



2017

**Financial Statements & Other  
Financial Information**

(Independent Auditor's Report included)  
Year ended June 30, 2017

**NMDOT**



**New Mexico Department of Transportation  
Financial Statements  
for the Year Ended  
June 30, 2017  
and Independent Auditors' Report**



**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Table of Contents**

|   |     |
|---|-----|
| <b>Official Roster</b> .....  | 1   |
| <b>Independent Auditors' Report</b> .....   | 2   |
| <b>Management's Discussion and Analysis</b> .....   | 5   |
| <b>Financial Statements</b> .....   |     |
| Statement of Net Position.....  | 23  |
| Statement of Activities.....  | 26  |
| Balance Sheet - Governmental Funds.....   | 27  |
| Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position.....  | 28  |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.....   | 30  |
| Reconciliation of Statement of Revenues, Expenditures and Changes in Fund<br>Balance - Governmental Funds to the Statement of Activities.....   | 31  |
| Statement of Net Position - Proprietary Fund.....   | 33  |
| Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....   | 34  |
| Statement of Cash Flows - Proprietary Fund.....   | 35  |
| Statement of Revenues and Expenditures-Budget and Actual (Modified Accrual Basis) -<br>General Fund.....  | 36  |
| <b>Notes to Financial Statements</b> .....  | 38  |
| <b>Supplementary Information</b> .....  |     |
| Schedule of Traffic Safety Fund Components - Balance Sheet.....   | 93  |
| Schedule of Traffic Safety Fund Components - Statement of Revenues, Expenditures<br>and Changes in Fund Balance .....   | 95  |
| Combining Balance Sheet - By Fund Type - Non Major Funds.....   | 97  |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By<br>Fund Type - Non Major Funds.....  | 103 |
| Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis).....  | 109 |
| <b>Other Information - Schedules Required Under 2.2.2 NMAC</b> .....  |     |
| Schedule of General Fund Components - Balance Sheet.....  | 110 |
| Schedule of General Fund Components - Statement of Revenues, Expenditures<br>and Changes in Fund Balance .....  | 111 |
| Supplemental Schedule of Capital Projects.....  | 112 |
| Notes to Supplemental Schedule of Capital Projects.....   | 114 |
| Supplemental Schedule of Severance Tax Bonds.....   | 116 |
| Notes to Supplemental Schedule of Severance Tax Bonds.....  | 118 |
| Supplemental Schedule of Special Appropriations.....  | 120 |
| Notes to Supplemental Schedule of Special Appropriations.....   | 122 |
| Supplemental Schedule of Special Revenue - Bond Projects.....   | 124 |
| Supplemental Schedule of Individual Bank Accounts.....  | 126 |
| Supplemental Schedule of Pledged State Revenues.....  | 128 |
| Supplemental Schedule of Debt Service and Coverage.....   | 130 |
| Supplemental Schedule of Joint Powers Agreements.....   | 134 |
| <b>Single Audit</b> .....   |     |
| Schedule of Expenditures of Federal Awards.....   | 141 |
| Notes to Schedule of Expenditures of Federal Awards.....  | 145 |
| <b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and<br/>Other Matters Based on an Audit of Financial Statements Performed in Accordance with<br/>Government Auditing Standards</b> ..... | 146 |
| <b>Independent Auditors' Report on Compliance for Each Major Federal Program, Internal Control over<br/>Compliance, and the Schedule of Expenditures of Federal Awards Required by the Uniform<br/>Guidance</b> .....                   | 148 |
| <b>Schedule of Findings and Questioned Costs</b> .....  |     |
| Section I - Summary of Auditors' Results.....   | 151 |
| Section II - Findings - Financial Statement.....  | 152 |
| Section III - Findings and Questioned Costs - Major Federal Programs.....   | 153 |
| Section IV - Findings - Compliance and Other Matters.....   | 157 |
| Schedule of Prior Year Findings and Questioned Costs.....   | 162 |
| <b>Exit Conference</b> .....  | 163 |

Year Ended June 30, 2017

Commission

|                   |              |            |
|-------------------|--------------|------------|
| Ronald Schmeits   | Chairman     | District 4 |
| Butch Mathews     | Vice-Chair   | District 5 |
| Dr. Kenneth White | Secretary    | District 1 |
| David Sepich      | Commissioner | District 2 |
| Keith Mortensen   | Commissioner | District 3 |
| Jackson Gibson    | Commissioner | District 6 |

Administrative Officers

|                |                                  |
|----------------|----------------------------------|
| Tom Church     | Cabinet Secretary                |
| Anthony Lujan  | Deputy Secretary                 |
| Ronald V. Baca | Administrative Services Director |

**INDEPENDENT AUDITORS' REPORT**





## INDEPENDENT AUDITORS' REPORT

Mr. Tom Church, Cabinet Secretary  
State of New Mexico Department of Transportation  
and Mr. Timothy Keller, State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, the aggregate remaining fund information and the budgetary comparison for the general fund of the State of New Mexico Department of Transportation (Department), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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.

Mr. Tom Church, Cabinet Secretary  
State of New Mexico Department of Transportation  
and Mr. Timothy Keller, 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 business-type activities, the major fund, and the aggregate remaining fund information of the Department as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund 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 State of New Mexico Department of Transportation, are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Department that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2017, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 22 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 New Mexico Department of Transportation'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 other schedules required by *Section 2.2.2 NMAC* are also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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

Mr. Tom Church, Cabinet Secretary  
State of New Mexico Department of Transportation  
and Mr. Timothy Keller, State Auditor

to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 October 27, 2017, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the Department's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
October 27, 2017



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



As management of New Mexico Department of Transportation (Department), we offer the readers of the Department's financial statement this narrative overview and analysis of the financial activities of the Department for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in footnotes to the basic financial statements, which start on page 38 of this audit report.

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.

## **1. Overview of the Financial Statements**

### ***Financial Highlights***

The Department's net position decreased by \$40,244,065, and the net position of the Department's governmental activities decreased by \$40,365,338 primarily due to depreciation of infrastructure assets exceeding additions and improvements during the current fiscal year.

### ***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to private sector business.

The Statement of Net Position presents information on all of the Department's assets and liabilities, deferred inflows and outflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the Department's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The Department's primary purpose is the construction and maintenance of the infrastructure of the State of New Mexico. Thus, in the government-wide financial statements, the primary function is public works.

The government-wide financial statements start on page 23 of this report.

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department are divided into two categories: governmental funds and proprietary fund.

## 1. Overview of the Financial Statements - continued

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current resources and use of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department has 30 governmental funds. Governmental funds are reported as major funds in the accompanying financial statements if they meet both of the following criteria:

*Ten percent criterion* - An individual fund reports at least ten percent of any of the following: a) total respective governmental or enterprise fund assets, b) total respective governmental or enterprise fund liabilities, c) total respective governmental or enterprise fund revenues, or d) total respective governmental or enterprise fund expenditures.

*Five percent criterion* - An individual governmental fund reports at least five percent of the total for both governmental and enterprise funds of any of the items for which it met the ten percent criterion.

The Department's major governmental fund is as follows:

State Road Fund(s) (Funds #10040 and #20100). The State Road Fund(s) were created by Section 67-3-65, NMSA 1978. The State Road Fund(s) combine to create the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Section 67-3-59 NMSA establishes that this is a non-reverting fund. This is a general fund. Individual fund data for each fund comprising the State Road Fund(s) are provided in the Schedule of General Fund Components - Balance Sheet and Schedule of General Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance.

Information is presented separately in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the major fund. Data from the other 28 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report. See pages 93 through 108.



## 1. Overview of the Financial Statements - continued

### ***Proprietary Funds***

The Department has one type of proprietary fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Department uses its enterprise fund to account for the State Infrastructure Bank, since its purpose is to make loans for road projects.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the State Infrastructure Bank since it is considered to be a major fund of the Department.

The basic proprietary fund financial statements can be found on pages 33 through 34 and the Statement of Cash Flows is on page 35 of this report.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 38.

### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information including the Schedule of General Fund Components - Balance Sheet and Schedule of General Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance, Supplemental Schedule of Capital Projects, Supplemental Schedule of Severance Tax Bonds, Supplemental Schedule of Special Appropriations, Supplemental Schedule of Special Revenue - Bond Projects, Supplemental Schedule of Individual Bank Accounts, Supplemental Schedule of Pledged State Revenues, Supplemental Schedule of Debt Service and Coverage, Supplemental Schedule of Joint Powers Agreements and the Schedule of Expenditures of Federal Awards.

### ***Government-wide Financial Analysis***

As noted, net position may serve over time as a useful indicator of the Department's financial position. At June 30, 2017, the Department's assets and deferred outflows of resources exceeded liabilities by \$4,630,432,482.

The largest portion of the Department's net position reflect its investments in capital assets (e.g., land, building, equipment, improvements and infrastructure) less any debt and unspent bond proceeds used to acquire those assets that are still outstanding. Although the Department's investment in its capital assets is reported net of related debt and unspent bond proceeds, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**

**1. Overview of the Financial Statements - continued**

Net Position

As of June 30, 2017 and 2016, the Department has positive balances in two categories of net position: net investment in capital assets and restricted. Table A-1 summarizes the Department's net position as of June 30, 2017 and 2016.

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

|                                  | Governmental Activities |                         | Business-type Activities |                      |
|----------------------------------|-------------------------|-------------------------|--------------------------|----------------------|
|                                  | 2017                    | 2016                    | 2017                     | 2016                 |
| <b>Assets:</b>                   |                         |                         |                          |                      |
| Current and other assets         | \$ 358,194,342          | \$ 379,589,765          | \$ 20,936,837            | \$ 20,995,564        |
| Capital assets and other         | 5,625,679,361           | 5,768,841,824           | -                        | -                    |
| <b>Total Assets</b>              | <b>\$ 5,983,873,703</b> | <b>\$ 6,148,431,589</b> | <b>\$ 20,936,837</b>     | <b>\$ 20,995,564</b> |
| <b>Deferred Outflows:</b>        |                         |                         |                          |                      |
| Deferred loss on refunding       | \$ 47,037,073           | \$ 53,134,626           | -                        | -                    |
| Deferred outflow of resources    | 51,917,706              | 72,554,752              | -                        | -                    |
| <b>Total Deferred Outflows</b>   | <b>\$ 98,954,779</b>    | <b>\$ 125,689,378</b>   | <b>-</b>                 | <b>-</b>             |
| <b>Liabilities:</b>              |                         |                         |                          |                      |
| Current liabilities              | \$ 204,111,126          | \$ 210,316,452          | -                        | \$ 180,000           |
| Long-term liabilities            | 1,269,221,711           | 1,413,943,532           | -                        | -                    |
| <b>Total Liabilities</b>         | <b>\$ 1,473,332,837</b> | <b>\$ 1,624,259,984</b> | <b>-</b>                 | <b>\$ 180,000</b>    |
| <b>Net Position:</b>             |                         |                         |                          |                      |
| Net investment in capital assets | \$ 4,383,791,100        | \$ 4,447,749,634        | -                        | -                    |
| Restricted                       | 225,704,545             | 202,111,349             | 20,936,837               | 20,815,564           |
| <b>Total Net Position</b>        | <b>\$ 4,609,495,645</b> | <b>\$ 4,649,860,983</b> | <b>\$ 20,936,837</b>     | <b>\$ 20,815,564</b> |

**1. Overview of the Financial Statements - continued**

| Total            |                  |
|------------------|------------------|
| 2017             | 2016             |
| \$ 379,131,179   | \$ 400,585,329   |
| 5,625,679,361    | 5,768,841,824    |
| \$ 6,004,810,540 | \$ 6,169,427,153 |
| \$ 47,037,073    | \$ 53,134,626    |
| 51,917,706       | 72,554,752       |
| \$ 98,954,779    | \$ 125,689,378   |
| \$ 204,111,126   | \$ 210,496,452   |
| 1,269,221,711    | 1,413,943,532    |
| \$ 1,473,332,837 | \$ 1,624,439,984 |
| \$ 4,383,791,100 | \$ 4,447,749,634 |
| 246,641,382      | 222,926,913      |
| \$ 4,630,432,482 | \$ 4,670,676,547 |

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**

**1. Overview of the Financial Statements - continued**

Changes in Net Position

Table A-2 provides a summary of the Department's operations for the years ended June 30, 2017 and 2016. Governmental activities decreased the Department's net position by \$40,365,338 in 2017 and \$170,480,343 in 2016. Business-type activities increased the Department's net position by \$121,273 in 2017 and by \$56,397 in 2016, due to interest income earned during the year.

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

|   | Governmental Activities |                         | Business-type Activities |                      |
|---|-------------------------|-------------------------|--------------------------|----------------------|
|   | 2017                    | 2016                    | 2017                     | 2016                 |
| <b>Revenues:</b>                                    |                         |                         |                          |                      |
| Program revenues:                                   |                         |                         |                          |                      |
| Charges for services                                | \$ 32,767,170           | \$ 39,697,728           | \$ 16,592                | \$ 11,836            |
| Operating grants                                    | 27,027,815              | 27,790,078              | -                        | -                    |
| Capital grants                                      | 368,186,368             | 378,820,223             | -                        | -                    |
| General revenues:                                   |                         |                         |                          |                      |
| User and fuel taxes                                 | 416,840,157             | 412,076,367             | -                        | -                    |
| Interest income                                     | 4,169,156               | 1,861,721               | 104,681                  | 44,561               |
| Special revenues:                                   |                         |                         |                          |                      |
| Gain (loss) on disposal of assets                   | 334,709                 | -                       | -                        | -                    |
| <b>Total Revenues</b>                               | <b>849,325,375</b>      | <b>860,246,117</b>      | <b>121,273</b>           | <b>56,397</b>        |
| <b>Expenses:</b>                                    |                         |                         |                          |                      |
| Programs and infrastructure                         | 555,218,409             | 741,775,263             | -                        | -                    |
| Transportation and highway operations               | 231,134,138             | 269,915,606             | -                        | -                    |
| Program support                                     | 39,942,887              | 55,003,958              | -                        | -                    |
| Modal   | 53,834,651              | -                       | -                        | -                    |
| <b>Total Expenses</b>                               | <b>880,130,085</b>      | <b>1,066,694,827</b>    | <b>-</b>                 | <b>-</b>             |
| <b>Net Revenues Before Transfers and Reversions</b> | <b>(30,804,710)</b>     | <b>(206,448,710)</b>    | <b>121,273</b>           | <b>56,397</b>        |
| <b>Transfers and Reversions</b>                     | <b>(9,560,628)</b>      | <b>35,968,367</b>       | <b>-</b>                 | <b>-</b>             |
| <b>(Decrease) Increase in Net Position</b>          | <b>(40,365,338)</b>     | <b>(170,480,343)</b>    | <b>121,273</b>           | <b>56,397</b>        |
| <b>Net Position, Beginning of Fiscal Year</b>       | <b>4,649,860,983</b>    | <b>4,820,341,326</b>    | <b>20,815,564</b>        | <b>20,759,167</b>    |
| <b>Net Position, End of Fiscal Year</b>             | <b>\$ 4,609,495,645</b> | <b>\$ 4,649,860,983</b> | <b>\$ 20,936,837</b>     | <b>\$ 20,815,564</b> |

**1. Overview of the Financial Statements - continued**

| Total            |                  |
|------------------|------------------|
| 2017             | 2016             |
| \$ 32,783,762    | \$ 39,709,564    |
| 27,027,815       | 27,790,078       |
| 368,186,368      | 378,820,223      |
| 416,840,157      | 412,076,367      |
| 4,273,837        | 1,906,282        |
| 334,709          | -                |
| 849,446,648      | 860,302,514      |
| 555,218,409      | 741,775,263      |
| 231,134,138      | 269,915,606      |
| 39,942,887       | 55,003,958       |
| 53,834,651       | -                |
| 880,130,085      | 1,066,694,827    |
| (30,683,437)     | (206,392,313)    |
| (9,560,628)      | 35,968,367       |
| (40,244,065)     | (170,423,946)    |
| 4,670,676,547    | 4,841,100,493    |
| \$ 4,630,432,482 | \$ 4,670,676,547 |

## 1. Overview of the Financial Statements - continued

### Governmental Funds

The Department's governmental funds are designed to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2017 fiscal year, the Department's governmental funds reported combined ending fund balances of \$279,230,629 a decrease of \$15,007,260 from the prior year. Restricted fund balance indicates amounts available for expenditures in subsequent years for the purposes for which the initial revenues were intended. Non-spendable fund balance indicates amounts which have already been spent and now consist of inventories, long-term assets and prepaid items and other reserved items of \$37,047,313.

The change in fund balance for the Department's major fund for 2017 is:

|   |                      |
|---|----------------------|
| State Road Fund(s) (Fund #10040 and #20100) | \$ <u>33,382,558</u> |
|---|----------------------|

The net increase in the State Road Fund(s) is primarily due to a decrease in revenues and expenditures as a result of the FY17 letting schedule in the fourth quarter of the Federal fiscal year and the subsequent completion of projects in FY18. In addition we received an inter-agency transfer for infrastructure needs at the various ports-of-entry to be expensed in FY18.

**1. Overview of the Financial Statements - continued**

***Budgetary Highlights***

The Department's operating budgets (excludes multi-year funds) are on a modified accrual basis and not all available funds are budgeted in order to provide for a reserve. The Department made subsequent revisions to the original approved budget by \$137,820,800. Overall, these changes were caused by the following significant budget adjustments:

|   |                |
|---|----------------|
| Increase-WIPP: Repave/Repair the WIPP North Access Roads between HWY 62-180 | \$ 7,200,000   |
| Increase-Federal Aid Program  | 110,850,000    |
| Increase-US 550 Warranty Program  | 6,500,000      |
| Increase-Ports of Entry (Hire Temp Agency)                                  | 2,000,000      |
| Increase-Ports of Entry (Transfer from Taxation and Revenue Dept.)          | 6,500,000      |
| Increase-Traffic Safety Funds (Underage Drinking Campaign)                  | 400,000        |
| Increase-Traffic Safety Funds (Education and Enforcement)                   | 600,000        |
| Increase-Traffic Safety Funds (Driver Improvements)                         | 400,000        |
| Increase-Aviation Division (28 Airports Maintenance Work)                   | 2,750,000      |
| Increase-Aviation Division (Las Conchas Airport)                            | 305,000        |
| Increase-Federal Transit (Small Urban Vanpool and Ridesharing)              | 315,800        |
|   | \$ 137,820,800 |

The Department's original operating budget for fiscal year 2017 was \$867,553,000. This budget included \$846,551,800 of new revenues and \$21,001,200 of prior year funds rebudgeted. The final budget for the fiscal year was \$1,376,339,202. The \$508,786,202 increase in budget was due to FY17 budget adjustments discussed above and the Department's authorized practice of rolling forward into FY17 its remaining FY16 unexpended purchase orders. The appropriation budgetary period for those FY16 unexpended purchase orders lapses at the end of the FY16 fiscal year and the Department has to re-establish the budget in FY17 to re-appropriate the balance of its unexpended purchase orders. The Department funds the budget increase by utilizing the balance of the unused FY16 budget revenues that were originally budgeted for the unexpended purchase orders. The roll forward budget of \$370,965,402 is not included in the above schedule of budget adjustments.

***Capital Assets Overview***

The Department's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$5,614,849,361 (net of accumulated depreciation). This investment in capital assets includes land, right of way, buildings, equipment, improvement and the infrastructure. Business-type activities have no capital assets.

## 1. Overview of the Financial Statements - continued

### *Capital Assets Overview - continued*

#### Major Infrastructure Projects

The Department develops plans to build a transportation system that will better serve the State of New Mexico. Advanced and innovative strategies include building roads using a corridor approach, where an entire route between communities is built. By designing and constructing entire corridors, the Department has been able to realize efficiencies to benefit the state. The Department also employs innovative project development techniques, warranty agreements and highly advanced financing techniques to accomplish the objectives of the Major Investment Program.

#### Fiscal Year 2016-2017 Active Projects with a contract amount of \$10 million or more:

US 70, MP 166.25 to MP 177.8 for 11.55 miles - Dona Ana County  
I-25, MP 153.5 to MP 158.2 for 4.7 miles - Socorro County  
I-25, MP 40.5 to MP 59 for 18.5 miles - Dona Ana County  
I-10, MP 83.5 to MP 100.5 for 17 miles - Luna County  
NM 209, MP 2.4 to MP 7.1 for 4.7 miles - Curry County  
US 54, MP 69.5 to MP 78.2 for 8.7 miles - Otero County  
NM 18, MP 22 to MP 31.8 for 9.8 miles - Lea County  
US 70, MP 285 to MP 302 for 17 miles - Lincoln County  
US 82, MP 107.4 to MP 139.1 for 31.7 miles - Eddy County  
NM 128, MP 38.8 to MP 51.6 for 12.8 miles - Lea County  
US 54, MP 324.9 to MP 326.3 for 1.4 miles - Quay County  
NM 41, MP 46.1 to MP 52.81 for 6.71 miles - Santa Fe County  
NM 502, MP 1.248 to MP 2.07 for 0.82 miles - Los Alamos County  
NM 124, MP 6.4 to MP 8.4 for 2 miles - Cibola County  
NM 6, MP 0 to MP 7.75 for 7.75 miles - Valencia County  
NM 6, MP 7.75 to MP 18.5 for 10.75 miles - Valencia County  
I-40, MP 154.7 to MP 158.21 for 3.51 miles - Bernalillo County  
I-25, MP 219.8 to MP 221.4 for 1.6 miles - Bernalillo County  
FL 4014, MP 2.05 to MP 3.22 for 1.17 miles - Bernalillo County  
ITS Regional Transportation Management Center (TMC) - Various Counties  
US 550, MP 1.35 to MP 2.45 for 1.1 miles - Sandoval County  
Albuquerque City-Wide Pavement Preservation - Bernalillo County  
NM 136, MP 0.4 to MP 4.7 for 4.3 miles - Dona Ana County  
NM 136, MP 5.5 to MP 9.2 for 3.7 miles - Dona Ana County  
NM 273, MP 0.8 to MP 3.1 for 2.3 miles - Dona Ana County



**1. Overview of the Financial Statements - continued**

Fiscal Year 2016-2017 Active Projects with a contract amount of \$10 million or more - continued:

NM 159, MP 8 to MP 10 for 2 miles - Catron County  
 NM 188, MP 1 to MP 3 for 2 miles - Dona Ana County  
 ABQ Ride - Vehicles & Equip. Purchase - ABQ Ride System Wide - Bernalillo County  
 Commuter Rail Maint. of Equip. & Maint. Of Way - NMRRX Service Area - Various Counties  
 FL 4016, MP 4.71 to MP 13.46 for 8.75 miles - Bernalillo County  
 Santa Fe Trails: FTA Sections 5307 & 5340 Funding - Santa Fe County

Automotive and Major Road Equipment

For fiscal year 2017, the Automotive and Major Road Equipment modified accrual basis budget total was approximately \$11,529,978. Of this budget, approximately \$7,158,999 was fully expended at June 30, 2017. Automotive and Major Road Equipment purchased includes pickups, dump trucks, rollers, excavators, mowers, tractors, loaders, snowplows, brooms, dozers, motor graders, spreaders, millers, trailers, motor vehicles, etc. All items are approved during the legislative session prior to July of each fiscal year. The Department holds several sales and public auctions during the year to liquidate old and obsolete equipment to public and private entities.

**Table A-3**  
**Department's Capital Assets**

|  | <b>2017</b>             | <b>2016</b>             |
|--|-------------------------|-------------------------|
| Land                                     | \$ 5,177,044            | \$ 5,177,044            |
| Construction in Process                  | 264,678,417             | 336,847,017             |
| Right of Way                             | 504,480,664             | 505,012,943             |
| Infrastructure                           | 14,041,731,982          | 14,244,898,022          |
| Equipment and furniture                  | 28,170,998              | 31,886,543              |
| Library                                  | 113,566                 | 113,566                 |
| Buildings                                | 49,365,551              | 49,232,930              |
| Automotive and Major Road Fund Equipment | 236,164,112             | 236,176,078             |
| Accumulated depreciation                 | (9,515,032,973)         | (9,653,137,319)         |
| <b>Total</b>                             | <b>\$ 5,614,849,361</b> | <b>\$ 5,756,206,824</b> |

Additional information on the Department's capital assets can be found in Note 10 of this report.

**1. Overview of the Financial Statements - continued**

***Debt Administration***

The Department is authorized to issue bonds by authority of Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA)(1978), as amended. The focus of the Department's bond program is to accelerate transportation construction projects while maintaining strong debt service coverage ratios and minimizing the costs of borrowing.

At June 30, 2017, the Department had a total outstanding debt (bonds) of \$1,188,295,000. Outstanding bond debt is backed by the Department's anticipated state tax revenues and FHWA revenues.

**Table A-4**  
**Department's Outstanding Debt**

|  | <b>2017</b>      | <b>2016</b>      |
|--|------------------|------------------|
| Bonds (excludes deferred amounts on refunding) | \$ 1,188,295,000 | \$ 1,281,950,000 |

The Department's total bond debt decreased by 7.3%, or (\$93,655,000). Total outstanding bond debt at the end of the 2017 fiscal year was \$1,188,295,000 compared to \$1,281,950,000 at the end of the 2016 fiscal year. The decrease in debt resulted from \$93,655,000 in principal repayments. See Note 15 for a detail of all outstanding bonds.

The Department made \$133,196 in arbitrage payments to the Internal Revenue Service for excess interest earned on bond proceeds from the 2006 GRIP bonds during the fiscal year and did not have any arbitrage liability at the end of the fiscal year.

## 2. Economic Factors and Revenue Forecasts

### *Economic and Demographic Characteristics*

New Mexico is the 36th largest state by population and the fifth largest in land area. In 2016, according to the U.S. Census Bureau, New Mexico's population reached 2,081,015. Between 2000 and 2016, the State was the twenty-fourth fastest growing state, as the population increased 14.5 percent from the 2000 population of 1,819,046. Between 2010 and 2016, population increased by 0.8 percent. This rate ranked the State forty-first in the nation for population growth. Over the same period of time, the national population grew 4.5 percent. There are four Metropolitan Statistical Areas (MSAs) in the state. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Tarrant and Valencia Counties; the Las Cruces MSA is Dona Ana County; the Santa Fe MSA is Santa Fe County, and the Farmington MSA is San Juan County. The fastest growing counties in the state are Sandoval, Lea, Bernalillo and Santa Fe.

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, agriculture-agribusiness, government, and mining. In 2015, New Mexico was the 7th largest producing state of natural gas and the 6th largest producing state of onshore crude oil. In 2015 coal, copper and potash production value amounted to \$2.5 billion and the state ranked 12th, 2nd and 1st respectively in the US. The mining and logging industry employed more than 20 thousand New Mexicans in 2016. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The state's major transportation routes include Interstate-25, running north-south from El Paso, Texas through Las Cruces, Albuquerque, Santa Fe, Las Vegas and Raton, New Mexico toward Pueblo and Denver, Colorado. Major east-west routes, especially important to interstate commercial carrier traffic, include Interstate-10 from El Paso, Texas to Tucson and Phoenix, Arizona, and Interstate-40 from Amarillo, Texas through Tucumcari, Albuquerque and Gallup, New Mexico to Flagstaff, Arizona.

### *Revenue Forecasts and Budgets*

#### Federal Revenue:

Federal Revenue – From July 1, 2016 through December 3, 2016 the amount of federal aid (obligation limitation) available to states is currently being administered by the FAST Act, i.e. Fixing America's Surface Transportation Act. President Obama signed the FAST Act into law on December 4, 2015. The FAST Act authorizes \$305 billion from both the Highway Trust Fund and the General Fund of the United States Treasury. It provides \$225 billion in Highway Trust Fund contract authority over five years for the Federal Aid Highway Program, increasing funding from \$41 billion in 2015 to \$47 billion in 2020. For the State of New Mexico, this means an overall increase in Federal Apportionment and subsequent Obligation Limitation, i.e. 2% to 2.4% year over year from FY2016 through FY2020. Despite this increase in Obligation Limitation the Department's FY17's project letting schedule resulted in an overall decrease in Federal revenue from \$378.7 million in FY2016 to \$367.5 million in FY2017 or an \$11.2 million or 3% decrease.

Federal Aviation Administration Funds - NMDOT reported revenue of \$340,159 in FY 2017 Federal Aviation Administration grant funds.

## 2. Economic Factors and Revenue Forecasts - continued

### Federal Revenue - continued:

Federal Transit Administration Funds - NMDOT reported revenue of \$13,290,348 in FY 2017 Federal Transit Administration grant funds.

National Highway Traffic Safety Administration Funds - NMDOT reported revenue of \$13,571,891 in FY 2017 of National Highway Traffic Safety Administration grant funds.

### State Revenue:

Revenues for the New Mexico Department of Transportation over the long-term (20 years) are characterized as being steady and growing at rates associated with the Consumer Price Index (CPI). There have been periods of stronger and slower, even declining, rates of growth. From fiscal years 1988 to 2000, the average annual compound growth rate was 2.7% and from 2003 to 2007 it was 7.5%.

Department of Transportation revenues were not immune from the latest recession. However, diversity of revenue sources helped to moderate the impact. State Road Fund revenues are split roughly half and half between passenger car based and interstate trucking sourced. Those revenues associated with trucking (Special Fuel and Weight Distance tax) were negatively influenced by the US economic recession during FY 2008 through FY 2010 and fell about 15% while passenger cars based revenues (gasoline and vehicle registrations) were comparatively more stable. With continuous improvements in the US economy, trucking activity has begun to improve and concurrently trucking related revenues have also begun to improve. FY 2007 was the peak year for Road Fund revenues before the recession; FY 2010 was the low point with revenues falling by over \$35 million or 9%. FY 2016 was the year that revenues finally surpassed the FY 2007 level, while Road Fund revenues in FY 2017 have been pretty flat, with an overall growth rate around 1%.

The latest (July 2017) recurring revenue forecast for the State Road Fund expects a revenue growth of 1.6% in FY 2018, followed by growth in the 0.6% to 1.2% range during the subsequent three fiscal years. The revenue forecast for the Department as a whole is 0.4% for FY 2018, followed by growth in the 0.7% to 1.5% range during the subsequent three fiscal years.

### *State Revenue Forecasts - Major Revenue Sources*

The budget estimate for state tax and fee revenue is prepared in June/July and December/January for each year for the budget year ending 24 months (or 18 months) later. Each fiscal year's revenue estimate is tracked monthly to examine actual revenue receipts and changes in economic conditions. With that information executive management prioritizes maintenance and construction needs of the state.

In particular, the methodology adopted for forecasting NMDOT's revenues relies on econometric techniques such as regression models and time series models (i.e. ARIMA, ARIMAX).

## **2. Economic Factors and Revenue Forecasts - continued**

The estimates rely on three main sources of forecast input parameters, which are:

- IHS Global Insight U.S. Economic Outlook, Baseline and Alternative scenarios
- UNM, Bureau of Business and Economic Research Quarterly Economic Forecast of the New Mexico Economy
- UNM, Geospatial and Population Studies population Projections

The model outcomes are validated comparing historical revenues with forecast values. The models adopted are those that have the best out-of-sample forecast performance, and the highest forecasting power.

On a yearly basis, both models and results are reviewed by the State Consensus Revenue Estimating Group that includes economists from the Legislative Finance Committee, Taxation and Revenue Department, and Department of Finance and Administration.

Revenues from gasoline, special fuels, weight distance and vehicle registration constitute 93% of the State Road Fund and 85% of all the NMDOT's funds.

In the fall of 2003, a special session of the New Mexico Legislature was held and transportation rates and fees were raised on special fuels (primarily diesel), weight/distance trucking rates and motor vehicle registration fees. The basis of these increases was to provide \$40 million annually for the debt service on GRIP, a large, multi-year road construction program. The increases were designed also to add \$20 million for road maintenance. These rate/fee increases, along with the strong economy, added almost \$100 million (36%) from FY 2003 to FY 2007 to the annual State Road Fund revenue levels.

These revenues were consistent with the forecasts for the periods where taxes were increased and did add the expected \$60 million for GRIP debt service and highway maintenance expenditures. National economic trends impacting the trucking industry provided for strength in revenue growth in FY 2005 through FY 2007 and led the decline in FY 2008 through FY 2010. The interstate-trucking based revenues (special fuel tax and weight distance tax) are now the primary contributors to State Road Fund growth. On the other hand, gasoline revenue is expected to be flat in the next few years, because of increasing passenger vehicle efficiency and only modest increases in NM's population.

Due to the size and importance of each of these four sources, a look at each individually helps to provide a more complete picture of the Department's revenues.

Gasoline tax is the largest of State's revenue sources, providing about \$113 million in revenue in FY 2017. This tax is 17 cents per gallon of gasoline sold, with about three-fourths distributed to the State Road Fund and the remainder distributed primarily to municipalities and counties. It is the one major tax that was not increased during the special session of 2003. Historically, gasoline gallons sold increased until 1995, remained relatively stable from 1995 to 1999, and decreased in 2001, when they again stabilized. The peak years were 1995 to 1999, with 1998 providing \$117.9 million.

## 2. Economic Factors and Revenue Forecasts - continued

Of much interest and frequent query, is how New Mexico's gasoline usage (gallons) was impacted by the dramatic price increase between 2004 and 2008 and in light of the economic slowdown. Somewhat surprisingly, for New Mexico, there was very little change in gasoline usage. For the past 17 years, between FY 2000 and FY 2017, Road Fund gasoline revenues have averaged \$110 million; gasoline revenues have only varied by more than a few million from that average twice (less than \$5 million above average in FY 2007 and \$5 million below average in FY 2012).

Special fuel tax (primarily diesel) is the second largest of the state's revenue sources, providing about \$100.1 million in FY 2017. The tax per gallon was raised from 18 to 21 cents per gallon effective in FY 2005. Of the 21 cents, the State Road Fund receives 19 cents, with the remainder going to the Local Governments Road Fund. Including the 2003 special legislative session rate increase, special fuels grew by \$27.0 million, or 36%, from FY 2004 to FY 2008. Special fuel, over time, has been a strongly growing revenue source with an average annual compound growth rate of 5.2% from 1988 to 2008. After the collapse of the national housing bubble, special fuel revenue fell to a low \$85.6 million in FY 2009 and has since climbed slowly to \$100.1 million in FY 2017, close to the peak of \$101.6 in FY 2008.

Weight Distance tax is charged on trucks over 26,000 pounds and varies by maximum gross weight of the vehicle and distance traveled in New Mexico. It ranges from a rate of around one cent per mile for vehicles weighing 26,001 to 28,000 pounds to slightly over 4 cents per mile for vehicles weighing over 78,000 pounds. It is historically the third largest revenue producer with about \$84 million in revenue in FY 2017. Its rates were also raised in the fall 2003 special legislative session. Prior to the tax rate increase, revenues averaged \$50 million. After FY 2004, revenue increased from 43% to 50%, primarily due to the 38% tax rate increase.

During the latest economic recession, declining consumer durable goods expenditures led to a fairly steep and sudden reduction in freight of all types including air, ship, rail and truck. That decline was in the range of 20% and began in December, 2008. Corresponding reductions in State Road Fund trucking related revenues began in March 2009 and, in only four months, dropped the annual revenue by \$2 million in FY2009. The full year impact in FY2010 of this Weight Distance tax revenue decline was a \$7.8 million decrease relative to FY2008. With recent improvements in the US economy, trucking activity has begun to improve and concurrently trucking related revenues have also begun to improve. In FY 2016 and FY 2017 Weight Distance revenue grew at a 3.8% and 1.2% rate per year, respectively. In the next few years Weight Distance revenue is forecast to continue to grow around 3% yearly.

Motor vehicle registration fees are the fourth largest revenue source at about \$79.2 million in FY 2017. These fees were raised in the 2003 Special Legislative session by about 33%, and revenue increased by about \$20.7 million or 39%, from FY 2004 to FY 2008. The fees are based on three weight classes for passenger vehicles and 14 weight classes for trucks and commercial carriers. The annual registration fees for trucks over 26,000 pounds are low because those vehicles are subject to the Weight Distance tax, discussed above. This revenue, like gasoline, has remained stable during both the economic expansions and recessionary periods, and it is expected to remain stable around \$80 million in the following fiscal years.

## 2. Economic Factors and Revenue Forecasts - continued

One revenue source, the Trip Tax, has been impacted negatively by recent federal procedure rulings and legislation. Trip Tax is charged on trucks in lieu of the Weight Distance tax and vehicle registration fees for those trucks/companies not registered for Weight Distance. What was called a cab card and carried in each truck was used for Weight Distance registration identification. Federal regulations now prevent states from requiring the showing of state-specific taxpayer documentation cards. Trip tax rose to a peak of \$8.6 million in FY 2006 and provided revenues of about \$6 million in FY 2017. New Mexico is one of four states that impose a Weight Distance tax and its associated trip tax. There have been strong investments recently in reporting enforcement and an optical scanning computer truck identification interface with the Weight Distance tax data base. These have been accompanied by penalty increases for improper Weight Distance tax filing, capital improvements at ports of entry and statewide enhanced documentation checks.

### *Background - Gasoline Tax and Tribal Tax Sharing Agreements*

The state permits gasoline to be sold at retail by registered Indian tribal distributors on Indian land free of State gasoline tax if the applicable Indian government imposes an equivalent or higher tax (for its own benefit) on retail gasoline sales. The growth in tribal market share initially out-paced the overall growth rate of gasoline sales as a result of competitive pricing, casino traffic, and new tribal travel centers. Over the past ten years tribal sales have been between 55 million and 69 million gallons per year (around 6% or 7% of total gasoline sales). Tribal gasoline sales totaled to 71.2 million gallons in FY 2016 and 72.3 million gallons in FY 2017.

In 2003 and 2004, legislation allowed the state to enter into "tax sharing agreements" with the two Native American Pueblos that were previously entitled to market a limited amount of state-tax-free gasoline outside reservation boundaries. Under the agreements, a distribution equal to 40% of the tax collected on 30 million gallons of gasoline per year is made to each of the two Pueblos, in exchange for the Pueblos ceasing their wholesale sales activities outside reservation boundaries. The result of these agreements (originally entered into in 2004) was more predictable gasoline revenues. Chapter 15, Laws 2010 (Senate Bill 59 from the 2010 regular legislative session) allowed these agreements to be extended under the same terms for an additional 10 years. The agreements were both renewed in 2014.

## 3. Contacting the Department's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators, 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:

Attn: Accounting Services Director  
New Mexico Department of Transportation  
1120 Cerrillos Road  
P.O. Box 1149  
Santa Fe, New Mexico 87504-1149  
(505) 827-5108

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## **FINANCIAL STATEMENTS**

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Statement of Net Position**

As of June 30, 2017

|  | Governmental<br>Activities | Business-type<br>Activities (State<br>Infrastructure Bank) | Total                   |
|--|----------------------------|--|-------------------------|
| <b>Current Assets:</b>                                 |                            |  |                         |
| Cash:  |                            |  |                         |
| Unrestricted   | \$ 1,100                   | \$ -   | \$ 1,100                |
| Cash equivalents (Note 2):                             |                            |  |                         |
| Investment in SGFIP                                    | 203,684,906                | 20,223,479   | 223,908,385             |
| Managed by NMFA  | 42,463,402                 | -  | 42,463,402              |
| Receivables:   |                            |  |                         |
| Accounts receivable, net (Note 3)                      | 1,566,761                  | -  | 1,566,761               |
| Interest receivable                                    | 56,417                     | -  | 56,417                  |
| Notes and loans receivable (Note 4)                    | -                          | 713,358  | 713,358                 |
| Other receivables                                      | 232,487                    | -  | 232,487                 |
| Due from:  |                            |  |                         |
| U.S. Department of Transportation (Note 5)             | 43,936,095                 | -  | 43,936,095              |
| Other state agencies (Note 7)                          | 40,022,352                 | -  | 40,022,352              |
| Local governments (Note 8)                             | 13,509                     | -  | 13,509                  |
| Inventories (Note 9)                                   | 13,715,593                 | -  | 13,715,593              |
| Prepaid expense - other                                | 15,710                     | -  | 15,710                  |
| Prepaid expense - NM44 warranty                        | 1,805,000                  | -  | 1,805,000               |
| Property held for resale, net                          | 10,681,010                 | -  | 10,681,010              |
| <b>Total Current Assets</b>                            | <b>358,194,342</b>         | <b>20,936,837</b>  | <b>379,131,179</b>      |
| <b>Non-Current Assets:</b>                             |                            |  |                         |
| Prepaid expense - NM44 warranty, net                   | 10,830,000                 | -  | 10,830,000              |
| Capital assets, net (Note 10)                          | 5,614,849,361              | -  | 5,614,849,361           |
| <b>Total Non-Current Assets</b>                        | <b>5,625,679,361</b>       | <b>-</b>   | <b>5,625,679,361</b>    |
| <b>Total Assets</b>                                    | <b>5,983,873,703</b>       | <b>20,936,837</b>  | <b>6,004,810,540</b>    |
| <b>Deferred Outflows of Resources:</b>                 |                            |  |                         |
| Deferred loss on refunding (Note 15)                   | 47,037,073                 | -  | 47,037,073              |
| Deferred outflow of resources (Note 15)                | 51,917,706                 | -  | 51,917,706              |
| <b>Total Deferred Outflows of Resources</b>            | <b>98,954,779</b>          | <b>-</b>   | <b>98,954,779</b>       |
| <b>Total Assets and Deferred Outflows of Resources</b> | <b>\$ 6,082,828,482</b>    | <b>\$ 20,936,837</b>                                       | <b>\$ 6,103,765,319</b> |

See Independent Auditors' Report and Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Statement of Net Position**

As of June 30, 2017

|   | Governmental<br>Activities | Business-type<br>Activities (State<br>Infrastructure Bank) | Total                   |
|---|----------------------------|--|-------------------------|
| <b>Current Liabilities:</b>   |                            |  |                         |
| Accounts payable and contracts payable,<br>including retainage of \$7,257,601 | \$ 57,557,557              | \$ -   | \$ 57,557,557           |
| Due to:   |                            |  |                         |
| U.S. Department of Transportation   | 2,123                      | -  | 2,123                   |
| Other state agencies (Note 12)  | 498,793                    | -  | 498,793                 |
| Local governments (Note 13)   | 2,147,202                  | -  | 2,147,202               |
| Component units of the state (Note 14)  | 194,892                    | -  | 194,892                 |
| Unearned revenue  | 4,869,008                  | -  | 4,869,008               |
| Other accrued expenses  | 5,524,425                  | -  | 5,524,425               |
| Deficiency in SGFIP   | 16,431,060                 | -  | 16,431,060              |
| Other liabilities   | (18,322)                   | -  | (18,322)                |
| Current portion of long-term obligations (Note 15):                           |                            |  |                         |
| Compensated absences  | 7,107,508                  | -  | 7,107,508               |
| Debentures payable  | 96,925,000                 | -  | 96,925,000              |
| Capitalized bond premium  | 12,871,880                 | -  | 12,871,880              |
| <b>Total Current Liabilities</b>  | <b>204,111,126</b>         | <b>-</b>   | <b>204,111,126</b>      |
| <b>Long-Term Liabilities:</b>   |                            |  |                         |
| Long-term obligations (Note 15):  |                            |  |                         |
| Derivative instruments interest rate swap                                     | 84,090,082                 | -  | 84,090,082              |
| Debentures payable  | 1,091,370,000              | -  | 1,091,370,000           |
| Capitalized bond premium, net   | 93,761,629                 | -  | 93,761,629              |
| <b>Total Long-Term Liabilities</b>  | <b>1,269,221,711</b>       | <b>-</b>   | <b>1,269,221,711</b>    |
| <b>Total Liabilities</b>  | <b>1,473,332,837</b>       | <b>-</b>   | <b>1,473,332,837</b>    |
| <b>Net Position:</b>  |                            |  |                         |
| Net investment in capital assets  | 4,383,791,100              | -  | 4,383,791,100           |
| Restricted for:   |                            |  |                         |
| Loans   | -                          | 20,936,837   | 20,936,837              |
| Specific purposes   | 225,704,545                | -  | 225,704,545             |
| <b>Total Net Position</b>   | <b>4,609,495,645</b>       | <b>20,936,837</b>  | <b>4,630,432,482</b>    |
| <b>Total Liabilities and Net Position</b>                                     | <b>\$ 6,082,828,482</b>    | <b>\$ 20,936,837</b>                                       | <b>\$ 6,103,765,319</b> |

See Independent Auditors' Report and Notes to Financial Statements

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**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Statement of Activities**

For the Year Ended June 30, 2017

|  | Governmental<br>Activities | Business-type<br>Activities (State<br>Infrastructure Bank) | Total                   |
|--|----------------------------|--|-------------------------|
| <b>Program Expenses:</b>   |                            |  |                         |
| Programs and infrastructure  | \$ 555,218,409             | \$ -   | \$ 555,218,409          |
| Transportation and highway operations  | 231,134,138                | -  | 231,134,138             |
| Program support  | 39,942,887                 | -  | 39,942,887              |
| Modal  | 53,834,651                 | -  | 53,834,651              |
| <b>Total Program Expenses</b>  | <b>880,130,085</b>         | <b>-</b>   | <b>880,130,085</b>      |
| <b>Program Revenues:</b>   |                            |  |                         |
| Charges for services   | 32,767,170                 | 16,592   | 32,783,762              |
| Operating grants   | 27,027,815                 | -  | 27,027,815              |
| Capital grants   | 368,186,368                | -  | 368,186,368             |
| <b>Total Program Revenues</b>  | <b>427,981,353</b>         | <b>16,592</b>  | <b>427,997,945</b>      |
| <b>Net Program Revenue (Expense)</b>   | <b>(452,148,732)</b>       | <b>16,592</b>  | <b>(452,132,140)</b>    |
| <b>General Revenues:</b>   |                            |  |                         |
| User and fuel taxes  | 416,840,157                | -  | 416,840,157             |
| Interest income  | 4,169,156                  | 104,681  | 4,273,837               |
| Gain on disposal of assets and adjustments                                       | 334,709                    | -  | 334,709                 |
| <b>Total General Revenues</b>  | <b>421,344,022</b>         | <b>104,681</b>   | <b>421,448,703</b>      |
| <b>Transfers:</b>  |                            |  |                         |
| Reversions to state general fund (Note 17)                                       | (27,150,000)               | -  | (27,150,000)            |
| Transfers from: severance tax bond appropriation                                 | 10,789,372                 | -  | 10,789,372              |
| Transfers from (to) other state agencies<br>and local governments, net (Note 11) | 6,800,000                  | -  | 6,800,000               |
| <b>Total Transfers</b>   | <b>(9,560,628)</b>         | <b>-</b>   | <b>(9,560,628)</b>      |
| <b>Net General Revenues and Transfers</b>  | <b>411,783,394</b>         | <b>104,681</b>   | <b>411,888,075</b>      |
| <b>Change in Net Position/Operating Income (Loss)</b>                            | <b>(40,365,338)</b>        | <b>121,273</b>   | <b>(40,244,065)</b>     |
| <b>Net Position, Beginning of Fiscal Year</b>                                    | <b>4,649,860,983</b>       | <b>20,815,564</b>  | <b>4,670,676,547</b>    |
| <b>Net Position, End of Fiscal Year</b>  | <b>\$ 4,609,495,645</b>    | <b>\$ 20,936,837</b>                                       | <b>\$ 4,630,432,482</b> |

See Independent Auditors' Report and Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Balance Sheet - Governmental Funds**

As of June 30, 2017

|  | <u>Major Fund</u><br><u>State Road</u><br><u>Fund(s)</u><br><u>(SHARE 10040 and</u><br><u>20100)</u> | <u>Non Major</u><br><u>Governmental</u><br><u>Funds</u> | <u>Total</u><br><u>Governmental</u><br><u>Funds</u> |
|--|--|---|---|
| <b>Assets:</b>   |  |   |   |
| Cash: (Note 2)   |  |   |   |
| Unrestricted   | \$ 1,100   | \$ -  | \$ 1,100  |
| Cash equivalents: (Note 2)   |  |   |   |
| Investment in SGFIP  | 159,457,376  | 44,227,530  | 203,684,906   |
| Managed by NMFA  | 220,068  | 42,243,334  | 42,463,402  |
| Receivables:   |  |   |   |
| Accounts receivable, net (Note 3)  | 1,420,661  | 146,100   | 1,566,761   |
| Interest receivable  | 232  | 56,185  | 56,417  |
| Other receivables  | 232,487  | -   | 232,487   |
| Due from:  |  |   |   |
| U.S. Department of Transportation (Note 5)                               | 36,351,545   | 7,584,550   | 43,936,095  |
| Other funds (Note 6)   | 3,564,979  | 56,057  | 3,621,036   |
| Other state agencies (Note 7)  | 37,206,152   | 2,816,200   | 40,022,352  |
| Local governments (Note 8)   | 3,600  | 9,909   | 13,509  |
| Inventories (Note 9)   | 13,715,593   | -   | 13,715,593  |
| Prepaid expenses - other   | 15,710   | -   | 15,710  |
| Prepaid expense - NM44 warranty  | 12,635,000   | -   | 12,635,000  |
| Property held for resale   | 10,681,010   | -   | 10,681,010  |
| <b>Total Assets</b>  | <u>\$ 275,505,513</u>  | <u>\$ 97,139,865</u>                                    | <u>\$ 372,645,378</u>                               |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balance:</b>      |  |   |   |
| <b>Liabilities:</b>  |  |   |   |
| Accounts payable   | \$ 51,941,102  | \$ 5,616,455  | \$ 57,557,557                                       |
| Due to:  |  |   |   |
| U.S. Department of Transportation  | -  | 2,123   | 2,123   |
| Other funds (Note 6)   | -  | 3,621,036   | 3,621,036   |
| Other state agencies (Note 12)   | 114,735  | 384,058   | 498,793   |
| Local governments (Note 13)  | 1,411,561  | 735,641   | 2,147,202   |
| Component units of the state (Note 14)                                   | 171,949  | 22,943  | 194,892   |
| Unearned revenue   | 4,869,008  | -   | 4,869,008   |
| Other accrued expenses   | 5,468,184  | 56,241  | 5,524,425   |
| Deficiency in SGFIP  | 9,799,170  | 6,631,890   | 16,431,060  |
| Other liabilities  | (18,322)   | -   | (18,322)  |
| <b>Total Liabilities</b>   | <u>73,757,387</u>  | <u>17,070,387</u>                                       | <u>90,827,774</u>                                   |
| <b>Deferred Inflows of Resources:</b>                                    |  |   |   |
| Amounts unavailable (not received within period of availability)         | 993,949  | 1,593,026   | 2,586,975   |
| <b>Total Deferred Inflows of Resources</b>                               | <u>993,949</u>   | <u>1,593,026</u>  | <u>2,586,975</u>                                    |
| <b>Fund Balance:</b>   |  |   |   |
| Non-spendable  | 37,047,313   | -   | 37,047,313  |
| Restricted   | 173,642,397  | 80,033,748  | 253,676,145   |
| Unassigned   | (9,935,533)  | (1,557,296)   | (11,492,829)  |
| <b>Total Fund Balance</b>  | <u>200,754,177</u>   | <u>78,476,452</u>                                       | <u>279,230,629</u>                                  |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <u>\$ 275,505,513</u>  | <u>\$ 97,139,865</u>                                    | <u>\$ 372,645,378</u>                               |

See Independent Auditors' Report and Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**

---

As of June 30, 2017

**Total Fund Balance - Governmental Funds**  
**(Balance Sheet - Governmental Funds)** \$ 279,230,629

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

Amounts recorded as deferred inflows of resources in the governmental funds that were not received within the period of availability - 60 days after year end; recorded as revenue in the Statement of Activities: 2,586,975

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

|                               |                        |               |
|-------------------------------|------------------------|---------------|
| The cost of capital assets is | 15,129,882,334         |               |
| Accumulated depreciation is   | <u>(9,515,032,973)</u> |               |
| Total capital assets          |                        | 5,614,849,361 |

Long-term debt not recorded as liabilities in the governmental funds, but recorded as long-term liabilities in the Statement of Net Position:

|   |                 |
|---|-----------------|
| Debentures payable (bonds only)                                 | (1,188,295,000) |
| Deferred loss on refunding (net of current period amortization) | 47,037,073      |
| Compensated absences  | (7,107,508)     |
| Ineffective swaps   | (32,172,376)    |

Capitalized bond premiums not recorded in the governmental funds as a liability, net of amortization: (106,633,509)

**Net Position of Governmental Activities (Statement of Net Position)** **\$ 4,609,495,645**

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**

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**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds**

For the Year Ended June 30, 2017

|  | <u>Major Fund<br/>State Road<br/>Fund(s)<br/>(SHARE 10040 and<br/>20100)</u> | <u>Non Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|--|---|---|
| <b>Revenues:</b>   |  |   |   |
| User and fuel taxes  | \$ 391,201,310   | \$ 25,638,847                               | \$ 416,840,157                          |
| U.S. Department of Transportation                                    | 367,515,499  | 27,202,398                                  | 394,717,897                             |
| Fees and fines   | -  | 49,631                                      | 49,631                                  |
| Licenses and permits   | 9,730,711  | 12,019,559                                  | 21,750,270                              |
| Charges for services   | 4,989,357  | -   | 4,989,357                               |
| Other revenue  | 5,594,229  | 792,205                                     | 6,386,434                               |
| Interest earnings  | 310,583  | 3,858,573                                   | 4,169,156                               |
| <b>Total Revenues</b>  | <u>779,341,689</u>   | <u>69,561,213</u>                           | <u>848,902,902</u>                      |
| <b>Expenditures:</b>   |  |   |   |
| Current:   |  |   |   |
| Operating costs  | 10,531,723   | 82,272                                      | 10,613,995                              |
| Personal services  | 97,177,610   | 1,097,649                                   | 98,275,259                              |
| Out-of-state travel  | 102,615  | 53,328                                      | 155,943                                 |
| Grants and services  | 1,410,669  | 44,148,878                                  | 45,559,547                              |
| Travel   | 15,991,632   | 7,131                                       | 15,998,763                              |
| Maintenance and repairs  | 11,053,727   | 4,488                                       | 11,058,215                              |
| Supplies   | 34,353,185   | 52,128                                      | 34,405,313                              |
| Contractual services   | 156,961,565  | 20,497,811                                  | 177,459,376                             |
| Other costs  | 4,008,222  | 48,018                                      | 4,056,240                               |
| Employee benefits  | 50,368,769   | 449,610                                     | 50,818,379                              |
| Capital outlay   | 224,757,926  | 23,737,189                                  | 248,495,115                             |
| Debt service:  |  |   |   |
| Principal  | 87,422,258   | 6,232,742                                   | 93,655,000                              |
| Interest   | 58,319,230   | 5,479,159                                   | 63,798,389                              |
| <b>Total Expenditures</b>  | <u>752,459,131</u>   | <u>101,890,403</u>                          | <u>854,349,534</u>                      |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <u>26,882,558</u>  | <u>(32,329,190)</u>                         | <u>(5,446,632)</u>                      |
| <b>Other Financing Sources (Uses):</b>                               |  |   |   |
| Appropriations   | -  | -   | -                                       |
| Reversions (Note 17)   | -  | (27,150,000)                                | (27,150,000)                            |
| Transfers: severance   | -  | 10,789,372                                  | 10,789,372                              |
| tax bond appropriation   | -  | -   | -                                       |
| Transfers: intra/inter-agency (Note 11)                              | 6,500,000  | 300,000                                     | 6,800,000                               |
| <b>Total Other Financing Sources (Uses)</b>                          | <u>6,500,000</u>   | <u>(16,060,628)</u>                         | <u>(9,560,628)</u>                      |
| <b>Net Changes in Fund Balance</b>                                   | <u>33,382,558</u>  | <u>(48,389,818)</u>                         | <u>(15,007,260)</u>                     |
| <b>Fund Balance, June 30, 2016</b>                                   | <u>167,371,619</u>   | <u>126,866,270</u>                          | <u>294,237,889</u>                      |
| <b>Fund Balance, June 30, 2017</b>                                   | <u>\$ 200,754,177</u>  | <u>\$ 78,476,452</u>                        | <u>\$ 279,230,629</u>                   |

See Independent Auditors' Report and Notes to Financial Statements



**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental**  
**Funds to the Statement of Activities**

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Additional bond premiums are recorded as an other financing source in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds, recorded as a liability of \$120,595,491 in the Statement of Net Position, net of \$13,961,982 of amortization, recorded as a decrease to interest expense in the Statement of Net Position:

|                              |            |
|------------------------------|------------|
| Amortization of bond premium | 13,961,982 |
|------------------------------|------------|

|  |                        |
|--|------------------------|
| <b>Change in Net Position of Governmental Activities (Statement of Activities)</b> | <b>\$ (40,365,338)</b> |
|--|------------------------|

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Statement of Net Position - Proprietary Fund**

As of June 30, 2017

|   | State Infrastructure Bank<br>(SHARE 89300) |
|---|--|
| <b>Assets:</b>                            |  |
| <b>Current Assets:</b>                    |  |
| Cash: (Note 2)                            |  |
| Unrestricted                              | \$ -                                       |
| Cash equivalents: (Note 2)                |  |
| Investment in SGFIP                       | 20,223,479                                 |
| Receivables:                              |  |
| Interest receivable                       | -  |
| Notes and loans receivable (Note 4)       | 713,358                                    |
| <b>Total Current Assets</b>               | <b>20,936,837</b>                          |
| <b>Total Assets</b>                       | <b>\$ 20,936,837</b>                       |
| <b>Liabilities and Net Position:</b>      |  |
| <b>Liabilities:</b>                       |  |
| <b>Current Liabilities:</b>               |  |
| Accounts payable                          | \$ -                                       |
| <b>Total Current Liabilities</b>          | <b>-</b>                                   |
| <b>Total Liabilities</b>                  | <b>-</b>                                   |
| <b>Net Position:</b>                      |  |
| Restricted for:                           |  |
| Loans                                     | 20,936,837                                 |
| <b>Total Net Position</b>                 | <b>20,936,837</b>                          |
| <b>Total Liabilities and Net Position</b> | <b>\$ 20,936,837</b>                       |

See Independent Auditors' Report and Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund**

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For the Year Ended June 30, 2017

|  | <b>State Infrastructure Bank</b><br><b>(SHARE 89300)</b> |
|--|--|
| <b>Operating Revenues (Expenses):</b>          |  |
| Loan interest income                           | \$ 16,592  |
| <b>Total Operating Revenues (Expenses)</b>     | <u>16,592</u>  |
| <b>Non-Operating Revenues (Expenses):</b>      |  |
| Interest income                                | 104,681  |
| Interest expense                               | -  |
| <b>Total Non-Operating Revenues (Expenses)</b> | <u>104,681</u>   |
| <b>Change in Net Position/Operating Income</b> | 121,273  |
| <b>Net Position, Beginning of Fiscal Year</b>  | <u>20,815,564</u>  |
| <b>Net Position, End of Fiscal Year</b>        | <u><u>\$ 20,936,837</u></u>                              |

See Independent Auditors' Report and Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Statement of Cash Flows - Proprietary Fund**

For the Year Ended June 30, 2017

|   | <b>State Infrastructure Bank</b> |
|---|----------------------------------|
|   | <b>(SHARE 89300)</b>             |
| <b>Cash Flows from Operating Activities:</b>  |                                  |
| Cash received from interest on loans  | \$ 28,428                        |
| Loans issued  | (180,000)                        |
| Loans repaid  | 1,149,642                        |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>998,070</b>                   |
| <b>Cash Flows from Investing Activities:</b>  |                                  |
| Cash received from interest   | 104,681                          |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>                           | <b>104,681</b>                   |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | 1,102,751                        |
| <b>Cash and Cash Equivalents at June 30, 2016</b>   | <b>19,120,728</b>                |
| <b>Cash and Cash Equivalents at June 30, 2017</b>   | <b>\$ 20,223,479</b>             |
| <br>  |                                  |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                                  |
| Operating income (loss)   | \$ 16,592                        |
| Change in assets and liabilities:   |                                  |
| (Increase) decrease in due from other agency  | 11,836                           |
| (Increase) decrease in notes and loans receivable   | 1,149,642                        |
| (Increase) decrease in due to local governments   | (180,000)                        |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>\$ 998,070</b>                |

See Independent Auditors' Report and Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Statement of Revenues and Expenditures - Budget and Actual**  
**(Modified Accrual Basis) - General Fund**

For the Year Ended June 30, 2017

|   | STATE ROAD FUND(S) (SHARE 10040 and 20100) |                         |                      |                         |
|---|--|-------------------------|----------------------|-------------------------|
|   | Budgeted Amounts                           |                         | Actual Amounts       | Variance                |
|   | Original                                   | Final                   | (Modified Accrual)   | Over (Under)            |
| <b>Revenues and Other Financing Sources:</b>                |  |                         |                      |                         |
| Federal funds   | \$ 377,029,800                             | \$ 751,824,766          | \$ 367,515,499       | \$ (384,309,267)        |
| Other state funds   | 397,654,100                                | 402,675,350             | 411,515,607          | 8,840,257               |
| Transfers outside the agency                                | -  | 6,500,000               | 6,500,000            | -                       |
| Interest revenue  | 899,900                                    | 899,900                 | 310,583              | (589,317)               |
| Other appropriations  | -  | -                       | -                    | -                       |
| <b>Total Revenues and Other Financing Sources</b>           | <b>775,583,800</b>                         | <b>1,161,900,016</b>    | <b>785,841,689</b>   | <b>\$ (376,058,327)</b> |
| <b>Prior Year Funds Rebudgeted</b>                          | <b>16,000,000</b>                          | <b>90,911,219</b>       |                      |                         |
|   | <b>\$ 791,583,800</b>                      | <b>\$ 1,252,811,235</b> |                      |                         |
| <b>Expenditures and Other Financing Uses:</b>               |  |                         |                      |                         |
| Project Design & Construction:                              |  |                         |                      |                         |
| Personal services/employee benefits                         | \$ 25,729,300                              | \$ 25,229,300           | 23,102,841           | \$ 2,126,459            |
| Contractual services  | 316,915,300                                | 743,477,483             | 306,584,637          | 436,892,846             |
| Other   | 153,443,200                                | 155,454,506             | 150,625,827          | 4,828,679               |
| Transfers (in) out  | -  | -                       | -                    | -                       |
|   | <b>496,087,800</b>                         | <b>924,161,289</b>      | <b>480,313,305</b>   | <b>443,847,984</b>      |
| Highway Operations:   |  |                         |                      |                         |
| Personal services/employee benefits                         | 104,510,100                                | 104,510,100             | 99,882,743           | 4,627,357               |
| Contractual services  | 47,522,600                                 | 69,358,135              | 50,245,954           | 19,112,181              |
| Other   | 81,762,200                                 | 84,080,611              | 67,882,931           | 16,197,680              |
|   | <b>233,794,900</b>                         | <b>257,948,846</b>      | <b>218,011,628</b>   | <b>39,937,218</b>       |
| Business Support:   |  |                         |                      |                         |
| Personal services/employee benefits                         | 24,757,500                                 | 24,757,500              | 22,628,858           | 2,128,642               |
| Contractual services  | 4,472,800                                  | 4,472,800               | 3,004,221            | 1,468,579               |
| Other   | 12,941,600                                 | 12,941,600              | 12,621,896           | 319,704                 |
|   | <b>42,171,900</b>                          | <b>42,171,900</b>       | <b>38,254,975</b>    | <b>3,916,925</b>        |
| Modal:  |  |                         |                      |                         |
| Personal services/employee benefits                         | 1,783,900                                  | 2,583,900               | 1,931,937            | 651,963                 |
| Contractual services  | 16,068,900                                 | 20,868,900              | 13,222,084           | 7,646,816               |
| Other   | 1,676,400                                  | 5,076,400               | 725,202              | 4,351,198               |
|   | <b>19,529,200</b>                          | <b>28,529,200</b>       | <b>15,879,223</b>    | <b>12,649,977</b>       |
| <b>Total Budgeted Expenditures and Other Financing Uses</b> | <b>\$ 791,583,800</b>                      | <b>\$ 1,252,811,235</b> | <b>752,459,131</b>   | <b>\$ 500,352,104</b>   |
| <b>Non-Budgeted Items:</b>                                  |  |                         |                      |                         |
| Reversions  |  |                         | -                    |                         |
| <b>Total Expenditures and Other Financing Uses</b>          |  |                         | <b>752,459,131</b>   |                         |
| <b>Excess (Deficiency) of Revenues Over (Under)</b>         |  |                         |                      |                         |
| <b>Expenditures and Other Financing Sources and Uses</b>    |  |                         | <b>\$ 33,382,558</b> |                         |

The legal level of budgetary compliance is at the appropriation program level at the entity-wide level, except for multiyear funds.

**See Independent Auditors' Report and Notes to Financial Statements**

**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Statement of Revenues and Expenditures - Budget and Actual  
(Modified Accrual Basis) - General Fund**

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The legal level of budgetary compliance is at the appropriation program level at the entity-wide level, except for multiyear funds.

**See Independent Auditors' Report and Notes to Financial Statements**



**NOTES TO FINANCIAL STATEMENTS**

## NATURE OF ORGANIZATION

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 in the financial data of the State.

The New Mexico Department of Transportation (Department), formerly known as the New Mexico State Highway and Transportation Department, within the State of New Mexico is responsible for planning, organizing and directing a comprehensive transportation network. The Department was created by the Constitution of New Mexico, Article V, Section 14; and Sections 67-3-1 through 67-3-70, New Mexico Statutes Annotated, 1978 Compilation. The Highway & Transportation Department Reorganization Bill (House Bill 210) created the Department as of July 1, 1987. Under this reorganization act, portions of the Transportation Department were merged into the Department to create the Department's Aviation and Transportation Divisions. On April 4, 2003, the Governor signed a bill changing the Department's name to the New Mexico Department of Transportation.

The governing body of the Department is a six person State Highway Commission. Commissioners are appointed by the Governor, with the advice and consent of the Senate, and each serves for staggered six-year terms.

### 1. 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. 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 accompanying financial statements of the Department include all funds and activities over which the Department has oversight responsibility. The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Governor appoints the Commission, the Commission has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Department has not blended or discretely presented component units during the year ended June 30, 2017.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Financial Reporting Entity - continued**

The Department, the New Mexico Finance Authority (NMFA) and the Federal Highway Administration (FHWA) established a State Infrastructure Bank (SIB) on September 30, 1997. The SIB is a revolving loan program accounted for as a business-type operation - enterprise fund and is administered by the Department to finance highway projects. The initial capitalization for the SIB came from the Highway Department's allotment of federal funds. The Department matched the federal funds based on the required matching percentage from state funds.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information of all of the activities, except for fiduciary and component units, of the Department. The effect of material interfund activity has been removed from these government-wide statements. Governmental activities, primarily the construction and maintenance of the State's road system, which normally is supported by taxes and intergovernmental revenues, are reported separately from the business-type activities of the SIB, which to a significant extent acts as a business, loaning funds to other entities and charging interest on the loans. Operating income for the SIB is interest income earned on the funds loaned to other entities. All other income, including interest earned on funds on hand, is non-operating income to the SIB.

**Basis of Presentation**

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department function of building and maintaining the State's road system (public works). Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a department. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements for public works. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Department does not allocate general government expenses to other functions except for depreciation (Note 10).

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, it is generally the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Basis of Presentation - continued**

Governmental and Enterprise funds are reported as major funds in the accompanying financial statements if they meet **both** of the following criteria:

*Ten percent criterion* - An individual fund reports at least ten percent of *any* of the following: a) total respective governmental or enterprise fund assets, b) total respective governmental or enterprise fund liabilities, c) total respective governmental or enterprise fund revenues, or d) total respective governmental or enterprise fund expenditures.

*Five percent criterion* - An individual governmental fund reports at least five percent of the total for both governmental and enterprise funds of any of the items for which it met the ten percent criterion.

The Department's major governmental fund is as follows:

State Road Fund(s) (Funds #10040 and #20100). The State Road Fund(s) were created by Section 67-3-65, NMSA 1978. The State Road Fund(s) combine to create the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Section 67-3-59 NMSA establishes that this is a non-reverting fund. This is a general fund. Individual fund data for each fund comprising the State Road Fund(s) are provided in the Schedule of General Fund Components - Balance Sheet and Schedule of General Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Business Type - Proprietary Fund - State Infrastructure Bank (SIB) Financial Statements. The financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

State Infrastructure Bank (SIB) Fund (#89300). The fund is used to track the activities of the State Infrastructure Bank, which include funding, loans and repayment of loans. The State Infrastructure Bank is a revolving loan fund program authorized by the NHS Act of 1997 and was originally funded with Federal Highway funds and a 25% State match.

Governmental Fund Financial Statements. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within 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 year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

Employees' vested compensated absences are recorded as an expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2017, has been reported only in the government-wide financial statements.

Interest and principal payments on general long-term obligations is recognized as expenditures when paid.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

The financial activities of the Department are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Department uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The measurement focus is on the flow of expendable financial resources, rather than on net income determination. All governmental funds are accounted for using the modified accrual basis of accounting. The funds' revenues are recognized in the period in which they become susceptible to accrual (i.e., when they are both measurable and available to pay liabilities in the current period). "Available" is defined as collectible within the current period or soon enough thereafter, within 60 days after year-end, to be used to pay liabilities of the current period. Intergovernmental revenues, including Federal allotments and grants, are recorded in accordance with their legal or contractual requirements if collected in the current period or if collectability is assured subsequent to year-end.

The following are the governmental fund types used:

**General Funds** - The General Funds (Funds #10040 and #20100) are used to account for the proceeds of specific revenue sources that are not otherwise required to be reported in a special revenue fund. The State Road Fund(s) are the operating and general funds of the Department and are used to account for substantially all of the Department's financial activities. Resources are generated primarily from user and fuel taxes and federal grants. Expenditures are incurred to build and improve the transportation system within the State of New Mexico. These funds do not receive state general fund appropriations that are subject to reversion.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Resources are generated primarily from user and fuel taxes and federal grants. Expenditures are incurred to build and improve the transportation system within the State of New Mexico. These funds do not receive state general fund appropriations that are subject to reversion.

Traffic Safety Fund(s): A group and/or cluster of programs that are closely related programs and share a common compliance requirements. The group consists of the following funds: Federal Traffic Safety Fund (#10010), Driver Improvement Fund (#10020), Motorcycle Training Fund (#20600), DWI Prevention and Education Fund (#20700), Traffic Safety Fund (#20800) and Ignition Interlock Fund (#82600).

Federal Traffic Safety Fund (#10010). The Federal Traffic Safety Fund is the fund through which federal funds are received for various traffic safety programs. This is a non-reverting fund.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

*Special Revenue Funds – continued*

Driver Improvement Fund (#10020). The Driver Improvement Program Fund was created by Executive Order 87-20. This fund is used to account for the operation of a driver improvement program. Financing is provided from fees collected for drivers' manuals and admissions to driver training courses. This is a non-reverting fund.

Motorcycle Training Fund (#20600). The Motorcycle Training Fund was created by Section 66-10-10, NMSA 1978. This fund is used to account for the operation of a motorcycle safety training program. Financing is provided from motorcycle registration fees and student training fees. All money in the motorcycle training fund in excess of amounts budgeted revert to the State Road Fund.

DWI Prevention and Education Fund (#20700). The DWI Prevention and Education Fund was created by Section 66-5-35, NMSA 1978. This fund is used to account for the operation of a DWI (Driving While Intoxicated) prevention and education program for elementary and secondary school students. Financing is provided from limited license and permit fees. This is a non-reverting fund.

Traffic Safety Fund (#20800). The Traffic Safety Fund was created by Section 66-7-512, NMSA 1978. The fund is used for the state match for the federal traffic safety fund programs. This is a non-reverting fund.

Ignition Interlock Fund (#82600). The Ignition Interlock Fund was created by Section 66-8-102.3, NMSA 1978. The fund is used for the administration of the Ignition Interlock program. This is a non-reverting fund.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

*Special Revenue Funds – continued*

Federal Planning and Development Fund (#10030). This fund is authorized by the Commission to account for the planning and administration of federal grant monies and state matching funds for mass transportation and railroad improvements. The Highway Safety Act of 1966, as amended, 23 U.S.C. 401 Et. Seq. and 23 U.S.C. 410, authorizes the establishment of this fund. The fund does not receive state general fund appropriations that are subject to reversion.

HIF Bond Fund (#20200). The Highway Infrastructure (HIF) Fund was created under Laws 1998, chapters 84 and 85. This fund is used to account for acquisition for right of ways, planning, design, engineering, construction or improvement of state highway projects. This is a non-reverting fund.

Local Government Road Fund (#20300). The Local Government Road Fund was created by Section 67-3-28.2, NMSA 1978. This fund is used to account for monies received for: (1) cooperative agreements program for construction and improvement of public highways and streets, and public school parking lots; (2) a municipal arterial program for construction for reconstruction of highways and streets not on the state highway systems; (3) a school bus route program for maintaining, repairing, improving and paving school bus routes, and public school parking lots; and (4) a county arterial program for construction, reconstruction, improvement and maintenance of county roads. Funding is received from state excise taxes. The fund does not receive state general fund appropriations that are subject to reversion.

State Aviation Fund (#20500). The State Aviation Fund was created by Section 64-1-15, NMSA 1978. This fund is used to account for planning, construction and maintenance of a system of airports, navigation aids and related facilities serving New Mexico. Financing is provided from all unrefunded taxes collected on the sale of motor fuel sold for use in aircraft. This is a non-reverting fund.

2004A GRIP Bond Project Fund (#20400). The bond project fund was created by Section 67-3-59.3 NMSA 1978 when \$700,000,000 New Mexico State Transportation Senior Lien Revenue Bonds Series 2004A were issued through the New Mexico Finance Authority in May 2004. The funds from the sale of the debentures were required to be deposited in a special account with NMFA. Unspent proceeds are on deposit with the NMFA and recorded as restricted cash. The funds are used to finance transportation projects, pay expenses incurred to issue the debentures and payments of rebate, penalty, interest and other obligations relating to the debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversions.

2006D GRIP Bond Project Fund (#10270). The bond project fund was created by Section 67-3-59.3 NMSA 1978 with the issuance of the September 2006 \$50,400,000 of State Transportation, Series 2006D Revenue Bonds. The series 2006D Bonds were issued to provide funds for an escrow account required to be maintained by the Department pursuant to a Joint Use Agreement between the Department and the BNSF Contingent Liability Fund. The fund does not receive state general fund appropriations that are subject to reversion.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

*Special Revenue Funds – continued*

2010A Bond Project Fund (#10450). The 2010A Bond Project Fund was created by Section 67-3-59.3 NMSA 1978 with the engagement of \$200,000,000 Line of Credit June 2008. The Line of Credit was entered into with an adjustable rate and to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has deemed necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion. In September 2010, the Department refunded the Line of Credit with the NMFA State Transportation Revenue and Refunding Revenue Bonds Series 2010A.

2014A Bond Project Fund (Fund #11970). The bond project fund was created by Section 67-3-59.3 NMSA 1978 when the \$70,110,000 NMFA State Transportation Subordinate Lien Revenue Bonds Series 2014A were issued in March 2014. The funds from the sale of the debentures were required to be deposited in a special account with NMFA. Unspent proceeds are on deposit with the NMFA and recorded as restricted cash. The funds are used to finance transportation projects and pay expenses incurred to issue the debentures. The fund does not receive state general fund appropriations that are subject to reversions.

**Capital Project Funds** - Capital Project Funds are used to account for the purchase or construction of facilities used in the operation of the Department or other long term Department projects specifically appropriated by the state. Expenditures are incurred to build and improve the transportation system within the State of New Mexico.

Capital Projects Fund (#10050). The Capital Projects Fund is used to account for the purchase or construction of facilities used in the operation of the Department. This fund reverts to the State Road Fund upon completion of the appropriation project or appropriation period.

STB Capital Outlay Fund (#89200). This fund was created to separately account for the construction of infrastructure on behalf of other governments or other long term Departmental projects in annual legislative appropriations. This is funded through the sale of Severance Tax Bonds and is distributed through the Board of Finance of the Department of Finance and Administration. This fund reverts upon completion of the appropriation project or upon expiration of the appropriation period. Appropriations are received on a reimbursement basis as expenditures occur; therefore only budgetary reversions are made when applicable.

GF Capital Outlay Fund (#93100). The fund was created to separately account for the construction of infrastructure on behalf of other governments or other long term Departmental projects in annual legislative appropriations. This is funded through the transfer of funds from the State General Fund. This fund reverts to the State General Fund upon completion of the appropriation project or upon expiration of the appropriation period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

**Debt Service Funds** - Debt Service Funds, created by Section 67-3-59.3 NMSA 1978, are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Debt service requirements are met through the monthly transfer of vehicle and gasoline tax revenues from the State Road Fund. The Department may transfer interest earned on the other bond issues to their respective debt service funds. These funds do not receive state general fund appropriations that are subject to reversion.

2006A GRIP Bond Debt Service Fund (#10220). The fund was created when the \$150,000,000 New Mexico State Highway Commission Revenue Bonds Series 2006A were issued in September 2006.

2006B GRIP Bond Debt Service Fund (#10240). The fund was created when the \$40,085,000 New Mexico State Highway Commission Revenue Bonds Series 2006B were issued in September 2006.

2008A GRIP Bond Debt Service Fund (#10410). The fund was created when the \$115,200,000 New Mexico State Transportation Commission Revenue Bonds Series 2008A were issued in April 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

2008B GRIP Bond Debt Service Fund (#10420). The fund was created when the \$220,000,000 New Mexico State Transportation Commission Revenue Bonds Series 2008B were issued in April 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

2008C GRIP Bond Debt Service Fund (#10430). The fund was created when the \$84,800,000 New Mexico State Transportation Commission Revenue Bonds Series 2008C were issued in May 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

2009A Bond Debt Service Fund (#11130). The fund was created when the \$112,345,000 NMFA State Transportation Senior Lien Refunding Revenue Bonds, Series 2009A were issued in November 2009 to refund portions of series 1998A, 1998B, 2001A, 2002A and 2002C.

2010A Bond Debt Service Fund (#11140). The fund was created when the \$174,625,000 NMFA State Transportation Senior Lien Refunding Revenue Bonds Series 2010A were issued in October 2010 to refund a portion of a borrowing under a tax-exempt line of credit with Bank of America N.A. and finance the costs of certain State Transportation Projects for the Department.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

*Debt Service Funds - continued*

2010B Bond Debt Service Fund (#20450). The fund was created when the \$461,075,000 NMFA State Transportation Senior Lien Refunding Revenue Bonds Series 2010B were issued in October 2010 to refund portions of series 2002A, 2002C, 2002D and 2004A GRIP.

2012A Bond Debt Service Fund (#30850). The fund was created when the \$220,400,000 NMFA State Transportation Refunding Revenue Bonds Series 2012A were issued in December 2012 to refund certain outstanding bonds of the State Transportation Commission and of the Finance Authority which were issued for the purpose of financing or refinancing projects administered by the New Mexico Department of Transportation.

2014A Bond Debt Service Fund (#11960). The fund was created when the \$70,110,000 NMFA State Transportation Subordinate Lien Revenue Bonds Series 2014A were issued in March 2014.

2014B Bond Debt Service Fund (#50110). The fund was created when the \$79,405,000 NMFA State Transportation Refunding Revenue Bonds Series 2014B were issued in December 2014 to refund certain outstanding bonds of the State Transportation Commission which were issued for the purpose of financing or refinancing projects administered by the New Mexico Department of Transportation.

**Budgets and Budgetary Accounting**

Per the General Appropriations Act of 2017, Section 3K, "For the purpose of administering the General Appropriation Act of 2017, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses, and encumbrances can no longer be charged to that budget.

The legal level of budgetary control is at the appropriation program level at the entity-wide level, except for multiyear funds.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Interfund and Interagency Transactions**

Transfers which, because of budgetary or legal restrictions, must be expended by funds other than the fund initially receiving the revenue, are recorded as operating transfers in (out) under the other financing sources (uses) category (Note 11) in the governmental fund financial statements.

**Restricted Cash and Cash Equivalents**

The funds deposited in the debt service funds are restricted to pay future principal and interest payments. The remaining balance of the proceeds from the sale of the debentures, bonds and the NMFA loan are also classified as restricted cash because of the limited use of these funds. Proceeds of the various bond issues are also invested through the State Treasurer's Office in securities repurchase agreements with financial institutions and a money market mutual fund that invests in U.S. Treasury securities. Cash received from the Department of Energy (for the WIPP Project fund) in advance of incurring the eligible expenditures is also reflected as restricted cash because the cash can only be used on specified road projects. Cash held in the State Infrastructure Bank is restricted for use in funding loans (Note 2).

Cash and cash equivalents, for the purpose of the cash flows, has interest in the State General Fund Investment Pool of the State Treasurer's Office.

**Taxes Receivable (Included as a Component of Due From Other State Agencies)**

Taxes receivable represent the amounts due from the New Mexico Taxation and Revenue Department for the Department's June 30 fiscal year user and fuel taxes that are received by the Department after year-end. Accordingly, no allowance for uncollectible amounts is necessary. The revenue related to taxes is recorded when the underlying transaction occurs.

**Accounts Receivable**

Accounts receivable consists of amounts due from various entities: individuals and other state and local agencies located within the State of New Mexico for the sale of maps, brochures and other materials; and for other services performed by the Department. It is the policy of the Department to actively pursue collections of all valid accounts receivable and to comply with Article IV, Section 32 of the New Mexico Constitution that mandates that no amounts owed to the State can be exchanged, transferred, remitted, released or postponed. As a result of this policy, the Department does not write off any receivable balances and, instead, provides an allowance for uncollectible accounts. The Department has specific procedures in place for the treatment and collection of invoices past 30, 60, 90, and 120 days and, any receivables older than 120 days are moved to the allowance account at year end. A detail listing of all uncollectible accounts is maintained and uncollectible accounts are referred to the Department's legal department for possible legal collection actions. The balance of receivables deemed uncollectible through the end of FY17 was \$5,094,301 and a net total of \$120,334 was moved to the uncollectible account during the current fiscal year. A total of \$92,280 was recovered from the uncollectible account during the current fiscal year. (Note 3)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Severance Tax Bonds Proceeds Receivable**

The State of New Mexico Legislature has authorized the State Board of Finance to issue and sell revenue bonds that are to be retired using future taxes levied against the extractive industries in the state. The proceeds from bonds sold are appropriated to the Department to be used for specific programs. Expenditures incurred by the Department for such programs are reimbursable from the State Board of Finance. The severance tax bonds proceeds receivable represents expenditures incurred by the Department, but not yet reimbursed by the State Board of Finance. See page 118 for Notes to Supplemental Schedule of Severance Tax Bonds.

**Notes and Loans Receivable**

Notes and loans receivable represent loans to other governmental entities made by the State Infrastructure Bank. Loans are stated at their principal amount. Interest on loans is accrued based on the daily principal balance outstanding, except when a loan has been past due for 90 days. All loans are to governmental entities and secured by certain pledged revenues. The loans are being repaid in accordance with their loan agreements. Management's evaluation of the loan portfolio has determined that no allowance for uncollectible loans is required at June 30, 2017. There are no loans past due for more than 90 days as of the end of the fiscal year which require placement on non-accrual status (Note 4).

**Due From the U.S. Department of Transportation**

Due from the U.S. Department of Transportation represents amounts billed and unbilled in accordance with the various grant agreements. The "billed" portion represents contract expenditures incurred and billed by the Department. The "unbilled" portion represents expenditures included in accounts payable that will be billed when paid by the Department. The "excess project costs" represents costs actually incurred on a project in excess of approved amounts. The Department provides for an allowance for uncollectible accounts in excess of project costs classification. The allowance is based on an analysis of amounts that are reasonably assured of collection (Note 5). There was no allowance for FY 2017.

**Due From/To Other Funds**

Due from/to other funds represent amounts due from and to other funds within the Department (Note 6) and are included in the governmental fund financial statements. Inter-fund transactions are eliminated in the accrual basis government-wide financial statements.

**Due From Other State Agencies**

Due from other state agencies represents amounts due from other state agencies to the Department (Note 7) and are included in the governmental fund financial statements and accrual basis government-wide financial statements.

**Due From Local Governments**

Due from other local governments represents amounts due from local governments to the Department (Note 8) and are included in the governmental fund financial statements and accrual basis government-wide financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Due to State General Fund (Reversions)**

Reversions to the State General Fund by the Department (Note 17) are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the percentage of reverting fund (to total budget for the category) to the amount unexpended for the category at fiscal year-end.

**Due To Other State Agencies**

Due to other state agencies represents amounts due to other state agencies from to the Department (Note 7) and are included in the governmental fund financial statements and accrual basis government-wide financial statements.

**Due to Local Governments**

Due to other local governments represents amounts due to local governments from the Department (Note 13) and are included in the governmental fund financial statements and accrual basis government-wide financial statements.

**Due to Component Units of the State**

The amount represents payables due to Component Units of the State of New Mexico (Note 14) at the CAFR level and are included in the governmental fund financial statements and accrual basis government-wide financial statements.

**Deficiency in SGFIP**

The amount of negative cash balances in the State General Fund Investment Pool are reported as a deficiency in SGFIP liability by fund.

**Inventory**

Inventory is valued at cost using the first-in, first-out method. Special Revenue Fund inventory consists of materials used in the Department's operations.

The inventory costs are recorded as expenditures when consumed rather than when purchased. Reported inventories are equally offset in the nonspendable fund balance, which indicates that it does not constitute "available spendable resources" (Note 9) even though they are a component of current assets.

**Prepaid Expense - NM 44 Warranty**

The warranty represents the no-fault portion of 3 categories of costs that will meet performance criteria: The pavement, which originally cost \$36,100,000, is being amortized over 20 years, the term of the warranty. At the end of the fiscal year 2017 the unamortized value was \$12,635,000. The structures, which originally cost \$15,916,345 is fully amortized and has no net book value after fiscal year ending June 30, 2016. The remaining amount which originally cost \$13,564,126, is fully amortized and has no net book value after fiscal year ending June 30, 2007 when it became fully amortized. Total prepaid expense at June 30, 2017 was \$12,635,000.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Property Held for Resale**

Property held for resale represents excess land acquired through condemnation and is recorded at the lower of its cost or estimated fair value. Reported property held for resale is equally offset by the non-spendable fund balance designation, which indicates that they do not constitute "available spendable resources" even though they are a component of assets.

**Capital Assets**

Capital assets, which include property, plant, equipment, software in the equipment category, and infrastructure assets (which is normally immovable and of value only to the state, such as roads, streets, tunnels and similar infrastructure items), are reported in the governmental activities columns in the government-wide financial statements. The Department has no internally developed software that requires capitalization. As a result of House Bill 1074, effective date June 17, 2005, and Section 12-6-10 NMSA 1978 the State's capitalization policy threshold was changed from \$1,000 to \$5,000, requiring agencies to capitalize acquisitions greater than \$5,000. Assets purchased prior to June 17, 2005 were not removed and will continue to be depreciated. Purchased and constructed capital assets are valued at historical or estimated historical cost. The Department has not capitalized any construction period interest expense. Donated capital assets are recorded at their estimated fair value at the date of donation.

The Department records as capital assets the specific roads, tunnels and other infrastructure it owns or over which it has primary responsibility for maintenance. According to the GASB, if the Department has the primary responsibility for the asset's maintenance, then the capital asset would be recorded on its books.

An estimated historical cost of the entire infrastructure on the Department's government-wide financial statements was determined as of June 2001. The Department calculated the replacement cost as of June 30, 2001 for its entire infrastructure and then deflated the cost by use of a construction price level index maintained by the Federal Highway Administration. Accumulated depreciation at June 30, 2001 was calculated based on the estimated historical cost of the infrastructure, estimated use of the assets and using a 25 to 30-year life of the infrastructure. Current year activity is shown in Note 10 to the financial statements.

The Department follows the depreciation method to record infrastructure assets. This method requires the Department to allocate the cost of infrastructure assets over their useful lives as depreciation expense.

The Department records its other capital assets (buildings, machinery and equipment) at historical cost and depreciates the assets over their estimated useful lives. Capital assets acquired in the current year in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Capital Assets - continued**

Capital assets of the Department are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and right-of-way land. Generally, estimated useful lives are as follows:

|                                  |               |
|----------------------------------|---------------|
| Machinery and Equipment          | 7 - 14 years  |
| Buildings and Other Improvements | 40 years      |
| Infrastructure                   | 25 - 30 years |

**Compensated Absences**

The Department accounts for the accumulated vacation and sick leave on the accrual basis in accordance with GASB 16. Accrued vacation up to 240 hours is recorded in the Statement of Net Position at 100% of the employee's hourly wage. In addition, accrued sick leave over 600 up to 720 hours less the amount classified as current is recorded in the Statement of Net Position at 50% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour. The accrual for compensated absences is calculated at pay rates in effect at June 30, 2017, and includes direct and incremental salary related payments, such as the employees' share of social security taxes.

**Long-Term Obligations**

*Premiums, Discounts and Issuance Costs* - In the government-wide financial statements, long-term debt and other long-term obligations are presented in the column for governmental and business-type activities. The same is presented in the proprietary fund financial statements. Bond and note premiums and discounts are deferred and amortized straight line over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

*Arbitrage Rebate Liability* - Any arbitrage rebate is recorded as a liability when it is determined to be owed to the Internal Revenue Service.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Net Position**

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

*Net Investment in Capital Assets* - is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

*Restricted Net Position* - are assets which have third-party (statutory or granting agency) limitation on their use. When there is an option, the Department spends restricted resources first.

*Unrestricted Net Position* - are all other net position that do not meet the definition of "restricted net position" or "net investment in capital assets."

**Encumbrances**

With the General Appropriations Act of 2013, Section 3M establishing the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico, encumbrances related to single year appropriations lapse at fiscal year end. Appropriations for periods in excess of twelve months (multiple-year appropriations) lapse at the end of the appropriation period, the budget also lapses, and encumbrances can no longer be charged to that budget. Outstanding encumbrance balances for the Department's Severance Tax Bonds and Special Appropriations are shown in separate supplementary schedules. Significant unexpended encumbrance balances at June 30, 2017 for other multiple year appropriation periods are as follows:

|                         |       |  |              |
|-------------------------|-------|--|--------------|
| Capital Projects Fund   | 10050 |  | \$ 448,499   |
| STB Capital Outlay Fund | 89200 |  | 3,490,466    |
|                         |       |  | \$ 3,938,965 |

**Nonspendable Fund Balance**

The nonspendable category of fund balance consists of the net financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable categories of fund balances are summarized below:

*Inventory* - This category was created to represent the portion of fund balance that are noncash assets available for expenditures in future periods.

*Property Held for Resale* - This category was created to represent the portion of fund balance that are long-term noncash assets available for sale.

*Prepaid Expenses* - This category was created to represent disbursements made that cannot be reported as expenditures in the current period for GAAP purposes.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Restricted Fund Balance**

The restricted category of fund balance consists of the net financial resources that are restricted by either: (a) external imposition by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments; or (b) imposition by law through constitutional provisions or enabling legislation.

**Committed Fund Balance**

The committed category of fund balance consists of the net financial resources that are constrained to be used for a specific purpose as established by the highest level of decision-making authority. This fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying these contractual requirements. The Department's highest level of decision-making authority is the State Transportation Commission.

**Assigned Fund Balance**

The assigned category of fund balance consists of the net financial resources that are constrained to be used for a specific purpose by the Department's intent but the constraint imposed does not satisfy the criteria to be classified as restricted or committed.

**Unassigned Fund Balance**

The unassigned category of fund balance consists of the net financial resources that are the least constrained. In the general fund, these are amounts that have not been restricted, committed or assigned to specific purposes. In other funds, they are negative fund balances that represent shortfalls which are covered by fund balances not restricted, committed or assigned to other specific purposes.

**Pledged Revenue**

The Department has pledged future gasoline excise taxes, motor vehicle registration fees, special fuel excise taxes, vehicle transactions fees, driver's license fees, oversize/overweight permit fees, trip (mileage) taxes, weight distance taxes, leased vehicle gross receipts taxes, tire recycling fees and FHWA revenues, to repay \$1.19 billion in State Transportation Revenue and Refunding Bonds issued between 2006 and 2015. Proceeds from the bonds provided funding for various transportation projects authorized by the State Legislature and that the Department has determined to be necessary or desirable, as well as to provide funds to refund and restructure certain outstanding bonds. The bonds are payable through 2032. Annual principal and interest payments on the bonds are expected to require less than 20% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$1.51 billion. Debt Service principal and interest paid for the current year and total pledged revenues were \$157,453,389 and \$776,616,672, respectively.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Use of Estimates**

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

**Eliminations**

Total columns in the governmental fund financial statements are captioned "Total Governmental Funds" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operation or changes in financial position of the Department as a whole in conformity with generally accepted accounting principles. Eliminations of intra-fund transfers have not been made in the aggregation in the governmental fund financial statements. Due from/to other funds and intra-fund transfers have been eliminated in the government-wide financial statements.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position and/or Balance Sheet - Governmental Funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The Department has two items that qualify for reporting in this category. They are the deferred loss on refunding and the fair value of the swap agreements deemed effective per GASB 53.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

The Department reports deferred inflows of resources in the fund financial statements. Deferred inflows of resources arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period (fund financial statements). Deferred inflows of resources also arise when resources are unearned by the Department and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the Department has a legal claim to the resources, the liability for deferred inflows of resources is removed from the applicable financial statement and revenue is recognized.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**New Mexico Public Employees Retirement Association (PERA)**

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico implemented the standard in FY15.

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information 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.

**2. CASH AND CASH EQUIVALENTS**

The Department has two types of cash equivalents--those that are deposited with the State Treasurer's Office and those that are held with trustees that are managed by NMFA.

**Cash Equivalents on Deposit with State Treasurer's Office**

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Organization (STO) acts as the State's bank. Agency cash receipts are deposited with STO and pooled in a State Investment Fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office, is now in its third year. This process has been reviewed multiple times by the IPAs during the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

The State Controller indicated on August 11, 2017 that as of June 30, 2017, 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.

**2. CASH AND CASH EQUIVALENTS - continued**

**Cash Equivalents on Deposit with State Treasurer's Office - continued**

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

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

The Department is aware that the General Fund Investment Pool balances have not been reconciled at the Agency and Fund level by the Department of Finance and Administration. However, the Department has established its own internal reconciliation policies and procedures to mitigate the risk that our cash balances would be misstated as of June 30, 2017. The Department is confident that our reconciliation process ensures all incoming and outgoing cash transactions are properly identified and that they are timely and accurately recorded in the financial system. Recording is not final until approved by the State Treasurer's Office who compares the recorded transactions against validated bank deposit slips provided to them by the State's Fiscal Agent Bank. Our agency then compares all deposits to financial system cash transaction and general ledger reports to ensure they have been properly and thoroughly recorded.

Similarly, incoming wire cash transfers and operating cash transfers originating outside our agency and received by the State's Fiscal Agent Bank are identified, reviewed and verified to ensure they are properly authorized, recorded, reported and reconciled to source documents. All outgoing cash transactions are pre-audited for compliance, accuracy and authority before they are approved, paid and recorded in the financial system. These transactions are then verified and reconciled to financial system cash transaction and general ledger reports to ensure they have been properly and thoroughly recorded. Finally, cash management is vital to the Department's daily operations and our agency's CFO monitors cash on an ongoing basis and performs analytical reviews for reasonableness, expected results and trends. Unusual balances and activities are researched and resolved to ensure the accuracy and integrity of our cash balances.

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

|                              |                       |
|------------------------------|-----------------------|
| General Fund Investment Pool | \$ 203,684,906        |
| State Infrastructure Bank    | <u>20,223,479</u>     |
|                              | <u>\$ 223,908,385</u> |

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

## 2. CASH AND CASH EQUIVALENTS - continued

**Credit Risk.** The New Mexico State Treasurer pools are not rated.

For additional GASB No. 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2017.

**Concentration of Credit Risk.** GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk.

State law requires that repurchase agreements be secured by collateral with a market value greater than 102% of the value of the agreement. The securities are held by a third party in the Department's name. The fair value of the repurchase agreement approximates the cost at June 30, 2017.

### **Cash Equivalents Managed by New Mexico Finance Authority**

Money market funds are managed by New Mexico Finance Authority (fiscal agent) and held by State Treasurer authorized bank accounts at Bank of Albuquerque as trustees and paying agents for Department. The sources of funds are bond proceeds and other debt service requirements. These funds are invested in short-term money market accounts that invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations.

At June 30, 2017 the Department had the following managed by NMFA held with Bank of Albuquerque:

|  |                      |
|--|----------------------|
| Bank of Albuquerque, trustee account (Managed by NMFA) | <u>\$ 42,463,402</u> |
|--|----------------------|

**Custodial Credit Risk.** Custodial credit risk is the risk that, in the event of failure of the counterparty, the Department will not be able to recover the value of its collateral securities that are in the possession of an outside party. All are fully collateralized and the collateral is held in the Department's name.

**Credit Risk.** The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government.

**Concentration of Credit Risk.** Concentration of credit risk is defined as investments of more than 5% in any one issuer. The Department is not susceptible to concentration of credit risk.

**Interest Rate Risk.** Interest rate risk is the risk that interest rate fluctuations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the value of securities held in a collateral portfolio will decline if market interest rates rise. In this event, the financial institution is required to provide additional collateral necessary to comply with New Mexico State Statute. Therefore, funds are not susceptible to interest rate risk as they are all fully collateralized.

**3. ACCOUNTS RECEIVABLE**

The aging of accounts receivable as of June 30, 2017 is as follows:

| <u>Number of Days Outstanding</u>    |    |                         |  |
|--------------------------------------|----|-------------------------|--|
| 0 - 30                               | \$ | 1,376,396               |  |
| 31 - 60                              |    | 645                     |  |
| 61 - 90                              |    | 8,305                   |  |
| 91 - 120                             |    | 181,415                 |  |
| Beyond 120                           |    | 5,094,301               |  |
|                                      |    | <u>6,661,062</u>        |  |
| Allowance for uncollectible accounts |    | (5,094,301)             |  |
|                                      | \$ | <u><u>1,566,761</u></u> |  |

**4. NOTES AND LOANS RECEIVABLE**

Loans receivable funded by the SIB consist of the following:

|  |    |                       |
|--|----|-----------------------|
| A ten (10) year State Infrastructure Bank note receivable from Town of Peralta at 1% interest secured by property taxes and sewer funds. | \$ | <u><u>713,358</u></u> |
|--|----|-----------------------|

**5. DUE FROM U.S. DEPARTMENT OF TRANSPORTATION**

Due from U.S. Department of Transportation (USDOT) consists of the following at June 30, 2017:

| <u>Agency</u>                            |    |                          |  |
|--|----|--------------------------|--|
| Federal Highway Administration           | \$ | 36,351,545               |  |
| Less allowance for uncollectible amounts |    | -                        |  |
| Total Federal Highway Administration     |    | <u>36,351,545</u>        |  |
| Other USDOT Agencies                     |    | <u>7,584,550</u>         |  |
| Total USDOT                              | \$ | <u><u>43,936,095</u></u> |  |

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Notes to Financial Statements**

**6. DUE FROM AND DUE TO OTHER FUNDS**

These amounts represent interfund receivables and payables arising from the interfund transactions within the Department. Due from/to other funds occur for the following reasons:

- 1) One Fund pays expenditures on behalf of other funds.
- 2) One Fund receives revenue on behalf of other funds.

Interfund receivables and payables as of June 30, 2017 consist of the following:

|   | Fund<br>Number  | Due From<br>Other Funds | Due to<br>Other Funds | Net<br>(Sub-totals only) |
|---|-----------------|-------------------------|-----------------------|--------------------------|
| <b>General Funds:</b>                           |                 |                         |                       |                          |
| State Road Fund(s)                              | 10040 and 20100 | \$ 3,564,979            | \$ -                  |                          |
| <b>Total General Funds</b>                      |                 | <u>3,564,979</u>        | <u>-</u>              | <u>\$ 3,564,979</u>      |
| <b>Special Revenue Funds:</b>                   |                 |                         |                       |                          |
| 2010A Bond Project Fund                         | 10450           | -                       | 32,577                |                          |
| <b>Total Special Revenue Funds</b>              |                 | <u>-</u>                | <u>32,577</u>         | <u>(32,577)</u>          |
| <b>Debt Service Funds:</b>                      |                 |                         |                       |                          |
| 2006A GRIP Bond Debt Service Fund               | 10220           | 32,577                  | -                     |                          |
| 2008AGRIP Bond Debt Service Fund                | 10410           | -                       | 585,205               |                          |
| 2008B GRIP Bond Debt Service Fund               | 10420           | -                       | 2,570,292             |                          |
| 2008C GRIP Bond Debt Service Fund               | 10430           | -                       | 404,702               |                          |
| 2009A Bond Debt Service Fund                    | 11130           | -                       | 23,480                |                          |
| 2012A Bond Debt Service Fund                    | 30850           | 23,480                  | -                     |                          |
| 2014B Bond Debt Service Fund                    | 50110           | -                       | 4,780                 |                          |
| <b>Total Debt Service Funds</b>                 |                 | <u>56,057</u>           | <u>3,588,459</u>      | <u>(3,532,402)</u>       |
| <b>Total Capital Projects Funds</b>             |                 | <u>-</u>                | <u>-</u>              | <u>-</u>                 |
| <b>Total Enterprise Funds</b>                   |                 | <u>-</u>                | <u>-</u>              | <u>-</u>                 |
| <b>Total Interfund Receivables and Payables</b> |                 | <u>\$ 3,621,036</u>     | <u>\$ 3,621,036</u>   | <u>\$ -</u>              |
| <b>Summary</b>                                  |                 |                         |                       |                          |
| Total General Funds - net                       |                 |                         |                       | \$ 3,564,979             |
| Total Special Revenue Funds - net               |                 |                         |                       | (32,577)                 |
| Total Debt Service Funds - net                  |                 |                         |                       | (3,532,402)              |
| Total Capital Projects Funds - net              |                 |                         |                       | -                        |
| <b>Total Governmental – net</b>                 |                 |                         |                       | <u>-</u>                 |
| <b>Total Enterprise Funds – net</b>             |                 |                         |                       | <u>-</u>                 |
| <b>Total All Funds</b>                          |                 |                         |                       | <u>\$ -</u>              |



**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Notes to Financial Statements**

**7. DUE FROM OTHER STATE AGENCIES**

| Fund Description             | Fund Number   | Sub-total     | Total                       | Due From                        |
|------------------------------|---------------|---------------|-----------------------------|---------------------------------|
| State Road Fund(s)           | 10040 / 20100 | \$ 37,201,983 |                             | Taxation and Revenue Department |
| HIF Bond Fund                | 20200         | 520,280       |                             | Taxation and Revenue Department |
| Local Government Road Fund   | 20300         | 1,861,041     |                             | Taxation and Revenue Department |
| State Aviation Fund          | 20500         | 434,879       |                             | Taxation and Revenue Department |
| Total taxes due              |               |               | <u>\$ 40,018,183</u>        |                                 |
| State Road Fund(s)           | 10040 / 20100 | 3,927         |                             | Department of Health            |
| State Road Fund(s)           | 10040 / 20100 | 242           |                             | Department of Human Services    |
| Total reimbursement due      |               |               | <u>4,169</u>                |                                 |
| <b>Total Government-wide</b> |               |               | <u><u>\$ 40,022,352</u></u> |                                 |

**8. DUE FROM LOCAL GOVERNMENTS**

| Fund Description                | Fund Number     | Due To              | Total                   |
|---------------------------------|-----------------|---------------------|-------------------------|
| <b>Government Funds:</b>        |                 |                     |                         |
| State Road Fund(s)              | 10040 and 20100 | Town of Silver City | \$ 3,600                |
| STB Capital Outlay Fund         | 89200           | Chaves County       | 9,909                   |
| <b>Total Governmental Funds</b> |                 |                     | <u>13,509</u>           |
| <b>Total Government-wide</b>    |                 |                     | <u><u>\$ 13,509</u></u> |

**9. INVENTORY**

Inventory as of June 30, 2017 consists of the following:

|  |                             |
|--|-----------------------------|
| Highway maintenance materials stockpiled | \$ 7,912,283                |
| Repair Parts and expendable supplies     | 5,292,006                   |
| Fuel, oil and lubricants                 | 511,304                     |
|  | <u><u>\$ 13,715,593</u></u> |

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Notes to Financial Statements**

**10. CAPITAL ASSETS**

A summary of changes in capital assets for fiscal year ended June 30, 2017 follows:

|   | Beginning<br>Balance    | Additions               | Adjustments &      |                      |
|---|-------------------------|-------------------------|--------------------|----------------------|
|   | June 30, 2016           |                         | Transfers          | Retirements          |
| <b>Non-Depreciable Assets:</b>            |                         |                         |                    |                      |
| Construction in Progress                  | \$ 336,847,017          | \$ 239,832,520          | \$ -               | \$ -                 |
| Rail System Infrastructure - Right of Way | 77,249,445              | -                       | (5,000,000)        | -                    |
| Land                                      | 5,177,044               | -                       | -                  | -                    |
| Right of Way                              | 427,763,498             | 113,800                 | -                  | -                    |
| <b>Total Non-Depreciable Assets</b>       | <b>847,037,004</b>      | <b>239,946,320</b>      | <b>(5,000,000)</b> | <b>-</b>             |
| <b>Depreciable Assets:</b>                |                         |                         |                    |                      |
| Infrastructure                            | 13,877,129,343          | -                       | -                  | (516,349,535)        |
| Automotive and Major Road Fund Equipment  | 236,176,078             | 7,158,999               | 51,114             | (7,222,079)          |
| Rail System Infrastructure                | 367,768,679             | -                       | 5,536,296          | -                    |
| Buildings                                 | 49,232,930              | 66,797                  | 86,983             | (21,159)             |
| Equipment and Furniture                   | 31,886,543              | 1,322,999               | (7,456)            | (5,031,088)          |
| Library                                   | 113,566                 | -                       | -                  | -                    |
| <b>Total Depreciable Assets</b>           | <b>14,562,307,139</b>   | <b>8,548,795</b>        | <b>5,666,937</b>   | <b>(528,623,861)</b> |
| <b>Total Assets</b>                       | <b>15,409,344,143</b>   | <b>248,495,115</b>      | <b>666,937</b>     | <b>(528,623,861)</b> |
| <b>Less Accumulated Depreciation:</b>     |                         |                         |                    |                      |
| Infrastructure                            | (9,318,419,932)         | (359,112,232)           | -                  | 516,349,535          |
| Automotive and Major Road Fund Equipment  | (158,485,083)           | (12,216,690)            | (30,633)           | 7,073,526            |
| Rail System Infrastructure                | (120,322,916)           | (16,078,788)            | -                  | -                    |
| Buildings                                 | (30,253,967)            | (807,044)               | -                  | 6,234                |
| Equipment and Furniture                   | (25,550,627)            | (1,565,307)             | 30,633             | 4,456,676            |
| Library                                   | (104,794)               | (1,564)                 | -                  | -                    |
| <b>Total Accumulated Depreciation</b>     | <b>(9,653,137,319)</b>  | <b>(389,781,625)</b>    | <b>-</b>           | <b>527,885,971</b>   |
| <b>Net Total</b>                          | <b>\$ 5,756,206,824</b> | <b>\$ (141,286,510)</b> | <b>\$ 666,937</b>  | <b>\$ (737,890)</b>  |

There were no software costs to capitalize as of year-end. Depreciation and amortization was allocated to the following functions:

|  |                              |
|--|------------------------------|
| <b>Depreciation:</b>                       |                              |
| Programs and infrastructure                | \$ 359,112,232               |
| Transportation and highway operations      | 12,902,693                   |
| Program support                            | 1,687,912                    |
| Modal                                      | 16,078,788                   |
|  | <u>389,781,625</u>           |
| <b>Amortization</b>                        | 1,805,000                    |
| <b>Total Depreciation and Amortization</b> | <u><u>\$ 391,586,625</u></u> |

**10. CAPITAL ASSETS - continued**

|    | <b>CIP<br/>Reclassifications</b> |    | <b>Ending Balance<br/>June 30, 2017</b> |
|----|----------------------------------|----|---|
| \$ | (312,001,120)                    | \$ | 264,678,417                             |
|    | -                                |    | 72,249,445                              |
|    | -                                |    | 5,177,044                               |
|    | 4,353,921                        |    | 432,231,219                             |
|    | (307,647,199)                    |    | 774,336,125                             |
|    | 307,647,199                      |    | 13,668,427,007                          |
|    | -                                |    | 236,164,112                             |
|    | -                                |    | 373,304,975                             |
|    | -                                |    | 49,365,551                              |
|    | -                                |    | 28,170,998                              |
|    | -                                |    | 113,566                                 |
|    | 307,647,199                      |    | 14,355,546,209                          |
|    | -                                |    | 15,129,882,334                          |
|    | -                                |    | (9,161,182,629)                         |
|    | -                                |    | (163,658,880)                           |
|    | -                                |    | (136,401,704)                           |
|    | -                                |    | (31,054,777)                            |
|    | -                                |    | (22,628,625)                            |
|    | -                                |    | (106,358)                               |
|    | -                                |    | (9,515,032,973)                         |
| \$ | -                                | \$ | 5,614,849,361                           |

**11. OPERATING TRANSFERS**

**Transfers within the Agency - Transfers in (Transfers out):**

|     | 2006A GRIP<br>Bond Debt<br>Service Fund<br>(SHARE 10220) | 2006B GRIP<br>Bond Debt<br>Service Fund<br>(SHARE 10240) | 2010A Bond<br>Project Fund<br>(SHARE 10450) | 2009A Bond<br>Debt Service<br>Fund<br>(SHARE 11130) | 2012A Bond<br>Debt Service<br>Fund<br>(SHARE 30850) | Total all<br>Intra-agency<br>Transfers |
|-----|--|--|---|---|---|--|
| (1) | \$ 36,450  | \$ (3,873)   | \$ (32,577)                                 | \$ (23,480)   | \$ 23,480   | \$ -                                   |
|     | <u>\$ 36,450</u>   | <u>\$ (3,873)</u>  | <u>\$ (32,577)</u>                          | <u>\$ (23,480)</u>                                  | <u>\$ 23,480</u>                                    | <u>\$ -</u>                            |

(1) Transfer of residual fund balance within Debt Service/Project funds to active funds

**Transfers outside of Agency - Transfer in (Transfer out):**

|     | State Road<br>Fund(s)<br>(SHARE 10040<br>and 20100) | Ignition<br>Interlock<br>Fund<br>(SHARE 82600) | Total all<br>Inter-agency<br>Transfers |
|-----|---|--|--|
| (2) | \$ 6,500,000  | \$ -   | \$ 6,500,000                           |
| (3) | -   | 300,000  | 300,000                                |
|     | <u>\$ 6,500,000</u>                                 | <u>\$ 300,000</u>                              | <u>\$ 6,800,000</u>                    |

(2) Transfer from Taxation and Revenue Department for Ports of Entry MOU

(3) Transfer from Department of Finance and Administration for DWI program

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Notes to Financial Statements**

**12. DUE TO OTHER STATE AGENCIES**

| Fund Description                | Fund Number                                 | Due To                               | Total             |
|---------------------------------|---|--------------------------------------|-------------------|
| Traffic Safety Fund(s)          | 10010, 10020, 20600,<br>20700, 20800, 82600 | Administrative Office of the Courts  | \$ 95,050         |
|                                 |   | Office of the Attorney General       | 19,451            |
|                                 |   | Bernalillo County Metro Court        | 9,526             |
|                                 |   | Department of Public Safety          | 250,122           |
| State Road Fund(s)              | 10040 and 20100                             | Corrections Department               | 37,621            |
|                                 |   | Department of Public Safety          | 26,744            |
|                                 |   | Energy, Minerals & Natural Resources | 46,805            |
|                                 |   | Public Regulation Commission         | 3,562             |
|                                 |   | Taxation and Revenue Department      | 3                 |
| STB Capital Outlay Fund         | 89200                                       | Department of Finance and Admin      | 9,909             |
| <b>Total Governmental Funds</b> |   |                                      | <b>\$ 498,793</b> |
|                                 |   | Administrative Office of the Courts  | \$ 95,050         |
|                                 |   | Office of the Attorney General       | 19,451            |
|                                 |   | Bernalillo County Metro Court        | 9,526             |
|                                 |   | Corrections Department               | 37,621            |
|                                 |   | Department of Finance and Admin      | 9,909             |
|                                 |   | Department of Public Safety          | 276,866           |
|                                 |   | Energy, Minerals & Natural Resources | 46,805            |
|                                 |   | Public Regulation Commission         | 3,562             |
|                                 |   | Taxation and Revenue Department      | 3                 |
| <b>Total Government-wide</b>    |   |                                      | <b>\$ 498,793</b> |

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Notes to Financial Statements**

**13. DUE TO LOCAL GOVERNMENTS**

| Fund Description                     | Fund Number                                 | Due To                              | Total     |
|--------------------------------------|---|-------------------------------------|-----------|
| Traffic Safety Fund(s)               | 10010, 10020, 20600,<br>20700, 20800, 82600 | Bernalillo County                   | \$ 29,980 |
|                                      |   | Chaves County                       | 1,770     |
|                                      |   | City of Alamogordo                  | 2,586     |
|                                      |   | City of Albuquerque                 | 37,861    |
|                                      |   | City of Anthony New Mexico          | 1,282     |
|                                      |   | City of Farmington                  | 92,121    |
|                                      |   | City of Gallup                      | 5,738     |
|                                      |   | City of Las Cruces                  | 4,915     |
|                                      |   | City of Las Vegas                   | 1,305     |
|                                      |   | City of Portales                    | 5,455     |
|                                      |   | City of Raton                       | 820       |
|                                      |   | City of Rio Rancho                  | 18,941    |
|                                      |   | City of Santa Fe                    | 446       |
|                                      |   | City of Sunland Park                | 1,756     |
|                                      |   | City of Tucumcari                   | 300       |
|                                      |   | County of Eddy                      | 10,636    |
|                                      |   | County of McKinley                  | 26,227    |
|                                      |   | County of Otero                     | 702       |
|                                      |   | County of Sandoval                  | 1,092     |
|                                      |   | County of Taos                      | 1,017     |
|                                      |   | Dona Ana County                     | 44,810    |
|                                      |   | Lea County                          | 15,670    |
|                                      |   | Ohkay Owingeh                       | 1,112     |
|                                      |   | Pueblo of Pojoaque                  | 260       |
|                                      |   | Quay County Government              | 4,805     |
|                                      |   | San Juan County                     | 4,271     |
|                                      |   | Santa Fe County                     | 17,470    |
|                                      |   | Silver City/Grant County            | 1,840     |
|                                      |   | Town of Grants                      | 925       |
|                                      |   | Federal Planning & Development Fund | 10030     |
| City of Hobbs                        | 53,875                                      |                                     |           |
| City of Las Vegas                    | 21,016                                      |                                     |           |
| City of Ruidoso Downs                | 12,970                                      |                                     |           |
| Incorporated County of Los Alamos NM | 138,921                                     |                                     |           |
| Navajo Nation                        | 27,853                                      |                                     |           |
|                                      |   | Town of Red River                   | 8,433     |

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Notes to Financial Statements**

**13. DUE TO LOCAL GOVERNMENTS - continued**

| Fund Description              | Fund Number     | Due To                          | Total               |
|-------------------------------|-----------------|---------------------------------|---------------------|
| State Road Fund(s)            | 10040 and 20100 | Bernalillo County               | 124,660             |
|                               |                 | City of Albuquerque             | 729,243             |
|                               |                 | City of Las Cruces              | 495,007             |
|                               |                 | City of Santa Fe                | 55,002              |
|                               |                 | Dona Ana County                 | 7,649               |
|                               |                 | Chaves County                   | 4,992               |
| STB Capital Outlay Fund       | 89200           | City of Albuquerque             | 5,286               |
|                               |                 | City of Gallup                  | 109,701             |
|                               |                 | <b>Total Governmental Funds</b> | <u>2,147,202</u>    |
| <b>Total Enterprise Funds</b> |                 |                                 | <u>-</u>            |
| <b>Total Government-wide</b>  |                 |                                 | <u>\$ 2,147,202</u> |

**14. DUE TO COMPONENT UNITS OF THE STATE**

| Fund Description             | Fund Number     | Due To                       | Total             |
|------------------------------|-----------------|------------------------------|-------------------|
| State Road Fund(s)           | 10040 and 20100 | New Mexico Finance Authority | \$ 123,789        |
|                              |                 | The University of New Mexico | 48,160            |
| Driver Improvement Fund      | 10020           | The University of New Mexico | <u>22,943</u>     |
| <b>Total Government-wide</b> |                 |                              | <u>\$ 194,892</u> |

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Notes to Financial Statements**

**15. LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

| Governmental<br>Activities   | Balance at<br>June 30, 2016 | Increase            | Decrease                | Ending Balance<br>June 30, 2017 | Amounts due<br>within one year |
|------------------------------|-----------------------------|---------------------|-------------------------|---------------------------------|--------------------------------|
| 2006A GRIP Bonds             | \$ 7,770,000                | \$ -                | \$ (3,550,000)          | \$ 4,220,000                    | \$ 3,570,000                   |
| 2006B GRIP Bonds             | 1,500,000                   | -                   | (1,500,000)             | -                               | -                              |
| 2008A GRIP Bonds             | 115,200,000                 | -                   | -                       | 115,200,000                     | -                              |
| 2008B GRIP Bonds             | 220,000,000                 | -                   | -                       | 220,000,000                     | -                              |
| 2008C GRIP Bonds             | 84,800,000                  | -                   | -                       | 84,800,000                      | -                              |
| 2009A Refunding Bonds        | 5,065,000                   | -                   | (5,065,000)             | -                               | -                              |
| 2010A Refunding Bonds        | 82,625,000                  | -                   | (13,265,000)            | 69,360,000                      | 8,770,000                      |
| 2010B Refunding Bonds        | 444,405,000                 | -                   | (69,180,000)            | 375,225,000                     | 78,075,000                     |
| 2012A Refunding Bonds        | 171,070,000                 | -                   | (1,095,000)             | 169,975,000                     | 1,305,000                      |
| 2014A Revenue Bonds          | 70,110,000                  | -                   | -                       | 70,110,000                      | 3,775,000                      |
| 2014B Refunding Bonds        | 79,405,000                  | -                   | -                       | 79,405,000                      | 1,430,000                      |
| Debentures                   | 1,281,950,000               | -                   | (93,655,000)            | 1,188,295,000                   | 96,925,000                     |
| Compensated absences payable | 6,806,142                   | 7,135,520           | (6,834,154)             | 7,107,508                       | 7,107,508                      |
| Total obligations            | 1,288,756,142               | <u>\$ 7,135,520</u> | <u>\$ (100,489,154)</u> | 1,195,402,508                   | <u>\$ 104,032,508</u>          |
| Less current portion         | (100,461,142)               |                     |                         | (104,032,508)                   |                                |
| Net long-term obligations    | <u>\$ 1,188,295,000</u>     |                     |                         | <u>\$ 1,091,370,000</u>         |                                |
| Unamortized bond premium     | <u>\$ 120,595,491</u>       | <u>\$ -</u>         | <u>\$ (13,961,982)</u>  | <u>\$ 106,633,509</u>           | <u>\$ 12,871,880</u>           |

As discussed in Note 1, Deferred amount on refunding is presented as a deferred outflow of resources on the financial statements and is not presented net of related debentures.

| Governmental<br>Activities | Balance at<br>June 30, 2016 | Increase | Decrease    | Ending Balance<br>June 30, 2017 | Amounts due<br>within one year |
|----------------------------|-----------------------------|----------|-------------|---------------------------------|--------------------------------|
| Deferred loss on refunding | <u>\$ 53,134,626</u>        | -        | (6,097,553) | \$ 47,037,073                   | 6,151,748                      |

The State Road Fund (#20100) is used to liquidate other long-term liabilities, such as compensated absences and capital leases. The Department is authorized to issue bonds from time to time, payable from the proceeds of the collection of gasoline excise taxes, motor vehicle registration fees, and other fees that are required by law to be paid into the State Road Fund and not otherwise pledged solely to the payment of outstanding bonds and debentures. The total aggregate outstanding bonds issued are in accordance with the authorizing legislation for the bonds and other debt with the approval of the State Board of Finance, which includes Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA) (1978), as amended; and the Supplemental Public Securities Act constituting Sections 6-15-8 through 6-14-11 of the NMSA (1978), as amended.



## 15. LONG-TERM OBLIGATIONS - continued

### Refundings

NMFA, on behalf of the Department, has issued multiple series of refunding bonds in prior years to advance refund certain older debt issues of the Department. The net proceeds of those issuances less any new amounts borrowed plus, at times, additional funds provided by the Department, were used to purchase U.S. Governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refundings of the older debt are considered to be defeased and the liability for those bonds has been removed from long-term obligations. As of June 30, 2017, there were no bonds outstanding that were considered defeased in substance.

The cumulative deferred amount on the refundings of \$47,037,073 recorded, as a deferred outflow, is the difference between the reacquisition price (funds required to refund the old debt including call provisions) and the net carrying amount of the old debt. The deferred amount on the refunding is recorded to the government-wide financial statements and is required to be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

### Derivative Instruments

At the time of the 2004 GRIP bond issuance, NMFA, on behalf of the Department, entered into interest rate exchange agreements ("swaps") with respect to both of the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately-starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

In all of the swaps, NMFA, on behalf of the Department, receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has the effect of converting the variable rate bonds to "synthetic fixed-rate" issues.

As in the case of the GRIP bonds, NMFA has entered into the swaps as an agent for the Department. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the 2008A through D series).

### Objectives of the Swaps

The objective in entering into the swap agreements was to obtain a lower interest cost for the 2004 bonds than could have been obtained at the time had they been issued as fixed-rate bonds. With respect to the planned 2006 issuance, NMFA believed in 2004 that it would be desirable to "lock in" a synthetic fixed rate of 5% or less for a portion of the bonds anticipated to be issued in 2006.

**15. LONG-TERM OBLIGATIONS - continued**

**Significant Terms**

**2004 Swaps:**

| <u>Counterparty</u>                       | <u>Royal Bank of<br/>Canada</u> | <u>Goldman Sachs</u>     | <u>Deutsche Bank</u>     |
|---|---------------------------------|--------------------------|--------------------------|
| Notional Amount                           | \$100,000,000                   | \$50,000,000             | \$50,000,000             |
| Receipt Rate                              | 68 % of 1 month<br>LIBOR        | 68 % of 1 month<br>LIBOR | 68 % of 1 month<br>LIBOR |
| Payment Rate<br>(Synthetic Fixed<br>Rate) | 3.934%                          | 3.934%                   | 3.934%                   |
| Embedded Option(s)                        | None                            | None                     | None                     |
| Effective Date                            | May 20, 2004                    | May 20, 2004             | October 6, 2008          |
| Termination Date:                         | June 15, 2024                   | June 15, 2024            | June 15, 2024            |

**2006 Forward Starting Swaps:**

| <u>Counterparty</u>  | <u>JP Morgan Chase Bank</u>  | <u>UBS AG</u>  |
|--|--|--|
| Notional Amount  | \$110,000,000  | \$110,000,000  |
| Receipt Rate   | SIFMA Municipal Swap Index   | SIFMA Municipal Swap Index   |
| Payment Rate   | 5.072%   | 5.072%   |
| Embedded Option(s)   | “Knockout” option – Counterparty may<br>cancel if the index remains above 7%<br>for more than 180 days | “Knockout” option – Counterparty may<br>cancel if the index remains above 7%<br>for more than 180 days |
| Option premium to NMFA   | 0.34%  | 0.34%  |
| Net payment rate ("Synthetic Fixed<br>Rate"), equals the payment rate less<br>option premium | 4.732%   | 4.732%   |
| Effective Date   | December 15, 2006  | December 15, 2006  |
| Termination Date:  | December 15, 2026  | December 15, 2026  |

No cash was paid or received at the initiation of any of the above swaps.

**15. LONG-TERM OBLIGATIONS - continued**

**Fair Value**

The estimated fair value of the swaps at June 30, 2017 was as follows:

| <u>Counterparty</u>  | <u>Notional Value</u> | <u>Fair Value *</u>    |
|----------------------|-----------------------|------------------------|
| Goldman Sachs        | \$ 50,000,000         | \$ (8,043,094)         |
| Deutsche             | 50,000,000            | (8,043,094)            |
| Royal Bank of Canada | 100,000,000           | (16,086,188)           |
| JPMorgan Chase Bank  | 110,000,000           | (25,958,853)           |
| UBS AG               | 110,000,000           | (25,958,853)           |
|                      | <u>\$ 420,000,000</u> | <u>\$ (84,090,082)</u> |

\* The Fair Value is the estimated amount that would have been received by or paid by the Department if the agreements had been terminated at June 30, 2017 under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2017. Negative amounts indicate payments that would have been made by the Department to the counterparties.

**Investments Measured at Fair Value**

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Department has the following recurring fair value measurements as of June 30, 2017:

- Interest Rate Swaps of \$84,090,082 are valued in Level 2 of the fair value hierarchy using a market approach that considers benchmark interest rates and are disclosed as a liability at the fiscal year end.

Management evaluated the effectiveness of the swap agreements and found Goldman Sachs, Deutsche and Royal Bank of Canada to be ineffective in the prior year. As a result, the change in Fair Value of the ineffective swaps are reported as income in the amount of \$14,287,895. The remaining effective swaps are deemed a hedge and reported as a deferred outflow of resources in the amount of \$51,917,706, which consists of the JP Morgan Chase Bank and UBS AG swap agreements.

**15. LONG-TERM OBLIGATIONS - continued**

**Fair Value - continued**

**Associated Debt**

| Variable Rate<br>Debt* | Par Value      | 2017 Debt Service |                   |              | Net Variable<br>Made (Received) | Total Net Interest<br>Paid | Effective Interest<br>Rate |
|------------------------|----------------|-------------------|-------------------|--------------|---------------------------------|----------------------------|----------------------------|
|                        |                | Principal         | Fixed<br>Interest |              |                                 |                            |                            |
| Series 2008A and C     | \$ 200,000,000 | \$ -              | \$ 7,868,000      | \$ 1,108,368 | \$ 8,976,368                    | 4.488%                     |                            |
| Series 2008B           | 220,000,000    | -                 | 11,158,400        | (384,432)    | 10,773,968                      | 4.897%                     |                            |

\* The interest and swap payments for these bonds include the payments for the 2004 and 2006 series bonds that the 2008 series bonds replaced during the prior fiscal year.

The interest includes amounts paid within the fiscal year without regard to the costs associated with the SWAP Collateral (Taxable) Line of Credit.

**Risks**

**Credit Risk**

Credit risk is the possibility that a counterparty will not fulfill its obligations.

The credit ratings of the counterparties, at June 30, 2017, were:

|                      | <u>Moody's</u> | <u>S&amp;P</u> | <u>Fitch</u> |
|----------------------|----------------|----------------|--------------|
| Goldman Sachs        | Aa2            | AA-            | N/A          |
| Deutsche             | Baa2           | A-             | A-           |
| Royal Bank of Canada | A1             | AA-            | AA           |
| JP Morgan Chase      | Aa3            | A+             | AA-          |
| UBS AG               | A1             | A              | A            |

Presently, the Department has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to the Department if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. Termination values currently exceeded these limits, however there was no collateral posted for UBS, JPM, and RBC as of June 30, 2017. The swap agreements permit the netting of amounts owed between the Department and a counterparty, mitigating, to some extent, the level of credit risk. The Department believes it has an adequate degree of diversification with regard to counterparties.

**15. LONG-TERM OBLIGATIONS - continued**

**Swap Collateral Requirements – Taxable Line of Credit**

Negative balances at the end of the fiscal year were such that collateral needed to be posted. For that purpose short-term Taxable Lines of Credit were established. There were no outstanding amounts on the line of credit at the end of the fiscal year, with \$14,000,000 beginning balance, no amounts borrowed and \$14,000,000 repaid during the year.

**Interest Rate Risk**

The knock-out option in the 2006 swaps leaves the Department open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and the Department would have outstanding unhedged variable rate debt in a 7% interest rate environment.

**Basis Risk**

Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. The Department has little or no such risk with respect to the 2006 bonds as the 2006 swaps pay a variable rate equal to the SIFMA Municipal Swap index which has very closely approximated, historically, to the rates paid on variable rate municipal debt. The Department has basis risk, however, with respect to the 2004 swaps. The variable rate the Department receives with respect to the 2004 swaps is 68% of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2004 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated.

One event that would cause a divergence between the indices would be a significant change in U.S. income tax rates. This might result in 68% of LIBOR no longer approximating the tax-exempt rate set by the market for the Department's variable rate debt.

**Termination Risk**

The unplanned termination of one or more of the swaps exposes the Department to the possibility that the synthetic fixed rate expected to be obtained on the variable rate debt will not, in fact, be achieved. The swap agreements contain the standard ISDA provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, the Department, but not the counterparties, can terminate the swaps at any time with 30-day notice.

**15. LONG-TERM OBLIGATIONS - continued**

**Bonds Issued by NMFA**

The following bonds were issued by the New Mexico Finance Authority (Authority) in an agency capacity on behalf of the Department of Transportation during the fiscal year:

**Series 2006A GRIP**

On September 19, 2006, the Authority issued \$150,000,000 of State Transportation, Series 2006A Revenue Bonds. The Series 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

Principal of the Bonds is payable as follows on December 15. Interest, with rates ranging from 3.6% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2023.

In December 2012, \$66,040,000 was refunded by the 2012A Refunding Revenue Bonds.

In December 2014, \$68,250,000 was refunded by the 2014B Refunding Revenue Bonds.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$207,681, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|----------------------------|---------------------|-------------------|---------------------|
| Series 2006A GRIP:         |                     |                   |                     |
| 2018                       | \$ 3,570,000        | \$ 114,775        | \$ 3,684,775        |
| 2019                       | 150,000             | 22,906            | 172,906             |
| 2020                       | -                   | 20,000            | 20,000              |
| 2021                       | -                   | 20,000            | 20,000              |
| 2022                       | -                   | 20,000            | 20,000              |
| 2023                       | 500,000             | 10,000            | 510,000             |
|                            | <u>500,000</u>      | <u>10,000</u>     | <u>510,000</u>      |
| Total                      | <u>\$ 4,220,000</u> | <u>\$ 207,681</u> | <u>\$ 4,427,681</u> |

**15. LONG-TERM OBLIGATIONS - continued**

**Bonds Issued by NMFA - continued**

**Series 2006B GRIP**

On September 19, 2006, the Authority issued \$40,085,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The Series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

In December 2014, \$19,775,000 was refunded by the 2014B Refunding Revenue Bonds.

On December 15, 2016, the Series 2006B GRIP Bonds were retired with the \$1,500,000 principal payment.

**15. LONG-TERM OBLIGATIONS - continued**

**Bonds Issued by NMFA - continued**

**Series 2008A GRIP**

The Department issued \$115,200,000 NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A in April of 2008. There was no original issue premium. The cost of issuance was \$457,260.

The \$115,200,000 Series 2008A Bonds, together with additional bonds hereafter issued, are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal of the Bonds is payable as follows on June 15. Interest is payable semi-annually on June 15 and December 15 through the year 2024.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$30,265,049, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u>      | <u>Interest</u>      | <u>Total</u>          |
|----------------------------|-----------------------|----------------------|-----------------------|
| Series 2008A GRIP:         |                       |                      |                       |
| 2018                       | \$ -                  | \$ 4,531,968         | \$ 4,531,968          |
| 2019                       | -                     | 4,531,968            | 4,531,968             |
| 2020                       | -                     | 4,531,968            | 4,531,968             |
| 2021                       | -                     | 4,531,968            | 4,531,968             |
| 2022                       | -                     | 4,531,968            | 4,531,968             |
| 2023-2024                  | 115,200,000           | 7,605,209            | 122,805,209           |
| Total                      | <u>\$ 115,200,000</u> | <u>\$ 30,265,049</u> | <u>\$ 145,465,049</u> |



**15. LONG-TERM OBLIGATIONS - continued**

**Bonds Issued by NMFA - continued**

**Series 2008B GRIP**

The Department issued \$220,000,000 NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B in April of 2008. There was no original issue premium. The cost of issuance was \$873,240.

The \$220,000,000 Series 2008B Bonds, together with additional bonds hereafter issued, are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal of the Bonds is payable as follows on June 15 and December 15. Interest is payable semi-annually on June 15 and December 15 through the year 2027.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$87,868,508, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u>      | <u>Interest</u>      | <u>Total</u>          |
|----------------------------|-----------------------|----------------------|-----------------------|
| Series 2008B GRIP:         |                       |                      |                       |
| 2018                       | \$ -                  | \$ 10,410,400        | \$ 10,410,400         |
| 2019                       | -                     | 10,410,400           | 10,410,400            |
| 2020                       | -                     | 10,410,400           | 10,410,400            |
| 2021                       | -                     | 10,410,400           | 10,410,400            |
| 2022                       | -                     | 10,410,400           | 10,410,400            |
| 2023-2027                  | <u>220,000,000</u>    | <u>35,816,508</u>    | <u>255,816,508</u>    |
| Total                      | <u>\$ 220,000,000</u> | <u>\$ 87,868,508</u> | <u>\$ 307,868,508</u> |

**15. LONG-TERM OBLIGATIONS - continued**

**Bonds Issued by NMFA - continued**

**Series 2008C GRIP**

The Department issued \$84,800,000 NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C in May of 2008. There was no original issue premium. The cost of issuance was \$448,194.

The \$84,800,000 Series 2008C Bonds, together with additional bonds hereafter issued, are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal of the Bonds is payable as follows on June 15. Interest is payable semi-annually on June 15 and December 15 through the year 2024.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$22,278,439, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>          |
|----------------------------|----------------------|----------------------|-----------------------|
| Series 2008C GRIP:         |                      |                      |                       |
| 2018                       | \$ -                 | \$ 3,336,032         | \$ 3,336,032          |
| 2019                       | -                    | 3,336,032            | 3,336,032             |
| 2020                       | -                    | 3,336,032            | 3,336,032             |
| 2021                       | -                    | 3,336,032            | 3,336,032             |
| 2022                       | -                    | 3,336,032            | 3,336,032             |
| 2023-2024                  | 84,800,000           | 5,598,279            | 90,398,279            |
| Total                      | <u>\$ 84,800,000</u> | <u>\$ 22,278,439</u> | <u>\$ 107,078,439</u> |

**15. LONG-TERM OBLIGATIONS - continued**

**Bonds Issued by NMFA - continued**

**Series 2009A Refunding**

The Department issued \$112,345,000 NMFA State Transportation Refunding Revenue Bonds (Senior Lien) Series 2009A in November 2009. The gross proceeds to the Department were \$120,756,035, including \$8,411,035 of an original issue premium. The cost of issuance, including the underwriter's discount, was \$899,329.

The Series 2009A Bonds, together with additional bonds hereafter issued, are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

On June 15, 2017, the Series 2009A Refunding Revenue Bonds were retired with the \$5,065,000 principal payment.

**15. LONG-TERM OBLIGATIONS - continued**

**Bonds Issued by NMFA - continued**

**Series 2010A Revenue and Refundings**

The Department issued \$174,625,000 NMFA State Transportation Revenue and Refunding Revenue Bonds (Subordinate and Senior Lien) Series 2010A in September 2010. The gross proceeds to the Department were \$200,494,152 including an original issuance premium of \$26,745,858. The cost of issuance, including the underwriters' discount, was \$1,320,666.

The Bonds are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Bonds were engaged in through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal of the Bonds is payable as follows on December 15. Interest, with rates ranging from 1.5% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2025.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$12,459,900, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|----------------------------|----------------------|----------------------|----------------------|
| Series 2010A Refunding:    |                      |                      |                      |
| 2018                       | \$ 8,770,000         | \$ 3,060,625         | \$ 11,830,625        |
| 2019                       | 8,990,000            | 2,674,625            | 11,664,625           |
| 2020                       | 9,210,000            | 2,279,600            | 11,489,600           |
| 2021                       | 9,470,000            | 1,834,100            | 11,304,100           |
| 2022                       | 9,745,000            | 1,375,075            | 11,120,075           |
| 2023-2025                  | <u>23,175,000</u>    | <u>1,235,875</u>     | <u>24,410,875</u>    |
| Total                      | <u>\$ 69,360,000</u> | <u>\$ 12,459,900</u> | <u>\$ 81,819,900</u> |

**15. LONG-TERM OBLIGATIONS - continued**

**Bonds Issued by NMFA - continued**

**Series 2010B Revenue and Refundings**

The Department issued \$461,075,000 NMFA State Transportation Refunding Revenue Bonds (Senior Lien) Series 2010B in October 2010. The gross proceeds to the Department were \$543,315,911 including an original issuance premium of \$84,632,805. The cost of issuance, including the underwriters' discount, was \$3,096,740.

The Bonds are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Bonds were engaged in through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 3.0% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2024.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$54,214,250, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u>      | <u>Interest</u>      | <u>Total</u>          |
|----------------------------|-----------------------|----------------------|-----------------------|
| Series 2010B Refunding:    |                       |                      |                       |
| 2018                       | \$ 78,075,000         | \$ 18,361,250        | \$ 96,436,250         |
| 2019                       | 82,385,000            | 14,457,500           | 96,842,500            |
| 2020                       | 86,520,000            | 10,738,250           | 97,258,250            |
| 2021                       | 91,265,000            | 6,412,250            | 97,677,250            |
| 2022                       | -                     | 1,849,000            | 1,849,000             |
| 2023-2024                  | 36,980,000            | 2,396,000            | 39,376,000            |
| Total                      | <u>\$ 375,225,000</u> | <u>\$ 54,214,250</u> | <u>\$ 429,439,250</u> |

**15. LONG-TERM OBLIGATIONS - continued**

**Bonds Issued by NMFA - continued**

**Series 2012A Revenue and Refundings**

The Department issued \$220,400,000 NMFA State Transportation Refunding Revenue Bonds (Senior Lien) Series 2012A in December 2012. The gross proceeds to the Department were \$261,769,370 including an original issuance premium of \$42,693,105. The cost of issuance, including the underwriters' discount, was \$1,259,026.

Proceeds from the sale of the Series 2012A Bonds, together with other legally available funds from current year principal set asides, were used to refund (i) all of the New Mexico State Highway Commission Highway Infrastructure Fund Revenue Bonds, in the amount of \$5,930,000 (The "Series 2002C Bonds"), (ii) all of the New Mexico State Transportation Commission Senior Subordinate Lien Tax Revenue Highway Bonds, in the amount of \$1,575,000 (The "Series 2002D Bonds"), (iii) a portion of the Authority State Transportation Revenue Bonds totaling \$167,695,000 of the aggregate amount of \$248,310,000 (The "Series 2004A GRIP Bonds"), and (iv) a portion of the Authority State Transportation Revenue Bonds totaling \$66,040,000 of the aggregate amount of \$149,760,000 (The "Series 2006A GRIP Bonds"). Proceeds from the Series 2012A Bonds were also used to pay costs of issuing the Series 2012A Bonds.

Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 1.25% to 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2026.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$42,491,663, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u>      | <u>Interest</u>      | <u>Total</u>          |
|----------------------------|-----------------------|----------------------|-----------------------|
| Series 2012A Refunding:    |                       |                      |                       |
| 2018                       | \$ 1,305,000          | \$ 7,411,163         | \$ 8,716,163          |
| 2019                       | 4,640,000             | 7,394,850            | 12,034,850            |
| 2020                       | 4,975,000             | 7,209,250            | 12,184,250            |
| 2021                       | 4,965,000             | 7,029,750            | 11,994,750            |
| 2022                       | 103,130,000           | 6,831,150            | 109,961,150           |
| 2023-2026                  | 50,960,000            | 6,615,500            | 57,575,500            |
| <b>Total</b>               | <b>\$ 169,975,000</b> | <b>\$ 42,491,663</b> | <b>\$ 212,466,663</b> |

**15. LONG-TERM OBLIGATIONS - continued**

**Bonds Issued by NMFA - continued**

**Series 2014A Revenue**

The Department issued \$70,110,000 NMFA State Transportation Highway Revenue Bonds (Subordinate Lien) Series 2014A in March 2014. The gross proceeds to the Department were \$80,001,236 including an original issuance premium of \$10,532,347. The cost of issuance, including the underwriters' discount, was \$470,989.

The Bonds are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Bonds were engaged in through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the financing plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails. Proceeds from the Series 2014A Bonds were also used to pay costs of issuing the Series 2014A Bonds.

Principal of the Bonds is payable as follows on June 15. Interest, with a rate of 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2032.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$34,295,750, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u>            | <u>Interest</u>             | <u>Total</u>                |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Series 2014A Revenue:      |                             |                             |                             |
| 2018                       | \$ 3,775,000                | \$ 3,505,500                | \$ 7,280,500                |
| 2019                       | 3,855,000                   | 3,316,750                   | 7,171,750                   |
| 2020                       | 4,155,000                   | 3,124,000                   | 7,279,000                   |
| 2021                       | 2,750,000                   | 2,916,250                   | 5,666,250                   |
| 2022                       | -                           | 2,778,750                   | 2,778,750                   |
| 2023-2027                  | 18,270,000                  | 13,020,250                  | 31,290,250                  |
| 2028-2032                  | 37,305,000                  | 5,634,250                   | 42,939,250                  |
|                            | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total                      | <u>\$ 70,110,000</u>        | <u>\$ 34,295,750</u>        | <u>\$ 104,405,750</u>       |

**15. LONG-TERM OBLIGATIONS - continued**

**Bonds Issued by NMFA - continued**

**Series 2014B Revenue and Refundings**

The Department issued \$79,405,000 NMFA State Transportation Refunding Revenue Bonds (Subordinate and Senior Lien) Series 2014B in December 2014. The gross proceeds to the Department were \$95,763,847 including an original issuance premium of \$17,026,113. The cost of issuance, including the underwriters' discount, was \$523,811.

Proceeds from the sale of the Series 2014B Bonds were used to refund (i) a portion of the Authority State Transportation Revenue Bonds totaling \$68,250,000 of the aggregate amount of \$83,270,000 (The "Series 2006A GRIP Bonds"), and (ii) a portion of the Authority State Transportation Revenue Bonds totaling \$19,775,000 of the aggregate amount of \$24,085,000 (The "Series 2006B GRIP Bonds"). Proceeds from the Series 2014B Bonds were also used to pay costs of issuing the Series 2014B Bonds.

Principal of the Bonds is payable as follows on June 15. Interest, with a rate of 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2027.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$36,009,500, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>          |
|----------------------------|----------------------|----------------------|-----------------------|
| Series 2014B Refunding:    |                      |                      |                       |
| 2018                       | \$ 1,430,000         | \$ 3,970,250         | \$ 5,400,250          |
| 2019                       | 1,505,000            | 3,898,750            | 5,403,750             |
| 2020                       | 1,580,000            | 3,823,500            | 5,403,500             |
| 2021                       | 1,660,000            | 3,744,500            | 5,404,500             |
| 2022                       | 1,740,000            | 3,661,500            | 5,401,500             |
| 2023-2027                  | 71,490,000           | 16,911,000           | 88,401,000            |
| Total                      | <u>\$ 79,405,000</u> | <u>\$ 36,009,500</u> | <u>\$ 115,414,500</u> |



**15. LONG-TERM OBLIGATIONS - continued**

Total future principal and interest obligation repayments for all long-term payables are as follows:

| <u>Year Ended June 30,</u> | <u>Total</u>            |
|----------------------------|-------------------------|
| 2018                       | \$ 151,626,963          |
| 2019                       | 151,568,781             |
| 2020                       | 151,913,000             |
| 2021                       | 150,345,250             |
| 2022                       | 149,408,875             |
| 2023-2027                  | 710,583,621             |
| 2028-2032                  | 42,939,250              |
| <b>Total</b>               | <b>\$ 1,508,385,740</b> |

**Long-Term Debt Interest Expense**

The total amount of interest expense included in direct expenses in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds is \$63,798,389 for the year-ended June 30, 2017.

**Capital Leases**

There are no future minimum lease obligations to report as of June 30, 2017.

**Compensated Absences**

An obligation amounting to \$7,107,508 at June 30, 2017 has been recorded to the government-wide financial statements representing the Department's commitment for accrued vacation, sick leave and other compensated absences.

**16. NEGATIVE FUND BALANCES**

The Department had negative fund balances at the end of the fiscal year as follows:

**Fund 10010: Federal Traffic Safety Fund \$1,073,510**

This amount represents deferred inflows that will be billed and received in the subsequent fiscal year.

**Fund 10030: Federal Planning and Development Fund \$483,786**

This amount represents deferred inflows that will be billed and received in the subsequent fiscal year.

**Fund 10040: Departmental Services - Inventories Fund \$9,935,533**

This amount represents monies owed from the State Road Fund for inventory.

**17. REVERSIONS**

Reversions are calculated based on an original appropriation amount less total expenditures until the appropriation is expired or closed by the capital projects division.

Current year reversions to the State General Fund as of June 30, 2017 were as follows:

| Fund Description               | Fund Number | Total                  |
|--------------------------------|-------------|------------------------|
| GF Capital Outlay Fund         | 93100       | \$ (27,150,000)        |
| <b>Total of all reversions</b> |             | <b>\$ (27,150,000)</b> |

## **18. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

### **Plan Description**

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

### **Funding Policy**

Plan members who earn over \$20,000 are required to contribute 8.92% of their gross salary, those who earn up to \$20,000 are required to contribute 7.42% of their gross salary.

The Department was required to contribute 16.99% in FY17 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, 2017, 2016, 2015 were \$16,470,019, \$16,153,446, and \$15,109,550, respectively, equal to the amount of the required contribution for each year.

## **19. 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 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.

**19. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN - continued**

**Plan Description - continued**

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

**Funding Policy**

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](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 member of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1: municipal police member coverage 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June, 2017, 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 legislation shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2017, 2016, 2015 were \$1,938,763, \$1,900,841, and \$1,886,077, respectively, which equal the required contributions for each year.

## **20. RISK MANAGEMENT**

The Department, as a state agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the state of New Mexico. All employees of the Department are covered by blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the fiscal year. The Department pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the state of New Mexico.
2. Coverage to protect the state of New Mexico's property and assets.
3. Fringe benefit coverage's for state of New Mexico employees.

During the 2016-2017 fiscal year, the Department paid Risk Management \$7,188,944 in insurance premiums. During the 2015-2016 fiscal year, the Department paid Risk Management \$9,495,479 in insurance premiums. During the 2014-2015 fiscal year, the Department paid Risk Management \$10,236,822 in insurance premiums. The Department's exposure is limited to \$1,000 per any first-party incurred property loss, with the exception of theft, which has a \$5,000 deductible.

After conferring with legal counsel concerning pending litigation and claims, the Department believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the Department. In addition, for the years ended June 30, 2017, 2016, and 2015, the Department had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Department.

## **21. LITIGATION**

The Department is subject to various legal proceedings, claims and liabilities, including right-of-way condemnation proceedings, contractor claims and employee claims, which arise in the ordinary course of the Department's operations. There are various contractor lawsuits and claims against the Department for various reasons. The Department contests these claims and if a likelihood of a loss is probable and can be reasonably estimated, the Department accrues the loss in the accompanying financial statements. In the opinion of the Department's management and 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.

## **22. OPERATING LEASES**

The Department leases certain equipment and premises under numerous operating leases. Leases are subject to future appropriations and as such are cancelable by the Department at the end of a fiscal year. Rental expense for the year ended June 30, 2017 was \$972,522.

All of the Department leases include a standard cancellation clause in case the Legislature does not appropriate sufficient appropriations for the Department to carry out the terms and conditions of its leases. In the current economic climate there is more than a remote likelihood that some Department leases could be cancelled. Based on that, no disclosure of future minimum lease payments is necessary since the leases are considered cancellable.

## **23. COMMITMENTS AND CONTINGENCIES**

### **Grant Revenue**

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 collectibility of any related receivable at June 30, 2017 may be impaired. In the opinion of the Department, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

## **24. BUDGETED VS. ACTUAL EXPENDITURES**

Transfers, which are shown in the expenditure portion of the Budget and Actual presentation, are the intra-agency transfers only and these net to zero across the entire agency. See Note 11 for the Transfers Schedule Footnote.

Expenditures related to debt which was incurred during or after 2004 are budgeted and expensed primarily in the fund which generates the revenue for the payments, specifically State Road Fund (#20100) and HIF Bond Fund (#20200). This is for several reasons, not the least of which, it is needed in order to capture the costs for billing entities when the debt costs are reimbursable. If actual debt costs, paid out of the debt trustee accounts, exceed the cash transferred from the primary fund, the debt service fund which records the trustee cash that was used in addition to the cash transferred, then records the debt expenditures.

**25. SUBSEQUENT EVENTS**

**Updated Fair Value of Swaps**

The estimated fair value of the swaps and collateral posting report at September 29, 2017 was as follows:

| <u>Counterparty</u>  | <u>Notional Value</u> | <u>Fair Value</u>      |
|----------------------|-----------------------|------------------------|
| Goldman Sachs        | \$ 50,000,000         | \$ (8,237,743)         |
| Deutsche             | 50,000,000            | (8,237,743)            |
| Royal Bank of Canada | 100,000,000           | (16,475,486)           |
| JPMorgan Chase Bank  | 110,000,000           | (26,484,451)           |
| UBS AG               | 110,000,000           | (26,484,451)           |
| Total                | <u>\$ 420,000,000</u> | <u>\$ (85,919,874)</u> |

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**SUPPLEMENTARY INFORMATION**

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Schedule of Traffic Safety Fund Components - Balance Sheet**

As of June 30, 2017

|  | Federal<br>Traffic Safety<br>Fund | Driver<br>Improvement<br>Fund | Motorcycle<br>Training<br>Fund | DWI Prevention<br>and Education<br>Fund |
|--|-----------------------------------|-------------------------------|--------------------------------|---|
|  | (SHARE 10010)                     | (SHARE 10020)                 | (SHARE 20600)                  | (SHARE 20700)                           |
| <b>Assets:</b>   |                                   |                               |                                |   |
| Cash:  |                                   |                               |                                |   |
| Unrestricted   | \$ -                              | \$ -                          | \$ -                           | \$ -                                    |
| Cash equivalents:  |                                   |                               |                                |   |
| Investment in SGFIP  | -                                 | 462,978                       | 157                            | 577,853                                 |
| Managed by NMFA  | -                                 | -                             | -                              | -                                       |
| Receivables:   |                                   |                               |                                |   |
| Accounts receivable, net   | -                                 | 8,546                         | -                              | -                                       |
| Interest receivable  | -                                 | -                             | -                              | -                                       |
| Other receivables  | -                                 | -                             | -                              | -                                       |
| Due from:  |                                   |                               |                                |   |
| U.S. Department of Transportation  | 4,078,909                         | -                             | -                              | -                                       |
| Other funds  | -                                 | -                             | -                              | -                                       |
| Other state agencies   | -                                 | -                             | -                              | -                                       |
| Local governments  | -                                 | -                             | -                              | -                                       |
| Inventories  | -                                 | -                             | -                              | -                                       |
| Prepaid expenses - other   | -                                 | -                             | -                              | -                                       |
| Prepaid expense - NM44 warranty  | -                                 | -                             | -                              | -                                       |
| Property held for resale   | -                                 | -                             | -                              | -                                       |
| <b>Total Assets</b>  | <b>\$ 4,078,909</b>               | <b>\$ 471,524</b>             | <b>\$ 157</b>                  | <b>\$ 577,853</b>                       |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balance:</b>      |                                   |                               |                                |   |
| <b>Liabilities:</b>  |                                   |                               |                                |   |
| Accounts payable   | \$ 1,396,705                      | \$ 42,277                     | \$ -                           | \$ 94,027                               |
| Due to:  |                                   |                               |                                |   |
| U.S. Department of Transportation  | 2,123                             | -                             | -                              | -                                       |
| Other funds  | -                                 | -                             | -                              | -                                       |
| Other state agencies   | 374,149                           | -                             | -                              | -                                       |
| Local governments  | 298,456                           | -                             | -                              | 11,351                                  |
| Component units of the state   | -                                 | 22,943                        | -                              | -                                       |
| Unearned revenue   | -                                 | -                             | -                              | -                                       |
| Other accrued expenses   | 27,029                            | -                             | -                              | -                                       |
| Deficiency in SGFIP  | 1,980,447                         | -                             | -                              | -                                       |
| Other liabilities  | -                                 | -                             | -                              | -                                       |
| <b>Total Liabilities</b>   | <b>4,078,909</b>                  | <b>65,220</b>                 | <b>-</b>                       | <b>105,378</b>                          |
| <b>Deferred Inflows of Resources:</b>                                    |                                   |                               |                                |   |
| Amounts unavailable (not received within period of availability)         | 1,073,510                         | -                             | -                              | -                                       |
| <b>Total Deferred Inflows of Resources</b>                               | <b>1,073,510</b>                  | <b>-</b>                      | <b>-</b>                       | <b>-</b>                                |
| <b>Fund Balance:</b>   |                                   |                               |                                |   |
| Non-spendable  | -                                 | -                             | -                              | -                                       |
| Restricted   | -                                 | 406,304                       | 157                            | 472,475                                 |
| Unassigned   | (1,073,510)                       | -                             | -                              | -                                       |
| <b>Total Fund Balance</b>  | <b>(1,073,510)</b>                | <b>406,304</b>                | <b>157</b>                     | <b>472,475</b>                          |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <b>\$ 4,078,909</b>               | <b>\$ 471,524</b>             | <b>\$ 157</b>                  | <b>\$ 577,853</b>                       |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Schedule of Traffic Safety Fund Components - Balance Sheet**

| Traffic Safety Fund<br>(SHARE 20800) | Ignition Interlock Fund<br>(SHARE 82600) | Traffic Safety Fund(s)<br>(SHARE 10010, 10020,<br>20600, 20700, 20800,<br>82600) |
|--------------------------------------|--|--|
| \$ -                                 | \$ -                                     | \$ -   |
| 1,435,680                            | 2,506,707                                | 4,983,375  |
| -                                    | -  | -  |
| 137,266                              | -  | 145,812  |
| -                                    | -  | -  |
| -                                    | -  | -  |
| -                                    | -  | 4,078,909  |
| -                                    | -  | -  |
| -                                    | -  | -  |
| -                                    | -  | -  |
| -                                    | -  | -  |
| -                                    | -  | -  |
| <u>\$ 1,572,946</u>                  | <u>\$ 2,506,707</u>                      | <u>\$ 9,208,096</u>  |
| \$ 177,358                           | \$ 74,156                                | \$ 1,784,523   |
| -                                    | -  | 2,123  |
| -                                    | -  | -  |
| -                                    | -  | 374,149  |
| 26,306                               | -  | 336,113  |
| -                                    | -  | 22,943   |
| -                                    | -  | -  |
| -                                    | -  | 27,029   |
| -                                    | -  | 1,980,447  |
| -                                    | -  | -  |
| <u>203,664</u>                       | <u>74,156</u>                            | <u>4,527,327</u>   |
| -                                    | -  | 1,073,510  |
| -                                    | -  | <u>1,073,510</u>   |
| -                                    | -  | -  |
| 1,369,282                            | 2,432,551                                | 4,680,769  |
| -                                    | -  | (1,073,510)  |
| <u>1,369,282</u>                     | <u>2,432,551</u>                         | <u>3,607,259</u>   |
| <u>\$ 1,572,946</u>                  | <u>\$ 2,506,707</u>                      | <u>\$ 9,208,096</u>  |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Schedule of Traffic Safety Fund Components - Statement of Revenues, Expenditures and Changes in**  
**Fund Balance**

For the Year Ended June 30, 2017

|  | Federal<br>Traffic Safety<br>Fund | Driver<br>Improvement<br>Fund | Motorcycle<br>Training<br>Fund | DWI Prevention<br>and Education<br>Fund |
|--|-----------------------------------|-------------------------------|--------------------------------|---|
|  | (SHARE 10010)                     | (SHARE 10020)                 | (SHARE 20600)                  | (SHARE 20700)                           |
| <b>Revenues:</b>   |                                   |                               |                                |   |
| User and fuel taxes  | \$ -                              | \$ -                          | \$ -                           | \$ -                                    |
| U.S. Department of Transportation                                    | 13,571,891                        | -                             | -                              | -                                       |
| Fees and fines   | -                                 | -                             | -                              | -                                       |
| Licenses and permits   | -                                 | 239,366                       | 114,368                        | 421,498                                 |
| Charges for services   | -                                 | -                             | -                              | -                                       |
| Other revenue  | 242,352                           | 105                           | -                              | -                                       |
| Interest earnings  | -                                 | -                             | 19                             | -                                       |
| <b>Total Revenues</b>  | <b>13,814,243</b>                 | <b>239,471</b>                | <b>114,387</b>                 | <b>421,498</b>                          |
| <b>Expenditures:</b>   |                                   |                               |                                |   |
| Current:   |                                   |                               |                                |   |
| Operating costs  | 2,652                             | -                             | -                              | -                                       |
| Personal services  | 448,493                           | -                             | -                              | -                                       |
| Out-of-state travel  | 26,771                            | -                             | -                              | -                                       |
| Grants and services  | 5,399,786                         | -                             | 1,291                          | 192,219                                 |
| Travel   | 855                               | -                             | -                              | -                                       |
| Maintenance and repairs  | -                                 | -                             | -                              | -                                       |
| Supplies   | -                                 | -                             | -                              | -                                       |
| Contractual services   | 6,973,894                         | 275,101                       | 112,939                        | 336,570                                 |
| Other costs  | 240                               | -                             | -                              | -                                       |
| Employee benefits  | 192,262                           | -                             | -                              | -                                       |
| Capital outlay   | -                                 | -                             | -                              | -                                       |
| Debt service:  |                                   |                               |                                |   |
| Principal  | -                                 | -                             | -                              | -                                       |
| Interest   | -                                 | -                             | -                              | -                                       |
| <b>Total Expenditures</b>  | <b>13,044,953</b>                 | <b>275,101</b>                | <b>114,230</b>                 | <b>528,789</b>                          |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <b>769,290</b>                    | <b>(35,630)</b>               | <b>157</b>                     | <b>(107,291)</b>                        |
| <b>Other Financing Sources (Uses):</b>                               |                                   |                               |                                |   |
| Appropriations   | -                                 | -                             | -                              | -                                       |
| Reversions   | -                                 | -                             | -                              | -                                       |
| Transfers: severance   | -                                 | -                             | -                              | -                                       |
| tax bond appropriation   | -                                 | -                             | -                              | -                                       |
| Transfers: intra/inter-agency  | -                                 | -                             | -                              | -                                       |
| <b>Total Other Financing Sources (Uses)</b>                          | <b>-</b>                          | <b>-</b>                      | <b>-</b>                       | <b>-</b>                                |
| <b>Net Changes in Fund Balance</b>                                   | <b>769,290</b>                    | <b>(35,630)</b>               | <b>157</b>                     | <b>(107,291)</b>                        |
| <b>Fund Balance, June 30, 2016</b>                                   | <b>(1,842,800)</b>                | <b>441,934</b>                | <b>-</b>                       | <b>579,766</b>                          |
| <b>Fund Balance, June 30, 2017</b>                                   | <b>\$ (1,073,510)</b>             | <b>\$ 406,304</b>             | <b>\$ 157</b>                  | <b>\$ 472,475</b>                       |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Schedule of Traffic Safety Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance**

| Traffic Safety Fund<br>(SHARE 20800) | Ignition Interlock Fund<br>(SHARE 82600) | Traffic Safety Fund(s)<br>(SHARE 10010, 10020, 20600, 20700, 20800, 82600) |
|--------------------------------------|--|--|
| \$ -                                 | \$ -                                     | \$ -   |
| -                                    | -  | 13,571,891   |
| -                                    | -  | -  |
| 1,006,719                            | 404,395                                  | 2,186,346  |
| -                                    | -  | -  |
| -                                    | 125                                      | 242,582  |
| 7,376                                | -  | 7,395  |
| <u>1,014,095</u>                     | <u>404,520</u>                           | <u>16,008,214</u>  |
| 17,284                               | -  | 19,936   |
| -                                    | 24,632                                   | 473,125  |
| -                                    | -  | 26,771   |
| 480,337                              | 398,939                                  | 6,472,572  |
| -                                    | -  | 855  |
| -                                    | -  | -  |
| 175,318                              | 269,820                                  | 8,143,642  |
| 36,454                               | 8,793                                    | 45,487   |
| -                                    | 15,907                                   | 208,169  |
| -                                    | -  | -  |
| -                                    | -  | -  |
| <u>709,393</u>                       | <u>718,091</u>                           | <u>15,390,557</u>  |
| <u>304,702</u>                       | <u>(313,571)</u>                         | <u>617,657</u>   |
| -                                    | -  | -  |
| -                                    | -  | -  |
| -                                    | -  | -  |
| -                                    | 300,000                                  | 300,000  |
| <u>-</u>                             | <u>300,000</u>                           | <u>300,000</u>   |
| <u>304,702</u>                       | <u>(13,571)</u>                          | <u>917,657</u>   |
| <u>1,064,580</u>                     | <u>2,446,122</u>                         | <u>2,689,602</u>   |
| <u>\$ 1,369,282</u>                  | <u>\$ 2,432,551</u>                      | <u>\$ 3,607,259</u>  |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Combining Balance Sheet - By Fund Type - Non Major Funds**

As of June 30, 2017

|  | Traffic Safety<br>Fund(s)<br>(SHARE 10010,<br>10020, 20600, 20700,<br>20800, 82600) | Federal Planning<br>and Development<br>Fund<br>(SHARE 10030) | HIF Bond<br>Fund<br>(SHARE 20200) | Local<br>Government<br>Road Fund<br>(SHARE 20300) |
|--|---|--|-----------------------------------|---|
| <b>Assets:</b>   |   |  |                                   |   |
| Cash:  |   |  |                                   |   |
| Unrestricted   | \$ -  | \$ -   | \$ -                              | \$ -  |
| Cash equivalents:  |   |  |                                   |   |
| Investment in SGFIP  | 4,983,375   | -  | 2,295,286                         | 24,160,142  |
| Managed by NMFA  | -   | -  | -                                 | -   |
| Receivables:   |   |  |                                   |   |
| Accounts receivable, net   | 145,812   | -  | -                                 | -   |
| Interest receivable  | -   | -  | -                                 | -   |
| Other receivables  | -   | -  | -                                 | -   |
| Due from:  |   |  |                                   |   |
| U.S. Department of Transportation  | 4,078,909   | 3,471,438  | -                                 | -   |
| Other funds  | -   | -  | -                                 | -   |
| Other state agencies   | -   | -  | 520,280                           | 1,861,041   |
| Local governments  | -   | -  | -                                 | -   |
| Inventories  | -   | -  | -                                 | -   |
| Prepaid expenses - other   | -   | -  | -                                 | -   |
| Prepaid expense - NM44 warranty  | -   | -  | -                                 | -   |
| Property held for resale   | -   | -  | -                                 | -   |
| <b>Total Assets</b>  | <b>\$ 9,208,096</b>   | <b>\$ 3,471,438</b>  | <b>\$ 2,815,566</b>               | <b>\$ 26,021,183</b>                              |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balance:</b>          |   |  |                                   |   |
| <b>Liabilities:</b>  |   |  |                                   |   |
| Accounts payable   | \$ 1,784,523  | \$ 2,228,004   | \$ -                              | \$ 655,506  |
| Due to:  |   |  |                                   |   |
| U.S. Department of Transportation  | 2,123   | -  | -                                 | -   |
| Other funds  | -   | -  | -                                 | -   |
| Other state agencies   | 374,149   | -  | -                                 | -   |
| Local governments  | 336,113   | 279,549  | -                                 | -   |
| Component units of the state   | 22,943  | -  | -                                 | -   |
| Unearned revenue   | -   | -  | -                                 | -   |
| Other accrued expenses   | 27,029  | 16,717   | -                                 | -   |
| Deficiency in SGFIP  | 1,980,447   | 911,438  | -                                 | -   |
| Other liabilities  | -   | -  | -                                 | -   |
| <b>Total Liabilities</b>   | <b>4,527,327</b>  | <b>3,435,708</b>   | <b>-</b>                          | <b>655,506</b>                                    |
| <b>Deferred Inflows of Resources:</b>  |   |  |                                   |   |
| Amounts unavailable (not received within<br>period of availability)          | 1,073,510   | 519,516  | -                                 | -   |
| <b>Total Deferred Inflows of Resources</b>                                   | <b>1,073,510</b>  | <b>519,516</b>   | <b>-</b>                          | <b>-</b>  |
| <b>Fund Balance:</b>   |   |  |                                   |   |
| Non-spendable  | -   | -  | -                                 | -   |
| Restricted   | 4,680,769   | -  | 2,815,566                         | 25,365,677  |
| Unassigned   | (1,073,510)   | (483,786)  | -                                 | -   |
| <b>Total Fund Balance</b>  | <b>3,607,259</b>  | <b>(483,786)</b>   | <b>2,815,566</b>                  | <b>25,365,677</b>                                 |
| <b>Total Liabilities, Deferred Inflows of Resources<br/>and Fund Balance</b> | <b>\$ 9,208,096</b>   | <b>\$ 3,471,438</b>  | <b>\$ 2,815,566</b>               | <b>\$ 26,021,183</b>                              |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Combining Balance Sheet - By Fund Type - Non Major Funds**

| State Aviation<br>Fund | 2004A GRIP<br>Bond Project<br>Fund | 2006D GRIP<br>Bond Project<br>Fund | 2010A Bond<br>Project Fund | 2014A Bond<br>Project Fund | Total<br>Special Revenue<br>Funds |
|------------------------|------------------------------------|------------------------------------|----------------------------|----------------------------|-----------------------------------|
| (SHARE 20500)          | (SHARE 20400)                      | (SHARE 10270)                      | (SHARE 10450)              | (SHARE 11970)              |                                   |
| \$ -                   | \$ -                               | \$ -                               | \$ -                       | \$ -                       | \$ -                              |
| 10,785,912             | 112,078                            | -                                  | 17,475                     | -                          | 42,354,268                        |
| -                      | -                                  | 6                                  | 15,092                     | 27,700,391                 | 27,715,489                        |
| 288                    | -                                  | -                                  | -                          | -                          | 146,100                           |
| -                      | -                                  | -                                  | 10                         | 18,306                     | 18,316                            |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| 34,203                 | -                                  | -                                  | -                          | -                          | 7,584,550                         |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| 434,879                | -                                  | -                                  | -                          | -                          | 2,816,200                         |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| <u>\$ 11,255,282</u>   | <u>\$ 112,078</u>                  | <u>\$ 6</u>                        | <u>\$ 32,577</u>           | <u>\$ 27,718,697</u>       | <u>\$ 80,634,923</u>              |
| <br>                   |                                    |                                    |                            |                            |                                   |
| \$ 379,794             | \$ -                               | \$ -                               | \$ -                       | \$ -                       | \$ 5,047,827                      |
| -                      | -                                  | -                                  | -                          | -                          | 2,123                             |
| -                      | -                                  | -                                  | 32,577                     | -                          | 32,577                            |
| -                      | -                                  | -                                  | -                          | -                          | 374,149                           |
| -                      | -                                  | -                                  | -                          | -                          | 615,662                           |
| -                      | -                                  | -                                  | -                          | -                          | 22,943                            |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| 12,495                 | -                                  | -                                  | -                          | -                          | 56,241                            |
| -                      | -                                  | -                                  | -                          | 3,740,005                  | 6,631,890                         |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| <u>392,289</u>         | <u>-</u>                           | <u>-</u>                           | <u>32,577</u>              | <u>3,740,005</u>           | <u>12,783,412</u>                 |
| <br>                   |                                    |                                    |                            |                            |                                   |
| -                      | -                                  | -                                  | -                          | -                          | 1,593,026                         |
| -                      | -                                  | -                                  | -                          | -                          | 1,593,026                         |
| <br>                   |                                    |                                    |                            |                            |                                   |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| 10,862,993             | 112,078                            | 6                                  | -                          | 23,978,692                 | 67,815,781                        |
| -                      | -                                  | -                                  | -                          | -                          | (1,557,296)                       |
| <u>10,862,993</u>      | <u>112,078</u>                     | <u>6</u>                           | <u>-</u>                   | <u>23,978,692</u>          | <u>66,258,485</u>                 |
| <br>                   |                                    |                                    |                            |                            |                                   |
| <u>\$ 11,255,282</u>   | <u>\$ 112,078</u>                  | <u>\$ 6</u>                        | <u>\$ 32,577</u>           | <u>\$ 27,718,697</u>       | <u>\$ 80,634,923</u>              |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Combining Balance Sheet - By Fund Type - Non Major Funds**

As of June 30, 2017

|  | Capital Projects<br>Fund | STB Capital<br>Outlay Fund | GF Capital<br>Outlay Fund | Total<br>Capital Projects<br>Funds |
|--|--------------------------|----------------------------|---------------------------|------------------------------------|
|  | (SHARE 10050)            | (SHARE 89200)              | (SHARE 93100)             |                                    |
| <b>Assets:</b>   |                          |                            |                           |                                    |
| Cash:  |                          |                            |                           |                                    |
| Unrestricted   | \$ -                     | \$ -                       | \$ -                      | \$ -                               |
| Cash equivalents:  |                          |                            |                           |                                    |
| Investment in SGFIP  | 1,296,204                | 577,058                    | -                         | 1,873,262                          |
| Managed by NMFA  | -                        | -                          | -                         | -                                  |
| Receivables:   |                          |                            |                           |                                    |
| Accounts receivable, net   | -                        | -                          | -                         | -                                  |
| Interest receivable  | -                        | -                          | -                         | -                                  |
| Other receivables  | -                        | -                          | -                         | -                                  |
| Due from:  |                          |                            |                           |                                    |
| U.S. Department of Transportation  | -                        | -                          | -                         | -                                  |
| Other funds  | -                        | -                          | -                         | -                                  |
| Other state agencies   | -                        | -                          | -                         | -                                  |
| Local governments  | -                        | 9,909                      | -                         | 9,909                              |
| Inventories  | -                        | -                          | -                         | -                                  |
| Prepaid expenses - other   | -                        | -                          | -                         | -                                  |
| Prepaid expense - NM44 warranty  | -                        | -                          | -                         | -                                  |
| Property held for resale   | -                        | -                          | -                         | -                                  |
| <b>Total Assets</b>  | <b>\$ 1,296,204</b>      | <b>\$ 586,967</b>          | <b>\$ -</b>               | <b>\$ 1,883,171</b>                |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balance:</b>      |                          |                            |                           |                                    |
| <b>Liabilities:</b>  |                          |                            |                           |                                    |
| Accounts payable   | \$ 78,026                | \$ 457,079                 | \$ -                      | \$ 535,105                         |
| Due to:  |                          |                            |                           |                                    |
| U.S. Department of Transportation  | -                        | -                          | -                         | -                                  |
| Other funds  | -                        | -                          | -                         | -                                  |
| Other state agencies   | -                        | 9,909                      | -                         | 9,909                              |
| Local governments  | -                        | 119,979                    | -                         | 119,979                            |
| Component units of the state   | -                        | -                          | -                         | -                                  |
| Unearned revenue   | -                        | -                          | -                         | -                                  |
| Other accrued expenses   | -                        | -                          | -                         | -                                  |
| Deficiency in SGFIP  | -                        | -                          | -                         | -                                  |
| Other liabilities  | -                        | -                          | -                         | -                                  |
| <b>Total Liabilities</b>   | <b>78,026</b>            | <b>586,967</b>             | <b>-</b>                  | <b>664,993</b>                     |
| <b>Deferred Inflows of Resources:</b>                                    |                          |                            |                           |                                    |
| Amounts unavailable (not received within period of availability)         | -                        | -                          | -                         | -                                  |
| <b>Total Deferred Inflows of Resources</b>                               | <b>-</b>                 | <b>-</b>                   | <b>-</b>                  | <b>-</b>                           |
| <b>Fund Balance:</b>   |                          |                            |                           |                                    |
| Non-spendable  | -                        | -                          | -                         | -                                  |
| Restricted   | 1,218,178                | -                          | -                         | 1,218,178                          |
| Unassigned   | -                        | -                          | -                         | -                                  |
| <b>Total Fund Balance</b>  | <b>1,218,178</b>         | <b>-</b>                   | <b>-</b>                  | <b>1,218,178</b>                   |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <b>\$ 1,296,204</b>      | <b>\$ 586,967</b>          | <b>\$ -</b>               | <b>\$ 1,883,171</b>                |

See Independent Auditors' Report





**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Combining Balance Sheet - By Fund Type - Non Major Funds**

As of June 30, 2017

|  | 2010A Bond<br>Debt Service<br>Fund | 2010B Bond<br>Debt Service<br>Fund | 2012A Bond<br>Debt Service<br>Fund | 2014A Bond<br>Debt Service<br>Fund |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|  | (SHARE 11140)                      | (SHARE 20450)                      | (SHARE 30850)                      | (SHARE 11960)                      |
| <b>Assets:</b>   |                                    |                                    |                                    |                                    |
| Cash:  |                                    |                                    |                                    |                                    |
| Unrestricted   | \$ -                               | \$ -                               | \$ -                               | \$ -                               |
| Cash equivalents:  |                                    |                                    |                                    |                                    |
| Investment in SGFIP  | -                                  | -                                  | -                                  | -                                  |
| Managed by NMFA  | 19,372                             | 196,192                            | 58,272                             | 60,919                             |
| Receivables:   |                                    |                                    |                                    |                                    |
| Accounts receivable, net   | -                                  | -                                  | -                                  | -                                  |
| Interest receivable  | 458                                | 21,908                             | 1,349                              | 516                                |
| Other receivables  | -                                  | -                                  | -                                  | -                                  |
| Due from:  |                                    |                                    |                                    |                                    |
| U.S. Department of Transportation  | -                                  | -                                  | -                                  | -                                  |
| Other funds  | -                                  | -                                  | 23,480                             | -                                  |
| Other state agencies   | -                                  | -                                  | -                                  | -                                  |
| Local governments  | -                                  | -                                  | -                                  | -                                  |
| Inventories  | -                                  | -                                  | -                                  | -                                  |
| Prepaid expenses - other   | -                                  | -                                  | -                                  | -                                  |
| Prepaid expense - NM44 warranty  | -                                  | -                                  | -                                  | -                                  |
| Property held for resale   | -                                  | -                                  | -                                  | -                                  |
| <b>Total Assets</b>  | <b>\$ 19,830</b>                   | <b>\$ 218,100</b>                  | <b>\$ 83,101</b>                   | <b>\$ 61,435</b>                   |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balance:</b>      |                                    |                                    |                                    |                                    |
| <b>Liabilities:</b>  |                                    |                                    |                                    |                                    |
| Accounts payable   | \$ -                               | \$ -                               | \$ -                               | \$ -                               |
| Due to:  |                                    |                                    |                                    |                                    |
| U.S. Department of Transportation  | -                                  | -                                  | -                                  | -                                  |
| Other funds  | -                                  | -                                  | -                                  | -                                  |
| Other state agencies   | -                                  | -                                  | -                                  | -                                  |
| Local governments  | -                                  | -                                  | -                                  | -                                  |
| Component units of the state   | -                                  | -                                  | -                                  | -                                  |
| Unearned revenue   | -                                  | -                                  | -                                  | -                                  |
| Other accrued expenses   | -                                  | -                                  | -                                  | -                                  |
| Deficiency in SGFIP  | -                                  | -                                  | -                                  | -                                  |
| Other liabilities  | -                                  | -                                  | -                                  | -                                  |
| <b>Total Liabilities</b>   | <b>-</b>                           | <b>-</b>                           | <b>-</b>                           | <b>-</b>                           |
| <b>Deferred Inflows of Resources:</b>                                    |                                    |                                    |                                    |                                    |
| Amounts unavailable (not received within period of availability)         | -                                  | -                                  | -                                  | -                                  |
| <b>Total Deferred Inflows of Resources</b>                               | <b>-</b>                           | <b>-</b>                           | <b>-</b>                           | <b>-</b>                           |
| <b>Fund Balance:</b>   |                                    |                                    |                                    |                                    |
| Non-spendable  | -                                  | -                                  | -                                  | -                                  |
| Restricted   | 19,830                             | 218,100                            | 83,101                             | 61,435                             |
| Unassigned   | -                                  | -                                  | -                                  | -                                  |
| <b>Total Fund Balance</b>  | <b>19,830</b>                      | <b>218,100</b>                     | <b>83,101</b>                      | <b>61,435</b>                      |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <b>\$ 19,830</b>                   | <b>\$ 218,100</b>                  | <b>\$ 83,101</b>                   | <b>\$ 61,435</b>                   |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Combining Balance Sheet - By Fund Type - Non Major Funds**

| 2014B Bond<br>Debt Service<br>Fund<br><br>(SHARE 50110) | Total<br>Debt Service<br>Funds | Total<br>Non Major<br>Governmental<br>Funds |
|---|--------------------------------|---|
| \$ -  | \$ -                           | \$ -  |
| -   | -                              | 44,227,530                                  |
| 154,758   | 14,527,845                     | 42,243,334                                  |
| -   | -                              | 146,100                                     |
| 640   | 37,869                         | 56,185                                      |
| -   | -                              | -   |
| -   | -                              | 7,584,550                                   |
| -   | 56,057                         | 56,057                                      |
| -   | -                              | 2,816,200                                   |
| -   | -                              | 9,909                                       |
| -   | -                              | -   |
| -   | -                              | -   |
| -   | -                              | -   |
| <u>\$ 155,398</u>                                       | <u>\$ 14,621,771</u>           | <u>\$ 97,139,865</u>                        |
| \$ -  | \$ 33,523                      | \$ 5,616,455                                |
| -   | -                              | 2,123                                       |
| 4,780   | 3,588,459                      | 3,621,036                                   |
| -   | -                              | 384,058                                     |
| -   | -                              | 735,641                                     |
| -   | -                              | 22,943                                      |
| -   | -                              | -   |
| -   | -                              | 56,241                                      |
| -   | -                              | 6,631,890                                   |
| -   | -                              | -   |
| <u>4,780</u>  | <u>3,621,982</u>               | <u>17,070,387</u>                           |
| -   | -                              | 1,593,026                                   |
| -   | -                              | <u>1,593,026</u>                            |
| -   | -                              | -   |
| 150,618   | 10,999,789                     | 80,033,748                                  |
| <u>150,618</u>  | <u>10,999,789</u>              | <u>(1,557,296)</u>                          |
| <u>\$ 155,398</u>                                       | <u>\$ 14,621,771</u>           | <u>\$ 97,139,865</u>                        |

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Fund Type -**  
**Non Major Funds**

For the Year Ended June 30, 2017

|  | Traffic Safety<br>Fund(s)<br>(SHARE 10010,<br>10020, 20600, 20700,<br>20800, 82600) | Federal Planning<br>and Development<br>Fund<br>(SHARE 10030) | HIF Bond<br>Fund<br>(SHARE 20200) | Local<br>Government<br>Road Fund<br>(SHARE 20300) |
|--|---|--|-----------------------------------|---|
| <b>Revenues:</b>   |   |  |                                   |   |
| User and fuel taxes  | \$ -  | \$ -   | \$ 5,963,828                      | \$ 14,684,182                                     |
| U.S. Department of Transportation                                    | 13,571,891  | 13,290,348   | -                                 | -   |
| Fees and fines   | -   | -  | -                                 | -   |
| Licenses and permits   | 2,186,346   | -  | 1,884,997                         | 7,948,216   |
| Charges for services   | -   | -  | -                                 | -   |
| Other revenue  | 242,582   | 35,730   | -                                 | 57,275  |
| Interest earnings  | 7,395   | -  | 10,832                            | 115,281   |
| <b>Total Revenues</b>  | <b>16,008,214</b>   | <b>13,326,078</b>  | <b>7,859,657</b>                  | <b>22,804,954</b>                                 |
| <b>Expenditures:</b>   |   |  |                                   |   |
| Current:   |   |  |                                   |   |
| Operating costs  | 19,936  | 9,220  | -                                 | -   |
| Personal services  | 473,125   | 342,856  | -                                 | -   |
| Out-of-state travel  | 26,771  | 14,704   | -                                 | -   |
| Grants and services  | 6,472,572   | 12,404,931   | -                                 | 19,810,771  |
| Travel   | 855   | 3,201  | -                                 | -   |
| Maintenance and repairs  | -   | -  | -                                 | -   |
| Supplies   | -   | 1,059  | -                                 | -   |
| Contractual services   | 8,143,642   | 744,981  | -                                 | -   |
| Other costs  | 45,487  | -  | -                                 | -   |
| Employee benefits  | 208,169   | 121,594  | -                                 | -   |
| Capital outlay   | -   | -  | -                                 | -   |
| Debt service:  |   |  |                                   |   |
| Principal  | -   | -  | 6,232,742                         | -   |
| Interest   | -   | -  | 4,560,276                         | -   |
| <b>Total Expenditures</b>  | <b>15,390,557</b>   | <b>13,642,546</b>  | <b>10,793,018</b>                 | <b>19,810,771</b>                                 |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <b>617,657</b>  | <b>(316,468)</b>   | <b>(2,933,361)</b>                | <b>2,994,183</b>                                  |
| <b>Other Financing Sources (Uses):</b>                               |   |  |                                   |   |
| Appropriations   | -   | -  | -                                 | -   |
| Reversions   | -   | -  | -                                 | -   |
| Transfers: severance   | -   | -  | -                                 | -   |
| tax bond appropriation   | -   | -  | -                                 | -   |
| Transfers: intra/inter-agency  | 300,000   | -  | -                                 | -   |
| <b>Total Other Financing Sources (Uses)</b>                          | <b>300,000</b>  | <b>-</b>   | <b>-</b>                          | <b>-</b>  |
| <b>Net Changes in Fund Balance</b>                                   | <b>917,657</b>  | <b>(316,468)</b>   | <b>(2,933,361)</b>                | <b>2,994,183</b>                                  |
| <b>Fund Balance, June 30, 2016</b>                                   | <b>2,689,602</b>  | <b>(167,318)</b>   | <b>5,748,927</b>                  | <b>22,371,494</b>                                 |
| <b>Fund Balance, June 30, 2017</b>                                   | <b>\$ 3,607,259</b>   | <b>\$ (483,786)</b>  | <b>\$ 2,815,566</b>               | <b>\$ 25,365,677</b>                              |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Fund Type -**  
**Non Major Funds**

| State Aviation<br>Fund | 2004A GRIP<br>Bond Project<br>Fund | 2006D GRIP<br>Bond Project<br>Fund | 2010A Bond<br>Project Fund | 2014A Bond<br>Project Fund | Total<br>Special Revenue<br>Funds |
|------------------------|------------------------------------|------------------------------------|----------------------------|----------------------------|-----------------------------------|
| (SHARE 20500)          | (SHARE 20400)                      | (SHARE 10270)                      | (SHARE 10450)              | (SHARE 11970)              |                                   |
| \$ 4,990,837           | \$ -                               | \$ -                               | \$ -                       | \$ -                       | \$ 25,638,847                     |
| 340,159                | -                                  | -                                  | -                          | -                          | 27,202,398                        |
| 49,631                 | -                                  | -                                  | -                          | -                          | 49,631                            |
| -                      | -                                  | -                                  | -                          | -                          | 12,019,559                        |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| 175,981                | -                                  | -                                  | -                          | -                          | 511,568                           |
| 56,033                 | -                                  | 6                                  | 65                         | 178,714                    | 368,326                           |
| <u>5,612,641</u>       | <u>-</u>                           | <u>6</u>                           | <u>65</u>                  | <u>178,714</u>             | <u>65,790,329</u>                 |
| 53,116                 | -                                  | -                                  | -                          | -                          | 82,272                            |
| 281,668                | -                                  | -                                  | -                          | -                          | 1,097,649                         |
| 11,853                 | -                                  | -                                  | -                          | -                          | 53,328                            |
| 4,800,454              | -                                  | -                                  | -                          | -                          | 43,488,728                        |
| 3,075                  | -                                  | -                                  | -                          | -                          | 7,131                             |
| 4,488                  | -                                  | -                                  | -                          | -                          | 4,488                             |
| 51,069                 | -                                  | -                                  | -                          | -                          | 52,128                            |
| 707,882                | -                                  | -                                  | -                          | 52,597                     | 9,649,102                         |
| 2,531                  | -                                  | -                                  | -                          | -                          | 48,018                            |
| 119,847                | -                                  | -                                  | -                          | -                          | 449,610                           |
| -                      | -                                  | -                                  | -                          | 23,656,580                 | 23,656,580                        |
| -                      | -                                  | -                                  | -                          | -                          | 6,232,742                         |
| -                      | -                                  | -                                  | -                          | -                          | 4,560,276                         |
| <u>6,035,983</u>       | <u>-</u>                           | <u>-</u>                           | <u>-</u>                   | <u>23,709,177</u>          | <u>89,382,052</u>                 |
| <u>(423,342)</u>       | <u>-</u>                           | <u>6</u>                           | <u>65</u>                  | <u>(23,530,463)</u>        | <u>(23,591,723)</u>               |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| -                      | -                                  | -                                  | -                          | -                          | -                                 |
| -                      | -                                  | -                                  | (32,577)                   | -                          | 267,423                           |
| -                      | -                                  | -                                  | (32,577)                   | -                          | 267,423                           |
| <u>(423,342)</u>       | <u>-</u>                           | <u>6</u>                           | <u>(32,512)</u>            | <u>(23,530,463)</u>        | <u>(23,324,300)</u>               |
| 11,286,335             | 112,078                            | -                                  | 32,512                     | 47,509,155                 | 89,582,785                        |
| <u>\$ 10,862,993</u>   | <u>\$ 112,078</u>                  | <u>\$ 6</u>                        | <u>\$ -</u>                | <u>\$ 23,978,692</u>       | <u>\$ 66,258,485</u>              |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Fund Type -**  
**Non Major Funds**

For the Year Ended June 30, 2017

|  | Capital Projects<br>Fund | STB Capital<br>Outlay Fund | GF Capital<br>Outlay Fund | Total<br>Capital Projects<br>Funds |
|--|--------------------------|----------------------------|---------------------------|------------------------------------|
|  | (SHARE 10050)            | (SHARE 89200)              | (SHARE 93100)             |                                    |
| <b>Revenues:</b>   |                          |                            |                           |                                    |
| User and fuel taxes  | \$ -                     | \$ -                       | \$ -                      | \$ -                               |
| U.S. Department of Transportation                                    | -                        | -                          | -                         | -                                  |
| Fees and fines   | -                        | -                          | -                         | -                                  |
| Licenses and permits   | -                        | -                          | -                         | -                                  |
| Charges for services   | -                        | -                          | -                         | -                                  |
| Other revenue  | -                        | -                          | -                         | -                                  |
| Interest earnings  | -                        | -                          | -                         | -                                  |
| <b>Total Revenues</b>  | <b>-</b>                 | <b>-</b>                   | <b>-</b>                  | <b>-</b>                           |
| <b>Expenditures:</b>   |                          |                            |                           |                                    |
| Current:   |                          |                            |                           |                                    |
| Operating costs  | -                        | -                          | -                         | -                                  |
| Personal services  | -                        | -                          | -                         | -                                  |
| Out-of-state travel  | -                        | -                          | -                         | -                                  |
| Grants and services  | -                        | 660,150                    | -                         | 660,150                            |
| Travel   | -                        | -                          | -                         | -                                  |
| Maintenance and repairs  | -                        | -                          | -                         | -                                  |
| Supplies   | -                        | -                          | -                         | -                                  |
| Contractual services   | 800,096                  | 10,048,613                 | -                         | 10,848,709                         |
| Other costs  | -                        | -                          | -                         | -                                  |
| Employee benefits  | -                        | -                          | -                         | -                                  |
| Capital outlay   | -                        | 80,609                     | -                         | 80,609                             |
| Debt service:  |                          |                            |                           |                                    |
| Principal  | -                        | -                          | -                         | -                                  |
| Interest   | -                        | -                          | -                         | -                                  |
| <b>Total Expenditures</b>  | <b>800,096</b>           | <b>10,789,372</b>          | <b>-</b>                  | <b>11,589,468</b>                  |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <b>(800,096)</b>         | <b>(10,789,372)</b>        | <b>-</b>                  | <b>(11,589,468)</b>                |
| <b>Other Financing Sources (Uses):</b>                               |                          |                            |                           |                                    |
| Appropriations   | -                        | -                          | -                         | -                                  |
| Reversions   | -                        | -                          | (27,150,000)              | (27,150,000)                       |
| Transfers: severance   | -                        | -                          | -                         | -                                  |
| tax bond appropriation   | -                        | 10,789,372                 | -                         | 10,789,372                         |
| Transfers: intra/inter-agency  | -                        | -                          | -                         | -                                  |
| <b>Total Other Financing Sources (Uses)</b>                          | <b>-</b>                 | <b>10,789,372</b>          | <b>(27,150,000)</b>       | <b>(16,360,628)</b>                |
| <b>Net Changes in Fund Balance</b>                                   | <b>(800,096)</b>         | <b>-</b>                   | <b>(27,150,000)</b>       | <b>(27,950,096)</b>                |
| <b>Fund Balance, June 30, 2016</b>                                   | <b>2,018,274</b>         | <b>-</b>                   | <b>27,150,000</b>         | <b>29,168,274</b>                  |
| <b>Fund Balance, June 30, 2017</b>                                   | <b>\$ 1,218,178</b>      | <b>\$ -</b>                | <b>\$ -</b>               | <b>\$ 1,218,178</b>                |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Fund Type -**  
**Non Major Funds**

| 2006A GRIP<br>Bond Debt<br>Service Fund<br>(SHARE 10220) | 2006B GRIP<br>Bond Debt<br>Service Fund<br>(SHARE 10240) | 2008A GRIP<br>Bond Debt<br>Service Fund<br>(SHARE 10410) | 2008B GRIP<br>Bond Debt<br>Service Fund<br>(SHARE 10420) | 2008C GRIP<br>Bond Debt<br>Service Fund<br>(SHARE 10430) | 2009A Bond<br>Debt Service<br>Fund<br>(SHARE 11130) |
|--|--|--|--|--|---|
| \$ -   | \$ -   | \$ -   | \$ -   | \$ -   | \$ -  |
| -  | -  | -  | -  | -  | -   |
| -  | -  | -  | -  | -  | -   |
| -  | -  | -  | -  | -  | -   |
| -  | -  | 76,974   | 146,999  | 56,662   | -   |
| 2,452  | 923  | 570,013  | 2,248,502  | 417,721  | 13,273  |
| 2,452  | 923  | 646,987  | 2,395,501  | 474,383  | 13,273  |
| -  | -  | -  | -  | -  | -   |
| -  | -  | -  | -  | -  | -   |
| -  | -  | -  | -  | -  | -   |
| -  | -  | -  | -  | -  | -   |
| -  | -  | -  | -  | -  | -   |
| -  | -  | -  | -  | -  | -   |
| -  | -  | -  | -  | -  | -   |
| -  | -  | -  | 555,405  | 363,478  | -   |
| -  | -  | -  | 555,405  | 363,478  | -   |
| 2,452  | 923  | 646,987  | 1,840,096  | 110,905  | 13,273  |
| -  | -  | -  | -  | -  | -   |
| -  | -  | -  | -  | -  | -   |
| 36,450   | (3,873)  | -  | -  | -  | (23,480)  |
| 36,450   | (3,873)  | -  | -  | -  | (23,480)  |
| 38,902   | (2,950)  | 646,987  | 1,840,096  | 110,905  | (10,207)  |
| 2,946  | 2,950  | 1,760,568  | 4,920,557  | 1,145,744  | 10,207  |
| \$ 41,848  | \$ -   | \$ 2,407,555   | \$ 6,760,653   | \$ 1,256,649   | \$ -  |

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Fund Type -**  
**Non Major Funds**

For the Year Ended June 30, 2017

|  | 2010A Bond<br>Debt Service<br>Fund | 2010B Bond<br>Debt Service<br>Fund | 2012A Bond<br>Debt Service<br>Fund | 2014A Bond<br>Debt Service<br>Fund |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|  | (SHARE 11140)                      | (SHARE 20450)                      | (SHARE 30850)                      | (SHARE 11960)                      |
| <b>Revenues:</b>   |                                    |                                    |                                    |                                    |
| User and fuel taxes  | \$ -                               | \$ -                               | \$ -                               | \$ -                               |
| U.S. Department of Transportation                                    | -                                  | -                                  | -                                  | -                                  |
| Fees and fines   | -                                  | -                                  | -                                  | -                                  |
| Licenses and permits   | -                                  | -                                  | -                                  | -                                  |
| Charges for services   | -                                  | -                                  | -                                  | -                                  |
| Other revenue  | -                                  | -                                  | 1                                  | -                                  |
| Interest earnings  | 11,867                             | 203,614                            | 11,987                             | 4,467                              |
| <b>Total Revenues</b>  | <b>11,867</b>                      | <b>203,614</b>                     | <b>11,988</b>                      | <b>4,467</b>                       |
| <b>Expenditures:</b>   |                                    |                                    |                                    |                                    |
| Current:   |                                    |                                    |                                    |                                    |
| Operating costs  | -                                  | -                                  | -                                  | -                                  |
| Personal services  | -                                  | -                                  | -                                  | -                                  |
| Out-of-state travel  | -                                  | -                                  | -                                  | -                                  |
| Grants and services  | -                                  | -                                  | -                                  | -                                  |
| Travel   | -                                  | -                                  | -                                  | -                                  |
| Maintenance and repairs  | -                                  | -                                  | -                                  | -                                  |
| Supplies   | -                                  | -                                  | -                                  | -                                  |
| Contractual services   | -                                  | -                                  | -                                  | -                                  |
| Other costs  | -                                  | -                                  | -                                  | -                                  |
| Employee benefits  | -                                  | -                                  | -                                  | -                                  |
| Capital outlay   | -                                  | -                                  | -                                  | -                                  |
| Debt service:  |                                    |                                    |                                    |                                    |
| Principal  | -                                  | -                                  | -                                  | -                                  |
| Interest   | -                                  | -                                  | -                                  | -                                  |
| <b>Total Expenditures</b>  | <b>-</b>                           | <b>-</b>                           | <b>-</b>                           | <b>-</b>                           |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <b>11,867</b>                      | <b>203,614</b>                     | <b>11,988</b>                      | <b>4,467</b>                       |
| <b>Other Financing Sources (Uses):</b>                               |                                    |                                    |                                    |                                    |
| Appropriations   | -                                  | -                                  | -                                  | -                                  |
| Reversions   | -                                  | -                                  | -                                  | -                                  |
| Transfers: severance   | -                                  | -                                  | -                                  | -                                  |
| tax bond appropriation   | -                                  | -                                  | -                                  | -                                  |
| Transfers: intra/inter-agency  | -                                  | -                                  | 23,480                             | -                                  |
| <b>Total Other Financing Sources (Uses)</b>                          | <b>-</b>                           | <b>-</b>                           | <b>23,480</b>                      | <b>-</b>                           |
| <b>Net Changes in Fund Balance</b>                                   | <b>11,867</b>                      | <b>203,614</b>                     | <b>35,468</b>                      | <b>4,467</b>                       |
| <b>Fund Balance, June 30, 2016</b>                                   | <b>7,963</b>                       | <b>14,486</b>                      | <b>47,633</b>                      | <b>56,968</b>                      |
| <b>Fund Balance, June 30, 2017</b>                                   | <b>\$ 19,830</b>                   | <b>\$ 218,100</b>                  | <b>\$ 83,101</b>                   | <b>\$ 61,435</b>                   |

See Independent Auditors' Report



**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Fund Type -**  
**Non Major Funds**

| 2014B Bond<br>Debt Service<br>Fund<br><br>(SHARE 50110) | Total<br>Debt Service<br>Funds | Total<br>Non Major<br>Governmental<br>Funds |
|---|--------------------------------|---|
| \$ -  | \$ -                           | \$ 25,638,847                               |
| -   | -                              | 27,202,398                                  |
| -   | -                              | 49,631                                      |
| -   | -                              | 12,019,559                                  |
| -   | -                              | -   |
| 1   | 280,637                        | 792,205                                     |
| 5,428   | 3,490,247                      | 3,858,573                                   |
| <u>5,429</u>  | <u>3,770,884</u>               | <u>69,561,213</u>                           |
| -   | -                              | 82,272                                      |
| -   | -                              | 1,097,649                                   |
| -   | -                              | 53,328                                      |
| -   | -                              | 44,148,878                                  |
| -   | -                              | 7,131                                       |
| -   | -                              | 4,488                                       |
| -   | -                              | 52,128                                      |
| -   | -                              | 20,497,811                                  |
| -   | -                              | 48,018                                      |
| -   | -                              | 449,610                                     |
| -   | -                              | 23,737,189                                  |
| -   | -                              | 6,232,742                                   |
| -   | 918,883                        | 5,479,159                                   |
| <u>-</u>  | <u>918,883</u>                 | <u>101,890,403</u>                          |
| 5,429   | 2,852,001                      | (32,329,190)                                |
| -   | -                              | -   |
| -   | -                              | (27,150,000)                                |
| -   | -                              | 10,789,372                                  |
| -   | 32,577                         | 300,000                                     |
| <u>-</u>  | <u>32,577</u>                  | <u>(16,060,628)</u>                         |
| 5,429   | 2,884,578                      | (48,389,818)                                |
| 145,189   | 8,115,211                      | 126,866,270                                 |
| <u>\$ 150,618</u>                                       | <u>\$ 10,999,789</u>           | <u>\$ 78,476,452</u>                        |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Statement of Revenues and Expenditures - Budget and Actual**  
**(Modified Accrual Basis)**

For the Year Ended June 30, 2017

|   | DEPARTMENT OF TRANSPORTATION                                     |                         |                      |                         |
|---|--|-------------------------|----------------------|-------------------------|
|   | agency wide including enterprise fund excluding multi-year funds |                         |                      |                         |
|   | Budgeted Amounts   |                         | Actual Amounts       | Variance                |
|   | Original   | Final                   | (Modified Accrual)   | Over (Under)            |
| <b>Revenues and Other Financing Sources:</b>                |  |                         |                      |                         |
| Federal funds   | \$ 408,919,800   | \$ 800,307,654          | \$ 394,717,897       | \$ (405,589,757)        |
| Other state funds   | 436,130,100  | 441,151,350             | 450,015,849          | 8,864,499               |
| Transfers outside the agency                                | 300,000  | 6,800,000               | 6,859,930            | 59,930                  |
| Interest revenue  | 1,201,900  | 1,201,900               | 3,990,371            | 2,788,471               |
| <b>Total Revenues and Other Financing Sources</b>           | <b>846,551,800</b>   | <b>1,249,460,904</b>    | <b>855,584,047</b>   | <b>\$ (393,876,857)</b> |
| <b>Prior Year Funds Rebudgeted</b>                          | <b>21,001,200</b>  | <b>126,878,298</b>      |                      |                         |
|   | <b>\$ 867,553,000</b>  | <b>\$ 1,376,339,202</b> |                      |                         |
| <b>Expenditures and Other Financing Uses:</b>               |  |                         |                      |                         |
| Project Design & Construction:                              |  |                         |                      |                         |
| Personal services/employee benefits                         | \$ 25,729,300  | \$ 25,229,300           | 23,102,841           | \$ 2,126,459            |
| Contractual services  | 316,915,300  | 744,260,423             | 308,566,594          | 435,693,829             |
| Other   | 187,260,400  | 230,073,558             | 193,139,171          | 36,934,387              |
| Transfers (in) out  | -  | -                       | 27,353               | (27,353)                |
|   | <b>529,905,000</b>   | <b>999,563,281</b>      | <b>524,835,959</b>   | <b>474,727,322</b>      |
| Highway Operations:   |  |                         |                      |                         |
| Personal services/employee benefits                         | 104,510,100  | 104,510,100             | 99,882,743           | 4,627,357               |
| Contractual services  | 47,522,600   | 69,358,135              | 50,245,954           | 19,112,181              |
| Other   | 81,762,200   | 85,283,786              | 68,102,748           | 17,181,038              |
|   | <b>233,794,900</b>   | <b>259,152,021</b>      | <b>218,231,445</b>   | <b>40,920,576</b>       |
| Business Support:   |  |                         |                      |                         |
| Personal services/employee benefits                         | 24,757,500   | 24,757,500              | 22,628,858           | 2,128,642               |
| Contractual services  | 4,472,800  | 4,472,800               | 3,004,221            | 1,468,579               |
| Other   | 12,941,600   | 12,941,600              | 12,621,896           | 319,704                 |
|   | <b>42,171,900</b>  | <b>42,171,900</b>       | <b>38,254,975</b>    | <b>3,916,925</b>        |
| Modal:  |  |                         |                      |                         |
| Personal services/employee benefits                         | 3,657,600  | 4,457,600               | 3,479,196            | \$ 978,404              |
| Contractual services  | 24,062,900   | 33,808,700              | 20,836,632           | 12,972,068              |
| Other   | 33,960,700   | 37,185,700              | 13,440,035           | 23,745,665              |
|   | <b>61,681,200</b>  | <b>75,452,000</b>       | <b>37,755,863</b>    | <b>37,696,137</b>       |
| <b>Total Budgeted Expenditures and Other Financing Uses</b> | <b>\$ 867,553,000</b>  | <b>\$ 1,376,339,202</b> | <b>819,078,242</b>   | <b>\$ 557,260,960</b>   |
| <b>Non-Budgeted Items:</b>                                  |  |                         |                      |                         |
| Reversions  |  |                         | -                    |                         |
| <b>Total Expenditures and Other Financing Uses</b>          |  |                         | <b>819,078,242</b>   |                         |
| <b>Excess (Deficiency) of Revenues Over (Under)</b>         |  |                         |                      |                         |
| <b>Expenditures and Other Financing Sources and Uses</b>    |  |                         | <b>\$ 36,505,805</b> |                         |

The legal level of budgetary compliance is at the appropriation program level at the entity-wide level, except for multiyear funds. The Department is compliant with the budgets at the P-code level.

See Independent Auditors' Report

**OTHER INFORMATION - SCHEDULES REQUIRED UNDER 2.2.2 NMAC**

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Schedule of General Fund Components - Balance Sheet**

As of June 30, 2017

|  | Departmental<br>Services-<br>Inventories<br>Fund<br>(SHARE 10040) | State Road<br>Fund<br>(SHARE 20100) | Interfund<br>Activity | State Road<br>Fund(s)<br>(SHARE 10040 and<br>20100) |
|--|---|-------------------------------------|-----------------------|---|
| <b>Assets:</b>   |   |                                     |                       |   |
| Cash:  |   |                                     |                       |   |
| Unrestricted   | \$ -  | \$ 1,100                            | \$ -                  | \$ 1,100  |
| Cash equivalents:  |   |                                     |                       |   |
| Investment in SGFIP  | -   | 159,457,376                         | -                     | 159,457,376   |
| Managed by NMFA  | -   | 220,068                             | -                     | 220,068   |
| Receivables:   |   |                                     |                       |   |
| Accounts receivable, net   | -   | 1,420,661                           | -                     | 1,420,661   |
| Interest receivable  | -   | 232                                 | -                     | 232   |
| Other receivables  | -   | 232,487                             | -                     | 232,487   |
| Due from:  |   |                                     |                       |   |
| U.S. Department of Transportation  | -   | 36,351,545                          | -                     | 36,351,545  |
| Other funds  | 213,655   | 3,564,979                           | (213,655)             | 3,564,979   |
| Other state agencies   | -   | 37,206,152                          | -                     | 37,206,152  |
| Local governments  | -   | 3,600                               | -                     | 3,600   |
| Inventories  | 13,715,593  | -                                   | -                     | 13,715,593  |
| Prepaid expenses - other   | -   | 15,710                              | -                     | 15,710  |
| Prepaid expenses - NM44 warranty   | -   | 12,635,000                          | -                     | 12,635,000  |
| Property held for resale   | -   | 10,681,010                          | -                     | 10,681,010  |
| <b>Total Assets</b>  | <b>\$ 13,929,248</b>  | <b>\$ 261,789,920</b>               | <b>\$ (213,655)</b>   | <b>\$ 275,505,513</b>                               |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balance:</b>      |   |                                     |                       |   |
| <b>Liabilities:</b>  |   |                                     |                       |   |
| Accounts payable   | \$ 372,044  | \$ 51,569,058                       | \$ -                  | \$ 51,941,102                                       |
| Due to:  |   |                                     |                       |   |
| U.S. Department of Transportation  | -   | -                                   | -                     | -   |
| Other funds  | -   | 213,655                             | (213,655)             | -   |
| Other state agencies   | -   | 114,735                             | -                     | 114,735   |
| Local governments  | -   | 1,411,561                           | -                     | 1,411,561   |
| Component units of the state   | -   | 171,949                             | -                     | 171,949   |
| Unearned revenue   | -   | 4,869,008                           | -                     | 4,869,008   |
| Other accrued expenses   | -   | 5,468,184                           | -                     | 5,468,184   |
| Deficiency in SGFIP  | 9,799,170   | -                                   | -                     | 9,799,170   |
| Other liabilities  | (22,026)  | 3,704                               | -                     | (18,322)  |
| <b>Total Liabilities</b>   | <b>10,149,188</b>   | <b>63,821,854</b>                   | <b>(213,655)</b>      | <b>73,757,387</b>                                   |
| <b>Deferred Inflows of Resources:</b>                                    |   |                                     |                       |   |
| Amounts unavailable (not received within period of availability)         | -   | 993,949                             | -                     | 993,949   |
| <b>Total Deferred Inflows of Resources</b>                               | <b>-</b>  | <b>993,949</b>                      | <b>-</b>              | <b>993,949</b>                                      |
| <b>Fund Balance:</b>   |   |                                     |                       |   |
| Non-spendable  | 13,715,593  | 23,331,720                          | -                     | 37,047,313  |
| Restricted   | -   | 173,642,397                         | -                     | 173,642,397   |
| Unassigned   | (9,935,533)   | -                                   | -                     | (9,935,533)   |
| <b>Total Fund Balance</b>  | <b>3,780,060</b>  | <b>196,974,117</b>                  | <b>-</b>              | <b>200,754,177</b>                                  |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <b>\$ 13,929,248</b>  | <b>\$ 261,789,920</b>               | <b>\$ (213,655)</b>   | <b>\$ 275,505,513</b>                               |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Schedule of General Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance**

For the Year Ended June 30, 2017

|  | Departmental<br>Services-<br>Inventories<br>Fund<br>(SHARE 10040) | State Road<br>Fund<br>(SHARE 20100) | Interfund<br>Activity | State Road<br>Fund(s)<br>(SHARE 10040 and<br>20100) |
|--|---|-------------------------------------|-----------------------|---|
| <b>Revenues:</b>   |   |                                     |                       |   |
| User and fuel taxes  | \$ -  | \$ 391,201,310                      | \$ -                  | \$ 391,201,310                                      |
| U.S. Department of Transportation                                    | -   | 367,515,499                         | -                     | 367,515,499   |
| Fees and fines   | -   | -                                   | -                     | -   |
| Licenses and permits   | -   | 9,730,711                           | -                     | 9,730,711   |
| Charges for services   | -   | 4,989,357                           | -                     | 4,989,357   |
| Other revenue  | 612   | 5,593,617                           | -                     | 5,594,229   |
| Interest earnings  | -   | 310,583                             | -                     | 310,583   |
| <b>Total Revenues</b>  | <b>612</b>  | <b>779,341,077</b>                  | <b>-</b>              | <b>779,341,689</b>                                  |
| <b>Expenditures:</b>   |   |                                     |                       |   |
| Current:   |   |                                     |                       |   |
| Operating costs  | -   | 10,531,723                          | -                     | 10,531,723  |
| Personal services  | -   | 97,177,610                          | -                     | 97,177,610  |
| Out-of-state travel  | -   | 102,615                             | -                     | 102,615   |
| Grants and services  | -   | 1,410,669                           | -                     | 1,410,669   |
| Travel   | -   | 15,991,632                          | -                     | 15,991,632  |
| Maintenance and repairs  | -   | 11,053,727                          | -                     | 11,053,727  |
| Supplies   | -   | 34,353,185                          | -                     | 34,353,185  |
| Contractual services   | -   | 156,961,565                         | -                     | 156,961,565   |
| Other costs  | 124,451   | 3,883,771                           | -                     | 4,008,222   |
| Employee benefits  | -   | 50,368,769                          | -                     | 50,368,769  |
| Capital outlay   | -   | 224,757,926                         | -                     | 224,757,926   |
| Debt service:  |   |                                     |                       |   |
| Principal  | -   | 87,422,258                          | -                     | 87,422,258  |
| Interest   | -   | 58,319,230                          | -                     | 58,319,230  |
| <b>Total Expenditures</b>  | <b>124,451</b>  | <b>752,334,680</b>                  | <b>-</b>              | <b>752,459,131</b>                                  |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <b>(123,839)</b>  | <b>27,006,397</b>                   | <b>-</b>              | <b>26,882,558</b>                                   |
| <b>Other Financing Sources (Uses):</b>                               |   |                                     |                       |   |
| Appropriations   | -   | -                                   | -                     | -   |
| Reversions   | -   | -                                   | -                     | -   |
| Transfers: severance<br>tax bond appropriation                       | -   | -                                   | -                     | -   |
| Transfers: intra/inter-agency  | -   | 6,500,000                           | -                     | 6,500,000   |
| <b>Total Other Financing Sources (Uses)</b>                          | <b>-</b>  | <b>6,500,000</b>                    | <b>-</b>              | <b>6,500,000</b>                                    |
| <b>Net Changes in Fund Balance</b>                                   | <b>(123,839)</b>  | <b>33,506,397</b>                   | <b>-</b>              | <b>33,382,558</b>                                   |
| <b>Fund Balance, June 30, 2016</b>                                   | <b>3,903,899</b>  | <b>163,467,720</b>                  | <b>-</b>              | <b>167,371,619</b>                                  |
| <b>Fund Balance, June 30, 2017</b>                                   | <b>\$ 3,780,060</b>   | <b>\$ 196,974,117</b>               | <b>\$ -</b>           | <b>\$ 200,754,177</b>                               |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Capital Projects**

As of June 30, 2017

|   | Budgeted Amounts     |                      | Prior Years<br>Expenditures |
|---|----------------------|----------------------|-----------------------------|
|   | Original             | Final                |                             |
| Expenditures for 2014 multi-year projects |                      |                      |                             |
| Capital outlay                            | \$ 50,442,894        | \$ 50,442,894        | \$ 50,047,045               |
| Expenditures for 2015 multi-year projects |                      |                      |                             |
| Capital outlay                            | 1,709,000            | 1,709,000            | 86,575                      |
| <b>Total Expenditures</b>                 | <b>\$ 52,151,894</b> | <b>\$ 52,151,894</b> | <b>\$ 50,133,620</b>        |

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Supplemental Schedule of Capital Projects**

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| Current Year<br>Expenditures | Total<br>Actual | Outstanding<br>Encumbrances | Current Year<br>Reversion | Remaining<br>Balance |
|------------------------------|-----------------|-----------------------------|---------------------------|----------------------|
| \$ -                         | \$ 50,047,045   | \$ -                        | \$ -                      | \$ 395,849           |
| 800,096                      | 886,671         | 448,499                     | -                         | 373,830              |
| \$ 800,096                   | \$ 50,933,716   | \$ 448,499                  | \$ -                      | \$ 769,679           |

**Capital Projects Fund**

Under the Laws of 2012, HB 191, Section 27 and a capital budget adjustment (CBAR) approved by the State Transportation Commission in September of 2013. The Department received \$45,442,894 from the City of Albuquerque and \$5,000,000 from Bernalillo County as a local match towards the I-25 and Paseo Del Norte interchange reconstruction project.

Under the Laws of 2015, SB1, Chapter 3, Section 50, the Department was appropriated \$1,600,000 from the 1993 Bond Project Fund to the Department for construction of a bridge across the Puerco river on Allison Road in Gallup in McKinley County. Any unexpended or unencumbered balance remaining at the end of the 2019 fiscal year will revert to the State Road Fund. The appropriation period is for 4 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2015, SB1, Chapter 3, Section 83, the Department was appropriated \$109,000 from the State Road Fund to replace the boiler, including piping and related infrastructure, in the annex of the general office complex in Santa Fe. Any unexpended or unencumbered balance remaining at the end of the 2019 fiscal year will revert to the State Road Fund. The appropriation period is for 4 years unless re-authorized or extended by enabling legislation.



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**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Severance Tax Bonds**

As of June 30, 2017

| <u>Laws</u> | <u>Chapter</u> | <u>Bonds<br/>Appropriated</u> | <u>Bonds Sold</u>     | <u>Amounts AIPP</u> | <u>Funds<br/>Reauthorized</u> |
|-------------|----------------|-------------------------------|-----------------------|---------------------|-------------------------------|
| 2012        | 64             | \$ 30,810,751                 | \$ 30,810,751         | \$ -                | \$ (10,915)                   |
| 2013        | 226            | 11,982,070                    | 11,982,070            | -                   | (1,971,448)                   |
| 2014        | 66             | 18,500,162                    | 18,500,162            | (4,250)             | (1,790,750)                   |
| 2015        | 3              | 40,605,376                    | 40,605,376            | -                   | (150,000)                     |
| 2015        | 147            | 35,000                        | 35,000                | -                   | 277,086                       |
| 2016        | 5              | 27,150,000                    | 27,150,000            | -                   | -                             |
| 2016        | 81             | 10,857,428                    | 10,557,428            | -                   | -                             |
| 2016        | 83             | -                             | -                     | -                   | 859,550                       |
| 2017        | 133            | -                             | -                     | -                   | 1,255,362                     |
|             |                | <u>\$ 139,940,787</u>         | <u>\$ 139,640,787</u> | <u>\$ (4,250)</u>   | <u>\$ (1,531,115)</u>         |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Severance Tax Bonds**

| <b>Funds<br/>Reverted</b> | <b>Bond Balance<br/>After<br/>Reauthorization</b> | <b>Funds<br/>Received</b> | <b>Expended<br/>To Date</b> | <b>Balance<br/>Available</b> | <b>Due from<br/>Board of Finance</b> |
|---------------------------|---|---------------------------|-----------------------------|------------------------------|--------------------------------------|
| \$ (192,105)              | \$ 30,607,731                                     | \$ 30,607,731             | \$ 30,607,731               | \$ -                         | \$ -                                 |
| (873,000)                 | 9,137,622   | 8,738,593                 | 8,738,593                   | 399,029                      | -                                    |
| (170,000)                 | 16,535,162  | 8,341,912                 | 8,341,912                   | 8,193,250                    | -                                    |
| -                         | 40,455,376  | 4,313,902                 | 4,313,902                   | 36,141,474                   | -                                    |
| -                         | 312,086   | 207,086                   | 207,086                     | 105,000                      | -                                    |
| -                         | 27,150,000  | 272,119                   | 272,119                     | 26,877,881                   | -                                    |
| -                         | 10,557,428  | 868,022                   | 868,022                     | 9,689,406                    | -                                    |
| -                         | 859,550   | 286,418                   | 286,418                     | 573,132                      | -                                    |
| -                         | 1,255,362   | 20,378                    | 20,378                      | 1,234,984                    | -                                    |
| <u>\$ (1,235,105)</u>     | <u>\$ 136,870,317</u>                             | <u>\$ 53,656,161</u>      | <u>\$ 53,656,161</u>        | <u>\$ 83,214,156</u>         | <u>\$ -</u>                          |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Notes to Supplemental Schedule of Severance Tax Bonds**

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**STB Capital Outlay Fund**

Severance tax bond proceeds as of June 30, 2017, appropriated to the Department, were held by the State Board of Finance to reimburse expenditures incurred by the Department. The activity of this account is as follows:

|   |                             |
|---|-----------------------------|
| Balance, beginning of year                      | \$ 71,934,508               |
| Sale and reauthorization of severance tax bonds | 25,584,250                  |
| Funding from the State Board of Finance         | (13,069,498)                |
| Reversion to the State Board of Finance         | <u>(1,235,104)</u>          |
| <b>Balance, end of year</b>                     | <b><u>\$ 83,214,156</u></b> |

The funding for the year ended June 30, 2017 was received under the Laws of 2012, Chapter 64; Laws of 2013, Chapter 226; Laws of 2014, Chapter 66; Laws of 2015, Chapters 3 and 147; Laws of 2016, Chapters 5, 81 and 83; Laws of 2017, Chapter 133.

The State of New Mexico Legislature has authorized the State Board of Finance to issue and sell revenue bonds that are to be retired using future taxes levied against the extractive industries in the state. The proceeds from bonds sold are appropriated to the Department to be used for specific programs and are recorded as revenues by the Department. Expenditures incurred by the Department for such programs are reimbursable from the State Board of Finance. The Department of Finance and Administration revised the accounting policy for the State regarding Severance Tax Bond draws, as a result the Department did not record inter-agency receivables and payables for year end accruals instead adjusting Cash equivalents - Investment in SGFIP.

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**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Special Appropriations**

As of June 30, 2017

|  | <b>Appropriation<br/>Amount</b> | <b>Expenditures<br/>Inception to<br/>June 30, 2017</b> |
|--|---------------------------------|--|
| <b>GF Capital Outlay Fund</b>                        |                                 |  |
| Laws of 2015 Special Session 1, Chapter 3            | \$ 22,500,000                   | \$ -   |
| Laws of 2015 Special Session 1, Chapter 3            | 4,000,000                       | -  |
| Laws of 2015 Special Session 1, Chapter 3            | 650,000                         | -  |
|  | 27,150,000                      | -  |
| <b>Capital Projects Fund</b>                         |                                 |  |
| Laws of 2012, HB 191 Section 27 and CBAR 2013        | 50,442,894                      | 50,047,045   |
| Laws of 2015 Special Session1, Chapter 3, Section 50 | 1,600,000                       | 800,096  |
| Laws of 2015 Special Session1, Chapter 3, Section 83 | 109,000                         | 86,575   |
|  | 52,151,894                      | 50,933,716   |
| <b>Total all Fund Types</b>                          | <b>\$ 79,301,894</b>            | <b>\$ 50,933,716</b>                                   |

\*\* Note: State House and Senate Memorials are directions on how appropriated monies should be spent. They are not laws.

**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Special Appropriations**

| <b>Encumbrances<br/>Balance as of<br/>June 30, 2017</b> | <b>Re-appropriation<br/>Amount</b> | <b>Reversion<br/>Amount</b> | <b>Balance<br/>as of<br/>June 30, 2017</b> |
|---|------------------------------------|-----------------------------|--|
| \$ -  | \$ -                               | \$ (22,500,000)             | \$ -                                       |
| -   | -                                  | (4,000,000)                 | -  |
| -   | -                                  | (650,000)                   | -  |
| -   | -                                  | (27,150,000)                | -  |
| -   | -                                  | -                           | 395,849                                    |
| 448,499   | -                                  | -                           | 351,405                                    |
| -   | -                                  | -                           | 22,425                                     |
| 448,499   | -                                  | -                           | 769,679                                    |
| \$ 448,499  | \$ -                               | \$ (27,150,000)             | \$ 769,679                                 |

See Independent Auditors' Report

**GF Capital Outlay Fund**

Under the Laws of Special Session 2015, Chapter 3, the Department was appropriated \$22,500,000 for State Road Improvements. Any unexpended or unencumbered balance remaining at the end of the 2018 fiscal year will revert to the State General Fund. The appropriation period is for 3 years unless re-authorized or extended by enabling legislation. Under the Laws of Special Session 2016, Chapter 5, the Department reverted the unexpended appropriation balance to the State General Fund.

Under the Laws of Special Session 2015, Chapter 3, the Department was appropriated \$4,000,000 for Santa Teresa, NM Road Improvements. Any unexpended or unencumbered balance remaining at the end of the 2018 fiscal year will revert to the State General Fund. The appropriation period is for 3 years unless re-authorized or extended by enabling legislation. Under the Laws of Special Session 2016, Chapter 5, the Department reverted the unexpended appropriation balance to the State General Fund.

Under the Laws of Special Session 2015, Chapter 3, the Department was appropriated \$650,000 for Allison Road Bridge Replacement in Gallup, NM. Any unexpended or unencumbered balance remaining at the end of the 2018 fiscal year will revert to the State General Fund. The appropriation period is for 3 years unless re-authorized or extended by enabling legislation. Under the Laws of Special Session 2016, Chapter 5, the Department reverted the unexpended appropriation balance to the State General Fund.



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**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Special Revenue - Bond Projects**

As of June 30, 2017

|                              | Budgeted Amounts |                | Received<br>Prior Year(s) | Received<br>Current Year |
|------------------------------|------------------|----------------|---------------------------|--------------------------|
|                              | Original         | Final          |                           |                          |
| <b>Special Revenue Funds</b> |                  |                |                           |                          |
| 2010A Bond Project Fund      | \$ 200,000,000   | \$ 200,000,000 | \$ 200,124,915            | \$ 65                    |
| 2014A Bond Project Fund      | -                | 80,000,000     | 80,091,639                | 178,714                  |
| <b>Total</b>                 | \$ 200,000,000   | \$ 280,000,000 | \$ 280,216,554            | \$ 178,779               |

**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Special Revenue - Bond Projects**

| <u>Total<br/>Revenue</u>     | <u>Variance From<br/>Final Budget<br/>Over (Under)</u> | <u>Expended<br/>Prior Year(s)</u> | <u>Expended<br/>Current Year</u> | <u>Total<br/>Expenditures</u> | <u>Variance From<br/>Final Budget<br/>(Over) Under</u> |
|------------------------------|--|-----------------------------------|----------------------------------|-------------------------------|--|
| \$ 200,124,980               | \$ 124,980   | \$ 200,092,403                    | \$ 32,577                        | \$ 200,124,980                | \$ (124,980)   |
| <u>80,270,353</u>            | <u>270,353</u>   | <u>32,582,484</u>                 | <u>23,709,177</u>                | <u>56,291,661</u>             | <u>23,708,339</u>                                      |
| <u><u>\$ 280,395,333</u></u> | <u><u>\$ 395,333</u></u>                               | <u><u>\$ 232,674,887</u></u>      | <u><u>\$ 23,741,754</u></u>      | <u><u>\$ 256,416,641</u></u>  | <u><u>\$ 23,583,359</u></u>                            |

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Supplemental Schedule of Individual Bank Accounts**

As of June 30, 2017

|                                  | SHARE Fund Number                           | Bank<br>Balance | Book<br>Balance | Book<br>Total         |
|----------------------------------|---|-----------------|-----------------|-----------------------|
| <b>Cash</b>                      |   |                 |                 |                       |
| State Road Fund(s)               | 10040 and 20100                             | \$ 1,100        | \$ 1,100        |                       |
| <b>Total Cash</b>                |   |                 |                 | <u>\$ 1,100</u>       |
| <b>Investment in SGFIP</b>       |   |                 |                 |                       |
| Traffic Safety Fund(s)           | 10010, 10020, 20600,<br>20700, 20800, 82600 | \$ 4,983,375    | \$ 4,983,375    |                       |
| State Road Fund(s)               | 10040 and 20100                             | 159,457,376     | 159,457,376     |                       |
| Capital Projects Fund            | 10050                                       | 1,296,204       | 1,296,204       |                       |
| 2010A Bond Project Fund          | 10450                                       | 17,475          | 17,475          |                       |
| HIF Bond Fund                    | 20200                                       | 2,295,286       | 2,295,286       |                       |
| Local Government Road Fund       | 20300                                       | 24,160,142      | 24,160,142      |                       |
| 2004A GRIP Bond Project Fund     | 20400                                       | 112,078         | 112,078         |                       |
| State Aviation Fund              | 20500                                       | 10,785,912      | 10,785,912      |                       |
| STB Capital Outlay Fund          | 89200                                       | 577,058         | 577,058         |                       |
| State Infrastructure Bank        | 89300                                       | 20,223,479      | 20,223,479      |                       |
| <b>Total Investment in SGFIP</b> |   |                 |                 | <u>\$ 223,908,385</u> |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Supplemental Schedule of Individual Bank Accounts**

As of June 30, 2017

|                                      | SHARE Fund Number | Bank<br>Balance | Book<br>Balance | Book<br>Total        |
|--------------------------------------|-------------------|-----------------|-----------------|----------------------|
| <b>Managed by NMFA:</b>              |                   |                 |                 |                      |
| Bank of Albuquerque, trustee account |                   |                 |                 |                      |
| State Road Fund(s)                   | 10040 and 20100   | \$ 220,068      | \$ 220,068      |                      |
| 2006A GRIP Bond Debt Service Fund    | 10220             | 9,222           | 9,222           |                      |
| 2006D GRIP Bond Project Fund         | 10270             | 6               | 6               |                      |
| 2008A GRIP Bond Debt Service Fund    | 10410             | 2,998,256       | 2,998,256       |                      |
| 2008B GRIP Bond Debt Service Fund    | 10420             | 9,349,458       | 9,349,458       |                      |
| 2008C GRIP Bond Debt Service Fund    | 10430             | 1,659,335       | 1,659,335       |                      |
| 2010A Bond Project Fund              | 10450             | 15,092          | 15,092          |                      |
| 2009A Bond Debt Service Fund         | 11130             | 22,061          | 22,061          |                      |
| 2010A Bond Debt Service Fund         | 11140             | 19,372          | 19,372          |                      |
| 2014A Bond Debt Service Fund         | 11960             | 60,919          | 60,919          |                      |
| 2014A Bond Project Fund              | 11970             | 27,700,391      | 27,700,391      |                      |
| 2010B Bond Debt Service Fund         | 20450             | 196,192         | 196,192         |                      |
| 2012A Bond Debt Service Fund         | 30850             | 58,272          | 58,272          |                      |
| 2014B Bond Debt Service Fund         | 50110             | 154,758         | 154,758         |                      |
| <b>Total Managed by NMFA</b>         |                   |                 |                 | <b>\$ 42,463,402</b> |

See Independent Auditors' Report

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Supplemental Schedule of Pledged State Revenues**

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As of June 30, 2017

**Pledged State Revenues**

**Pledged User & Fuel Taxes:**

|  |                    |
|--|--------------------|
| Gasoline excise                            | \$ 113,022,355     |
| Special fuel                               | 100,067,248        |
| Weight/distance tax                        | 84,007,867         |
| Motor vehicle registrations                | 79,231,977         |
| Vehicle transaction                        | 6,439,944          |
| Trip (mileage) tax                         | 5,950,979          |
| Oversize/oversight permit fees             | 5,104,400          |
| Drivers license                            | 3,816,484          |
| Tire recycling fees                        | 1,884,997          |
| <b>Total Pledged User &amp; Fuel Taxes</b> | <u>399,526,251</u> |

**Other Pledged Revenue:**

|                                    |                  |
|------------------------------------|------------------|
| Leased vehicles gross receipts tax | 5,963,828        |
| PRC fees                           | 3,290,767        |
| Road fund interest income          | 309,495          |
| HIF interest income                | 10,832           |
| <b>Total Other Pledged Revenue</b> | <u>9,574,922</u> |

|                                     |                              |
|-------------------------------------|------------------------------|
| <b>Total Pledged State Revenues</b> | <u><u>\$ 409,101,173</u></u> |
|-------------------------------------|------------------------------|

See Independent Auditors' Report

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**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Supplemental Schedule of Debt Service and Coverage**

As of June 30, 2017

|                                     | <u>2006A GRIP</u><br><u>(SHARE 10220)</u> | <u>2006B GRIP</u><br><u>(SHARE 10240)</u> | <u>2008A GRIP</u><br><u>(SHARE 10410)</u> | <u>2008B GRIP</u><br><u>(SHARE 10420)</u> |
|-------------------------------------|---|---|---|---|
| Gasoline Excise Taxes               | \$ 10,274,759                             | \$ 10,274,759                             | \$ 10,274,759                             | \$ 10,274,759                             |
| Special Fuel Excise Taxes           | 9,097,023                                 | 9,097,023                                 | 9,097,023                                 | 9,097,023                                 |
| Weight/Distance Taxes               | 7,637,079                                 | 7,637,079                                 | 7,637,079                                 | 7,637,079                                 |
| Motor Vehicle Registration Fees     | 7,202,907                                 | 7,202,907                                 | 7,202,907                                 | 7,202,907                                 |
| Vehicle Transaction Fees            | 585,450                                   | 585,450                                   | 585,450                                   | 585,450                                   |
| Trip (Mileage) Tax                  | 540,998                                   | 540,998                                   | 540,998                                   | 540,998                                   |
| Oversize/Oversight Permit Fees      | 464,036                                   | 464,036                                   | 464,036                                   | 464,036                                   |
| Driver's License Fees               | 346,953                                   | 346,953                                   | 346,953                                   | 346,953                                   |
| Tire Recycling Fees                 | 171,363                                   | 171,363                                   | 171,363                                   | 171,363                                   |
| Public Regulation Commission Fees   | 299,161                                   | 299,161                                   | 299,161                                   | 299,161                                   |
| Leased Vehicle Gross Receipts Taxes | 542,166                                   | 542,166                                   | 542,166                                   | 542,166                                   |
| FHWA Revenues                       | 33,410,500                                | 33,410,500                                | 33,410,500                                | 33,410,500                                |
|                                     | <u>70,572,395</u>                         | <u>70,572,395</u>                         | <u>70,572,395</u>                         | <u>70,572,395</u>                         |
| Interest on Cash Balances*          | <u>29,121</u>                             | <u>29,121</u>                             | <u>29,121</u>                             | <u>29,121</u>                             |
| <b>Total Pledged Revenues</b>       |   |   |   |   |
| <b>Received</b>                     | <u>\$ 70,601,516</u>                      | <u>\$ 70,601,516</u>                      | <u>\$ 70,601,516</u>                      | <u>\$ 70,601,516</u>                      |

|                                     | <u>2006A GRIP</u>   | <u>2006B GRIP</u>   | <u>2008A GRIP</u>   | <u>2008B GRIP</u>    |
|-------------------------------------|---------------------|---------------------|---------------------|----------------------|
| Debt Service Principal Expenditures | \$ 3,550,000        | \$ 1,500,000        | \$ -                | \$ -                 |
| Debt Service Interest Expenditures  | <u>287,388</u>      | <u>29,544</u>       | <u>5,656,917</u>    | <u>12,998,174</u>    |
| <b>Total Debt Service</b>           | <u>\$ 3,837,388</u> | <u>\$ 1,529,544</u> | <u>\$ 5,656,917</u> | <u>\$ 12,998,174</u> |
| <b>Debt Service Coverage</b>        | 18.40               | 46.16               | 12.48               | 5.43                 |

\*NOTE: In addition to state road fund revenues, pledged revenues include interest earned in the HIF fund.



**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Supplemental Schedule of Debt Service and Coverage**

| <b>2008C GRIP<br/>(SHARE 10430)</b> | <b>2009A Bond<br/>(SHARE 11130)</b> | <b>2010A Bond<br/>(SHARE 11140)</b> | <b>2010B Bond<br/>(SHARE 20450)</b> | <b>2012A Bond<br/>(SHARE 30850)</b> | <b>2014A Bond<br/>(SHARE 11960)</b> |
|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| \$ 10,274,759                       | \$ 10,274,760                       | \$ 10,274,760                       | \$ 10,274,760                       | \$ 10,274,760                       | \$ 10,274,760                       |
| 9,097,023                           | 9,097,023                           | 9,097,022                           | 9,097,022                           | 9,097,022                           | 9,097,022                           |
| 7,637,079                           | 7,637,079                           | 7,637,079                           | 7,637,079                           | 7,637,079                           | 7,637,078                           |
| 7,202,907                           | 7,202,907                           | 7,202,907                           | 7,202,907                           | 7,202,907                           | 7,202,907                           |
| 585,450                             | 585,449                             | 585,449                             | 585,449                             | 585,449                             | 585,449                             |
| 540,998                             | 540,998                             | 540,998                             | 540,998                             | 540,998                             | 540,998                             |
| 464,036                             | 464,036                             | 464,036                             | 464,037                             | 464,037                             | 464,037                             |
| 346,953                             | 346,953                             | 346,953                             | 346,953                             | 346,953                             | 346,953                             |
| 171,363                             | 171,363                             | 171,363                             | 171,364                             | 171,364                             | 171,364                             |
| 299,161                             | 299,161                             | 299,161                             | 299,160                             | 299,160                             | 299,160                             |
| 542,166                             | 542,166                             | 542,166                             | 542,166                             | 542,166                             | 542,167                             |
| <u>33,410,500</u>                   | <u>33,410,500</u>                   | <u>33,410,500</u>                   | <u>33,410,500</u>                   | <u>33,410,500</u>                   | <u>33,410,500</u>                   |
| 70,572,395                          | 70,572,395                          | 70,572,394                          | 70,572,395                          | 70,572,395                          | 70,572,395                          |
| <u>29,121</u>                       | <u>29,121</u>                       | <u>29,121</u>                       | <u>29,120</u>                       | <u>29,120</u>                       | <u>29,120</u>                       |
| <u>\$ 70,601,516</u>                | <u>\$ 70,601,516</u>                | <u>\$ 70,601,515</u>                | <u>\$ 70,601,515</u>                | <u>\$ 70,601,515</u>                | <u>\$ 70,601,515</u>                |

| <b>2008C GRIP</b>   | <b>2009A Bond</b>   | <b>2010A Bond</b>    | <b>2010B Bond</b>    | <b>2012A Bond</b>   | <b>2014A Bond</b>   |
|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|
| \$ -                | \$ 5,065,000        | \$ 13,265,000        | \$ 69,180,000        | \$ 1,095,000        | \$ -                |
| <u>4,287,428</u>    | <u>202,600</u>      | <u>3,585,375</u>     | <u>21,820,250</u>    | <u>7,454,963</u>    | <u>3,505,500</u>    |
| <u>\$ 4,287,428</u> | <u>\$ 5,267,600</u> | <u>\$ 16,850,375</u> | <u>\$ 91,000,250</u> | <u>\$ 8,549,963</u> | <u>\$ 3,505,500</u> |
| 16.47               | 13.40               | 4.19                 | 0.78                 | 8.26                | 20.14               |

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Supplemental Schedule of Debt Service and Coverage**

As of June 30, 2017

|                                     | <b>2014B Bond<br/>(SHARE 50110)</b> | <b>TOTAL</b>   |
|-------------------------------------|-------------------------------------|----------------|
| Gasoline Excise Taxes               | \$ 10,274,760                       | \$ 113,022,355 |
| Special Fuel Excise Taxes           | 9,097,022                           | 100,067,248    |
| Weight/Distance Taxes               | 7,637,078                           | 84,007,867     |
| Motor Vehicle Registration Fees     | 7,202,907                           | 79,231,977     |
| Vehicle Transaction Fees            | 585,449                             | 6,439,944      |
| Trip (Mileage) Tax                  | 540,999                             | 5,950,979      |
| Oversize/Oversight Permit Fees      | 464,037                             | 5,104,400      |
| Driver's License Fees               | 346,954                             | 3,816,484      |
| Tire Recycling Fees                 | 171,364                             | 1,884,997      |
| Public Regulation Commission Fees   | 299,160                             | 3,290,767      |
| Leased Vehicle Gross Receipts Taxes | 542,167                             | 5,963,828      |
| FHWA Revenues                       | 33,410,499                          | 367,515,499    |
|                                     | 70,572,396                          | 776,296,345    |
| Interest on Cash Balances*          | 29,120                              | 320,327        |
| <b>Total Pledged Revenues</b>       |                                     |                |
| <b>Received</b>                     | \$ 70,601,516                       | \$ 776,616,672 |

|                                     | <b>2014B Bond</b> | <b>TOTAL</b>   |
|-------------------------------------|-------------------|----------------|
| Debt Service Principal Expenditures | \$ -              | \$ 93,655,000  |
| Debt Service Interest Expenditures  | 3,970,250         | 63,798,389     |
| <b>Total Debt Service</b>           | \$ 3,970,250      | \$ 157,453,389 |
| <b>Debt Service Coverage</b>        | 17.78             | 4.93           |

\*NOTE: In addition to state road fund revenues, pledged revenues include interest earned in the HIF fund.

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**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Joint Powers Agreements**

The State Legislature and the State Highway Commission have approved certain agreements between the Department and various counties, municipalities and other agencies to construct or improve public highways, school grounds, parking areas, and for the purpose of litter control. The Department's funding responsibility varies from zero to 100%. When related to Public Transportation Services, the Department's funding responsibility is 50% operating and 80% capital. None of these cooperative and joint powers agreements have created legally separate organizations that need to be included as component units or joint ventures in the Department's financial statements.

| <b>Contract<br/>Number</b> | <b>Contractor</b> | <b>Description</b> | <b>Expended<br/>in 2017</b> |
|----------------------------|-------------------|--------------------|-----------------------------|
| J00819                     | Navajo Nation     | LGRF Pvmnt Rehab   | \$ -                        |

**See Independent Auditors' Report**

**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Joint Powers Agreements**

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| <u>Date of Agreement</u> |               | <u>Total Estimated<br/>Amt of Project</u> | <u>Portion<br/>Applicable<br/>To Agency</u> | <u>Party<br/>Responsible<br/>for Operations</u> | <u>Audit<br/>Responsibility</u> | <u>Fiscal Agent<br/>(if applicable)</u> | <u>Agency Where<br/>Revenues/Expenditures<br/>are Reported</u> |
|--------------------------|---------------|---|---|---|---------------------------------|---|--|
| <u>Beginning</u>         | <u>Ending</u> |   |   |   |                                 |   |  |
| 4/13/2017                | 12/31/2017    | \$ 112,500                                | 75%   | Contractor                                      | Department                      |   | Department   |

**See Independent Auditors' Report**

**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Joint Powers Agreements**

| <b>Contract Number</b> | <b>Contractor</b>                       | <b>Description</b>             | <b>Expended in 2017</b> |
|------------------------|---|--------------------------------|-------------------------|
| M01148                 | Adelante Development Center             | Public Transportation Services | \$ -                    |
| M01442                 | North Central Regional Transit District | Public Transportation Services | 1,957,015               |
| M01443                 | North Central Regional Transit District | Public Transportation Services | 125,795                 |
| M01444                 | Golden Spread Rural Frontier            | Public Transportation Services | 82,973                  |
| M01445                 | Las Cumbres Community Services Inc      | Public Transportation Services | -                       |
| M01446                 | The Community Pantry                    | Public Transportation Services | 104,020                 |
| M01447                 | Village of Milan                        | Public Transportation Services | 86,551                  |
| M01449                 | Town of Red River                       | Public Transportation Services | 62,793                  |
| M01450                 | County of Grant                         | Public Transportation Services | 150,922                 |
| M01451                 | Zia Therapy Ctr Inc                     | Public Transportation Services | -                       |
| M01452                 | Pueblo of Zuni                          | Public Transportation Services | 96,478                  |
| M01453                 | Mandys Special Farm                     | Public Transportation Services | -                       |
| M01454                 | Share Your Care Inc                     | Public Transportation Services | -                       |
| M01455                 | Liferoots Inc                           | Public Transportation Services | -                       |
| M01456                 | Cornucopia Adult Day Services           | Public Transportation Services | -                       |
| M01457                 | Rio Metro Regional Transit District     | Public Transportation Services | -                       |
| M01458                 | Rio Metro Regional Transit District     | Public Transportation Services | 196,097                 |
| M01459                 | Tresco Inc.                             | Public Transportation Services | -                       |
| M01460                 | Zia Therapy Ctr Inc                     | Public Transportation Services | 340,041                 |
| M01461                 | City of Roswell                         | Public Transportation Services | 447,985                 |
| M01462                 | City of Ruidoso Downs                   | Public Transportation Services | 42,535                  |
| M01463                 | ARCA                                    | Public Transportation Services | 25,917                  |
| M01464                 | City of Portales                        | Public Transportation Services | 57,019                  |
| M01465                 | City of Carlsbad                        | Public Transportation Services | 279,231                 |
| M01466                 | Dreamtree Project                       | Public Transportation Services | -                       |
| M01467                 | Hatch Area Medical Center Foundation    | Public Transportation Services | -                       |
| M01468                 | City of Clovis                          | Public Transportation Services | 191,403                 |
| M01469                 | Pueblo of Laguna                        | Public Transportation Services | 60,969                  |
| M01470                 | City of Las Vegas                       | Public Transportation Services | 99,765                  |
| M01471                 | City of Hobbs                           | Public Transportation Services | 102,451                 |
| M01472                 | City of Socorro                         | Public Transportation Services | 104,756                 |
| M01473                 | North Central Regional Transit District | Final ADA Transition Plan      | -                       |
| M01474                 | South Central Regional Transit District | Public Transportation Services | 201,939                 |

**See Independent Auditors' Report**

**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Joint Powers Agreements**

| <u>Date of Agreement</u> |               | <u>Total Estimated<br/>Amt of Project</u> | <u>Portion<br/>Applicable<br/>To Agency</u> | <u>Party<br/>Responsible<br/>for Operations</u> | <u>Audit<br/>Responsibility</u> | <u>Fiscal Agent<br/>(if applicable)</u> | <u>Agency Where<br/>Revenues/Expenditures<br/>are Reported</u> |
|--------------------------|---------------|---|---|---|---------------------------------|---|--|
| <u>Beginning</u>         | <u>Ending</u> |   |   |   |                                 |   |  |
| 7/18/2016                | 9/30/2017     | \$ 153,558                                | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/16/2016                | 9/30/2017     | 2,887,874                                 | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/15/2016                | 9/30/2017     | 194,042                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/14/2016                | 9/30/2017     | 255,977                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/15/2016                | 9/30/2017     | 96,232                                    | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/15/2016                | 9/30/2017     | 386,132                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/14/2016                | 9/30/2017     | 181,789                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/18/2016                | 9/30/2017     | 97,709                                    | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/21/2016                | 9/30/2017     | 678,575                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/19/2016                | 9/30/2017     | 48,000                                    | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/19/2016                | 9/30/2017     | 287,424                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/25/2016                | 9/30/2017     | 45,646                                    | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/18/2016                | 9/30/2017     | 62,019                                    | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/18/2016                | 9/30/2017     | 76,530                                    | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/15/2016                | 9/30/2017     | 96,477                                    | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/15/2016                | 12/31/2017    | 216,000                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/25/2016                | 12/31/2017    | 936,000                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/21/2016                | 9/30/2017     | 240,000                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/18/2016                | 9/30/2017     | 728,620                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/23/2016                | 9/30/2017     | 1,094,811                                 | 80%   | Contractor                                      | Department                      |   | Department   |
| 8/1/2016                 | 9/30/2017     | 217,984                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/20/2016                | 9/30/2017     | 163,117                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/27/2016                | 9/30/2017     | 151,418                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/27/2016                | 9/30/2017     | 671,553                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/22/2016                | 9/30/2017     | 50,000                                    | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/21/2016                | 9/30/2017     | 80,000                                    | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/25/2016                | 9/30/2017     | 574,533                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 8/8/2016                 | 9/30/2017     | 107,514                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 7/28/2016                | 9/30/2017     | 213,098                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 8/1/2016                 | 9/30/2017     | 697,654                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 8/13/2016                | 9/30/2017     | 175,811                                   | 80%   | Contractor                                      | Department                      |   | Department   |
| 8/22/2016                | 8/31/2018     | 307,584                                   | 85%   | Contractor                                      | Department                      |   | Department   |
| 8/4/2016                 | 9/30/2017     | 419,086                                   | 80%   | Contractor                                      | Department                      |   | Department   |

**See Independent Auditors' Report**

**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Joint Powers Agreements**

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| <b>Contract<br/>Number</b> | <b>Contractor</b>                    | <b>Description</b>             | <b>Expended<br/>in 2017</b> |
|----------------------------|--------------------------------------|--------------------------------|-----------------------------|
| M01477                     | NM Energy, Minerals & Resources Dept | Grant Agreement CN RT90001     | \$ -                        |
| M01478                     | Navajo Nation                        | Public Transportation Services | 145,622                     |
| M01479                     | Coyote Canyon Rehab Ctr Inc          | Public Transportation Services | -                           |
| M01480                     | The University of New Mexico         | State & Regional Forecasting   | -                           |
| M01481                     | Pueblo of Isleta                     | Public Transportation Services | -                           |
| M01483                     | Incorporated County of Los Alamos NM | Transportation Services        | 1,085,421                   |
| M01487                     | State Personnel Office               | Engin. Classification Study    | -                           |
| M01502                     | City of Santa Fe                     | Purchase Capital Equipment     | -                           |
| M01503                     | NM Transit Association               | Training & Technical Assist    | -                           |

**See Independent Auditors' Report**



**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
Supplemental Schedule of Joint Powers Agreements**

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| Date of Agreement |            | Total Estimated<br>Amt of Project | Portion<br>Applicable<br>To Agency | Party<br>Responsible<br>for Operations | Audit<br>Responsibility | Fiscal Agent<br>(if applicable) | Agency Where<br>Revenues/Expenditures<br>are Reported |
|-------------------|------------|-----------------------------------|------------------------------------|--|-------------------------|---------------------------------|---|
| Beginning         | Ending     |                                   |                                    |  |                         |                                 |   |
| 9/1/2016          | 10/1/2018  | \$ 500,000                        | 85%                                | Contractor                             | Department              | Department                      |   |
| 8/24/2016         | 9/30/2017  | 821,341                           | 80%                                | Contractor                             | Department              | Department                      |   |
| 9/13/2016         | 9/30/2017  | 42,180                            | 80%                                | Contractor                             | Department              | Department                      |   |
| 7/4/2016          | 6/30/2017  | 13,614                            | 15%                                | Contractor                             | Department              | Department                      |   |
| 9/7/2016          | 9/30/2017  | 74,184                            | 80%                                | Contractor                             | Department              | Department                      |   |
| 9/29/2016         | 9/29/2018  | 2,500,902                         | 59%                                | Contractor                             | Department              | Department                      |   |
| 12/15/2016        | 12/15/2017 | 49,829                            | 100%                               | Contractor                             | Department              | Department                      |   |
| 6/25/2017         | 9/30/2017  | 52,000                            | 80%                                | Contractor                             | Department              | Department                      |   |
| 6/28/2017         | 6/30/2018  | 126,780                           | 100%                               | Contractor                             | Department              | Department                      |   |

See Independent Auditors' Report

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**SINGLE AUDIT**

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Schedule of Expenditures of Federal Awards**

For the Year Ended June 30, 2017

| Federal Agency/<br>Pass-Through<br>Agency                            | Federal<br>CFDA<br>Number | Pass-Through Entity<br>Identifying<br>Number |
|--|---------------------------|--|
| <b>Direct Assistance Programs:</b>                                   |                           |  |
| <b>U.S. Department of Transportation:</b>                            |                           |  |
| Federal Highway Administration (FHWA)                                |                           |  |
| Highway Planning and Construction Cluster                            |                           |  |
| Highway Planning and Construction                                    | 20.205                    |  |
| Recreational Trails Program  | 20.219                    |  |
| Total Highway Planning and Construction Cluster                      |                           |  |
| Total Federal Highway Administration (FHWA)                          |                           |  |
| National Highway Traffic Safety Administration (NHTSA)               |                           |  |
| Highway Safety Cluster   |                           |  |
| State and Community Highway Safety                                   | 20.600                    |  |
| National Priority Safety Programs                                    | 20.616                    |  |
| Total Highway Safety Cluster   |                           |  |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608                    |  |
| Total National Highway Traffic Safety Administration (NHTSA)         |                           |  |
| Federal Aviation Administrative (FAA)                                |                           |  |
| Airport Improvement Program  | 20.106                    |  |
| Total Federal Aviation Administrative (FAA)                          |                           |  |
| Federal Transit Administration (FTA)                                 |                           |  |
| Federal Transit Cluster  |                           |  |
| Federal Transit Capital Investment Grants                            | 20.500                    |  |
| Federal Transit Formula Grants                                       | 20.526                    |  |
| Total Federal Transit Cluster  |                           |  |

**See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards**

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Schedule of Expenditures of Federal Awards**

| Passed<br>Through to<br>Subrecipients | Federal<br>Participation<br>Expenditures |
|---------------------------------------|--|
| \$ 39,578,714                         | \$ 367,782,189                           |
| -                                     | 404,179                                  |
| 39,578,714                            | 368,186,368                              |
| 39,578,714                            | 368,186,368                              |
| 952,391                               | 2,459,604                                |
| 1,866,080                             | 2,432,009                                |
| 2,818,471                             | 4,891,613                                |
| 3,218,495                             | 8,153,341                                |
| 6,036,966                             | 13,044,954                               |
| -                                     | 340,159                                  |
| -                                     | 340,159                                  |
| 156,318                               | 234,318                                  |
| 1,167,331                             | 1,167,331                                |
| 1,323,649                             | 1,401,649                                |

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Schedule of Expenditures of Federal Awards**

For the Year Ended June 30, 2017

| Federal Agency/<br>Pass-Through<br>Agency                                    | Federal<br>CFDA<br>Number | Pass-Through Entity<br>Identifying<br>Number |
|--|---------------------------|--|
| <b>U.S. Department of Transportation (continued):</b>                        |                           |  |
| Federal Transit Administration (FTA) (continued):                            |                           |  |
| Capital Assistance Program for Elderly Persons and Persons with Disabilities | 20.513                    |  |
| Public Transportation Research, Technical Assistance, and Training           | 20.514                    |  |
| Metropolitan Transportation Planning   | 20.505                    |  |
| Formula Grants for Other Than Urbanized Areas                                | 20.509                    |  |
| Total Federal Transit Administration (FTA)                                   |                           |  |
| <b>Total U.S. Department of Transportation</b>                               |                           |  |
| <b>Total Federal Financial Assistance</b>                                    |                           |  |

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Schedule of Expenditures of Federal Awards**

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| <b>Passed<br/>Through to<br/>Subrecipients</b> | <b>Federal<br/>Participation<br/>Expenditures</b> |
|--|---|
| 973,234  | 973,234   |
| 4,611  | 45,781  |
| 435,554  | 435,554   |
| 9,673,002                                      | 10,786,328  |
| 12,410,050                                     | 13,642,546  |
| 58,025,730                                     | 395,214,027                                       |
| <u>\$ 58,025,730</u>                           | <u>\$ 395,214,027</u>                             |

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

**NEW MEXICO DEPARTMENT OF TRANSPORTATION**  
**Notes to Schedule of Expenditures of Federal Awards**

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**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the New Mexico Department of Transportation (Department) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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 or changes in net position of the Department.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Department does not utilize the indirect cost rate.

Federal grant revenues collected in advance of the period they are intended to finance expenditures are recorded as deferred inflows, except for the amounts for the State Infrastructure Bank, which are recorded as contributions when they are received. The Department did not receive non-cash assistance from federal sources during the current year.

**Note 3 - Reconciliation of Federal Awards**

Statement of Revenues, Expenditures and  
Changes in Fund Balances:

|   |                |
|---|----------------|
| U.S. Department of Transportation                 | \$ 394,717,897 |
| Deferred U.S. Department of Transportation (2016) | 2,390,294      |
| Deferred U.S. Department of Transportation (2015) | (1,894,008)    |
| Other Adjustment                                  | <u>(156)</u>   |

Supplemental Schedule of Expenditures  
of Federal Awards

\$ 395,214,027

**See Independent Auditors' Report**



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

Mr. Tom Church, Cabinet Secretary  
New Mexico Department of Transportation  
and Mr. Timothy Keller, State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the major fund, the aggregate remaining fund information and the budgetary comparison of the general fund of the State of New Mexico Department of Transportation (the "Department") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 27, 2017.

**Internal Control Over Financial Reporting**

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

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

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

Mr. Tom Church, Cabinet Secretary  
State of New Mexico Department of Transportation  
and Mr. Timothy Keller, State Auditor

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *12-6-5 NMSA 1978* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-003, and 2017-004.

### **New Mexico Department of Transportation's Response to Findings**

The State of New Mexico Department of Transportation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. New Mexico Department of Transportation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
October 27, 2017

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

Mr. Tom Church, Cabinet Secretary  
State of New Mexico Department of Transportation  
and Mr. Timothy Keller, State Auditor

**Report on Compliance for Each Major Federal Program**

We have audited New Mexico Department of Transportation's (the Department) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2017. The Department's major federal programs are identified in the summary of 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, New Mexico Department of Transportation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Mr. Tom Church, Cabinet Secretary  
State of New Mexico Department of Transportation  
and Mr. Timothy Keller, 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 2017-002 and 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

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

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-005, which we consider to be a significant deficiency.

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.

Mr. Tom Church, Cabinet Secretary  
State of New Mexico Department of Transportation  
and Mr. Timothy Keller, 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  
October 27, 2017



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**NEW MEXICO DEPARTMENT OF TRANSPORTATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section I - Summary of Auditors' Results**

For the Year Ended June 30, 2017

**Section I - 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(ies) identified that are not considered to be material weaknesses?  Yes  None Reported

Non-compliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal Control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  None Reported

**Identification of Major Programs:**

| <b>CFDA Number(s)</b> | <b>Name of Federal Program or Cluster</b>     |
|-----------------------|---|
| 20.205, 20.219        | Highway Planning and Construction Cluster     |
| 20.500, 20.526        | Federal Transit Cluster                       |
| 20.509                | Formula Grants for Other Than Urbanized Areas |
| 20.608                | Minimum Penalties for Repeat DWI Offenders    |

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee?  Yes  No



NEW MEXICO DEPARTMENT OF TRANSPORTATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section II - Findings - Financial Statement

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***Section II - Findings – Financial Statement***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2017.

NEW MEXICO DEPARTMENT OF TRANSPORTATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III - Findings and Questioned Costs - Major Federal Programs

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***Section III - Findings and Questioned Costs – Major Federal Programs***

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**2017-002      Payroll Procedures (Control Deficiency and Instance of Non-compliance)**

**Federal agency:**

US Department of Transportation

**Federal program title:**

Minimum Penalties for Repeat Offenders for Driving While Intoxicated (NHTSA)

**CFDA Number:**

20.608

**Award Period:**

Multiple Awards; Covering July 1, 2016 – June 30, 2017

**Type of Finding:**

- Other Matters

**Criteria or specific requirement:**

According to 2 CFR part 200.430a:

“Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;”

According to The New Mexico Department of Transportation Administrative Directive (AD) 305:

- “4.03d When circumstances do not allow the employee to enter hours worked on a SHARE electronic time sheet, the employee will enter the hours worked on a paper time sheet that includes the Project ID and the Activity Code. This paper time sheet will be signed by the employee working the time.
- 4.03e An employee authorized to enter time will then enter the information from the paper time sheet into the SHARE electronic time sheet.”

**Condition:**

Payroll procedures were not being followed for payroll charged to a federal grant.

**Questioned costs:**

\$0

**Context:**

During testing over payroll disbursements, the following items were noted:

- Employees were not signing the timesheets documenting their time spent on the program.
- The information from the timesheets was not entered into SHARE.

NEW MEXICO DEPARTMENT OF TRANSPORTATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III - Findings and Questioned Costs - Major Federal Programs

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

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**2017-002      Payroll Procedures (Control Deficiency and Instance of Non-compliance)  
(continued)**

**Cause:**

Management oversight

**Effect:**

Non-compliance with internal policies and federal regulations.

**Repeat finding:**

Not Applicable

**Recommendation:**

We recommend management review and evaluate current AD 305 to ensure the directive properly captures the procedures followed by the Department.

**Views of responsible officials:**

Management agrees that although the Department's method for allocating Traffic Safety's payroll to Federal Project 20.608 results in accurate Federal billings, it was not in compliance with the Department's internal AD 305. Going forward, the Traffic Safety Director will revert to signing paper timesheets when necessary and make sure the information is entered into SHARE with appropriate Project ID and Activity Code.

NEW MEXICO DEPARTMENT OF TRANSPORTATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III - Findings and Questioned Costs - Major Federal Programs

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

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**2017-005      Award Information (Original Finding 2016-004) (Significant Deficiency and Instances of Non-compliance)**

**Federal agency:**

US Department of Transportation

**Federal program title:**

Highway Planning and Construction Cluster; Federal Highway Administration (FHWA)

**CFDA Number:**

20.205 & 20.219

**Award Period:**

Multiple Awards; Covering July 1, 2016 – June 30, 2017

**Type of Finding:**

- Significant Deficiency in Internal Control over Compliance
- Other Matters

**Criteria or specific requirement:**

According to 2 CFR § 200.331:

“All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

1. Federal Award Information
  - i. Subrecipient name
  - ii. Subrecipients’ unique entity identifier
  - iii. Federal Award Identification Number
  - iv. Federal Award Date of award to the recipient of the Federal Agency
  - v. Subaward Period of Performance Start and End Date...”

There are 8 additional requirements listed under Federal Award Information that can be reviewed by referring to the CFR.

**Condition:**

Subrecipient was not notified of the proper information needed to report the source of funding on their SEFA.

*Management’s Progress for Repeat Findings: We have corrected the finding from last year, i.e. the communication of the CFDA numbers and the review of the financial records prior to issuing sub awards to FHWA and FTA sub recipients. During this year’s audit it was determined that the Department had omitted the FHWA sub recipients’ DUNs numbers.*

NEW MEXICO DEPARTMENT OF TRANSPORTATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Section III - Findings and Questioned Costs - Major Federal Programs

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

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**2017-005      Award Information (Original Finding 2016-004) (Significant Deficiency and Instances of Non-compliance)  
(continued)**

**Questioned costs:**

\$0

**Context:**

Out of the 9 subrecipients tested, nine did not receive the award information required by 2 CFR Part 200.

**Cause:**

Management oversight

**Effect:**

Subrecipients could potentially misreport expenditures of federal programs.

**Repeat finding:**

The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2016-004.

**Recommendation:**

We recommend management create a procedure to disclose the required information to all subrecipients.

**Views of responsible officials:**

To correct this, the Department's Project Oversight Director will review the contract documents to ensure that the sub recipients' DUNs number will be included in contract documents going forward.

***Section IV - Findings - Compliance and Other Matters***

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**2017-001      Deposit of Public Funds (Compliance and Other Matters)**

**Type of Finding:**

- Other Matters

**Condition:**

During our testing, we noted the Department did not follow NMDOT's Cash Receipt Policy nor 6-10-3 NMSA 1978.

**Criteria or specific requirement:**

6-10-3 NMSA 1978 "All public money in the custody or under the control of any state official or agency obtained or received by any official or agency from any source, except as in Section 6-10-54 NMSA 1978 provided, shall be paid into the state treasury. It is the duty of every official or person in charge of any state agency thereof from any source, except as in Section 6-10-54 NMSA 1978 provided, to forthwith and before the close of the next succeeding business day after the receipt of the money to deliver or remit it to the state treasurer. . ." and NMDOT's Cash Receipt Guidelines states, "NMDOT district and program employees, of all levels of employment, shall not accept payments. Employees must inform the vendor to walk in or send payments directly to [NMDOT General Office Attention: Financial Control]"

**Context:**

During the testing of deposits, we noted that in one instance out of the 22 tested, a check was not deposited into the bank before the close of the next business day after the receipt of the check. NMDOT cash receipts policy was updated January 28, 2016. The updated policy includes procedures to ensure all checks are sent directly to main general office in Santa Fe. In above instance this policy was not followed.

**Effect:**

Non-compliance with applicable statues and internal policies.

**Cause:**

Management oversight

**Repeat finding:**

Not Applicable

**Recommendation:**

Due to the recent policy change to the Cash Receipt Guidelines, we recommend training staff on the internal policies; specifically offices farther from the DOT General Office in Santa Fe.

*Section IV - Findings - Compliance and Other Matters (Continued)*

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**2017-001      Deposit of Public Funds (Compliance and Other Matters)  
(continued)**

**Views of responsible officials and planned corrective actions:**

The Financial Control Director has processes and procedures in place to ensure compliance with state statutes and internal policies. Updated process and procedures were implemented shortly after a similar finding in FY14. In mid-January 2015, the department went live with bank desktop deposit scanners for electronic check depositing at the department's central office (General Office). These updated procedures and desktop deposit scanners resulted in no subsequent compliance issues until FY17. The department will continue to emphasize the training of all employees within the General Office and the six districts on internal policies, cash receipt guidelines, and state statute 6-10-3 NMSA 1978 and 6-10-54.

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***Section IV - Findings - Compliance and Other Matters (Continued)***

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**2017-003 Capital Assets: Property Loss (Original Finding 2016-001) (Compliance and Other Matters)**

**Type of Finding:**

- Other Matters

**Condition:**

The Department identified five instances of noncompliance with internal controls over capital assets.

*Management's Progress for Repeat Findings: Accounting Services is modifying the current spreadsheet to include purchase price and adding levels of review. The auction requests will now go through two reviewers before going to PPC and also before going to OSA.*

**Criteria or specific requirement:**

According to Section 13-6-1 (B) (1) NMSA 1978, "The governing authority shall, as a prerequisite to the disposition of any items of tangible personal property: designate a committee of at least three officials of the governing authority to approve and oversee the disposition; and give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor and the appropriate approval authority designated in Section 13-6-2 NMSA 1978, duly sworn and subscribed under oath by each member of the authority approving the action."

**Context:**

- The Department disposed of a 2000 Chevy Truck which was disposed of in violation to State Statute 13.6.1 Disposition of Public Property and Department Administrative Directive 302 Disposal of Public Property. This asset was disposed prior to providing notification to The New Mexico Office of the State Auditor (NM OSA). The original cost of the truck was \$30,268.
- The Department also identified four additional assets, acquired between 2002 and 2015, which were disposed of in violation to State Statute 13.6.1 Disposition of Public Property and Department Administrative Directive 302 Disposal of Public Property. These assets were also disposed prior to providing notification to NM OSA. The original cost of these assets were \$277,397.
- Three of the five capital assets, which were disposed of improperly, were self-identified by NMDOT before the beginning of the FY17 audit.

**Effect:**

Non-compliance with state statute and internal procedures.

**Cause:**

Management oversight

**Repeat finding:**

The finding is a repeat of a finding in the immediately prior year. Original finding number was 2016-001.



***Section IV - Findings - Compliance and Other Matters (Continued)***

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**2017-003 Capital Assets: Property Loss (Original Finding 2016-001) (Compliance and Other Matters)  
(continued)**

**Recommendation:**

We recommend management evaluate the applicable statutes and review current procedures to ensure compliance. Revised procedures would include notifying NMDOT's Policy and Procedures Committee of all disposals to review for compliance with state statute.

**Views of responsible officials and planned corrective actions:**

The Department was contacted by OSA in June 2016 about the improper disposal of capital assets which had been damaged and processed through insurance claims. NMDOT agreed that the procedure at that time did not meet the statutory requirements and agreed to change the process to comply. Three of the assets above were disposed of prior to June 2016. Accounting Services notified all areas responsible for the damaged vehicles, that the process had been changed to include notifying the NMDOT Policy & Procedures Committee (PPC) and waiting 30 days for OSA review. Accounting Services now calls the District and/or Bureau with a damaged vehicle, to verify compliance with current procedures. The Accounting Services Director will ensure compliance with the departments policies and procedures in addition with state statute.

Three vehicles were misclassified, after June 2016, as non-capital assets when processing disposal requests for the Department's annual auction. These assets were included in the review by NMDOT's Policy & Procedures Committee (PPC) but excluded from the notification to OSA.

The Department continues to review procedures to improve internal controls to prevent the improper disposal of state property.

***Section IV - Findings - Compliance and Other Matters (Continued)***

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**2017-004 Per Diem Expenditures (Original Finding: 2016-003) (Compliance and Other Matters)**

**Type of Finding:**

- Other Matters

**Condition:**

The Department is not following AD 902 procedures related to the \$1,500 rule over employees who are not considered "transient employees".

*Management's Progress for Repeat Findings: The department has updated the Administrative Directive and developed procedures to notify the Secretary when they go above \$1,500 in a fiscal year.*

**Criteria or specific requirement:**

NMDOT Administrative Directive 902, 4.10:

- B: "Any employee who is reimbursed for per diem in an amount that singly or in the aggregate exceeds \$1,500 in any one year shall not be entitled to further per diem reimbursement until the employee furnishes in writing to the Cabinet Secretary, or from the Cabinet Secretary to the Governor, an itemized statement on each separate instance of travel covered within the reimbursement, the place to which traveled and the Department purpose served by the travel."

**Context:**

During compliance testwork over per diem disbursements, an instance of noncompliance with internal administrative directives (AD) was identified. The Department modified procedures over per diem after a prior audit finding, but was unable to locate documentation verifying these procedures were followed in fiscal year 2017.

**Effect:**

Non-compliance with internal administrative directives and state statutes.

**Cause:**

Management oversight

**Repeat finding:**

The finding is a repeat of a finding in the immediately prior year. Original finding number was 2016-003.

**Recommendation:**

We recommend management evaluate the applicable statutes and review current procedures to ensure compliance and retain documentation of the completed procedures on an annual basis.

**Views of responsible officials and planned corrective actions:**

The administrative directive for per diem has been updated to include more effective internal controls in meeting the statutory requirements. The Accounting Services Director with the Accounting department is developing procedures to train employees and ensure compliance with the AD and state statute.

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***Section II - Findings – Financial Statement***

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There were no findings for the year ended June 30, 2016

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***Section III - Findings and Questioned Costs – Major Federal Programs***

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2016-004 Award Information - Repeated and Modified

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***Section IV - Findings - Compliance and Other Matters***

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2016-001 Capital Assets: Property Loss - Repeated and Modified

2016-002 Inventory - Resolved

2016-003 Per Diem Expenditures - Repeated and Modified

An exit conference was held with the Department on October 25, 2017. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO DEPARTMENT OF TRANSPORTATION

Tom Church, Cabinet Secretary  
Anthony Lujan, Deputy Secretary  
Ronald Schmeits, Commissioner Chairman  
Butch Matthews, Commissioner Vice Chairman  
Billy Moore, Commissioner  
Ronald V. Baca, Administrative Services Director  
Michael S. Friel, Chief Financial Officer & Accounting Services Director  
Jeff Canney, Inspector General  
Marcos Trujillo, Project Oversight Director  
Mallery Manzanares, Budget Director  
Kristen Dorland, Accounting Services Deputy Director  
Sandra Gallegos, Financial Control Staff Manager  
Jennifer Schwartz, Accounting Services Staff Manager  
Gilbert Gurule, Senior Accountant  
Jeremy F. Romero, CPA, Consultant Contractor

CLIFTONLARSONALLEN, LLP

Raul Anaya, CPA, CFE, CGFM, Principal  
Andres Gamez, CPA, Senior Associate  
Natalie Romero, CPA, Senior Associate

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the Department and are the responsibility of management.