341,395,282	-	-	3,783,086
<b>Total assets</b>	<b>\$ 341,395,282</b>	<b>-</b>	<b>-</b>	<b>19,672,687</b>
 <u>LIABILITIES</u>				
Due to component units	\$ 10,019,352	-	-	3,764,688
Due to counties and municipalities	331,375,930	-	-	15,907,999
<b>Total liabilities</b>	<b>\$ 341,395,282</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,672,687</b>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND TYPE - AGENCY FUNDS (CONTINUED)  
JUNE 30, 2018**

Collection Funds		Non-Collection	Eliminations	June 30, 2018
Motor Vehicle	Oil & Gas	Other Funds		Totals
-	34,385,870	-	-	50,275,471
-	3,663	-	-	3,663
3,581,484	-	-	-	348,759,852
3,581,484	34,389,533	-	-	399,038,986
61,645	-	-	-	13,845,685
3,519,839	34,389,533	-	-	385,193,301
\$ 3,581,484	\$ 34,389,533	\$ -	\$ -	\$ 399,038,986

**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, 2018

	<u>Fund 17200</u> <u>Operating</u>	<u>Fund 99400</u> <u>Weight Distance</u>	<u>Fund 79800</u> <u>Drive MVD</u>	<u>Fund 10690</u> <u>Native American</u>
<b>ASSETS</b>				
Interest in the State Treasurer General Fund				
Investment Pool	\$ 26,405,063	2,518,018	2,634,258	25,445
Cash on hand	26,203	-	-	-
Receivables:				
Due from federal government	281,864	-	-	-
Loans to counties, net	-	-	-	-
Other receivables, net	4,790	-	7,500	-
Counties, municipalities and fee agents	-	-	-	-
Due from taxpayers	-	-	-	-
Citations	-	-	-	-
Tax assessments	-	-	-	-
Allowance for uncollectibles	-	-	-	-
Inventory of supplies	392,195	40,197	-	-
Prepaid expenses	220,201	-	-	-
<b>Total assets</b>	<b>\$ 27,330,316</b>	<b>2,558,215</b>	<b>2,641,758</b>	<b>25,445</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 4,453,448	82,576	3,369	-
Overdraft in Interest in SGFIP	-	-	-	-
Accrued payroll	1,893,899	24,216	3,585	-
Due to other state agencies	-	-	-	-
Refunds due to taxpayers	-	-	-	-
Unidentified tax collections	-	-	-	-
Other Liabilities	37,714	-	-	-
<b>Total liabilities</b>	<b>6,385,061</b>	<b>106,792</b>	<b>6,954</b>	<b>-</b>
Fund Balances				
Nonspendable				
Inventory of supplies	392,195	40,197	-	-
Prepaid expenses	220,201	-	-	-
Restricted	15,610,446	-	-	-
Committed	5,547,038	2,411,226	2,634,804	50,000
Unassigned	(824,625)	-	-	(24,555)
<b>Total fund balances</b>	<b>20,945,255</b>	<b>2,451,423</b>	<b>2,634,804</b>	<b>25,445</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,330,316</b>	<b>2,558,215</b>	<b>2,641,758</b>	<b>25,445</b>

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF GENERAL FUND COMPONENTS - BALANCE SHEET  
GENERAL FUNDS (CONTINUED)  
June 30, 2018

CRS Suspense	Collection Funds					Non-Collection	Total
	Personal Income	Corporate	TAA Suspense /	Motor Vehicle	Oil & Gas	Other Funds	
266,893,057	1,044	30,758,861	30,810,641	760,191	39,495,171	6,653,304	406,955,053
-	-	-	-	7,626	-	-	33,829
-	-	-	-	-	-	-	281,864
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	12,290
3,338,841	-	-	-	-	7	-	3,338,848
218,592,424	129,562,419	28,893,677	42,146,045	18,207,069	316,411,223	-	753,812,857
-	-	-	-	4,863,900	-	-	4,863,900
881,222,741	281,848,083	93,129,305	34,992,895	16,532,291	11,536,881	-	1,319,262,196
(884,561,582)	(281,848,083)	(93,129,305)	(34,992,895)	(21,396,191)	(11,536,881)	-	(1,327,464,937)
-	-	-	-	-	-	-	432,392
-	-	-	-	-	-	-	220,201
485,485,481	129,563,463	59,652,538	72,956,686	18,974,886	355,906,401	6,653,304	1,161,748,493
562,653	7,345	771	49,448	1,942	1,044	-	5,162,596
-	78,135,062	-	-	-	-	-	78,135,062
-	-	-	-	-	-	-	1,921,700
386,039,563	51,421,056	28,893,677	40,006,657	18,972,944	224,614,314	-	749,948,211
-	-	-	1,606,636	-	73,763,395	145,000	75,515,031
98,883,265	-	30,758,090	31,293,945	-	57,527,648	6,508,304	224,971,252
-	-	-	-	-	-	-	37,714
485,485,481	129,563,463	59,652,538	72,956,686	18,974,886	355,906,401	6,653,304	1,135,691,566
-	-	-	-	-	-	-	432,392
-	-	-	-	-	-	-	220,201
-	-	-	-	-	-	-	15,610,446
-	-	-	-	-	-	-	10,643,068
-	-	-	-	-	-	-	(849,180)
-	-	-	-	-	-	-	26,056,927
485,485,481	129,563,463	59,652,538	72,956,686	18,974,886	355,906,401	6,653,304	1,161,748,493

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, 2018

	<u>Fund 17200</u> <u>Operating</u>	<u>Fund 99400</u> <u>Weight Distance</u>	<u>Fund 79800</u> <u>Drive MVD</u>	<u>Fund 10690</u> <u>Native American</u>	<u>Total</u>
Revenues					
Other state funds	\$ 33,241,968	4,069,511	-	-	37,311,479
Federal funds	1,254,556	-	-	-	1,254,556
<b>Total revenues</b>	<b>34,496,524</b>	<b>4,069,511</b>	<b>-</b>	<b>-</b>	<b>38,566,035</b>
Expenditures					
Current expenditures:					
Personal services and employee benefits	50,771,162	929,845	-	-	51,701,007
Contractual services	11,989,425	223,839	-	-	12,213,264
Other costs	14,728,483	105,117	-	-	14,833,600
Capital outlay	2,971,519	-	-	-	2,971,519
<b>Total expenditures</b>	<b>80,460,589</b>	<b>1,258,801</b>	<b>-</b>	<b>-</b>	<b>81,719,390</b>
<b>Excess of revenues over expenditures</b>	<b>(45,964,065)</b>	<b>2,810,710</b>	<b>-</b>	<b>-</b>	<b>(43,153,355)</b>
Other Financing Sources (Uses)					
State General Fund appropriations	45,201,700	-	-	-	45,201,700
State General Fund special appropriations	7,150,000	-	-	-	7,150,000
Transfers to other state agencies	-	(1,265,500)	-	-	(1,265,500)
Transfers from other state agencies	487,575	-	-	-	487,575
Reversions to State General Fund - FY18	(3,345,850)	-	-	-	(3,345,850)
<b>Net other financing sources (uses)</b>	<b>49,493,425</b>	<b>(1,265,500)</b>	<b>-</b>	<b>-</b>	<b>48,227,925</b>
<b>Net change in fund balance</b>	<b>3,529,360</b>	<b>1,545,210</b>	<b>-</b>	<b>-</b>	<b>5,074,570</b>
Fund balance, June 30, 2017	17,415,895	906,213	2,634,804	25,445	20,982,357
<b>Fund balance, June 30, 2018</b>	<b>\$ 20,945,255</b>	<b>2,451,423</b>	<b>2,634,804</b>	<b>25,445</b>	<b>26,056,927</b>

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF SPECIAL APPROPRIATIONS  
Year Ended June 30, 2018

<u>Special Appropriation</u>	<u>Amount Appropriated</u>	<u>Amount Received to Date</u>	<u>Expenditures to Date</u>	<u>Unencumbered Balance</u>	<u>Amount Reverted</u>
<b>General Fund:</b>					
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 FY17	8,861,500	7,536,500	7,454,242	82,258	-
Special appropriation to Taxation & Revenue Department Data Analytics, Laws 2018, 2nd S, Chapter 73, Section 7, item 26	1,150,000	1,150,000	-	1,150,000	-
Special appropriation to Taxation & Revenue Department Legal Protests, Laws 2018, 2nd S, Chapter 73, Section 7, item 5	500,000	500,000	203,727	296,273	-
<b>General Fund Total</b>	<b>23,708,600</b>	<b>22,383,600</b>	<b>20,302,389</b>	<b>2,081,211</b>	<b>-</b>
<b>STB Capital Outlay Fund:</b>					
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	1,768,175	31,825	-
<b>Total Special Appropriations</b>	<b>\$ 25,508,600</b>	<b>24,183,600</b>	<b>22,070,564</b>	<b>2,113,036</b>	<b>-</b>

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SUPPLEMENTAL SCHEDULE OF INTER-AGENCY TRANSFERS  
Fiscal Year Ended June 30, 2018

	Account Transfer to:	Account Transferred from:	Reason for	Account	Net Amount
<b>Aging and Long Term Services Department:</b>					
	Senior Services Voluntary Contribution	62400-04900	Income Tax Suspense Fund	1	81900-33300 \$ 13,192
<b>Children Youth and Families Department:</b>					
	CYFD-Children's Trust Fund	78000-69000	Transportation & MVD Suspense	1	82500-33300 30,030
<b>Department of Cultural Affairs:</b>					
	OCA Capital Projects/Laws of 1992	69100-50500	CRS TAA Suspense Fund	1	83200-33300 422,310
	COA/Municipal Event Surcharge	19305-50500	TAA Suspense Fund	1	82800-33300 721
<b>Department of Education:</b>					
	Substance Abuse Education	05700-92400	Income Tax Suspense Fund	1	81900-33300 10,981
	Driving Safety Fees	57300-92400	Transportation & MVD Suspense	1	82500-33300 1,687,642
	Lottery Tuition	63700-95000	Income Tax Suspense Fund	1	81900-33300 16,064
	Lottery Tuition	63700-95000	TAA Suspense Fund	1	82800-33300 (30,087)
<b>Department of Environment:</b>					
	Tire Recycling Fund	02600-66700	Transportation & MVD Suspense	1	82500-33300 966,071
	Water Conservation Fund (WCF)	56700-66700	TAA Suspense Fund	1	82800-33300 2,161,638
	Corrective Action Fund (PPL)	99000-66700	TAA Suspense Fund	1	82800-33300 20,583,058
<b>Department of Finance and Administration:</b>					
	DFA Appropriations - Restitution	85300-34100	TRD Restitution Fund	1	23600-33300 1,044
	DFA Appropriations - CIT	85300-34100	CIT TAA Suspense Fund	1	27900-33300 111,297,823
	DFA Appropriations - PIT	85300-34100	PIT TAA Suspense Fund	1	64200-33300 591,343,981
	DFA Appropriations - Unclaimed Property	85300-34100	Unclaimed Property Susp Fund	1	71000-33300 20,113,053
	SBOF - State Debt	80000-34100	Oil & Gas Ad Valorem Prod Fund	1	71300-33300 8,576,847
	SBOF - State Debt	80000-34100	Copper Production Tax Fund	1	71400-33300 298,971
	SBOF - State Debt	80000-34100	Ad Valorem Equipment Tax Fund	1	71500-33300 1,011,139
	Juvenile Adjudication Fund	10780-34100	Transportation & MVD Suspense	1	82500-33300 124,361
	Santa Fe 400th Plate	10880-34100	Transportation & MVD Suspense	1	82500-33300 -
	Judicial Education Fund	58900-34100	Transportation & MVD Suspense	1	82500-33300 373,090
	DFA Appropriations - MVC	85300-34100	Transportation & MVD Suspense	1	82500-33300 158,943,785
	Enhanced 911 Fund	01700-34100	TAA Suspense Fund	1	82800-33300 12,230,194
	Cancer Research & Treatment Center	23300-34100	TAA Suspense Fund	1	82800-33300 675,307
	Local DWI Grant Fund	56000-34100	TAA Suspense Fund	1	82800-33300 20,431,186
	DFA Appropriations - TAA	85300-34100	TAA Suspense Fund	1	82800-33300 165,671,333
	DFA Appropriations - WKC	85300-34100	Workmens' Compensation Fund	1	83100-33300 394,042
	County-supported Medicaid Fund	02100-34100	CRS TAA Suspense Fund	1	83200-33300 24,009,473
	Small Counties Assistance Fund	73700-34100	CRS TAA Suspense Fund	1	83200-33300 8,094,334
	DFA Appropriations - CRS TAA	85300-34100	CRS TAA Suspense Fund	1	83200-33300 3,334,572,279
	DFA Appropriations - Oil & Gas	85300-34100	Oil & Gas Accounting Suspense	1	83300-33300 503,580,324
	Hearing Officer	71820-34000	Administrative Hearing Officer	1	82500-33300 155,000
<b>Department of Game &amp; Fish:</b>					
	Game & Fish - Intercept Fund	30700-71700	Income Tax Suspense Fund	1	81900-33300 23,114
	Game & Fish-ATV Registration	10840-51600	Transportation & MVD Suspense	1	82500-33300 747,248
	Game Protection Fund - Bass Habitat Program	19800-51600	Transportation & MVD Suspense	1	82500-33300 17,382
	Game Protection Fund - Wildlife Program	30700-51600	Transportation & MVD Suspense	1	82500-33300 70,095
<b>Department of Human Services</b>					
	Child Support Enforcement Fund	97800-63000	Income Tax Suspense Fund	1	81900-33300 2,091,159
	Brain Injury Services Fund	76800-62400	Transportation & MVD Suspense	1	82500-33300 621,838
	Pit Intercepts	97800-63000	Income Tax Suspense Fund	1	81900-33300 -
<b>Department of Health:</b>					
	DOH Breast Cancer Awareness	06100-66500	Transportation & MVD Suspense	1	82500-33300 17,230
	Blood Donor Plate	06105-66500	Transportation & MVD Suspense	1	82500-33300 465
	Children's Eyesight Fund	26104-66500	Transportation & MVD Suspense	1	82500-33300 116,808
<b>Department of Tourism:</b>					
	National Scenic By-Ways Program	03000-41800	Transportation & MVD Suspense	1	82500-33300 19,325
	Litter Control & Beautification Fund	26200-41800	Transportation & MVD Suspense	1	82500-33300 1,075,609
<b>Department of Transportation:</b>					
	State Road Fund Appropriations	20100-80500	Transportation & MVD Suspense	1	82500-33300 191,185,573
	Recycling & Illegal Dumping Fund	20200-80500	Transportation & MVD Suspense	1	82500-33300 1,878,156
	Local Government Road Fund	20300-80500	Transportation & MVD Suspense	1	82500-33300 786,711
	Motorcycle Training Fund	20600-80500	Transportation & MVD Suspense	1	82500-33300 126,726
	DOT DWI Prevention & Education Program	20700-80500	Transportation & MVD Suspense	1	82500-33300 434,136
	Traffic Safety Education & Enforcement Fund	20800-80500	Transportation & MVD Suspense	1	82500-33300 373,091
	Interlock Device Fund	82600-80500	Transportation & MVD Suspense	1	82500-33300 414,545
	State Road Fund Appropriations	20100-80500	TAA Suspense Fund	1	82800-33300 223,785,907
	Local Government Road Fund	20300-80500	TAA Suspense Fund	1	82800-33300 21,062,467
	State Aviation Fund	20500-80500	TAA Suspense Fund	1	82800-33300 410,523
	Highway Infrastructure Fund	20200-80500	CRS TAA Suspense Fund	1	83200-33300 6,220,099
	Local Government Road Fund	20300-80500	CRS TAA Suspense Fund	1	83200-33300 2,073,366
	State Aviation Fund	20500-80500	CRS TAA Suspense Fund	1	83200-33300 5,145,068



STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SUPPLEMENTAL SCHEDULE OF INTER-AGENCY TRANSFERS  
Fiscal Year Ended June 30, 2018

	Account Transfer to:	Account Transferred from:	Reason for	Account	Net Amount
<b>Department of Veterans' Services:</b>					
	Veterans National Cemetary	12300-67000	Income Tax Suspense Fund	1	81900-33300 \$ 11,754
	New Mexico VSC/ Enterprise Fund	20490-67000	Transportation & MVD Suspense	1	82500-33300 129,607
	New Mexico VSC/ Armed Forces	78400-67000	Transportation & MVD Suspense	1	82500-33300 70,774
	New Mexico VSC/Enterprise Fund	20490-67000	Income Tax Suspense Fund	1	81900-33300 4,876
<b>Energy, Minerals &amp; Natural Resources Department:</b>					
	EMNRD Parks & Recreation/Vietnam Memorial	20010-52100	Income Tax Suspense Fund	1	81900-33300 12,680
	EMNRD Forest Relief	32100-52100	Income Tax Suspense Fund	1	81900-33300 12,569
	EMNRD - Parks & Recreation	20010-52100	Transportation & MVD Suspense	1	82500-33300 424,857
	Boat Suspense Fund	77300-52100	Transportation & MVD Suspense	1	82500-33300 624,912
	EMNRD Parks & Recreation	20010-52100	TAA Suspense Fund	1	82800-33300 17,294
	Motor Boat Fuel Tax Fund	30900-52100	TAA Suspense Fund	1	82800-33300 205,556
	NM Youth Conservation Corps Fund	01400-52200	CRS TAA Suspense Fund	1	83200-33300 4,223,488
	EMNRD Capital Projects/ 1994	64600-52100	CRS TAA Suspense Fund	1	83200-33300 5,912,087
	OCD - Oil and Gas Reclamation	31100-52100	Oil & Gas Accounting Suspense	1	83300-33300 2,676,919
<b>General Services Department:</b>					
	Handicapped Phone Access Fund	56500-35000	TAA Suspense Fund	1	82800-33300 1,818,134
<b>Livestock Board</b>					
	NM Livestock/Horse Shelter	12130-50800	Income Tax Suspense Fund	1	81900-33300 10,291
<b>Military Affairs Department</b>					
	Veterans Service/Armed Forces	10580-70500	Income Tax Suspense Fund	1	81900-33300 6,610
<b>New Mexico Administrative Office of the Courts:</b>					
	Admin Office of the Courts	53300-21800	Income Tax Suspense Fund	1	81900-33300 279,906
	Jury & Witness Fee Fund	01200-21800	Transportation & MVD Suspense	1	82500-33300 621,843
	Court Automation Fund	07800-21800	Transportation & MVD Suspense	1	82500-33300 1,243,714
	Magistrate Court Operations Fund	11120-21800	Transportation & MVD Suspense	1	82500-33300 2,514
	Court Facilities Fund	53200-21800	Transportation & MVD Suspense	1	82500-33300 1,361,801
	Local Government Corrections Fund	68800-21800	Transportation & MVD Suspense	1	82500-33300 2,318,749
<b>Bernalillo County Metro Court:</b>					
	Bernalillo County Metro Court	69300-24400	Income Tax Suspense Fund	1	81900-33300 -
<b>New Mexico Retiree Health:</b>					
	NM Retiree Health Care Fund	38100-34300	CRS TAA Suspense Fund	1	83200-33300 26,256,221
<b>Office of the State Treasurer:</b>					
	Severance Bonding Fund	41000-39400	Oil & Gas Accounting Suspense	1	83300-33300 511,115,191
<b>Public Employees Retirement Association:</b>					
	PERA - Administration	60605-36600	PIT TAA Suspense Fund	1	64200-33300 -
<b>Public Regulation Commission</b>					
	Firefighters Survivor Fund	56400-43000	Transportation & MVD Suspense	1	82500-33300 4,170
<b>Regulation and Licensing Department</b>					
	Animal Shelter Fund	20120-42000	Transportation & MVD Suspense	1	82500-33300 26,875
	Voluntary Contributions- Animal Shelter	42000-20120	Animal Shelter Fund	1	81900-33300 18,501
<b>State Land Office:</b>					
	ONGARD/ Oil & Gas Royalty	26400-53900	Oil & Gas Accounting Suspense	1	83300-33300 65,333
<b>Secretary of the State:</b>					
	Public Election Fund	81200-37000	Unclaimed Property Susp Fund	1	71000-33300 1,200,000
<b>Workers Compensation Administration:</b>					
	Workers' Compensation Administration Fund	98200-63200	Workers' Compensation Suspense Fund	1	83100-33300 11,828,973
					<u>\$ 6,018,962,024</u>

**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, 2018

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2018</u>
<u>ASSETS</u>				
Interest in State General Fund Investment Pool	\$ 170,504,878	6,342,060,645	6,462,290,052	50,275,471
Receivables:				
Counties, municipalities and fee agents	135,574	-	131,911	3,663
Due from taxpayers	161,325,468	348,759,852	161,325,468	348,759,852
	<hr/>			
Total assets	331,965,920	6,690,820,497	6,623,747,431	399,038,986
	<hr/> <hr/>			
<u>LIABILITIES</u>				
Overdraft in interest in SGFIP	\$ 30,628	30,628	-	-
Due to component units	13,846,235	13,846,235	13,845,685	13,845,685
Due to counties and municipalities	318,088,013	318,046,513	385,151,801	385,193,301
Accounts payable	1,044	1,044	-	-
	<hr/>			
Total liabilities	\$ 331,965,920	331,924,420	398,997,486	399,038,986
	<hr/> <hr/>			

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF CASH BALANCES  
Year Ended June 30, 2018

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
<b>Governmental Funds:</b>					
TRD - Operating Fund	Govt'l	17200 - 333	\$ 26,405,063	-	26,405,063
Restitution Fund	Agency	23600 - 333	1,044	-	1,044
Oil & Gas Ad Valorem	Agency	23800 - 333	-	-	-
Corporate Income Tax (CIT)	Agency	27900 - 333	30,758,861	-	30,758,861
Personal Income Tax (PIT)	Agency	64200 - 333	(78,017,409)	-	(78,017,409)
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	145,000	-	145,000
Local Liquor Excise Tax	Agency	70900 - 333	112,200	-	112,200
Unclaimed Property Suspense Fund	Agency	71000 - 333	6,497,073	-	6,497,073
Oil & Gas Ad Valorem	Agency	71300 - 333	988,098	-	988,098
Ad Valorem Equipment	Agency	71500 - 333	1,037	-	1,037
Income Tax Suspense Fund	Agency	81900 - 333	(117,652)	-	(117,652)
Transportation & Motor Vehicle	Agency	82500 - 333	760,191	-	760,191
Unidentified Remittances	Agency	82700 - 333	11,230	-	11,230
Tax Administration Act (TAA)	Agency	82800 - 333	25,468,423	-	25,468,423
Delinquency List Suspense	Agency	83000 - 333	4,455,251	-	4,455,251
Worker's Compensation	Agency	83100 - 333	131,925	-	131,925
CRS (TAA) Suspense Fund	Agency	83200 - 333	266,893,057	-	266,893,057
Oil and Gas Accounting	Agency	83300 - 333	38,506,036	-	38,506,036
Property Valuation Fund	S R	34800 - 333	431,548	-	431,548
Native American Fund	S R	10690 - 333	25,445	-	25,445
STB Capital Projects Fund	Capital	89200 - 333	375,796	-	375,796
Drive MVD Fund	Govt'l	79800 - 333	2,634,258	-	2,634,258
Weight Distance Tax Permit Fee Fund	Govt'l	99400 - 333	2,518,018	-	2,518,018
<b>Total governmental funds</b>			<b>329,627,335</b>	<b>-</b>	<b>329,627,335</b>
<b>Fiduciary Funds:</b>					
County & Municipal Gasoline Tax	Agency	68100 - 333	6,424,628	-	6,424,628
Small Cities Assistance	Agency	68400 - 333	9,220,304	-	9,220,304
Local Liquor Excise Tax	Agency	70900 - 333	244,669	-	244,669
Oil & Gas Ad Valorem	Agency	71300 - 333	34,385,870	-	34,385,870
Transportation & Motor Vehicle	Agency	82500 - 333	-	-	-
CRS (TAA) Suspense Fund	Agency	83200 - 333	-	-	-
<b>Total fiduciary funds</b>			<b>50,275,471</b>	<b>-</b>	<b>50,275,471</b>
<b>Total interest in the State General Fund Investment Pool</b>			<b>\$ 379,902,806</b>	<b>-</b>	<b>379,902,806</b>

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF CASH BALANCES (CONTINUED)  
JUNE 30, 2018**

**Cash in Banks**

As of June 30, 2018, reconciled motor vehicle field office cash in banks (checking accounts) totaled \$7,626 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	\$ 598	\$ 598
Farmers & Stockmens Bank (Clayton MVD)	NM Taxation & Revenue Department	1,672	1,672
Farmers & Stockmens Bank (Clayton POE)	NM Taxation & Revenue Department	-	-
Western Bank (Lordsburg MVD)	NM Taxation & Revenue Department	3,260	3,260
Western Bank (Lordsburg POE)	NM Taxation & Revenue Department	2,096	2,096
<b>Total cash in banks</b>		<u>7,626</u>	<u>7,626</u>
Outstanding checks and adjustments		-	-
Petty Cash		1,450	
Cash on Hand - MVD Change Funds		24,753	
<b>Total cash on hand</b>		<u>26,203</u>	
<b>Total cash on hand and in banks</b>		<u>\$ 33,829</u>	<u>\$ 7,626</u>

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, 2018**

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, 2018**

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>1,098,961</u>
<b>Total US Department of Interior</b>				<b>1,098,961</b>
US Department of Transportation: CDL Project & Administration 2015	20.232	N/A	-	51,217
CDL Project & Administration 2017	20.232	N/A	-	<u>24,975</u>
<b>Total US Department of Transportation</b>				<b><u>76,192</u></b>
US Department of Health and Human Services Organ Donor - Sub-Award Claremont Graduate University	93.134	1R39OT29877-01-00	-	79,403
<b>Total US Department of Health and Human Services</b>				<b>79,403</b>
<b>Total Expenditures of Federal Awards</b>				<b><u>\$ 1,254,556</u></b>

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2018**

**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, 2018. 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 7.406 percent for FY18.

**NOTE 3. NON-CASH ASSISTANCE**

The Department did not receive any Federal non-cash assistance in fiscal year 2018.



**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**

John Monforte, Acting-Cabinet Secretary  
New Mexico Taxation and Revenue Department  
Honorable Susana Martinez, Governor  
Wayne A. Johnson, 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, 2018, 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 30, 2018 (except for Note 13.C., as to which the date is January 15, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, 2018-003, and 2018-005 to be material weaknesses.

John Monforte, Acting-Cabinet Secretary  
New Mexico Taxation and Revenue Department  
Honorable Susana Martinez, Governor  
Wayne A. Johnson, New Mexico State Auditor

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2018-004 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other 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 2018-009, 2018-010, 2018-011, 2018-012, 2018-013, 2018-014, 2018-015, 2018-016, and 2018-017.

### **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 30, 2018  
(except for Note 13.C., as to which the date is January 15, 2019)

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

John Monforte, Acting Cabinet Secretary  
New Mexico Taxation and Revenue Department  
Honorable Susana Martinez, Governor  
Wayne A. Johnson, 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, 2018. 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, 2018.

John Monforte, Acting Cabinet Secretary  
New Mexico Taxation and Revenue Department  
Honorable Susana Martinez, Governor  
Wayne A. Johnson, 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 2018-006, 2018-007 and 2018-008. 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 2018-006 and 2018-008, 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.

John Monforte, Acting Cabinet Secretary  
New Mexico Taxation and Revenue Department  
Honorable Susana Martinez, Governor  
Wayne A. Johnson, 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 30, 2018  
(except for Note 13.C., as to which the date is January 15, 2019)

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**

**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  No

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, 2018**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**2018-001 Controls over Capital Assets (Material Weakness)**

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

- Depreciation expense was recorded for only 5 of the 12 months during fiscal year 2018. Management was unaware of this matter prior to our review. Management determined the deprecation expense for the remaining 7 months approximated to \$2,757,652.
- The capital asset rollforward prepared by management listed no current year construction in process (CIP) additions. Upon further inquiry with TRD IT, it was determined that approximately \$2,244,861 should be recorded as current year construction in process related to the Department's Oil and GenTax Module within the GenTax System. Furthermore, the Department has received audit findings in fiscal year 2016 and 2014 (Material Weakness) and 2015 (Deficiency in Internal Control) and it does not appear that corrective action has occurred.

**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." Under GASB 51, salaries and benefits related to certain phases of internally generated software should be capitalized.

**Cause:** Lack of established policies and procedures over capital asset identification and coordination within the Department. There appears to be no method to identify capital assets outside of the accounts payable process.

**Effect:** Misstatement of financial statements and non-compliance with state statutes.

**Recommendation:** We recommend management implement policies and procedures to properly identify capital assets and for the Financial Services Bureau to work closely with other departments during the procurement and service/product delivery stage.

**Management's Response:** The Department concurs with the finding. The Administrative Services Division has experienced significant turnover in the Financial Services Bureau and personnel lack experience, training and knowledge of generally accepted accounting principles over capital assets. The CFO will work with the Financial Services Bureau staff to draft policies and procedures over capital assets to mitigate risks associated with misstatement of financial statements and non-compliance with state statutes. Policies and procedures are expected to be in place no later than June 30, 2019.

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

**2018-002 Controls over Accounts Payable (Material Weakness)**

**Condition/Context:** During our review of accounts payable and disbursements, we noted the following issues.

- 15 out of 132 invoices reviewed were stamped with a “received date” that preceded the invoice date listed by the vendor by 30 or more days.
- 17 out of 132 invoices reviewed were stamped with a “received date” that was 30 or more days after the invoice date listed by the vendor.
- 21 out of 132 instances in which invoice payment occurred 60 or more days after the invoice date listed by the vendor.
- Various instances in which invoices were stamped with multiple “received dates” and dates that do not exist (i.e. September 35, 2018)
- When we reviewed management’s estimate of the year-end accounts payable accrual related to good/services received as of June 30, 2018 without an invoice, we noted that of the \$181,573 accrued, only \$29,981 or 17% had been paid as of October 16, 2018. Management was unable to provide sufficient documentation to support the unpaid balance being a valid liability as of June 30, 2018.
- 8 instances in which physical goods were received by the Department in close proximity to the end of the fiscal year. No shipping documents or bills of lading were maintained, thus the Department is unable to provide sufficient documentation when goods were received.

**Criteria:** Per 2.20.5.8.C(8) NMAC, 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. 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:** Lack of established policies and procedures over the accounts payable and disbursement process. The Department has experienced significant turnover in accounts payable. Lack of training and adherence to MAPS.

**Effect:** Potential misstatement of accounts payable. Potential for late payments, duplicate payments or overpayments. The CFO and designated accounts payable approvers experience uncertainty when documentation is inconsistent and not prepared timely.



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**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

**2018-002 Controls over Accounts Payable (Material Weakness) (Continued)**

**Recommendation:** We recommend the Department implement written policies and procedures over accounts payable and disbursements that include all requirements of NMAC and MAPs and provide sufficient training for all individuals involved in the process. This will allow for minimal interruption during periods of employee turnover.

**Management's Response:** The Department concurs with the finding. The Administrative Services Division has experienced significant turnover in the Financial Services Bureau/Accounts Payable Unit and personnel lack experience, training and knowledge of MAP'S. The CFO will work with the Accounts Payable Manger and Financial Services Bureau staff to draft policies and procedures over accounts payable to mitigate risks associated with misstatement of financial statements and non-compliance with state statutes and regulations. Policies and procedures are expected to be in place no later than June 30, 2019.

**2018-003 Internal Controls over GenTax User Access (Material Weakness)**

**Condition/Context:** During our audit of the Department, we noted the follow issues related to segregation of duties for the GenTax system:

- The GenTax system has lacked proper segregation of duties from the inception of the system. We noted that individuals had the ability to request a refund, modify a refund, and approve a refund. Thus, individuals could process refunds without any secondary review or intervention.
- During our review of GenTax segregation of duties, we noted the Department notified the State Auditor upon discovery of a violation of criminal statute in connection with financial affairs on September 24<sup>th</sup>, 2018, related to improper use of the GenTax system due to a lack of segregation of duties. Based on discussion with management, the department was aware of the violation in late July 2018.

**Criteria:** Accounting and information technology systems should have sufficient and appropriate segregation of duties. Pursuant to Section 12-6-6 NMSA 1978 (criminal violations), an agency or IPA shall notify the state auditor immediately, in writing, upon discovery of any violation of a criminal statute in connection with financial affairs.

**Cause:** The GenTax system was built without a segregation of duties component. Management did not consider or implement during the system creation.

**Effect:** Potential for unauthorized or fraudulent tax payer refunds. Non-compliance with NMSA 12-6-6.

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

**2018-003 Internal Controls over GenTax User Access (Material Weakness) (Continued)**

**Recommendation:** We noted that the Department performed a comprehensive GenTax re-engineering that was started in May 2018 and implemented during August 2018. This re-engineering was done prior to the matters described above. We recommend management develop data analytics to analyze tax payer refund activity. Use of specialized data analysis software is also recommended.

**Management's Response:** The Department concurs with the finding. TRD completed a comprehensive GenTax reengineering effort and successfully implemented segregation of duties in August 2018. While reports exist within GenTax for monitoring and procedures are regularly updated, TRD management will utilize specialized data analysis software to further analyze tax payer data elements during normal course of business to mitigate fraud risks. The Cabinet Secretary is responsible for notifying the Office of the State Auditor of potential criminal violations that may need to be reported

**2018-004 Financial Close and Reporting (Significant Deficiency)**

**Condition/Context:** During our review of balances for Drive MVD Fund 79800, we noted the fund balance amounts listed on the balance sheet and expenditures during FY18. Fund 79800 was established to separately account for the Tapestry project which was fully implemented and completed in FY17. Management was unaware that expenditures were incurred and did not transfer remaining balances to the appropriate fund. After we inquired, management determined the corrective action was to reclassify \$97,761 of expenditures to fund 17200. Fund balances of \$2,634,802 will be transferred to fund 17200 in fiscal year 2019.

**Criteria:** The Drive MVD Fund was established to separately account for the Tapestry project. The project was completed in FY17, thus any remaining balances should have been transferred to the general fund.

**Cause:** Management oversight.

**Effect:** Misstatement of individual funds.

**Recommendation:** We recommend management monitor funds established to account for period activity or projects.

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

**2018-004 Financial Close and Reporting (Significant Deficiency) (Continued)**

**Management's Response:** The Department concurs with the finding. The Administrative Services Division has experienced significant turnover in the Financial Services Bureau and personnel lack experience, training and knowledge of generally accepted accounting principles over fund accounting and financial reporting. The CFO will work with the Financial Services Bureau staff to draft policies and procedures over fund accounting to mitigate risks associated with misstatement of financial statements and will prepare a journal entry to move balance sheet accounts to Fund 17200 in FY19. The journal entry to transfer will be prepared and submitted to DFA no later than December 31, 2018. Policies and procedures are expected to be in place no later than June 30, 2019.

**2018- 005 MVD Distributions (Material Non-Compliance)**

**Condition/Context:** The results of testwork performed to determine whether MVD distributions are being made in compliance with State statute indicated that multiple distributions are not being made in compliance with State statute.

The distribution for 66-6-23.1(A)(4) NMSA 1978 per statute is to be transferred to the incorporated municipalities within each county; however, the Department has been dividing this portion of the distribution between the counties and the incorporated municipalities. This has resulted in an estimated net over distribution of approximately \$2,187,000 to the 33 counties in New Mexico, and a net under distribution of the same amount to the 106 incorporated municipalities within these counties. The approximate amount of \$2,187,000 is to fiscal year 2018 only.

In addition, the distribution of the fees per 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 to the total number of miles of public roads maintained for all counties in New Mexico. However, the Department has been adding this portion of the distribution to the formulaic distribution defined in 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 \$267,624 to 24 of the 33 counties in the state, and a net over distribution of the same amount to the remaining 9 counties for fiscal year 2018 from the half of the distribution which was made based on the proportion of registration fees.

These two components of the distribution have different defined uses. Combining these two components does not allow the local governments to determine the appropriate use for the funds in accordance with State statute.

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

**2018- 005 MVD Distributions (Material Non-Compliance)**

**Condition/Context (Continued):** This is in addition to excluding the Town of Kirtland from the fiscal year 2018 distributions as referenced in finding 2018-017.

**Criteria:** According to the Department's website the Department is charged with the task of collecting tax dollars and distributing them according to state law.

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 department of finance and administration based on their proportion of amounts determined in accordance with 7-32-1 NMSA 1978, 7-35-1 NMSA 1978, and 7-34-1 NMSA 1978.

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:** Misinterpretation of the beneficiary defined in State statute related to the distribution of fees in accordance with Section 66-6-23.1(A)(4) NMSA 1978. Combination of multiple distributions into one schedule for distribution without analyzing the statutorily mandated method for distributing the funds.

**Effect:** Noncompliance with the State statute. Errors in distributions of approximately \$2,454,000 causing variances to the beneficiaries of these distributions. The net effect is zero for the Department.

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

**2018- 005 MVD Distributions (Material Non-Compliance) (Continued)**

**Effect (Continued):** 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 will 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 2019.

**Recommendation:** We recommend the Department work 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:** The Department concurs with the finding. A solution request was submitted to Tapestry IT in October 2018 to resolve the over distribution error to New Mexico counties and the under distribution of the same amount to incorporated municipalities within these counties. The solution request is expected to be completed during the first quarter of 2019. This is the responsibility of the Administrative Services Division, Financial Distributions Bureau Chief and Manager

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**C. FEDERAL AWARD FINDINGS**

**2018-006 (Previously 2017-002) Federal Program Cash Management (Significant Deficiency and Instance of Noncompliance) 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

**Questioned Costs:** \$0

**Condition/Context:** During our single audit testwork over cash management, we noted that 7 out of 12 requests for reimbursements were not submitted within 60 days of period end. We also noted that the requests for reimbursements were submitted between 20-51 days from when the CFO approved the request for reimbursement.

*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.

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

**Management's Response:** The Department concurs with the finding. The Administrative Services Division has experienced significant turnover in the Financial Services Bureau and personnel lack experience, training and knowledge over federal grant cash management requirements. The CFO will work with the Financial Services Bureau staff to draft policies and procedures over federal grant cash management requirements to mitigate risks associated with non-compliance over federal regulations. Policies and procedures are expected to be in place no later than June 30, 2019.

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**C. FEDERAL AWARD FINDINGS (CONTINUED)**

**2018-007 Allowability – Documented Procedures over Payroll (Instance of Noncompliance)**

**Federal Program:** CFDA 15.427 – Office of Natural Resources Revenue

**Federal Agency:** U.S. Department of Interior

**Federal Award Number/Year:** D12AC00006/2018

**Questioned Costs:** \$0

**Condition/Context:** During our single audit testwork over payroll, we noted the Department does not have written policies in place for determining the allowability of costs to include compensation-personal services and fringe benefits.

**Criteria:** Per §200.430 Compensation-personal services, charges to Federal awards for salaries and wages must be based on records that comply with the established accounting policies and procedures of the non-Federal entity; be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; and reasonably reflect the total activity for which the employee is compensated by the non-Federal entity.

**Cause:** Management oversight.

**Effect:** Noncompliance with applicable regulations.

**Auditors' Recommendation:** The Department establishes or assists the Programs in establishing written policies and procedures regarding the determination of allowable costs to include compensation-personal services and fringe benefits. The Department provides or assists the Programs in providing training to employees to ensure compliance with Department or Program policy. The Department provides or assists the Programs in providing training to supervisory level employees to ensure compliance with Department or Program policy and federal regulations.

**Management's Response:** The Department concurs with the finding. The Administrative Services Division has experienced significant turnover in the Financial Services Bureau and personnel lack experience, training and knowledge over federal grant allowable cost requirements. The CFO will work with the Financial Services Bureau staff and Division's to draft policies and procedures over federal grant allowable cost requirements to mitigate risks associated with non-compliance over federal regulations. Policies and procedures are expected to be in place no later than June 30, 2019.

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**C. FEDERAL AWARD FINDINGS (CONTINUED)**

**2018-008 Reporting (Significant Deficiency and Instance of Noncompliance)**

**Federal Program:** CFDA 15.427 – Office of Natural Resources Revenue

**Federal Agency:** U.S. Department of Interior

**Federal Award Number/Year:** D12AC00006/2018

**Questioned Costs:** \$0

**Condition/Context:** During our single audit testwork over reporting, we noted the Department did not submit the annual federal financial report within 90 days of the fiscal year ended.

**Criteria:** The annual federal financial report is due 90 days after the fiscal year ended.

**Cause:** Management oversight.

**Effect:** Noncompliance with federal requirements.

**Auditors' Recommendation:** We recommend management implement policies and procedures to ensure timely reporting

**Management's Response:** The Department concurs with the finding. The Administrative Services Division has experienced significant turnover in the Financial Services Bureau and personnel lack experience, training and knowledge over federal grant financial reporting requirements. The CFO will work with the Financial Services Bureau staff to draft policies and procedures over federal grant financial reporting requirements to mitigate risks associated with non-compliance over federal regulations. Policies and procedures are expected to be in place no later than June 30, 2019.



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**D. OTHER**

**2018-009 (Previously 2013-003) Information Technology – Overall IT Controls (Other Non-Compliance) Repeated and Modified**

**Condition:** During our procedures over the overall information technology system, we noted the Department does not have an overall business continuity plan in place to address the business and IT needs of the Department in the event of a disaster.

*Management's Progress for Repeat Finding 2013-003: See management's response.*

**Criteria:** In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 5.0 framework (DSS04 Manage Continuity) provides a plan that enables the business and IT to respond to incidents and disruptions in order to continue operation of critical business process and required IT services. This process includes establishing and maintaining up-to-date continuity plan reflecting current business requirements.

**Cause:** Relied on the Department of Information Technology to provide the disaster recovery plan portion of business continuity plan.

**Effect:** Although the Department has taken various measures to address brief interruptions to systems processing (such as regular back-ups and redundancy), the lack of a plan in place does not address the recovery and resumption of critical systems, data, and business processes in the event of an interruption due to changes in the environment and personnel. Such a disaster or major business interruption could prevent critical business processes from occurring and prevent access to information systems and data.

**Recommendation:** The Department should develop both a disaster recovery portion and business resumptions portion of a business continuity plan. The plan should address how the Department will maintain critical business processes.

**Management's Response:** The Department concurs with the finding. TRD management has approved and implemented Business Continuity Policy, Business Continuity Plan and a comprehensive Business Impact Analysis across all divisions and other functions. In addition, TRD Information Technology department has adequate and quality systems and backups/technology recovery processes in place. However, the recovery could be enhanced to further mitigate risk of a catastrophic impact. TRD will initiate a comprehensive data and technology DR planning effort with intent to include additional DR in the FY21 operating budget request.

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**D. OTHER (CONTINUED)**

**2018-010 (Previously 2014-001) Untimely Deposits (Other Non-Compliance) Repeated and Modified**

**Condition/Context:** During our testwork over cash receipts we noted the following issues:

- When reviewing 45 days of cash receipts from MVD Field offices across the state, we noted 49 instances in which the field offices did not make the deposit with the respective financial institution within 48 hours of receipt, affecting 32 of the receipt days tested. A detail of late deposits is listed below.

<i>Office</i>	<i>Number of Late Deposits</i>	<i>Total Amount of Late Deposits</i>
Las Cruces – Del Rey	1	\$ 8,769
Silver City	1	2,785
Portales	2	3,837
Belen	1	3,559
Los Lunas	2	10,160
Clayton	11	14,571
T or C	19	39,988
Socorro	5	8,855
Wagon Mound	1	50
Grants	3	12,931
DWI Santa Fe	1	100
Error Santa Fe	1	5
Driver Santa Fe	1	1,060
Total	<u>49</u>	<u>\$ 106,670</u>

- When reviewing cash receipts related to the Financial Service Bureau, we noted 3 out of 15 deposits were not within 24 hours of receipt.

*Management’s Progress for Repeat Finding 2014-001: See management’s response.*

**Criteria:** Pursuant to Section 66-6-22.1 NMSA and state statute, 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 daily must be deposited to the bank within 24 hours.

**Cause:** Due to the rural locations of the MVD field offices, it is challenging for the office staff to make the deposit within the necessary time period.

**Effect:** Noncompliance with the New Mexico Administrative Code.

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**D. OTHER (CONTINUED)**

**2018-010 (Previously 2014-001) Untimely Deposits (Other Non-Compliance) Repeated and Modified (Continued)**

**Recommendation:** We recommend the Department obtain an exemption from the current statute of 48 hours to allow more time for deposits with these rural locations. We recommend management implement a procedure to ensure all monies related to the Financial Service Bureau are deposited within 24 hours of receipt.

**Management's Response:** The Department concurs with the finding. The agency continues to explore new processes, including software and hardware solutions to ensure compliance with the deposit rule. We do not recommend pursuing legislation as only a few offices are non-compliant. Legislation would have to be narrowed down to identify offices. The CFO continues to work with the Division's to will explore issues and find solutions to the untimely deposits. The Administrative Services Division has experienced significant turnover in the Financial Services Bureau and personnel lack experience, training and knowledge over cash receipts. The CFO will work with the Financial Services Bureau staff to draft policies and procedures over cash receipts to mitigate risks associated with non-compliance over state statutes. Policies and procedures are expected to be in place no later than June 30, 2019.

**2018-011 (Previously 2014-003) Use of State Issued Gas Credit Cards (Other Non-Compliance) Repeated and Modified**

**Condition:** During testwork over fiscal year 2018 gas card purchases, we identified 10 instances of unallowable purchases which consisted of oil changes and fuel other than regular unleaded; these unallowable purchases amounted to approximately \$187.

*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:** Lack of adherence to the Department policies and procedures by Department employees who use the WEX fuel cards.

**Effect:** Noncompliance with New Mexico Statutes.

**Recommendation:** We recommend the Department remind their employees of their policies and procedures pertaining to WEX fuel card usage and modify their internal controls to include documentation of the monthly reviews that are performed.

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**D. OTHER (CONTINUED)**

**2018-011 (Previously 2014-003) Use of State Issued Gas Credit Cards (Other Non-Compliance) Repeated and Modified (Continued)**

**Management's Response:** The Department concurs with the finding. The Administrative Services Division continuously addresses this issue through the vehicle coordinators reminding employees of the use of regular unleaded fuel and reduced the occurrences. Each vehicle folder is labeled identifying the use of "Unleaded Regular Fuel" only. The Financial Services Bureau vehicle coordinator reviews the Wex fuel statement monthly, comparing actual receipts to the statement detail. Any purchases outside of our policy and procedures are reported to the Division Director to review with the employee who has purchased un-authorized items. The Department has also found that there have been discrepancies between actual receipts versus what is reported on the Wex fuel statement. After further review, we have found that the Wex fuel statement was incorrect and we have reported the discrepancy to Wex. Wex has offered to correct the error in reporting. This reporting error is in the communication between the independent fuel station and Wex and can only be corrected after sending copies of the fuel receipt to Wex,. The price of fuel has been verified as "Unleaded Gasoline." The Department continues to monitor, report and inform all employees of the requirement that unleaded fuel only is allowed. The CFO will continue to work with staff and employees to comply with the fuel card policy. ASD continues to notify Division Directors for action on policy enforcement.

**2018-012 (Previously 2017-007) Procurement (Findings that do not rise to the level of a significant deficiency) Repeated and Modified**

**Condition/Context:** During our review of procurement, we noted the following.

- Three instances of procurement activities that were not authorized and encumbered prior to the vendor commencing work.
- One instance in which the Department departed from the State Purchasing Department's recommendation of a contract to be classified as general services. The Department classified the contract as professional services, which resulted in no evidence of formal quotes being obtained.
- We noted the Department requested and obtained three emergency procurements and one sole source procurement exemption for the Department's credit/debit card processor between FY16 and FY18. Based on the procurement documentation, the emergency was caused by the Department.

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

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**D. OTHER (CONTINUED)**

**2018-012 (Previously 2017-007) Procurement (Findings that do not rise to the level of a significant deficiency) Repeated and Modified (Continued)**

**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.” New Mexico Procurement Code requires valid procurement to occur prior to vendor work being authorized.

FIN 4.8 requires three formal quotes for purchases greater than \$20,000, but less than \$60,000 for the procurement of general services.

13-1-127 NMSA 1978 states, “An emergency condition is a situation that creates a threat to public health, welfare or safety such as may arise by reason of floods, fires, epidemics, riots, acts of terrorism, equipment failures or similar events and includes the planning and preparing for an emergency response. The existence of the emergency condition creates an immediate and serious need for services, construction or items of tangible personal property that cannot be met through normal procurement methods and the lack of which would seriously threaten...”

**Cause:** The Department experienced significant turnover in the Financial Services Bureau and a lack of written established procedures resulted in oversight. The Department displayed an overall lack of procurement planning related to the credit/debit card processor.

**Effect:** Noncompliance with New Mexico Statutes. Potentially 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 Department routinely monitor procurement expiration dates and project future procurement needs to properly plan procurement activities and allow for sufficient procurement responses.

**Management’s Response:** The Department concurs with the finding. The Administrative Services Division has experienced significant turnover in the Financial Services Bureau and previous personnel lacked experience, training and knowledge over procurement requirements. The Department has since hired a certified, experienced Chief Procurement Officer (CPO) who has drafted purchasing policies and procedures (including P-Card usage) and will continue to work with the CFO to develop further written processes that will ensure valid and authorized procurement method are conducted timely, procurement documents are in place prior to vendor work beginning. The CPO has developed a training protocol and conducted one training in the last four months, with plans to conduct another prior to the end of the fiscal year. Final policy, procedure, and written processes will be completed by June 30, 2019.

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**D. OTHER (CONTINUED)**

**Finding 2018-013 (Previously 2017-011) Reconciliation Process Related to Gross Receipt Tax Distributions (Findings that do not rise to the level of a significant deficiency)**

**Condition:** During our testwork, we noted that although the reconciliation process of taxes collected and/or matched for Gross Receipts Taxes (GRT) Distribution cycle occurs *prior to* the money being distributed for each period, it is considered a post-close process. Therefore, differences, issues or concerns, if any, identified during the reconciliation process are not resolved prior to the distributions pertaining to the period in question. Rather, any reconciliation items are addressed in a subsequent month's distribution. As such, the current reconciliation processes does not prevent errors from occurring in the distribution cycle. The beneficiaries are not always made aware of the reasons for such adjustments in subsequent period(s) which from the beneficiaries' perspective raises questions as to validity of the amounts received and potentially creates cash flow challenges.

During the fiscal year, several municipalities and counties enacted new rate options for GRT. Department employees performed a rate testing process of the newly enacted rate options, however the "rates detail (all) report" used for this testing did not provide the rate testers the ability to see the designated beneficiary for the newly enacted rate options. As a result, the Department personnel who performed the rate testing were unaware that the new rates input into GenTax included Hidalgo County as the beneficiary for a portion of Taos County's newly enacted rate option. Hidalgo County received \$235,283 in GRT distributions in fiscal year 2018 which should have been distributed to Taos County.

It appears that the Department discovered the error as a result of a Department economist that was working on a research project for another community in May of 2018, and not by the Department's internal controls. The Department corrected the assigned beneficiary of the taxes prior to the May distribution cycle, which reduced the amount that Hidalgo County received for the newly enacted rate option from approximately \$42,000 to approximately \$14,000 in a one month period.

At this time, the Department did not notify either County of the discrepancy. The RP-500 report for the June distribution cycle was the first notification that Hidalgo County received from the Department regarding the error, it showed a negative distribution amount of approximately \$222,000 for the rate option. The Department sent a letter to Hidalgo County dated July 31, 2018 with options for a repayment plan to the Department. The letter stated that taxpayer amendments were the reason for the overpayments.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**

**D. OTHER (CONTINUED)**

**Finding 2018-013 (Previously 2017-011) Reconciliation Process Related to Gross Receipt Tax Distributions (Findings that do not rise to the level of a significant deficiency) (Continued)**

**Condition (Continued):** The RP-500 report in the month that Taos County received approximately \$235,000 in additional distributions was the only notification that Taos County received from the Department regarding the error. The Department's current policy is to only notify entities when they owe money back to the Department. While the Department will not always know exactly what caused the fluctuations in the distributions, in this case they did and could have communicated that information to Taos County.

*Management's progress towards implementing the prior year corrective action plan:* During fiscal year 2018, the Department began the process to develop and implement a general ledger function in GenTax that will allow the Department to resolve issues noted prior to the distribution. This process is currently in the testing phase and is expected to be implemented and functioning in December of 2018 (FY2019).

Through the pre-close process implemented by FDB staff in fiscal year 2018, the Department was able to identify and correct errors before the communities effected were negatively impacted.

Additionally, due to the wrong beneficiary being selected for newly enacted rate options, as described above, the Department has added a column to the "rates detail (all) report" to show the assigned beneficiary of an enacted rate option during the testing phase.

**Criteria:** Section 6-5-2 NMSA 1978 requires state agencies to implement internal accounting controls designed to prevent accounting errors related to financial matters. In addition, state agencies are required to implement controls to prevent the submission of processing documents to the financial control division that contain errors.

Section 2.2.20.5.8 NMAC requires agencies to ensure all reporting of the financial information to be timely, complete and accurate.

**Cause:** Although the reconciliation is performed timely, the resolution of issues identified does not occur until after the actual distribution of funds. The Department has implemented a pre-close process, however, the amounts collected and/or matched during the revenue period will continue to change until the cycle is closed. The documentation utilized for testing newly enacted rate options did not previously show the designated beneficiary.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**

**D. OTHER (CONTINUED)**

**Finding 2018-013 (Previously 2017-011) Reconciliation Process Related to Gross Receipt Tax Distributions (Findings that do not rise to the level of a significant deficiency) (Continued)**

**Effect:** Differences or issues noted during the reconciliation process are not resolved until a subsequent distribution cycle, resulting in potential incorrect payments.

Errors in the distribution cycle may result in significant over and/or under payments to beneficiaries. Beneficiaries may have cash flow issues due to large fluctuations in distributions. The Department appears to have ineffective and inaccurate communications with distribution beneficiaries regarding errors in the distribution cycle.

**Recommendation:** The Department should develop and implement a process which would allow for variances and other issues noted in the reconciliation process to be addressed prior to the distribution payments. Additionally, the Department should communicate in a timely manner potential changes in distributions to local governments as soon as reconciliation issues are identified prior to the distribution. The Department should also include more information and relevant supporting documentation which would help to explain variations in the distribution amounts in its communications with the local governments. The Department should work to improve communications with distribution recipients when concerns arise regarding distribution amounts, and designate an employee who is knowledgeable and capable of communicating with the general public as a point of contact who can provide assistance in resolving concerns. The Department should also implement a process to use analytics relevant to the local entities to monitor for significant variances based on thresholds established for each entity, and establish a process to monitor the results of these analytics to help prevent and detect potential distribution issues.

**Management's Response:** The Department concurs with the finding. The Department added a general ledger function to GenTax which will facilitate a pre-close review of tax revenue distributions. This project will replace existing tax revenue reporting functionality with a general ledger which provides additional flexibility that allows for variances and other issues noted in the reconciliation process to be addressed prior to the distribution of tax payments. Additionally, this functionality enhances transparency into the underlying transaction detail that supports tax distribution transactions. This will help the Department explain to local governments and other stakeholders as to why the variances occurred. The project will be completed in December 2018. The Department has also hired a local government liaison on November 12, 2018 whose primary responsibility is to research and respond to inquiries, including distribution issues raised by the local governments. This is the responsibility of the Administrative Services Division, Financial Distributions Bureau Chief and Manager.



**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**

**D. OTHER (CONTINUED)**

**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 Acting Cabinet Secretary.

**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:** A letter was prepared, however the letter with either not signed or lost during the fiscal year. 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 Department concurs with the finding. The Administrative Services Division has experienced significant turnover in the Financial Services Bureau and personnel lack experience, training and knowledge over travel and per diem requirements. The CFO will work with the Financial Services Bureau staff to draft policies and procedures over travel and per diem requirements to mitigate risks associated with non-compliance over state statute. Policies and procedures are expected to be in place no later than June 30, 2019.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**

**D. OTHER (CONTINUED)**

**2018-015 Late Audit Report (Other Non-Compliance)**

**Condition/Context:** The fiscal year 2018 audit was not delivered on the statutory due date of November 1, 2018 to the State Auditor.

**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:** Inability to meet audit deadlines by the Department.

**Effect:** Non-compliance with State Audit Rule.

**Recommendation:** We recommend management ensure the Department is appropriately staffed and properly plan for audit deadlines.

**Management's Response:** The Department concurs with the finding. The Administrative Services Division has experienced significant turnover in the Financial Services Bureau, Budget Bureau and General Services Bureau as well at the executive management level. The Acting Administrative Services Director continues to focus on filling vacancies with qualified and experienced individuals. This will be a continuous, ongoing process.

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

**Condition/Context:** During our review special appropriation balances, we noted special appreciation ZA0705 was over expended by \$850,828.

**Criteria:** The legal level of budgetary control is the appropriation program level and actual expenditures are not to exceed budgeted expenditures at this legal level of budgetary control.

**Cause:** During fiscal year 2017 the Legislature determined the special appropriation to replace the oil and natural gas administration and revenue database system would be separately performed by the Department and NM State Land Office (SLO). A budget journal was not processed reducing budget authority matching the cash returned to SLO, thus there was not available fund balance or revenue related to the fiscal year 2018 expenditures.

**Effect:** Over-expenditure of special appropriation.

**Recommendation:** We recommend the department routinely monitor special appropriations and the corresponding budgetary authority.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**

**D. OTHER (CONTINUED)**

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

**Management’s Response:** The Administrative Services Division has experienced significant turnover in the Budget Bureau. The CFO will work with the Budget Bureau staff to draft policies and procedures over monitoring special appropriations and budget authority levels to mitigate risks associated with over-expending the Department’s budget. Policies and procedures are expected to be in place no later than June 30, 2019. A budget journal was processed reducing budget authority matching the cash returned to SLO in FY19 to provide the available fund balance or revenue related to the fiscal year 2018 expenditures for this multiyear special appropriation.

**2018-017 MVD Distributions to Recently Incorporated Communities (Other Non-Compliance)**

**Condition/Context:** The Department did not make distributions to the Town of Kirtland (Town) in compliance with Section 66-6-23.1(A)(5) NMSA 1978 for fiscal year 2018. The portion of the fees due to the Town was reallocated to the other three incorporated municipalities in San Juan County. As a result, the other incorporated communities in San Juan County also received incorrect distributions for fiscal year 2018.

<b>Community</b>	<b>Over/Short</b>	<b>Amount</b>
Aztec	Short	\$ (22)
Bloomfield	Over	\$ 9
Farmington	Over	\$ 4,149
Kirtland	Short	\$ (4,172)

*(Note all calculations are approximate due to rounding. There is a rounding variance of approximately 3 dollars per month in the numbers presented and based on the distributions made by the Department for fiscal year 2018 as contained in Schedules 2 & 3 the Municipal and County Government Distribution Schedule as available on the Department’s website.)*

**Criteria:** Pursuant to Section 66-6-23.1(A)(5) NMSA 1978, six and nine-hundredths percent shall be allocated among the counties in the proportion determined by the department of finance and administration in accordance with Subsection C of this section, that the registration fees for vehicles in that county are to the total registration fees for vehicles in all counties. The amount allocated to each county shall be transferred to the county and incorporated municipalities within the county in the proportion determined by the department of finance and administration in accordance with Subsection B of this section, that the computed taxes due for the county and each incorporated municipality within the county bear to the total computed taxes due for the county and incorporated municipalities within the county.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**

**D. OTHER (CONTINUED)**

**2018-017 MVD Distributions to Recently Incorporated Communities (Other Non-Compliance) (Continued)**

**Criteria (Continued):** It was noted that 43 of 106 incorporated municipalities listed in the distribution rate schedule prepared by DFA based on the 2016 Certified Property Taxes do not have MVD field offices located in their community and Town is the only one of these 43 not receiving the distribution.

**Cause:** The Town of Kirtland incorporated on January of 2015 and appeared on the 2016 Certified Property Tax used by DFA to determine the distribution proportions for incorporated municipalities by the Department. Department staff made the determination that since the Town did not operate an MVD field office, and therefore did not process more than 10,000 transactions in the preceding year, that they were not eligible to receive the distribution. The Department referred to Section 66-6-23(A)(1) NMSA 1978 to support the determination, however this Section applies only to the fees distributed to each municipality, county or fee agent operating a motor vehicle field office, and not to the distribution mandated to incorporated municipalities described in Section 66-6-23.1(A)(5) NMSA 1978.

**Effect:** Noncompliance with and inconsistent application of the State statute regarding the distribution of fees collected by MVD. For fiscal year 2018 this resulted in a net over/under distribution for the incorporated communities in San Juan County of approximately \$4,194.

**Recommendation:** The Department should update the monthly distribution schedule to include the Town at the rates provided by DFA going forward. Additionally, the Town of Kirtland should be made whole and paid the distribution owed of approximately \$4,172 for fiscal year 2018, and any other subsequent distributions made in fiscal year 2019 before the Town is added to the distribution schedule.

**Management's Response:** Management's Response: The Department concurs with the finding. A solution request was submitted to Tapestry IT in October 2018 to resolve the distribution error to the Town of Kirtland. The solution request is expected to be completed during the first quarter of 2019. This is the responsibility of the Administrative Services Division, Financial Distributions Bureau Chief and Manager.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2018**

2017-001 Reversion to the State General Fund (Material Weakness).....	Resolved
2017-002 Federal Program Cash Management (Instance of Noncompliance).....	Repeated
2017-003 ONGARD Controls (Noncompliance) .....	Resolved
2017-004 Information Technology – Overall IT Controls (Other Non-Compliance) .....	Repeated and Modified
2017-005 Untimely Deposits (Other Non-Compliance).....	Repeated and Modified
2017-006 Use of State Issued Gas Credit Cards (Other Non-Compliance).....	Repeated
2017-007 Procurement (Findings that do not rise to the level of a significant deficiency) .....	Repeated and Modified
2017-008 Review of Vendor System and Organization Control Reports (Compliance and Other Matters) .....	Resolved
2017-009 Tapestry User Access (Compliance and Other Matters) .....	Resolved
2017-010 Controls over Issuance of Credits for Taxpayers in a Managed Audit Process (Deficiency in Internal Control) .....	Resolved
2017-011 Reconciliation Process Related to Gross Receipts Tax Distributions (Findings that do not rise to the level of a significant deficiency). Modified	Repeated and Modified
2017-012 Location Code Reporting in GenTax System Controls (Deficiency in Internal Control).....	Resolved

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
EXIT CONFERENCE  
June 30, 2018**

An exit conference was held with the State of New Mexico Taxation and Revenue Department (Department) on November 29, 2018. The conference was held at the Joseph M. Montoya Building in Santa Fe, New Mexico. In attendance were:

**FOR THE DEPARTMENT:**

John Monforte, Acting-Cabinet Secretary  
Jo Ann Chavez, Acting ASD Director & CFO  
Brandi Marquez, TAA Financial Manager  
Lucy Rendon, CPO  
Jenn Scotti, GenTax Supervisor  
Mike Baca, CIO  
Darshana Kanabar, OCIO Manager

**FOR THE OFFICE OF THE STATE AUDITOR:**

Jack Emmons, Deputy State Auditor, Office of the State Auditor  
Lynette Kennard, Financial Audit Director, Office of the State Auditor  
Lisa Jennings, Audit Supervisor, Office of the State Auditor

**FOR CLIFTONLARSONALLEN LLP:**

Matt Bone, CPA, CGMA, CGFM, Principal  
Victor Kraft, CPA, CFE, CGFM, Engagement Manager

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