



2018 Financial Statements & Other Financial Information

(Independent Auditor's Report included)

Year ended June 30, 2018



NMDOT supervisor Harold Fernandez walks through the box culvert that will funnel northbound I-25 traffic, that has already exited off the interstate, underneath it and then either onto westbound or eastbound Rio Bravo.

**New Mexico Department of Transportation
Financial Statements
for the Year Ended
June 30, 2018
and Independent Auditors' Report**

NEW MEXICO DEPARTMENT OF TRANSPORTATION
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Year Ended June 30, 2018

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
Billy Moore	Commissioner	District 6

Administrative Officers

Tom Church	Cabinet Secretary
Anthony Lujan	Deputy Secretary
Mallery Manzanares	Interim Administrative Services Director

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Mr. Tom Church, Cabinet Secretary
State of New Mexico Department of Transportation
and Mr. Wayne Johnson, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the State of New Mexico Department of Transportation (the Department, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Mr. Tom Church, Cabinet Secretary
State of New Mexico Department of Transportation
and Mr. Wayne Johnson, New Mexico State Auditor

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison schedules for the general fund of the Department as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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, 2018, 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 Department's basic financial statements. The combining and individual nonmajor fund financial statements and general 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 general 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

Mr. Tom Church, Cabinet Secretary
State of New Mexico Department of Transportation
and Mr. Wayne Johnson, New Mexico State Auditor

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other schedules required by Section 2.2.2 NMAC, as discussed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018 , 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 25, 2018

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, 2018. 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 increased by \$102,126,298, and the net position of the Department's governmental activities increased by \$101,941,781 due to the Department's reversions of State General Fund appropriations in prior year, State General Fund appropriations in current year and an increase in state revenues.

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 28 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 funds are the following:

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.

2018A Bond Debt Service Fund (Fund #20770). The fund was created when the \$420,090,000 NMFA State Transportation Refunding Revenue Bonds Series 2018A were issued in June 2018 to refund the total balance of the NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A GRIP Bonds, Series 2008B GRIP Bonds and the Series 2008C GRIP Bonds. The fund does not receive state general fund appropriations that are subject to reversions.

1. Overview of the Financial Statements - continued

Governmental Funds - continued

Information is presented separately in the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the major funds. Data from the other 25 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.

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, 2018, the Department's assets and deferred outflows of resources exceeded liabilities by \$4,732,558,780.

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, 2018

1. Overview of the Financial Statements - continued

Net Position

As of June 30, 2018 and 2017, 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, 2018 and 2017.

Table A-1 The Department's Net Position

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Assets:				
Current and other assets	\$ 439,360,932	\$ 358,194,342	\$ 21,121,354	\$ 20,936,837
Capital assets and other	5,545,969,927	5,625,679,361	-	-
Total Assets	\$ 5,985,330,859	\$ 5,983,873,703	\$ 21,121,354	\$ 20,936,837
Deferred Outflows:				
Deferred loss on refunding	\$ 81,590,035	\$ 47,037,073	-	-
Deferred outflow of resources	-	51,917,706	-	-
Total Deferred Outflows	\$ 81,590,035	\$ 98,954,779	-	-
Liabilities:				
Current liabilities	\$ 222,458,257	\$ 204,111,126	-	-
Long-term liabilities	1,133,025,211	1,269,221,711	-	-
Total Liabilities	\$ 1,355,483,468	\$ 1,473,332,837	-	-
Net Position:				
Net investment in capital assets	\$ 4,364,570,315	\$ 4,383,791,100	-	-
Restricted	346,867,111	225,704,545	21,121,354	20,936,837
Total Net Position	\$ 4,711,437,426	\$ 4,609,495,645	\$ 21,121,354	\$ 20,936,837

1. Overview of the Financial Statements - continued

Total	
2018	2017
\$ 460,482,286	\$ 379,131,179
5,545,969,927	5,625,679,361
\$ 6,006,452,213	\$ 6,004,810,540
\$ 81,590,035	\$ 47,037,073
-	51,917,706
\$ 81,590,035	\$ 98,954,779
\$ 222,458,257	\$ 204,111,126
1,133,025,211	1,269,221,711
\$ 1,355,483,468	\$ 1,473,332,837
\$ 4,364,570,315	\$ 4,383,791,100
367,988,465	246,641,382
\$ 4,732,558,780	\$ 4,630,432,482

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Management's Discussion and Analysis
Year Ended June 30, 2018

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, 2018 and 2017. Governmental activities increased the Department's net position by \$101,941,781 in 2018 and decreased the Department's net position \$40,365,338 in 2017. Business-type activities increased the Department's net position by \$184,517 in 2018 and by \$121,273 in 2017, due to interest income earned during the year.

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

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Revenues:				
Program revenues:				
Charges for services	\$ 59,696,186	\$ 32,767,170	\$ 7,134	\$ 16,592
Operating grants	26,674,659	27,027,815	-	-
Capital grants	387,244,776	368,186,368	-	-
General revenues:				
User and fuel taxes	434,923,215	416,840,157	-	-
Interest income	6,927,024	4,169,156	177,383	104,681
Special revenues:				
Gain (loss) on disposal of assets	706,430	334,709	-	-
Total Revenues	916,172,290	849,325,375	184,517	121,273
Expenses:				
Programs and infrastructure	537,196,279	555,218,409	-	-
Transportation and highway operations	222,602,547	231,134,138	-	-
Program support	35,034,878	39,942,887	-	-
Modal	64,394,437	53,834,651	-	-
Total Expenses	859,228,141	880,130,085	-	-
Net Revenues Before Transfers and Reversions	56,944,149	(30,804,710)	184,517	121,273
Transfers and Reversions	44,997,632	(9,560,628)	-	-
(Decrease) Increase in Net Position	101,941,781	(40,365,338)	184,517	121,273
Net Position, Beginning of Fiscal Year	4,609,495,645	4,649,860,983	20,936,837	20,815,564
Net Position, End of Fiscal Year	\$ 4,711,437,426	\$ 4,609,495,645	\$ 21,121,354	\$ 20,936,837

1. Overview of the Financial Statements - continued

Total	
2018	2017
\$ 59,703,320	\$ 32,783,762
26,674,659	27,027,815
387,244,776	368,186,368
434,923,215	416,840,157
7,104,407	4,273,837
706,430	334,709
916,356,807	849,446,648
537,196,279	555,218,409
222,602,547	231,134,138
35,034,878	39,942,887
64,394,437	53,834,651
859,228,141	880,130,085
57,128,666	(30,683,437)
44,997,632	(9,560,628)
102,126,298	(40,244,065)
4,630,432,482	4,670,676,547
\$ 4,732,558,780	\$ 4,630,432,482

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 2018 fiscal year, the Department's governmental funds reported a combined ending fund balance of \$350,129,715 an increase of \$70,899,086 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 \$38,098,776.

The changes in fund balance for the Department's major funds for 2018 are as follows:

State Road Fund(s) (Fund #10040 and #20100)	\$ 60,281,012
2018A Bond Debt Service Fund (Fund 20770)	<u>\$ 2,100,605</u>
Major fund, net change in fund balances	<u>\$ 62,381,617</u>

The net increase in the State Road Fund(s) is primarily due to an increase in state revenues and a \$27 million settlement from the Department of Energy.

The net increase in the 2018A Bond Debt Service Fund is primarily due to a refunding of the Department's Swaps and 2008 GRIP Bond series. Due to favorable market conditions, the Swap funds termination costs were offset by the premium on the 2018A Refunding Revenue bond issuance, which resulted in a net positive impact to the Department.

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 \$803,238,854. Overall, these changes were caused by the following significant budget adjustments:

Increase-Federal Aid Program	\$ 287,138,604
Increase-WIPP: Repave/Repair the WIPP North Access Roads between HWY 62-180	12,500,000
Increase-US 550 Warranty Program	6,300,000
Increase-Highway Operations (Equipment)	6,600,000
Increase-Ports of Entry (Hire Temp Agency)	500,000
Increase-Transit Federal (North Central Regional Transit)	410,200
Increase-Ports of Entry (Pilot Program)	60,000
Increase-Ports of Entry (Smart Roadside Inspection Systems)	405,000
Increase-Project Design Construction (Bond Refinancing)	489,325,050
	\$ 803,238,854

The Department's original operating budget for fiscal year 2018 was \$876,395,600. This budget included \$848,440,600 of new revenues and \$27,955,000 of prior year funds rebudgeted. The final budget for the fiscal year was \$2,100,515,026. The \$1,224,119,426 increase in budget was due to FY18 budget adjustments discussed above and the Department's authorized practice of rolling forward into FY18 its remaining FY17 unexpended purchase orders. The appropriation budgetary period for those FY17 unexpended purchase orders lapses at the end of the FY17 fiscal year and the Department has to re-establish the budget in FY18 to re-appropriate the balance of its unexpended purchase orders. The Department funds the budget increase by utilizing the balance of the unused FY17 budget revenues that were originally budgeted for the unexpended purchase orders. The roll forward budget of \$420,880,572 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, 2018, amounts to \$5,536,944,927 (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 2017-2018 Active Projects with a contract amount of \$10 million or more:

I-10, MP 91.7 to MP 116.5 for 24.8 miles - Luna County
US 54, MP 69.5 to MP 78.2 for 8.7 miles - Otero County
I-25, MP 454.25 to MP 460.8 for 6.6 miles - Colfax County
US 54, MP 324.9 to MP 326.3 for 1.4 miles - Quay County
NM 68, MP 44.14 to MP 45.22 for 1.08 miles - Taos County
US 64, MP 56 to MP 58 for 2 miles - San Juan County
Central Ave Brt - Phase IB - Bernalillo County
Albuquerque Ride - Bernalillo County
Southern Blvd Reconstruction - Sandoval County
US 550, MP 0.6 to MP 3 for 2.4 miles - Sandoval County
I-25, MP 219.8 to MP 221.4 for 1.6 miles - Bernalillo County
Commuter Rail Maint of Equip & Maint of Way - Various Counties
NMRX Positive Train Control - Various Counties
Soledad Canyon Road - Dona Ana County

1. Overview of the Financial Statements - continued

Capital Assets Overview - continued

Automotive and Major Road Equipment

For fiscal year 2018, the Automotive and Major Road Equipment modified accrual basis budget total was approximately \$17,769,019. Of this budget, approximately \$12,161,591 was fully expended at June 30, 2018. 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**

	2018	2017
Land	\$ 5,177,044	\$ 5,177,044
Construction in Process	329,405,559	264,678,417
Right of Way	507,845,730	504,480,664
Infrastructure	13,757,100,949	14,041,731,982
Equipment and furniture	29,438,752	28,170,998
Library	113,566	113,566
Buildings	49,679,437	49,365,551
Automotive and Major Road Fund Equipment	242,211,418	236,164,112
Accumulated depreciation	(9,384,027,528)	(9,515,032,973)
Total	\$ 5,536,944,927	\$ 5,614,849,361

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, 2018, the Department had a total outstanding debt (bonds) of \$1,091,460,000. Outstanding bond debt is backed by the Department's anticipated state tax revenues and FHWA revenues.

Table A-4
Department's Outstanding Debt

	2018	2017
Bonds (excludes deferred amounts on refunding)	<u>\$ 1,091,460,000</u>	<u>\$ 1,188,295,000</u>

The Department's total bond debt decreased by 8.1%, or (\$96,835,000). Total outstanding bond debt at the end of the 2018 fiscal year was \$1,091,460,000 compared to \$1,188,295,000 at the end of the 2017 fiscal year. The net decrease in debt resulted from \$516,925,000 in principal repayments and a new bond issuance in the amount of \$420,090,000. See Note 15 for a detail of all outstanding bonds.

The Department did not pay any arbitrage to the Internal Revenue Service for any excess interest earned on bond proceeds 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 2017, according to the U.S. Census Bureau, New Mexico's population reached 2,088,100. Between 2000 and 2017, the State was the twenty-fourth fastest growing state, as the population increased 14.8 percent from the 2000 population of 1,819,046. Between 2010 and 2017, population increased by 1.1 percent. This rate ranked the State forty-first in the nation for population growth. Over the same period of time, the national population grew 5.3 percent. There are four Metropolitan Statistical Areas (MSAs) in the state. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance 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, Doña Ana, Bernalillo and Santa Fe.

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, agriculture-agribusiness, government, and mining. New Mexico holds 4 percent of U.S. proved crude oil reserves, and has been consistently the sixth-largest oil-producing state. New Mexico ranks among the top ten natural producing states. At the end of FY18, in New Mexico there were 104 active rigs compared to 61 a year ago, and 26 two years ago. In 2016 coal, copper and potash production value amounted to \$1.5 billion and the state ranked 11th, 2nd and 1st respectively in the US. The mining and logging industry employed more than 20 thousand New Mexicans in 2017. 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, 2017 through September 30, 2018, 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. FY18's project letting schedule resulted in an overall increase in Federal revenue from \$367.5 million in FY2017 to \$386.8 million in FY2018 or a \$19.3 million or 5% increase. In FY18 New Mexico received redistribution funds by Federal Highway Administration's Headquarter office, which attributes to a portion of the increase.

Federal Aviation Administration Funds - NMDOT reported revenue of \$59,984 in FY 2018 Federal Aviation Administration grant funds.

2. Economic Factors and Revenue Forecasts - continued

Federal Revenue - continued:

Federal Transit Administration Funds - NMDOT reported revenue of \$13,659,519 in FY 2018 Federal Transit Administration grant funds.

National Highway Traffic Safety Administration Funds - NMDOT reported revenue of \$11,456,603 in FY 2018 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%, from 2000 to 2010 it was 1.8%, and from 2010 to 2018 it has been 2%.

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 2018) recurring revenue forecast for the State Road Fund expects a revenue growth of 2.2% in FY 2019, followed by growth in the 0.6% to 1.7% range during the subsequent three fiscal years. The revenue forecast for the Department as a whole is 0.6% for FY 2019, followed by growth in the 0.6% to 1.6% range during the subsequent three fiscal years.

State Revenue Forecasts - Major Revenue Sources

The latest (July 2018) recurring revenue forecast for the State Road Fund expects a revenue growth of 2.2% in FY 2019, followed by growth in the 0.6% to 1.7% range during the subsequent three fiscal years. The revenue forecast for the Department as a whole is 0.6% for FY 2019, followed by growth in the 0.6% to 1.6% range during the subsequent three fiscal years.

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 \$116.1 million in revenue in FY 2018. 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 18 years, between FY 2000 and FY 2018, 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 \$6 million above average in FY 2018 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 \$108.1 million in FY 2018. 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, and has reached a peak of \$108.1 in FY 2018.

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 \$86.3 million in revenue in FY 2018. 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 2017 and FY 2018 Weight Distance revenue grew at a 1.2% and 2.7% 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 \$80.2 million in FY 2018. 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 \$80-83 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 \$6.1 million in FY 2018. 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 80 million gallons per year (around 7% or 8% of total gasoline sales). Tribal gasoline sales totaled to 72.3 million gallons in FY 2017 and 80.7 million gallons in FY 2018.

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, 2018

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Current Assets:			
Cash:			
Unrestricted	\$ 1,100	\$ -	\$ 1,100
Cash equivalents (Note 2):			
Investment in SGFIP	286,063,083	20,494,091	306,557,174
Managed by NMFA	39,639,748	-	39,639,748
Receivables:			
Accounts receivable, net (Note 3)	555,285	-	555,285
Interest receivable	121,820	-	121,820
Notes and loans receivable (Note 5)	-	627,263	627,263
Other receivables	39,917	-	39,917
Due from:			
U.S. Department of Transportation (Note 6)	44,909,194	-	44,909,194
Other state agencies (Note 8)	38,957,009	-	38,957,009
Inventories (Note 9)	16,647,556	-	16,647,556
Prepaid expense - other	14,210	-	14,210
Prepaid expense - NM44 warranty	1,805,000	-	1,805,000
Property held for resale, net	10,607,010	-	10,607,010
Total Current Assets	439,360,932	21,121,354	460,482,286
Non-Current Assets:			
Prepaid expense - NM44 warranty, net	9,025,000	-	9,025,000
Capital assets, net (Note 10)	5,536,944,927	-	5,536,944,927
Total Non-Current Assets	5,545,969,927	-	5,545,969,927
Total Assets	5,985,330,859	21,121,354	6,006,452,213
Deferred Outflows of Resources:			
Deferred loss on refunding (Note 15)	81,590,035	-	81,590,035
Total Deferred Outflows of Resources	81,590,035	-	81,590,035
Total Assets and Deferred Outflows of Resources	\$ 6,066,920,894	\$ 21,121,354	\$ 6,088,042,248

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Net Position

As of June 30, 2018

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Current Liabilities:			
Accounts payable and contracts payable, including retainage of \$10,023,359	\$ 63,878,608	\$ -	\$ 63,878,608
Due to:			
U.S. Department of Transportation	4,849	-	4,849
Local governments (Note 13)	4,399,473	-	4,399,473
Component units of the state (Note 14)	87,321	-	87,321
Unearned revenue	3,333,550	-	3,333,550
Other accrued expenses	5,504,727	-	5,504,727
Deficiency in SGFIP	16,633,707	-	16,633,707
Other liabilities	123,830	-	123,830
Current portion of long-term obligations (Note 15):			
Compensated absences	7,060,725	-	7,060,725
Debentures payable	102,790,000	-	102,790,000
Capitalized bond premium	18,641,467	-	18,641,467
Total Current Liabilities	222,458,257	-	222,458,257
Long-Term Liabilities:			
Long-term obligations (Note 15):			
Debentures payable	988,670,000	-	988,670,000
Capitalized bond premium, net	144,355,211	-	144,355,211
Total Long-Term Liabilities	1,133,025,211	-	1,133,025,211
Total Liabilities	1,355,483,468	-	1,355,483,468
Net Position:			
Net investment in capital assets	4,364,570,315	-	4,364,570,315
Restricted for:			
Loans	-	21,121,354	21,121,354
Specific purposes	346,867,111	-	346,867,111
Total Net Position	4,711,437,426	21,121,354	4,732,558,780
Total Liabilities and Net Position	\$ 6,066,920,894	\$ 21,121,354	\$ 6,088,042,248

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, 2018

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Program Expenses:			
Programs and infrastructure	\$ 537,196,279	\$ -	\$ 537,196,279
Transportation and highway operations	222,602,547	-	222,602,547
Program support	35,034,878	-	35,034,878
Modal	64,394,437	-	64,394,437
Total Program Expenses	859,228,141	-	859,228,141
Program Revenues:			
Charges for services	59,696,186	7,134	59,703,320
Operating grants	26,674,659	-	26,674,659
Capital grants	387,244,776	-	387,244,776
Total Program Revenues	473,615,621	7,134	473,622,755
Net Program Revenue (Expense)	(385,612,520)	7,134	(385,605,386)
General Revenues:			
User and fuel taxes	434,923,215	-	434,923,215
Interest income	6,927,024	177,383	7,104,407
Gain on disposal of assets and adjustments	706,430	-	706,430
Total General Revenues	442,556,669	177,383	442,734,052
Transfers:			
State general fund appropriation	20,430,000	-	20,430,000
Transfers from: severance tax bond appropriations	29,096,632	-	29,096,632
Transfers from (to) other state agencies and local governments, net (Note 11)	(4,529,000)	-	(4,529,000)
Total Transfers	44,997,632	-	44,997,632
Net General Revenues and Transfers	487,554,301	177,383	487,731,684
Change in Net Position/Operating Income	101,941,781	184,517	102,126,298
Net Position, Beginning of Fiscal Year	4,609,495,645	20,936,837	4,630,432,482
Net Position, End of Fiscal Year	\$ 4,711,437,426	\$ 21,121,354	\$ 4,732,558,780

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Balance Sheet - Governmental Funds

As of June 30, 2018

	<u>Major Funds</u>		<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>State Road Fund(s) (SHARE 10040 and 20100)</u>	<u>2018A Bond Debt Service Fund (SHARE 20770)</u>		
Assets:				
Cash: (Note 2)				
Unrestricted	\$ 1,100	\$ -	\$ -	\$ 1,100
Cash equivalents: (Note 2)				
Investment in SGFIP	219,409,235	-	66,653,848	286,063,083
Managed by NMFA	223,153	594,294	38,822,301	39,639,748
Receivables:				
Accounts receivable, net (Note 3)	511,162	-	44,123	555,285
Interest receivable	404	147	121,269	121,820
Notes and loans receivable	-	-	-	-
Other receivables	14,639	-	25,278	39,917
Due from:				
U.S. Department of Transportation (Note 6)	36,621,407	-	8,287,787	44,909,194
Other funds (Note 7)	7,652,952	1,960,850	20,921,313	30,535,115
Other state agencies (Note 8)	36,105,116	-	2,851,893	38,957,009
Inventories (Note 9)	16,647,556	-	-	16,647,556
Prepaid expenses - other	14,210	-	-	14,210
Prepaid expense - NM44 warranty	10,830,000	-	-	10,830,000
Property held for resale	10,607,010	-	-	10,607,010
Total Assets	<u>\$ 338,637,944</u>	<u>\$ 2,555,291</u>	<u>\$ 137,727,812</u>	<u>\$ 478,921,047</u>
Liabilities, Deferred Inflows of Resources and Fund Balance:				
Liabilities:				
Accounts payable	\$ 54,298,401	\$ 454,686	\$ 9,125,521	\$ 63,878,608
Due to:				
U.S. Department of Transportation	4,849	-	-	4,849
Other funds (Note 7)	-	-	30,535,115	30,535,115
Local governments (Note 13)	763,450	-	3,636,023	4,399,473
Component units of the state (Note 14)	41,004	-	46,317	87,321
Unearned revenue	3,333,550	-	-	3,333,550
Other accrued expenses	5,449,429	-	55,298	5,504,727
Deficiency in SGFIP	12,448,134	-	4,185,573	16,633,707
Other liabilities	65,365	-	58,465	123,830
Total Liabilities	<u>76,404,182</u>	<u>454,686</u>	<u>47,642,312</u>	<u>124,501,180</u>
Deferred Inflows of Resources:				
Amounts unavailable (not received within period of availability)	1,198,573	-	3,091,579	4,290,152
Total Deferred Inflows of Resources	<u>1,198,573</u>	<u>-</u>	<u>3,091,579</u>	<u>4,290,152</u>
Fund Balance:				
Non-spendable	38,098,776	-	-	38,098,776
Restricted	224,134,986	2,100,605	90,862,664	317,098,255
Unassigned	(1,198,573)	-	(3,868,743)	(5,067,316)
Total Fund Balance	<u>261,035,189</u>	<u>2,100,605</u>	<u>86,993,921</u>	<u>350,129,715</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 338,637,944</u>	<u>\$ 2,555,291</u>	<u>\$ 137,727,812</u>	<u>\$ 478,921,047</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, 2018

Total Fund Balance - Governmental Funds
(Balance Sheet - Governmental Funds)

\$ 350,129,715

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:

4,290,152

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

The cost of capital assets is	14,920,972,455
Accumulated depreciation is	<u>(9,384,027,528)</u>

Total capital assets

5,536,944,927

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)	(1,091,460,000)
Deferred loss on refunding (net of current period amortization)	81,590,035
Compensated absences	(7,060,725)

Capitalized bond premiums not recorded in the governmental funds as a liability, net of amortization:

(162,996,678)

Net Position of Governmental Activities (Statement of Net Position)

\$ 4,711,437,426

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, 2018

	<u>Major Funds</u>		<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>State Road Fund(s) (SHARE 10040 and 20100)</u>	<u>2018A Bond Debt Service Fund (SHARE 20770)</u>		
Revenues:				
User and fuel taxes	\$ 407,496,440	\$ -	\$ 27,426,775	\$ 434,923,215
U.S. Department of Transportation	386,843,471	-	25,176,106	412,019,577
Fees and fines	-	-	52,440	52,440
Licenses and permits	10,853,081	-	12,371,181	23,224,262
Charges for services	4,202,042	-	-	4,202,042
Other revenue	32,921,068	-	351,099	33,272,167
Interest earnings	1,039,819	147	5,887,058	6,927,024
Total Revenues	<u>843,355,921</u>	<u>147</u>	<u>71,264,659</u>	<u>914,620,727</u>
Expenditures:				
Current:				
Operating costs	11,167,210	-	121,108	11,288,318
Personal services	95,586,107	-	1,025,996	96,612,103
Out-of-state travel	118,076	-	61,779	179,855
Grants and services	1,752,651	-	54,603,179	56,355,830
Travel	16,671,069	-	3,334	16,674,403
Maintenance and repairs	12,622,112	-	40,509	12,662,621
Supplies	35,853,705	-	36,806	35,890,511
Contractual services	124,758,374	-	12,380,409	137,138,783
Other costs	3,064,777	-	58,185	3,122,962
Employee benefits	48,978,302	-	431,233	49,409,535
Capital outlay	286,562,043	-	33,714,227	320,276,270
Debt service:				
Principal	93,150,000	-	3,775,000	96,925,000
Interest	48,068,402	584,303	4,254,288	52,906,993
Swap termination cost	-	67,179,200	-	67,179,200
Debt issuance costs	-	1,421,938	-	1,421,938
Total Expenditures	<u>778,352,828</u>	<u>69,185,441</u>	<u>110,506,053</u>	<u>958,044,322</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>65,003,093</u>	<u>(69,185,294)</u>	<u>(39,241,394)</u>	<u>(43,423,595)</u>
Other Financing Sources (Uses):				
Appropriations	-	-	20,430,000	20,430,000
Reversions (Note 12)	106,919	-	(106,919)	-
Transfers in (out):				
Severance tax bond appropriations	-	-	29,096,632	29,096,632
Inter-Agency (Note 11)	(4,829,000)	-	300,000	(4,529,000)
Intra-Agency (Note 11)	-	1,960,850	(1,960,850)	-
Refunded bond escrow agent (Note 11)	-	(420,000,000)	-	(420,000,000)
Face value of debentures payable (Note 11)	-	420,090,000	-	420,090,000
Premiums of debentures payable (Note 11)	-	69,235,049	-	69,235,049
Total Other Financing Sources (Uses)	<u>(4,722,081)</u>	<u>71,285,899</u>	<u>47,758,863</u>	<u>114,322,681</u>
Net Changes in Fund Balance	<u>60,281,012</u>	<u>2,100,605</u>	<u>8,517,469</u>	<u>70,899,086</u>
Fund Balance, June 30, 2017	<u>200,754,177</u>	<u>-</u>	<u>78,476,452</u>	<u>279,230,629</u>
Fund Balance, June 30, 2018	<u>\$ 261,035,189</u>	<u>\$ 2,100,605</u>	<u>\$ 86,993,921</u>	<u>\$ 350,129,715</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

For the Year Ended June 30, 2018

Net Changes in Fund Balance - Total Governmental Funds

(Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds) \$ 70,899,086

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

Net change in deferred inflows of resources adjustments from prior to current year (reported as deferred inflows of resources in the Balance Sheet - Governmental Funds and reported as revenue in the Statement of Activities.) 1,703,177

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) - are measured by the amounts earned during the year to the governmental funds, however, expenditure for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The increase (decrease) in the compensated absences liabilities for the fiscal year was: 46,783

The Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts were:

Capital outlay	320,276,270	
Depreciation expense	(398,209,884)	
Sale of capital asset and adjustments, net book value	<u>29,180</u>	
Excess of depreciation expense over capital outlay		(77,904,434)

(Issuance) repayment of debentures recorded as a (source of revenue) principal expenditure in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds recorded as an (increase) reduction in long-term debentures payable in the Statement of Net Position:

Bond proceeds	(420,090,000)	
Principal payments	96,925,000	
Principal payments from refunding (paid to escrow agent)	420,000,000	
Change in fair value of ineffective swaps recorded in the Statement of Activities	7,417,176	
Swap termination costs	<u>67,179,200</u>	
		171,431,376

Net change in deferred loss on refunding (including write off of unamortized balance of premiums and issuance costs associated with the refunded bonds), which is recorded as a reduction of long-term liabilities in the Statement of Net Position: (7,871,038)

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

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 \$162,996,678 in the Statement of Net Position, net of \$12,871,880 of amortization, recorded as a decrease to interest expense in the Statement of Net Position:

Amortization of bond premium	12,871,880	
Premium of new bonds issued	<u>(69,235,049)</u>	
		<u>(56,363,169)</u>
Change in Net Position of Governmental Activities (Statement of Activities)		<u><u>\$ 101,941,781</u></u>

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

As of June 30, 2018

	State Infrastructure Bank (SHARE 89300)
Assets:	
Current Assets:	
Cash: (Note 2)	
Unrestricted	\$ -
Cash equivalents: (Note 2)	
Investment in SGFIP	20,494,091
Receivables:	
Interest receivable	-
Notes and loans receivable (Note 5)	627,263
Total Current Assets	21,121,354
Total Assets	\$ 21,121,354
Liabilities and Net Position:	
Liabilities:	
Current Liabilities:	
Accounts payable	\$ -
Total Current Liabilities	-
Total Liabilities	-
Net Position:	
Restricted for:	
Loans	21,121,354
Total Net Position	21,121,354
Total Liabilities and Net Position	\$ 21,121,354

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

For the Year Ended June 30, 2018

	State Infrastructure Bank (SHARE 89300)
Operating Revenues (Expenses):	
Loan interest income	\$ 7,134
Total Operating Revenues (Expenses)	<u>7,134</u>
Non-Operating Revenues (Expenses):	
Interest income	177,383
Interest expense	-
Total Non-Operating Revenues (Expenses)	<u>177,383</u>
Change in Net Position/Operating Income	184,517
Net Position, Beginning of Fiscal Year	<u>20,936,837</u>
Net Position, End of Fiscal Year	<u><u>\$ 21,121,354</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, 2018

	State Infrastructure Bank (SHARE 89300)
Cash Flows from Operating Activities:	
Cash received from interest on loans	\$ 7,134
Loans repaid	86,095
Net Cash Provided (Used) by Operating Activities	93,229
Cash Flows from Investing Activities:	
Cash received from interest	177,383
Net Cash Provided (Used) by Capital and Related Financing Activities	177,383
Net Increase (Decrease) in Cash and Cash Equivalents	270,612
Cash and Cash Equivalents at June 30, 2017	20,223,479
Cash and Cash Equivalents at June 30, 2018	\$ 20,494,091
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 7,134
Change in assets and liabilities:	
(Increase) decrease in notes and loans receivable	86,095
Net Cash Provided (Used) by Operating Activities	\$ 93,229

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, 2018

	STATE ROAD FUND(S) (SHARE 10040 and 20100)			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Modified Accrual)	Over (Under)
Revenues and Other Financing Sources:				
Federal funds	\$ 369,082,800	\$ 919,323,275	\$ 386,843,471	\$ (532,479,804)
Other state funds	406,598,700	411,513,330	455,472,631	43,959,301
Transfers outside the agency	1,171,000	1,171,000	1,277,919	106,919
Interest revenue	360,100	360,100	1,039,819	679,719
Bond proceeds	-	-	-	-
Total Revenues and Other Financing Sources	<u>777,212,600</u>	<u>1,332,367,705</u>	<u>844,633,840</u>	<u>\$ (487,733,865)</u>
Prior Year Funds Rebudgeted	<u>27,955,000</u>	<u>159,241,031</u>		
	<u>\$ 805,167,600</u>	<u>\$ 1,491,608,736</u>		
Expenditures and Other Financing Uses:				
Project Design & Construction:				
Personal services/employee benefits	\$ 25,468,800	\$ 25,468,800	22,587,730	\$ 2,881,070
Contractual services	319,376,100	957,613,675	332,521,096	625,092,579
Other	157,310,800	159,146,462	148,125,256	11,021,206
Transfers (in) out	3,000,000	3,000,000	3,000,000	-
	<u>505,155,700</u>	<u>1,145,228,937</u>	<u>506,234,082</u>	<u>638,994,855</u>
Highway Operations:				
Personal services/employee benefits	104,510,100	104,510,100	97,561,765	6,948,335
Contractual services	49,772,600	70,799,273	49,639,936	21,159,337
Other	76,512,200	92,865,742	75,260,254	17,605,488
Transfers (in) out	3,000,000	3,000,000	3,000,000	-
	<u>233,794,900</u>	<u>271,175,115</u>	<u>225,461,955</u>	<u>45,713,160</u>
Business Support:				
Personal services/employee benefits	24,757,500	24,757,500	21,994,922	2,762,578
Contractual services	4,458,800	4,458,800	1,923,578	2,535,222
Other	12,949,400	12,949,400	11,368,503	1,580,897
	<u>42,165,700</u>	<u>42,165,700</u>	<u>35,287,003</u>	<u>6,878,697</u>
Modal:				
Personal services/employee benefits	3,182,700	3,182,700	2,419,992	762,708
Contractual services	18,228,000	26,518,333	12,947,752	13,570,581
Other	2,640,600	3,337,951	2,002,044	1,335,907
	<u>24,051,300</u>	<u>33,038,984</u>	<u>17,369,788</u>	<u>15,669,196</u>
Total Budgeted Expenditures and Other Financing Uses	<u>\$ 805,167,600</u>	<u>\$ 1,491,608,736</u>	<u>784,352,828</u>	<u>\$ 707,255,908</u>
Non-Budgeted Items:				
Reversions			-	
Total Expenditures and Other Financing Uses			<u>784,352,828</u>	
Excess (Deficiency) of Revenues Over (Under)				
Expenditures and Other Financing Sources and Uses			<u>\$ 60,281,012</u>	

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, 2018.

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 funds are the following:

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.

2018A Bond Debt Service Fund (Fund #20770). The fund was created when the \$420,090,000 NMFA State Transportation Refunding Revenue Bonds Series 2018A were issued in June 2018 to refund the total balance of the NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A GRIP Bonds, Series 2008B GRIP Bonds and the Series 2008C GRIP Bonds. The fund does not receive state general fund appropriations that are subject to reversions.

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, 2018, 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

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Debt Service Funds - continued

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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Intra-agency and Inter-agency 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 fiscal year-end. Accordingly, no allowance for uncollectible amounts is necessary. The revenue related to taxes is recorded when the underlying transaction occurs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 in which the Department deems uncollectible 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 FY18 was \$5,197,067 and a net total of \$135,894 was moved to the uncollectible account during the current fiscal year. A total of \$33,128 was recovered from the uncollectible account during the current fiscal year. (Note 3)

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. Based on the Department of Finance and Administration's current accounting policies, the State Board of Finance transfers cash and therefore there is no Severance Tax Bonds Proceeds Receivable as of June 30, 2018 (Note 4).

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, 2018. 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 5).

Due From 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 6). There was no allowance for FY 2018. As expenditures are determined to be unallowable, this amount is classified as Due to the U.S. Department of Transportation until repaid.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Due From and Due To Other Funds

Due from/to other funds represent amounts due from and to other funds within the Department (Note 7) 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 8) 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 and are included in the governmental fund financial statements and accrual basis government-wide financial statements.

Due To Other State Agencies

Due to other state agencies represents amounts due to other state agencies from the Department 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 2018 the total prepaid expense unamortized value was \$10,830,000. The structures, which originally cost \$29,480,471 are fully amortized.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 acquisition value at the date of acquisition plus ancillary charges, if any.

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. In addition, the Department records deletions of infrastructure assets and related accumulated depreciation over a 39 year estimated life.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, 2018, 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.

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."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Encumbrances

With the General Appropriations Act of 2017, Section 3K 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, 2018 for other multiple year appropriation periods are as follows:

STB Capital Outlay Fund	89200	\$ 8,129,339
GF Capital Outlay Fund	93100	19,218,490
		\$ 27,347,829

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 \$1.09 billion in State Transportation Revenue and Refunding Bonds issued between 2006 and 2018. 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 \$1.39 billion. Debt Service principal and interest paid for the current year and total pledged revenues were \$149,247,690 and \$814,341,276, respectively.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 one item that qualifies for reporting in this category, the deferred loss on refunding.

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.

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 statewide 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 fourth year. This process has been reviewed multiple times by the IPAs performing 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 13, 2018 that as of June 30, 2018, resources held in the pool were equivalent to the corresponding business unit claims on those resources and all claims as recorded in SHARE shall be honored at face value.

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 has established its own internal reconciliation policies and procedures to mitigate the risk that our cash balances would be misstated as of June 30, 2018. 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.

2. CASH AND CASH EQUIVALENTS - continued

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

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

General Fund Investment Pool	\$ 286,063,083
State Infrastructure Bank	<u>20,494,091</u>
	<u>\$ 306,557,174</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.

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, 2018.

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, 2018.

2. CASH AND CASH EQUIVALENTS - continued

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, 2018 the Department had the following managed by NMFA held with Bank of Albuquerque:

Bank of Albuquerque, trustee account (Managed by NMFA)	<u>\$ 39,639,748</u>
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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, 2018 is as follows:

<u>Number of Days Outstanding</u>		
0 - 30	\$	462,271
31 - 60		16,586
61 - 90		22,169
91 - 120		19,284
Beyond 120		5,232,042
		5,752,352
Allowance for uncollectible accounts		(5,197,067)
	\$	555,285

4. STB CAPITAL OUTLAY FUND

Severance tax bond proceeds as of June 30, 2018, 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	\$	83,214,156
Sale and reauthorization of severance tax bonds		14,913,437
Funding from the State Board of Finance		(27,899,686)
Reversion to the State Board of Finance		(678,263)
		(678,263)
Balance, end of year	\$	69,549,644

The funding for the year ended June 30, 2018 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, and Laws of 2018, Chapters 68 and 80.

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.

5. 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>\$ 627,263</u>
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6. DUE FROM U.S. DEPARTMENT OF TRANSPORTATION

Due from U.S. Department of Transportation (USDOT) consists of the following at June 30, 2018:

<u>Agency</u>	
Federal Highway Administration	\$ 36,621,407
Less allowance for uncollectible amounts	-
Total Federal Highway Administration	<u>36,621,407</u>
Other USDOT Agencies	<u>8,287,787</u>
Total USDOT	<u>\$ 44,909,194</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

7. 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, 2018 consist of the following:

	Fund Number	Due From Other Funds	Due to Other Funds	Net (Sub-totals only)
General Funds:				
State Road Fund(s)	10040 and 20100	\$ 7,652,952	\$ -	
Total General Funds		7,652,952	-	\$ 7,652,952
Total Special Revenue Funds		-	-	-
Debt Service Funds:				
2006A GRIP Bond Debt Service Fund	10220	27,151	12,505	
2008A GRIP Bond Debt Service Fund	10410	-	5,127,562	
2008B GRIP Bond Debt Service Fund	10420	-	14,551,645	
2008C GRIP Bond Debt Service Fund	10430	-	3,202,957	
2010A Bond Debt Service Fund	11140	1,735,971	-	
2010B GRIP Bond Debt Service Fund	20450	16,920,887	7,635,666	
2014A Bond Debt Service Fund	11960	651,977	-	
2012A Bond Debt Service Fund	30850	1,094,077	-	
2014B Bond Debt Service Fund	50110	491,250	4,780	
2018A Refunding Revenue Bond Funds	20770	1,960,850	-	
Total Debt Service Funds		22,882,163	30,535,115	(7,652,952)
Total Capital Projects Funds		-	-	-
Total Enterprise Funds		-	-	-
Total Interfund Receivables and Payables		\$ 30,535,115	\$ 30,535,115	\$ -
Summary				
Total General Funds - net				\$ 7,652,952
Total Special Revenue Funds - net				-
Total Debt Service Funds - net				(7,652,952)
Total Capital Projects Funds - net				-
Total Governmental – net				-
Total Enterprise Funds – net				-
Total All Funds				\$ -

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM OTHER STATE AGENCIES

Fund Description	Fund Number	Sub-total	Total	Business Unit	Fund Affiliate
State Road Fund(s)	10040 / 20100	\$ 18,982,508		33300	82500
				33300	82800
HIF Bond Fund	20200	567,922		33300	83200
Local Government Road Fund	20300	1,598,306		33300	82800
		189,307		33300	83200
State Aviation Fund	20500	32,165		33300	82800
		464,193		33300	83200
Total taxes due from Taxation and Revenue Department			<u>\$ 38,957,009</u>		
Total Government-wide			<u><u>\$ 38,957,009</u></u>		

9. INVENTORIES

Inventory as of June 30, 2018 consists of the following:

Highway maintenance materials stockpiled	\$ 10,338,915
Repair parts and expendable supplies	5,604,911
Fuel, oil and lubricants	<u>703,730</u>
	<u>\$ 16,647,556</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, 2018 follows:

	Beginning Balance	Additions	Adjustments &	
	June 30, 2017		Transfers	Retirements
Non-Depreciable Assets:				
Construction in Progress	\$ 264,678,417	\$ 305,974,768	\$ -	\$ -
Rail System Infrastructure - Right of Way	72,249,445	-	-	(44,864)
Land	5,177,044	-	-	-
Right of Way	432,231,219	-	-	(3,376)
Total Non-Depreciable Assets	774,336,125	305,974,768	-	(48,240)
Depreciable Assets:				
Infrastructure	13,668,427,007	-	-	(522,447,853)
Automotive and Major Road Fund Equipment	236,164,112	12,161,591	43,780	(6,158,065)
Rail System Infrastructure	373,304,975	-	-	(17,500)
Buildings	49,365,551	59,370	281,531	(27,015)
Equipment and Furniture	28,170,998	2,080,541	(144,519)	(668,268)
Library	113,566	-	-	-
Total Depreciable Assets	14,355,546,209	14,301,502	180,792	(529,318,701)
Total Assets	15,129,882,334	320,276,270	180,792	(529,366,941)
Less Accumulated Depreciation:				
Infrastructure	(9,161,182,629)	(369,153,906)	-	522,447,853
Automotive and Major Road Fund Equipment	(163,658,880)	(11,903,747)	-	6,109,583
Rail System Infrastructure	(136,401,704)	(14,932,491)	-	7,992
Buildings	(31,054,777)	(810,118)	(308)	3,554
Equipment and Furniture	(22,628,625)	(1,408,057)	28	646,627
Library	(106,358)	(1,565)	-	-
Total Accumulated Depreciation	(9,515,032,973)	(398,209,884)	(280)	529,215,609
Net Total	\$ 5,614,849,361	\$ (77,933,614)	\$ 180,512	\$ (151,332)

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

Depreciation:	
Programs and infrastructure	\$ 369,397,652
Transportation and highway operations	13,221,120
Program support	657,046
Modal	14,934,066
	<u>398,209,884</u>
Amortization	1,805,000
Total Depreciation and Amortization	<u>\$ 400,014,884</u>

10. CAPITAL ASSETS - continued

CIP Reclassifications	Ending Balance June 30, 2018
\$ (241,247,626)	\$ 329,405,559
-	72,204,581
-	5,177,044
3,413,306	435,641,149
(237,834,320)	842,428,333
237,834,320	13,383,813,474
-	242,211,418
-	373,287,475
-	49,679,437
-	29,438,752
-	113,566
237,834,320	14,078,544,122
-	14,920,972,455
-	(9,007,888,682)
-	(169,453,044)
-	(151,326,203)
-	(31,861,649)
-	(23,390,027)
-	(107,923)
-	(9,384,027,528)
\$ -	\$ 5,536,944,927

11. TRANSFERS

Transfers within the Agency

	Fund Number		Transfers In	Transfers Out	Net (Sub-totals only)
General Funds:					
State Road Fund(s)	10040 / 20100	(2)	\$ 106,919	\$ -	
Total General Funds			<u>106,919</u>	<u>-</u>	<u>\$ 106,919</u>
Debt Service Funds:					
2006A GRIP Bond Debt Service Fund	10220	(1)	27,151	-	
2008A GRIP Bond Debt Service Fund	10410	(1)	-	3,565,157	
2008B GRIP Bond Debt Service Fund	10420	(1)	-	9,579,359	
2008C GRIP Bond Debt Service Fund	10430	(1)	-	2,101,981	
2010A Bond Debt Service Fund	11140	(1)	1,735,971	-	
2010B Bond Debt Service Fund	20450	(1)	9,285,221	-	
2014A Bond Debt Service Fund	11960	(1)	651,977	-	
2012A Bond Debt Service Fund	30850	(1)	1,094,077	-	
2014B Bond Debt Service Fund	50110	(1)	491,250	-	
2018A Bond Debt Service Fund	20770	(1)	1,960,850	-	
Total Debt Service Funds			<u>15,246,497</u>	<u>15,246,497</u>	<u>-</u>
Capital Projects Funds:					
Capital Projects Fund	10050	(2)	-	106,919	
Total Capital Projects Funds			<u>-</u>	<u>106,919</u>	<u>(106,919)</u>
			<u>\$ 15,353,416</u>	<u>\$ 15,353,416</u>	<u>\$ -</u>
Total Governmental – net					<u>\$ -</u>
Total Enterprise Funds – net					<u>-</u>
Total Transfers within the Agency					<u><u>\$ -</u></u>

(1) To transfer residual balances of swap funds refunded by 2018A Refunding Bond

(2) Reversion of completed State Road Fund Appropriations

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

11. TRANSFERS - continued

Transfers outside the Agency

	<u>Fund Number</u>		<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net (Sub-totals only)</u>
General Funds:					
State Road Fund(s)	10040 / 20100	(3)	\$ 1,171,000	\$ -	
		(5)	-	6,000,000	
Total General Funds			<u>1,171,000</u>	<u>6,000,000</u>	<u>\$ (4,829,000)</u>
Special Revenue Funds:					
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	(4)	300,000	-	
Total Special Revenue Funds			<u>300,000</u>	<u>-</u>	<u>300,000</u>
Debt Service Funds:					
2018A Bond Debt Service Fund	20770	(6)	420,090,000	-	
		(7)	69,235,049	-	
		(8)	-	420,000,000	
Total Debt Service Funds			<u>489,325,049</u>	<u>420,000,000</u>	<u>69,325,049</u>
			<u>\$ 490,796,049</u>	<u>\$ 426,000,000</u>	<u>\$ 64,796,049</u>
Total Governmental – net					64,796,049
Total Enterprise Funds – net					<u>-</u>
Total Transfers outside the Agency					64,796,049
Government-wide adjustments					<u>(69,325,049)</u>
Total Government Wide - Statement of Activities					<u>\$ (4,529,000)</u>

- (3) Transfer from Taxation and Revenue Department for HB2, Section 4 H, Laws of 2017 Weight Distance tax
- (4) Transfer from Department of Finance and Administration for DWI Program
- (5) Transfer to Taxation and Revenue Department for HB2, Section 4 C, Laws of 2017 Motor Vehicle Program
- (6) Receipt of Principal on 2018A Refunding Revenue Bonds
- (7) Receipt of Premium on 2018A Refunding Revenue Bonds
- (8) Transfer of proceeds on 2018A Refunding Revenue Bonds to escrow account to refund Swap funds

12. REVERSIONS (INTRA-AGENCY)

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

Current year reversions to the State Road Fund as of June 30, 2018 were as follows:

<u>Fund Description</u>	<u>Fund Number</u>	<u>Total</u>
Capital Projects Fund	10050	\$ (106,919)
Total Governmental Funds		<u>\$ (106,919)</u>

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, 20700, 20800, 82600	Bernalillo County	\$ 32,010
		City of Albuquerque	25,439
		City of Farmington	4,548
		City of Gallup	1,755
		City of Las Vegas	2,557
		City of Portales	753
		City of Santa Fe	4,596
		City of Tucumcari	570
		County of McKinley	13,232
		County of Taos	139
		Dona Ana County	18,604
		Pueblo of Jemez	931
		Rio Arriba County	12,748
		San Juan County	2,237
Federal Planning & Development Fund	10030	City of Carlsbad	106,097
		City of Clovis	38,958
		City of Farmington	12,298
		City of Hobbs	33,094
		City of Las Vegas	9,236
		City of Portales	7,305
		City of Roswell	70,928
		City of Ruidoso Downs	5,756
		City of Santa Fe	9,703
		County of Grant	73,981
		El Paso Metropolitan Planning Org.	1,737
		Mid-Region Council of Governments	53,555
		North Central Regional Transit District	206,549
		Pueblo of Laguna	21,757
		Pueblo of Zuni	10,002
		Rio Metro Regional Transit District	253,844
		Town of Red River	7,476
State Road Fund(s)	10040 and 20100	Village of Milan	10,102
		City of Santa Fe	10,626
		City of Socorro	376
		County of Eddy	38,306
		Mid-Region Council of Governments	308,002
		Rio Metro Regional Transit District	265,198
		Santa Fe County	2,967
		Village of Los Lunas	137,975

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

13. DUE TO LOCAL GOVERNMENTS - continued

Fund Description	Fund Number	Due To	Total
Local Government Road Fund	20300	City of Portales	146,643
		County of Torrance	297,832
		New Mexico Institute of Mining & Tech	48,375
		Santa Fe County	63,551
		Village of Los Lunas	280,383
STB Capital Outlay Fund	89200	Board of Comm. - City Las Cruces	239,574
		Chaves County	9,127
		City of Albuquerque	353,506
		City of Clovis	12,784
		City of Las Cruces	(4,632)
		City of Lordsburg	17,917
		County of Eddy	56,582
		County of McKinley	265,758
		County of Valencia	347,664
		Dona Ana County	448,462
Total Governmental Funds			4,399,473
Total Enterprise Funds			-
Total Government-wide			\$ 4,399,473

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	\$ 41,004
Traffic Safety Fund(s)	10010	The University of New Mexico	46,317
Total Government-wide			\$ 87,321

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, 2018:

Governmental Activities	Balance at June 30, 2017	Increase	Decrease	Ending Balance June 30, 2018	Amounts due within one year
2006A GRIP Bonds	\$ 4,220,000	\$ -	\$ (3,570,000)	\$ 650,000	\$ 150,000
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)	-	-
2010A Refunding Bonds	69,360,000	-	(8,770,000)	60,590,000	8,990,000
2010B Refunding Bonds	375,225,000	-	(78,075,000)	297,150,000	82,385,000
2012A Refunding Bonds	169,975,000	-	(1,305,000)	168,670,000	4,640,000
2014A Revenue Bonds	70,110,000	-	(3,775,000)	66,335,000	3,855,000
2014B Refunding Bonds	79,405,000	-	(1,430,000)	77,975,000	1,505,000
2018A Refunding Bonds	-	420,090,000	-	420,090,000	1,265,000
Debentures	1,188,295,000	420,090,000	(516,925,000)	1,091,460,000	102,790,000
Compensated absences payable	7,107,508	6,904,091	(6,950,874)	7,060,725	7,060,725
Total obligations	1,195,402,508	<u>\$ 426,994,091</u>	<u>\$ (523,875,874)</u>	1,098,520,725	<u>\$ 109,850,725</u>
Less current portion	(104,032,508)			(109,850,725)	
Net long-term obligations	<u>\$ 1,091,370,000</u>			<u>\$ 988,670,000</u>	
Unamortized bond premium	<u>\$ 106,633,509</u>	<u>\$ 69,235,049</u>	<u>\$ (12,871,880)</u>	<u>\$ 162,996,678</u>	<u>\$ 18,641,467</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 Activities	Balance at June 30, 2017	Increase	Decrease	Ending Balance June 30, 2018	Amounts due within one year
Deferred loss on refunding	\$ 47,037,073	42,424,000	(7,871,038)	\$ 81,590,035	10,689,188

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, 2018, there were no bonds outstanding that were considered defeased in substance.

The cumulative deferred amount on the refundings of \$81,590,035 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.

Line of Credit

There were no outstanding amounts on the line of credit at the end of the fiscal year, with \$0 beginning balance, no amounts borrowed and \$0 repaid during the year. The Department's unused line of credit is \$50,000,000.

Termination Risk

The Department's debt issuances do not have any terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, or (3) subjective acceleration clauses.

Direct Borrowings

The Department does not have any direct borrowings or direct placements of debt.

The Department's Swap Funds Refunding

The Department's Swap agreements and 2008 GRIP bond issuances were refunded effective June 27, 2018. At the time of refunding, the swap funds termination costs were \$67,179,200. The termination cost 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 27, 2018.

Economic Gain

The refunding increased total debt service payments over the next 12 years by \$6.1 million. Due to the differences in the principal payment schedules of the old and new debt, the refunding results in an economic gain (difference between the present values of the debt service payment on the old and new debt) of \$3.4 million.

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 \$92,906, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006A GRIP:			
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>\$ 650,000</u>	<u>\$ 92,906</u>	<u>\$ 742,906</u>

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.

On June 27, 2018, the Series 2008A GRIP Bonds of \$115,200,000 were refunded by the 2018A Refunding Revenue Bonds.

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.

On June 27, 2018, the Series 2008B GRIP Bonds of \$220,000,000 were refunded by the 2018A Refunding Revenue Bonds.

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.

On June 27, 2018, the Series 2008C GRIP Bonds of \$84,800,000 were refunded by the 2018A Refunding Revenue Bonds.

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 \$9,399,275, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2010A Refunding:			
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	16,290,000	737,800	17,027,800
2024-2025	6,885,000	498,075	7,383,075
	<u>60,590,000</u>	<u>9,399,275</u>	<u>69,989,275</u>
Total	<u>\$ 60,590,000</u>	<u>\$ 9,399,275</u>	<u>\$ 69,989,275</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 \$35,853,000, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2010B Refunding:			
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	26,040,000	1,849,000	27,889,000
2024	10,940,000	547,000	11,487,000
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 297,150,000</u>	<u>\$ 35,853,000</u>	<u>\$ 333,003,000</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 \$35,080,500, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2012A Refunding:			
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	4,150,000	2,066,650	6,216,650
2024-2026	46,810,000	4,548,850	51,358,850
Total	\$ 168,670,000	\$ 35,080,500	\$ 203,750,500

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 \$30,790,250, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2014A Revenue:			
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	-	2,778,750	2,778,750
2024-2028	25,190,000	12,106,750	37,296,750
2029-2032	30,385,000	3,769,000	34,154,000
Total	\$ 66,335,000	\$ 30,790,250	\$ 97,125,250

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 \$32,039,250, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2014B Refunding:			
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	1,830,000	3,574,500	5,404,500
2024-2027	69,660,000	13,336,500	82,996,500
Total	<u>\$ 77,975,000</u>	<u>\$ 32,039,250</u>	<u>\$ 110,014,250</u>

15. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2018A Revenue and Refundings

The Department issued \$420,090,000 NMFA State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2018A in June 2018. The gross proceeds to the Department were \$487,888,671 including an original issuance premium of \$69,235,049. The cost of issuance, including the underwriters' discount, was \$1,423,438.

Proceeds from the sale of the Series 2018A Bonds were used to refund (i) the total balance of the NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A (The "Series 2008A GRIP Bonds"), in the amount of \$115,200,000 (ii) the total balance of the NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B (The "Series 2008B GRIP Bonds"), in the amount of \$220,000,000 and (iii) the total balance of the NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C (The "Series 2008C GRIP Bonds"), in the amount of \$84,800,000. Proceeds from the Series 2018A Bonds were also used to pay costs of issuing the Series 2018A 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 2030.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$151,574,100, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2018A Refunding:			
2019	\$ 1,265,000	\$ 20,304,350	\$ 21,569,350
2020	670,000	20,941,250	21,611,250
2021	630,000	20,907,750	21,537,750
2022	12,705,000	20,876,250	33,581,250
2023	83,805,000	20,241,000	104,046,000
2024-2028	259,990,000	44,048,250	304,038,250
2029-2030	61,025,000	4,255,250	65,280,250
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 420,090,000</u>	<u>\$ 151,574,100</u>	<u>\$ 571,664,100</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>
2019	\$ 154,859,731
2020	155,245,850
2021	153,604,600
2022	164,711,725
2023	163,872,700
2024-2028	494,560,425
2029-2032	99,434,250
Total	\$ 1,386,289,281

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 \$52,906,993 for the year-ended June 30, 2018.

Capital Leases

There are no future minimum lease obligations to report as of June 30, 2018.

Compensated Absences

An obligation amounting to \$7,060,725 at June 30, 2018 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 \$1,858,590

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

Fund 10030: Federal Planning and Development Fund \$1,225,843

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

Fund 10040 / 20100: State Road Fund(s) \$1,198,573 (Unassigned negative portion of fund balance)

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

Fund 89200: STB Capital Outlay Fund \$784,310

This amount represents unreimbursed expenditures held as retainage.

17. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

Funding Policy

Plan members 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 FY18 of the gross covered salary. The contribution requirements of plan members and the Department are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2018, 2017, 2016 were \$16,214,717, \$16,470,019, and \$16,153,446, respectively, equal to the amount of the required contribution for each year.

18. POSTEMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

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

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

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

19. 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 2017-2018 fiscal year, the Department paid Risk Management \$6,515,377 in insurance premiums. 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. 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, 2018, 2017, and 2016, the Department had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Department.

20. 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.

21. 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, 2018 was \$1,076,432.

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.

22. 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, 2018 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.

23. 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.

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SUPPLEMENTARY INFORMATION

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

As of June 30, 2018

	Departmental Services- Inventories Fund (SHARE 10040)	State Road Fund (SHARE 20100)	Interfund Activity	State Road Fund(s) (SHARE 10040 and 20100)
Assets:				
Cash:				
Unrestricted	\$ -	\$ 1,100	\$ -	\$ 1,100
Cash equivalents:				
Investment in SGFIP	-	219,409,235	-	219,409,235
Managed by NMFA	-	223,153	-	223,153
Receivables:				
Accounts receivable, net	-	511,162	-	511,162
Interest receivable	-	404	-	404
Notes and loans receivable	-	-	-	-
Other receivables	-	14,639	-	14,639
Due from:				
U.S. Department of Transportation	-	36,621,407	-	36,621,407
Other funds	255	7,652,952	(255)	7,652,952
Other state agencies	-	36,105,116	-	36,105,116
Inventories	16,647,556	-	-	16,647,556
Prepaid expenses - other	-	14,210	-	14,210
Prepaid expenses - NM44 warranty	-	10,830,000	-	10,830,000
Property held for resale	-	10,607,010	-	10,607,010
Total Assets	\$ 16,647,811	\$ 321,990,388	\$ (255)	\$ 338,637,944
Liabilities, Deferred Inflows of Resources and Fund Balance:				
Liabilities:				
Accounts payable	\$ 281,862	\$ 54,016,539	\$ -	\$ 54,298,401
Due to:				
U.S. Department of Transportation	-	4,849	-	4,849
Other funds	-	255	(255)	-
Local governments	-	763,450	-	763,450
Component units of the state	-	41,004	-	41,004
Unearned revenue	-	3,333,550	-	3,333,550
Other accrued expenses	-	5,449,429	-	5,449,429
Deficiency in SGFIP	12,448,134	-	-	12,448,134
Other liabilities	58,229	7,136	-	65,365
Total Liabilities	12,788,225	63,616,212	(255)	76,404,182
Deferred Inflows of Resources:				
Amounts unavailable (not received within period of availability)	-	1,198,573	-	1,198,573
Total Deferred Inflows of Resources	-	1,198,573	-	1,198,573
Fund Balance:				
Non-spendable	16,647,556	21,451,220	-	38,098,776
Restricted	-	236,922,956	(12,787,970)	224,134,986
Unassigned	(12,787,970)	(1,198,573)	12,787,970	(1,198,573)
Total Fund Balance	3,859,586	257,175,603	-	261,035,189
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 16,647,811	\$ 321,990,388	\$ (255)	\$ 338,637,944

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, 2018

	Departmental Services- Inventories Fund (SHARE 10040)	State Road Fund (SHARE 20100)	Interfund Activity	State Road Fund(s) (SHARE 10040 and 20100)
Revenues:				
User and fuel taxes	\$ -	\$ 407,496,440	\$ -	\$ 407,496,440
U.S. Department of Transportation	-	386,843,471	-	386,843,471
Fees and fines	-	-	-	-
Licenses and permits	-	10,853,081	-	10,853,081
Charges for services	-	4,202,042	-	4,202,042
Other revenue	13,752	32,907,316	-	32,921,068
Interest earnings	-	1,039,819	-	1,039,819
Total Revenues	13,752	843,342,169	-	843,355,921
Expenditures:				
Current:				
Operating costs	-	11,167,210	-	11,167,210
Personal services	-	95,586,107	-	95,586,107
Out-of-state travel	-	118,076	-	118,076
Grants and services	-	1,752,651	-	1,752,651
Travel	-	16,671,069	-	16,671,069
Maintenance and repairs	-	12,622,112	-	12,622,112
Supplies	-	35,853,705	-	35,853,705
Contractual services	-	124,758,374	-	124,758,374
Other costs	(65,774)	3,130,551	-	3,064,777
Employee benefits	-	48,978,302	-	48,978,302
Capital outlay	-	286,562,043	-	286,562,043
Debt service:				
Principal	-	93,150,000	-	93,150,000
Interest	-	48,068,402	-	48,068,402
Swap termination cost	-	-	-	-
Debt issuance costs	-	-	-	-
Total Expenditures	(65,774)	778,418,602	-	778,352,828
Excess (Deficiency) of Revenues Over (Under) Expenditures	79,526	64,923,567	-	65,003,093
Other Financing Sources (Uses):				
Appropriations	-	-	-	-
Reversions	-	106,919	-	106,919
Transfers in (out):				
Severance tax bond appropriations	-	-	-	-
Inter-Agency	-	(4,829,000)	-	(4,829,000)
Intra-Agency	-	-	-	-
Refunded bond escrow agent	-	-	-	-
Face value of debentures payable	-	-	-	-
Premiums of debentures payable	-	-	-	-
Total Other Financing Sources (Uses)	-	(4,722,081)	-	(4,722,081)
Net Changes in Fund Balance	79,526	60,201,486	-	60,281,012
Fund Balance, June 30, 2017	3,780,060	196,974,117	-	200,754,177
Fund Balance, June 30, 2018	\$ 3,859,586	\$ 257,175,603	\$ -	\$ 261,035,189

See Independent Auditors' Report

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

As of June 30, 2018

	Federal Traffic Safety Fund	Driver Improvement Fund	Motorcycle Training Fund	DWI Prevention and Education Fund
	(SHARE 10010)	(SHARE 10020)	(SHARE 20600)	(SHARE 20700)
Assets:				
Cash:				
Unrestricted	\$ -	\$ -	\$ -	\$ -
Cash equivalents:				
Investment in SGFIP Managed by NMFA	-	155,596	15,482	533,509
Receivables:				
Accounts receivable, net	-	9,151	-	-
Interest receivable	-	-	-	-
Notes and loans receivable	-	-	-	-
Other receivables	-	-	-	-
Due from:				
U.S. Department of Transportation	4,857,861	-	-	-
Other funds	-	-	-	-
Other state agencies	-	-	-	-
Inventories	-	-	-	-
Prepaid expenses - other	-	-	-	-
Prepaid expense - NM44 warranty	-	-	-	-
Property held for resale	-	-	-	-
Total Assets	\$ 4,857,861	\$ 164,747	\$ 15,482	\$ 533,509
Liabilities, Deferred Inflows of Resources and Fund Balance:				
Liabilities:				
Accounts payable	\$ 1,849,025	\$ 9,359	\$ 2,516	\$ 66,813
Due to:				
U.S. Department of Transportation	-	-	-	-
Other funds	-	-	-	-
Local governments	107,371	-	-	12,748
Component units of the state	46,317	-	-	-
Unearned revenue	-	-	-	-
Other accrued expenses	25,712	-	-	-
Deficiency in SGFIP	2,829,436	-	-	-
Other liabilities	-	-	-	-
Total Liabilities	4,857,861	9,359	2,516	79,561
Deferred Inflows of Resources:				
Amounts unavailable (not received within period of availability)	1,858,590	-	-	-
Total Deferred Inflows of Resources	1,858,590	-	-	-
Fund Balance:				
Non-spendable	-	-	-	-
Restricted	-	155,388	12,966	453,948
Unassigned	(1,858,590)	-	-	-
Total Fund Balance	(1,858,590)	155,388	12,966	453,948
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 4,857,861	\$ 164,747	\$ 15,482	\$ 533,509

See Independent Auditors' Report

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

Traffic Safety Fund (SHARE 20800)	Ignition Interlock Fund (SHARE 82600)	Traffic Safety Fund(s) (SHARE 10010, 10020, 20600, 20700, 20800, 82600)
\$ -	\$ -	\$ -
1,608,552	2,565,139	4,878,278
-	-	-
34,316	-	43,467
-	-	-
-	-	-
-	-	4,857,861
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ 1,642,868</u>	<u>\$ 2,565,139</u>	<u>\$ 9,779,606</u>
\$ 202,526	\$ 73,412	\$ 2,203,651
-	-	-
-	-	-
-	-	120,119
-	-	46,317
-	2,470	-
-	-	28,182
-	-	2,829,436
<u>202,526</u>	<u>75,882</u>	<u>5,227,705</u>
-	-	1,858,590
-	-	1,858,590
-	-	-
1,440,342	2,489,257	4,551,901
-	-	(1,858,590)
<u>1,440,342</u>	<u>2,489,257</u>	<u>2,693,311</u>
<u>\$ 1,642,868</u>	<u>\$ 2,565,139</u>	<u>\$ 9,779,606</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, 2018

	Federal Traffic Safety Fund	Driver Improvement Fund	Motorcycle Training Fund	DWI Prevention and Education Fund
	(SHARE 10010)	(SHARE 10020)	(SHARE 20600)	(SHARE 20700)
Revenues:				
User and fuel taxes	\$ -	\$ -	\$ -	\$ -
U.S. Department of Transportation	11,456,603	-	-	-
Fees and fines	-	-	-	-
Licenses and permits	-	242,735	126,726	434,135
Charges for services	-	-	-	-
Other revenue	-	-	-	-
Interest earnings	-	-	16	-
Total Revenues	11,456,603	242,735	126,742	434,135
Expenditures:				
Current:				
Operating costs	5,829	-	-	-
Personal services	467,711	-	-	-
Out-of-state travel	20,496	-	-	-
Grants and services	3,316,795	2,494	-	159,381
Travel	-	-	-	-
Maintenance and repairs	33,331	-	-	-
Supplies	-	-	-	-
Contractual services	8,189,571	491,157	113,933	293,281
Other costs	-	-	-	-
Employee benefits	207,950	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Swap termination cost	-	-	-	-
Debt issuance costs	-	-	-	-
Total Expenditures	12,241,683	493,651	113,933	452,662
Excess (Deficiency) of Revenues Over (Under) Expenditures	(785,080)	(250,916)	12,809	(18,527)
Other Financing Sources (Uses):				
Appropriations	-	-	-	-
Reversions	-	-	-	-
Transfers in (out):				
Severance tax bond appropriations	-	-	-	-
Inter-Agency	-	-	-	-
Intra-Agency	-	-	-	-
Refunded bond escrow agent	-	-	-	-
Face value of debentures payable	-	-	-	-
Premiums of debentures payable	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Changes in Fund Balance	(785,080)	(250,916)	12,809	(18,527)
Fund Balance, June 30, 2017	(1,073,510)	406,304	157	472,475
Fund Balance, June 30, 2018	\$ (1,858,590)	\$ 155,388	\$ 12,966	\$ 453,948

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 (SHARE 20800)	Ignition Interlock Fund (SHARE 82600)	Traffic Safety Fund(s) (SHARE 10010, 10020, 20600, 20700, 20800, 82600)
\$ -	\$ -	\$ -
-	-	11,456,603
-	-	-
1,003,275	414,695	2,221,566
-	-	-
-	200	200
11,393	-	11,409
<u>1,014,668</u>	<u>414,895</u>	<u>13,689,778</u>
-	-	5,829
-	37,834	505,545
-	-	20,496
438,310	-	3,916,980
-	-	-
-	-	33,331
-	-	-
478,851	578,127	10,144,920
26,447	28,166	54,613
-	14,062	222,012
-	-	-
-	-	-
-	-	-
<u>943,608</u>	<u>658,189</u>	<u>14,903,726</u>
<u>71,060</u>	<u>(243,294)</u>	<u>(1,213,948)</u>
-	-	-
-	-	-
-	-	-
-	300,000	300,000
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>300,000</u>	<u>300,000</u>
<u>71,060</u>	<u>56,706</u>	<u>(913,948)</u>
<u>1,369,282</u>	<u>2,432,551</u>	<u>3,607,259</u>
<u>\$ 1,440,342</u>	<u>\$ 2,489,257</u>	<u>\$ 2,693,311</u>

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

As of June 30, 2018

	Traffic Safety Fund(s) (SHARE 10010, 10020, 20600, 20700, 20800, 82600)	Federal Planning and Development Fund (SHARE 10030)	HIF Bond Fund (SHARE 20200)	Local Government Road Fund (SHARE 20300)
Assets:				
Cash:				
Unrestricted	\$ -	\$ -	\$ -	\$ -
Cash equivalents:				
Investment in SGFIP Managed by NMFA	4,878,278 -	-	2,329,478 -	24,236,236 -
Receivables:				
Accounts receivable, net	43,467	-	-	-
Interest receivable	-	-	-	-
Notes and loans receivable	-	-	-	-
Other receivables	-	-	-	-
Due from:				
U.S. Department of Transportation	4,857,861	3,429,926	-	-
Other funds	-	-	-	-
Other state agencies	-	-	567,922	1,787,613
Inventories	-	-	-	-
Prepaid expenses - other	-	-	-	-
Prepaid expense - NM44 warranty	-	-	-	-
Property held for resale	-	-	-	-
Total Assets	\$ 9,779,606	\$ 3,429,926	\$ 2,897,400	\$ 26,023,849
Liabilities, Deferred Inflows of Resources and Fund Balance:				
Liabilities:				
Accounts payable	\$ 2,203,651	\$ 1,437,695	\$ -	\$ -
Due to:				
U.S. Department of Transportation	-	-	-	-
Other funds	-	-	-	-
Local governments	120,119	932,378	-	836,784
Component units of the state	46,317	-	-	-
Unearned revenue	-	-	-	-
Other accrued expenses	28,182	15,102	-	-
Deficiency in SGFIP	2,829,436	979,140	-	-
Other liabilities	-	58,465	-	-
Total Liabilities	5,227,705	3,422,780	-	836,784
Deferred Inflows of Resources:				
Amounts unavailable (not received within period of availability)	1,858,590	1,232,989	-	-
Total Deferred Inflows of Resources	1,858,590	1,232,989	-	-
Fund Balance:				
Non-spendable	-	-	-	-
Restricted	4,551,901	-	2,897,400	25,187,065
Unassigned	(1,858,590)	(1,225,843)	-	-
Total Fund Balance	2,693,311	(1,225,843)	2,897,400	25,187,065
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 9,779,606	\$ 3,429,926	\$ 2,897,400	\$ 26,023,849

See Independent Auditors' Report

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

State Aviation Fund	2004A GRIP Bond Project Fund	2006D GRIP Bond Project Fund	2014A Bond Project Fund	Total Special Revenue Funds
(SHARE 20500)	(SHARE 20400)	(SHARE 10270)	(SHARE 11970)	
\$ -	\$ -	\$ -	\$ -	\$ -
12,422,616	112,078	-	-	43,978,686
-	-	6	14,757,815	14,757,821
656	-	-	-	44,123
-	-	-	21,767	21,767
-	-	-	-	-
-	-	25,278	-	25,278
-	-	-	-	8,287,787
-	-	-	-	-
496,358	-	-	-	2,851,893
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 12,919,630</u>	<u>\$ 112,078</u>	<u>\$ 25,284</u>	<u>\$ 14,779,582</u>	<u>\$ 69,967,355</u>
\$ 194,363	\$ -	\$ 25,278	\$ 3,999,279	\$ 7,860,266
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,889,281
-	-	-	-	46,317
-	-	-	-	-
12,014	-	-	-	55,298
-	-	-	376,997	4,185,573
-	-	-	-	58,465
<u>206,377</u>	<u>-</u>	<u>25,278</u>	<u>4,376,276</u>	<u>14,095,200</u>
-	-	-	-	3,091,579
-	-	-	-	3,091,579
-	-	-	-	-
12,713,253	112,078	6	10,403,306	55,865,009
-	-	-	-	(3,084,433)
<u>12,713,253</u>	<u>112,078</u>	<u>6</u>	<u>10,403,306</u>	<u>52,780,576</u>
<u>\$ 12,919,630</u>	<u>\$ 112,078</u>	<u>\$ 25,284</u>	<u>\$ 14,779,582</u>	<u>\$ 69,967,355</u>

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

As of June 30, 2018

	Capital Projects Fund	STB Capital Outlay Fund	GF Capital Outlay Fund	Total Capital Projects Funds
	(SHARE 10050)	(SHARE 89200)	(SHARE 93100)	
Assets:				
Cash:				
Unrestricted	\$ -	\$ -	\$ -	\$ -
Cash equivalents:				
Investment in SGFIP	-	2,227,687	20,430,000	22,657,687
Managed by NMFA	-	-	-	-
Receivables:				
Accounts receivable, net	-	-	-	-
Interest receivable	-	-	-	-
Notes and loans receivable	-	-	-	-
Other receivables	-	-	-	-
Due from:				
U.S. Department of Transportation	-	-	-	-
Other funds	-	-	-	-
Other state agencies	-	-	-	-
Inventories	-	-	-	-
Prepaid expenses - other	-	-	-	-
Prepaid expense - NM44 warranty	-	-	-	-
Property held for resale	-	-	-	-
Total Assets	\$ -	\$ 2,227,687	\$ 20,430,000	\$ 22,657,687
Liabilities, Deferred Inflows of Resources and Fund Balance:				
Liabilities:				
Accounts payable	\$ -	\$ 1,265,255	\$ -	\$ 1,265,255
Due to:				
U.S. Department of Transportation	-	-	-	-
Other funds	-	-	-	-
Local governments	-	1,746,742	-	1,746,742
Component units of the state	-	-	-	-
Unearned revenue	-	-	-	-
Other accrued expenses	-	-	-	-
Deficiency in SGFIP	-	-	-	-
Other liabilities	-	-	-	-
Total Liabilities	-	3,011,997	-	3,011,997
Deferred Inflows of Resources:				
Amounts unavailable (not received within period of availability)	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balance:				
Non-spendable	-	-	-	-
Restricted	-	-	20,430,000	20,430,000
Unassigned	-	(784,310)	-	(784,310)
Total Fund Balance	-	(784,310)	20,430,000	19,645,690
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ -	\$ 2,227,687	\$ 20,430,000	\$ 22,657,687

See Independent Auditors' Report

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

2006A GRIP Bond Debt Service Fund	2008A GRIP Bond Debt Service Fund	2008B GRIP Bond Debt Service Fund	2008C GRIP Bond Debt Service Fund	2010A Bond Debt Service Fund	2010B Bond Debt Service Fund
(SHARE 10220)	(SHARE 10410)	(SHARE 10420)	(SHARE 10430)	(SHARE 11140)	(SHARE 20450)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17,475	-	-	-	-	-
44,470	5,118,805	14,533,544	3,197,353	45,700	740,559
-	-	-	-	-	-
71	8,757	18,101	5,604	971	56,575
-	-	-	-	-	-
-	-	-	-	-	-
27,151	-	-	-	1,735,971	16,920,887
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 89,167</u>	<u>\$ 5,127,562</u>	<u>\$ 14,551,645</u>	<u>\$ 3,202,957</u>	<u>\$ 1,782,642</u>	<u>\$ 17,718,021</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
12,505	5,127,562	14,551,645	3,202,957	-	7,635,666
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>12,505</u>	<u>5,127,562</u>	<u>14,551,645</u>	<u>3,202,957</u>	<u>-</u>	<u>7,635,666</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
76,662	-	-	-	1,782,642	10,082,355
-	-	-	-	-	-
<u>76,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,782,642</u>	<u>10,082,355</u>
<u>\$ 89,167</u>	<u>\$ 5,127,562</u>	<u>\$ 14,551,645</u>	<u>\$ 3,202,957</u>	<u>\$ 1,782,642</u>	<u>\$ 17,718,021</u>

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

As of June 30, 2018

	2012A Bond Debt Service Fund <u>(SHARE 30850)</u>	2014A Bond Debt Service Fund <u>(SHARE 11960)</u>	2014B Bond Debt Service Fund <u>(SHARE 50110)</u>
Assets:			
Cash:			
Unrestricted	\$ -	\$ -	\$ -
Cash equivalents:			
Investment in SGFIP	-	-	-
Managed by NMFA	112,655	94,598	176,796
Receivables:			
Accounts receivable, net	-	-	-
Interest receivable	3,348	3,652	2,423
Notes and loans receivable	-	-	-
Other receivables	-	-	-
Due from:			
U.S. Department of Transportation	-	-	-
Other funds	1,094,077	651,977	491,250
Other state agencies	-	-	-
Inventories	-	-	-
Prepaid expenses - other	-	-	-
Prepaid expense - NM44 warranty	-	-	-
Property held for resale	-	-	-
Total Assets	<u>\$ 1,210,080</u>	<u>\$ 750,227</u>	<u>\$ 670,469</u>
Liabilities, Deferred Inflows of Resources and Fund Balance:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to:			
U.S. Department of Transportation	-	-	-
Other funds	-	-	4,780
Local governments	-	-	-
Component units of the state	-	-	-
Unearned revenue	-	-	-
Other accrued expenses	-	-	-
Deficiency in SGFIP	-	-	-
Other liabilities	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>4,780</u>
Deferred Inflows of Resources:			
Amounts unavailable (not received within period of availability)	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Non-spendable	-	-	-
Restricted	1,210,080	750,227	665,689
Unassigned	-	-	-
Total Fund Balance	<u>1,210,080</u>	<u>750,227</u>	<u>665,689</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,210,080</u>	<u>\$ 750,227</u>	<u>\$ 670,469</u>

See Independent Auditors' Report

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

Total Debt Service Funds	Total Non Major Governmental Funds
\$ -	\$ -
17,475	66,653,848
24,064,480	38,822,301
-	44,123
99,502	121,269
-	-
-	25,278
-	8,287,787
20,921,313	20,921,313
-	2,851,893
-	-
-	-
-	-
\$ 45,102,770	\$ 137,727,812
\$ -	\$ 9,125,521
-	-
30,535,115	30,535,115
-	3,636,023
-	46,317
-	-
-	55,298
-	4,185,573
-	58,465
30,535,115	47,642,312
-	3,091,579
-	3,091,579
-	-
14,567,655	90,862,664
-	(3,868,743)
14,567,655	86,993,921
\$ 45,102,770	\$ 137,727,812

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, 2018

	Traffic Safety Fund(s) (SHARE 10010, 10020, 20600, 20700, 20800, 82600)	Federal Planning and Development Fund (SHARE 10030)	HIF Bond Fund (SHARE 20200)	Local Government Road Fund (SHARE 20300)
Revenues:				
User and fuel taxes	\$ -	\$ -	\$ 6,220,099	\$ 15,651,085
U.S. Department of Transportation	11,456,603	13,659,519	-	-
Fees and fines	-	-	-	-
Licenses and permits	2,221,566	-	1,878,156	8,271,459
Charges for services	-	-	-	-
Other revenue	200	-	-	69,077
Interest earnings	11,409	-	12,867	207,720
Total Revenues	13,689,778	13,659,519	8,111,122	24,199,341
Expenditures:				
Current:				
Operating costs	5,829	21,302	-	-
Personal services	505,545	304,567	-	-
Out-of-state travel	20,496	25,744	-	-
Grants and services	3,916,980	13,251,526	-	24,377,953
Travel	-	944	-	-
Maintenance and repairs	33,331	-	-	-
Supplies	-	202	-	-
Contractual services	10,144,920	665,489	-	-
Other costs	54,613	-	-	-
Employee benefits	222,012	118,356	-	-
Capital outlay	-	13,446	-	-
Debt service:				
Principal	-	-	3,775,000	-
Interest	-	-	4,254,288	-
Swap termination cost	-	-	-	-
Debt issuance costs	-	-	-	-
Total Expenditures	14,903,726	14,401,576	8,029,288	24,377,953
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,213,948)	(742,057)	81,834	(178,612)
Other Financing Sources (Uses):				
Appropriations	-	-	-	-
Reversions	-	-	-	-
Transfers in (out):				
Severance tax bond appropriations	-	-	-	-
Inter-Agency	300,000	-	-	-
Intra-Agency	-	-	-	-
Refunded bond escrow agent	-	-	-	-
Face value of debentures payable	-	-	-	-
Premiums of debentures payable	-	-	-	-
Total Other Financing Sources (Uses)	300,000	-	-	-
Net Changes in Fund Balance	(913,948)	(742,057)	81,834	(178,612)
Fund Balance, June 30, 2017	3,607,259	(483,786)	2,815,566	25,365,677
Fund Balance, June 30, 2018	\$ 2,693,311	\$ (1,225,843)	\$ 2,897,400	\$ 25,187,065

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

State Aviation Fund	2004A GRIP Bond Project Fund	2006D GRIP Bond Project Fund	2014A Bond Project Fund	Total Special Revenue Funds
(SHARE 20500)	(SHARE 20400)	(SHARE 10270)	(SHARE 11970)	
\$ 5,555,591	\$ -	\$ -	\$ -	\$ 27,426,775
59,984	-	-	-	25,176,106
52,440	-	-	-	52,440
-	-	-	-	12,371,181
-	-	-	-	-
59,189	-	-	-	128,466
97,626	-	-	251,353	580,975
<u>5,824,830</u>	<u>-</u>	<u>-</u>	<u>251,353</u>	<u>65,735,943</u>
93,977	-	-	-	121,108
215,884	-	-	-	1,025,996
15,539	-	-	-	61,779
3,372,170	-	-	-	44,918,629
2,390	-	-	-	3,334
7,178	-	-	-	40,509
36,604	-	-	-	36,806
136,391	-	-	116,858	11,063,658
3,572	-	-	-	58,185
90,865	-	-	-	431,233
-	-	-	13,709,881	13,723,327
-	-	-	-	3,775,000
-	-	-	-	4,254,288
-	-	-	-	-
<u>3,974,570</u>	<u>-</u>	<u>-</u>	<u>13,826,739</u>	<u>79,513,852</u>
<u>1,850,260</u>	<u>-</u>	<u>-</u>	<u>(13,575,386)</u>	<u>(13,777,909)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	300,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
<u>1,850,260</u>	<u>-</u>	<u>-</u>	<u>(13,575,386)</u>	<u>(13,477,909)</u>
<u>10,862,993</u>	<u>112,078</u>	<u>6</u>	<u>23,978,692</u>	<u>66,258,485</u>
<u>\$ 12,713,253</u>	<u>\$ 112,078</u>	<u>\$ 6</u>	<u>\$ 10,403,306</u>	<u>\$ 52,780,576</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, 2018

	Capital Projects Fund	STB Capital Outlay Fund	GF Capital Outlay Fund	Total Capital Projects Funds
	(SHARE 10050)	(SHARE 89200)	(SHARE 93100)	
Revenues:				
User and fuel taxes	\$ -	\$ -	\$ -	\$ -
U.S. Department of Transportation	-	-	-	-
Fees and fines	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Other revenue	-	-	-	-
Interest earnings	-	-	-	-
Total Revenues	-	-	-	-
Expenditures:				
Current:				
Operating costs	-	-	-	-
Personal services	-	-	-	-
Out-of-state travel	-	-	-	-
Grants and services	-	9,684,550	-	9,684,550
Travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	1,111,259	205,492	-	1,316,751
Other costs	-	-	-	-
Employee benefits	-	-	-	-
Capital outlay	-	19,990,900	-	19,990,900
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Swap termination cost	-	-	-	-
Debt issuance costs	-	-	-	-
Total Expenditures	1,111,259	29,880,942	-	30,992,201
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,111,259)	(29,880,942)	-	(30,992,201)
Other Financing Sources (Uses):				
Appropriations	-	-	20,430,000	20,430,000
Reversions	(106,919)	-	-	(106,919)
Transfers in (out):				
Severance tax bond appropriations	-	29,096,632	-	29,096,632
Inter-Agency	-	-	-	-
Intra-Agency	-	-	-	-
Refunded bond escrow agent	-	-	-	-
Face value of debentures payable	-	-	-	-
Premiums of debentures payable	-	-	-	-
Total Other Financing Sources (Uses)	(106,919)	29,096,632	20,430,000	49,419,713
Net Changes in Fund Balance	(1,218,178)	(784,310)	20,430,000	18,427,512
Fund Balance, June 30, 2017	1,218,178	-	-	1,218,178
Fund Balance, June 30, 2018	\$ -	\$ (784,310)	\$ 20,430,000	\$ 19,645,690

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

2006A GRIP Bond Debt Service Fund	2008A GRIP Bond Debt Service Fund	2008B GRIP Bond Debt Service Fund	2008C GRIP Bond Debt Service Fund	2010A Bond Debt Service Fund	2010B Bond Debt Service Fund
(SHARE 10220)	(SHARE 10410)	(SHARE 10420)	(SHARE 10430)	(SHARE 11140)	(SHARE 20450)
\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	61,065	116,617	44,951	-	-
7,663	1,096,537	2,702,089	800,381	26,841	579,034
<u>7,663</u>	<u>1,157,602</u>	<u>2,818,706</u>	<u>845,332</u>	<u>26,841</u>	<u>579,034</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,663	1,157,602	2,818,706	845,332	26,841	579,034
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
27,151	(3,565,157)	(9,579,359)	(2,101,981)	1,735,971	9,285,221
-	-	-	-	-	-
-	-	-	-	-	-
<u>27,151</u>	<u>(3,565,157)</u>	<u>(9,579,359)</u>	<u>(2,101,981)</u>	<u>1,735,971</u>	<u>9,285,221</u>
34,814	(2,407,555)	(6,760,653)	(1,256,649)	1,762,812	9,864,255
41,848	2,407,555	6,760,653	1,256,649	19,830	218,100
\$ 76,662	\$ -	\$ -	\$ -	\$ 1,782,642	\$ 10,082,355

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, 2018

	2012A Bond Debt Service Fund (SHARE 30850)	2014A Bond Debt Service Fund (SHARE 11960)	2014B Bond Debt Service Fund (SHARE 50110)
Revenues:			
User and fuel taxes	\$ -	\$ -	\$ -
U.S. Department of Transportation	-	-	-
Fees and fines	-	-	-
Licenses and permits	-	-	-
Charges for services	-	-	-
Other revenue	-	-	-
Interest earnings	32,902	36,815	23,821
Total Revenues	<u>32,902</u>	<u>36,815</u>	<u>23,821</u>
Expenditures:			
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	-	-	-
Swap termination cost	-	-	-
Debt issuance costs	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>32,902</u>	<u>36,815</u>	<u>23,821</u>
Other Financing Sources (Uses):			
Appropriations	-	-	-
Reversions	-	-	-
Transfers in (out):			
Severance tax bond appropriations	-	-	-
Inter-Agency	-	-	-
Intra-Agency	1,094,077	651,977	491,250
Refunded bond escrow agent	-	-	-
Face value of debentures payable	-	-	-
Premiums of debentures payable	-	-	-
Total Other Financing Sources (Uses)	<u>1,094,077</u>	<u>651,977</u>	<u>491,250</u>
Net Changes in Fund Balance	<u>1,126,979</u>	<u>688,792</u>	<u>515,071</u>
Fund Balance, June 30, 2017	<u>83,101</u>	<u>61,435</u>	<u>150,618</u>
Fund Balance, June 30, 2018	<u>\$ 1,210,080</u>	<u>\$ 750,227</u>	<u>\$ 665,689</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

Total Debt Service Funds	Total Non Major Governmental Funds
\$ -	\$ 27,426,775
-	25,176,106
-	52,440
-	12,371,181
-	-
222,633	351,099
5,306,083	5,887,058
5,528,716	71,264,659
-	121,108
-	1,025,996
-	61,779
-	54,603,179
-	3,334
-	40,509
-	36,806
-	12,380,409
-	58,185
-	431,233
-	33,714,227
-	3,775,000
-	4,254,288
-	-
-	110,506,053
5,528,716	(39,241,394)
-	20,430,000
-	(106,919)
-	29,096,632
-	300,000
(1,960,850)	(1,960,850)
-	-
-	-
(1,960,850)	47,758,863
3,567,866	8,517,469
10,999,789	78,476,452
\$ 14,567,655	\$ 86,993,921

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

For the Year Ended June 30, 2018

	DEPARTMENT OF TRANSPORTATION			
	agency wide including enterprise fund excluding multi-year funds			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Modified Accrual)	Over (Under)
Revenues and Other Financing Sources:				
Federal funds	\$ 401,451,800	\$ 969,957,964	\$ 412,019,577	\$ (557,938,387)
Other state funds	444,785,700	449,700,330	495,674,126	45,973,796
Transfers outside the agency	1,471,000	1,471,000	1,577,919	106,919
Interest revenue	732,100	732,100	6,675,671	5,943,571
Bond proceeds	-	489,325,050	489,325,049	(1)
Total Revenues and Other Financing Sources	848,440,600	1,911,186,444	1,405,272,342	\$ (505,914,102)
Prior Year Funds Rebudgeted	27,955,000	189,328,582		
	\$ 876,395,600	\$ 2,100,515,026		
Expenditures and Other Financing Uses:				
Project Design & Construction:				
Personal services/employee benefits	\$ 25,468,800	\$ 25,468,800	22,587,730	\$ 2,881,070
Contractual services	319,376,100	957,779,577	332,521,715	625,257,862
Other	188,211,800	286,059,498	250,766,002	35,293,496
Transfers (in) out	3,000,000	423,139,609	423,000,000	139,609
	536,056,700	1,692,447,484	1,028,875,447	663,572,037
Highway Operations:				
Personal services/employee benefits	104,510,100	104,510,100	97,561,765	6,948,335
Contractual services	49,772,600	70,799,273	49,639,936	21,159,337
Other	76,512,200	93,805,779	75,260,254	18,545,525
Transfers (in) out	3,000,000	3,000,000	3,000,000	-
	233,794,900	272,115,152	225,461,955	46,653,197
Business Support:				
Personal services/employee benefits	24,757,500	24,757,500	21,994,922	2,762,578
Contractual services	4,458,800	4,458,800	1,923,578	2,535,222
Other	12,949,400	12,949,400	11,368,503	1,580,897
	42,165,700	42,165,700	35,287,003	6,878,697
Modal:				
Personal services/employee benefits	5,056,400	5,056,400	3,877,221	\$ 1,179,179
Contractual services	28,629,800	40,877,287	23,893,933	16,983,354
Other	30,692,100	47,853,003	21,829,823	26,023,180
	64,378,300	93,786,690	49,600,977	44,185,713
Total Budgeted Expenditures and Other Financing Uses	\$ 876,395,600	\$ 2,100,515,026	1,339,225,382	\$ 761,289,644
Non-Budgeted Items:				
Reversions			-	
Total Expenditures and Other Financing Uses			1,339,225,382	
Excess (Deficiency) of Revenues Over (Under)				
Expenditures and Other Financing Sources and Uses			\$ 66,046,960	

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
Supplemental Schedule of Capital Projects

As of June 30, 2018

	Budgeted Amounts		Prior Years 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	886,671
Total Expenditures	\$ 52,151,894	\$ 52,151,894	\$ 50,933,716

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

<u>Current Year Expenditures</u>	<u>Total Actual</u>	<u>Outstanding Encumbrances</u>	<u>Current Year Reversion</u>	<u>Remaining Balance</u>
\$ 395,849	\$ 50,442,894	\$ -	\$ -	\$ -
<u>715,410</u>	<u>1,602,081</u>	<u>-</u>	<u>106,919</u>	<u>-</u>
<u><u>\$ 1,111,259</u></u>	<u><u>\$ 52,044,975</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 106,919</u></u>	<u><u>\$ -</u></u>

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, 2018

<u>Laws</u>	<u>Chapter</u>	<u>Bonds Appropriated</u>	<u>Bonds Sold</u>	<u>Amounts AIPP</u>	<u>Funds Reauthorized</u>
2012	64	\$ 27,500,000	\$ 27,500,000	\$ -	\$ -
2013	226	5,794,670	5,794,670	-	(505,000)
2014	66	18,060,162	18,060,162	(4,250)	(6,546,220)
2015	3	40,605,376	40,605,376	-	250,000
2015	147	35,000	35,000	-	105,000
2016	5	27,150,000	27,150,000	-	-
2016	81	10,857,428	10,857,428	-	(120,000)
2016	83	-	-	-	859,550
2017	133	-	-	-	1,255,362
2018	68	-	-	-	5,059,896
2018	80	15,225,958	14,029,012	-	-
		<u>\$ 145,228,594</u>	<u>\$ 144,031,648</u>	<u>\$ (4,250)</u>	<u>\$ 358,588</u>

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Severance Tax Bonds

<u>Funds Reverted</u>	<u>Bond Balance After Reauthorization</u>	<u>Funds Received</u>	<u>Expended To Date</u>	<u>Balance Available</u>	<u>Due from Board of Finance</u>
\$ -	\$ 27,500,000	\$ 27,500,000	\$ 27,500,000	\$ -	\$ -
(218,263)	5,071,407	4,790,641	4,790,641	280,766	-
(170,000)	11,339,692	10,573,671	10,573,671	766,021	-
(560,000)	40,295,376	15,057,512	15,841,821	25,237,864	-
-	140,000	131,914	131,914	8,086	-
-	27,150,000	11,933,517	11,933,517	15,216,483	-
-	10,737,428	3,917,741	3,917,741	6,819,687	-
-	859,550	775,599	775,599	83,951	-
-	1,255,362	148,181	148,181	1,107,181	-
-	5,059,896	256,249	256,249	4,803,647	-
-	15,225,958	-	-	15,225,958	-
<u>\$ (948,263)</u>	<u>\$ 144,634,669</u>	<u>\$ 75,085,025</u>	<u>\$ 75,869,334</u>	<u>\$ 69,549,644</u>	<u>\$ -</u>

See Independent Auditors' Report

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

As of June 30, 2018

	<u>Appropriation Amount</u>	<u>Appropriation Balance</u>	<u>Expenditures Inception to June 30, 2018</u>
GF Capital Outlay Fund			
Laws of 2018, HB 2, Chapter 5	\$ 30,000	\$ 30,000	\$ -
Laws of 2018, HB 2, Chapter 5	400,000	400,000	-
Laws of 2018, HB 2, Chapter 5	4,000,000	-	-
Laws of 2018, HB 2, Chapter 5	20,000,000	20,000,000	-
Laws of 2018, HB 2, Chapter 5	44,000,000	-	-
	<u>68,430,000</u>	<u>20,430,000</u>	<u>-</u>
Capital Projects Fund			
Laws of 2012, HB 191 Section 27 and CBAR 2013	50,442,894	50,442,894	50,442,894
Laws of 2015 Special Session1, Chapter 3, Section 50	1,600,000	1,600,000	1,515,506
Laws of 2015 Special Session1, Chapter 3, Section 83	109,000	109,000	86,575
	<u>52,151,894</u>	<u>52,151,894</u>	<u>52,044,975</u>
Total Special Appropriations	<u>\$ 120,581,894</u>	<u>\$ 72,581,894</u>	<u>\$ 52,044,975</u>

** 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

Encumbrances Balance as of June 30, 2018	Re-appropriation Amount	Reversion Amount	Balance as of June 30, 2018
\$ -	\$ -	\$ -	\$ 30,000
-	-	-	400,000
-	-	-	-
19,218,490	-	-	781,510
-	-	-	-
<u>19,218,490</u>	<u>-</u>	<u>-</u>	<u>1,211,510</u>
-	-	-	-
-	-	84,494	-
-	-	22,425	-
<u>-</u>	<u>-</u>	<u>106,919</u>	<u>-</u>
<u>\$ 19,218,490</u>	<u>\$ -</u>	<u>\$ 106,919</u>	<u>\$ 1,211,510</u>

See Independent Auditors' Report

GF Capital Outlay Fund

Under the Laws of Session 2018, House Bill 2, Chapter 5, the Department was appropriated \$30,000 for the Rio Grande gorge bridge; \$400,000 for maintenance of NM highway 128 between Jal and Carlsbad; \$4,000,000 for statewide rest area improvements; \$20,000,000 for the Local Government Road Fund; \$44,000,000 for road improvement projects. The appropriation period is for 2 years unless re-authorized or extended by enabling legislation. Any unexpended or unencumbered balance remaining at the end of the 2019 fiscal year will revert 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, 2018

	Budgeted Amounts		Received Prior Year(s)	Received Current Year
	Original	Final		
Special Revenue Funds				
2014A Bond Project Fund	-	80,000,000	80,270,353	251,353
Total	\$ -	\$ 80,000,000	\$ 80,270,353	\$ 251,353

See Independent Auditors' Report

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

<u>Total Revenue</u>	<u>Variance From Final Budget Over (Under)</u>	<u>Expended Prior Year(s)</u>	<u>Expended Current Year</u>	<u>Total Expenditures</u>	<u>Variance From Final Budget (Over) Under</u>
80,521,706	521,706	56,291,661	13,826,739	70,118,400	9,881,600
<u>\$ 80,521,706</u>	<u>\$ 521,706</u>	<u>\$ 56,291,661</u>	<u>\$ 13,826,739</u>	<u>\$ 70,118,400</u>	<u>\$ 9,881,600</u>

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Individual Bank Accounts

As of June 30, 2018

	SHARE Fund Number	Bank Balance	Book Balance	Book Total
Cash				
State Road Fund(s)	10040 and 20100	\$ 1,100	\$ 1,100	
Total Cash				<u>\$ 1,100</u>
Investment in SGFIP				
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	\$ 4,878,278	\$ 4,878,278	
State Road Fund(s)	10040 and 20100	219,409,235	219,409,235	
2006A GRIP Bond Debt Service Fund	10220	17,475	17,475	
HIF Bond Fund	20200	2,329,478	2,329,478	
Local Government Road Fund	20300	24,236,236	24,236,236	
2004A GRIP Bond Project Fund	20400	112,078	112,078	
State Aviation Fund	20500	12,422,616	12,422,616	
STB Capital Outlay Fund	89200	2,227,687	2,227,687	
State Infrastructure Bank	89300	20,494,091	20,494,091	
GF Capital Outlay Fund	93100	20,430,000	20,430,000	
Total Investment in SGFIP				<u>\$ 306,557,174</u>

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Individual Bank Accounts

As of June 30, 2018

	SHARE Fund Number	Bank Balance	Book Balance	Book Total
Managed by NMFA:				
Bank of Albuquerque, trustee account				
State Road Fund(s)	10040 and 20100	\$ 223,153	\$ 223,153	
2006A GRIP Bond Debt Service Fund	10220	44,470	44,470	
2006D GRIP Bond Project Fund	10270	6	6	
2008A GRIP Bond Debt Service Fund	10410	5,118,805	5,118,805	
2008B GRIP Bond Debt Service Fund	10420	14,533,544	14,533,544	
2008C GRIP Bond Debt Service Fund	10430	3,197,353	3,197,353	
2010A Bond Debt Service Fund	11140	45,700	45,700	
2014A Bond Debt Service Fund	11960	94,598	94,598	
2014A Bond Project Fund	11970	14,757,815	14,757,815	
2010B Bond Debt Service Fund	20450	740,559	740,559	
2018A Bond Debt Service Fund	20770	594,294	594,294	
2012A Bond Debt Service Fund	30850	112,655	112,655	
2014B Bond Debt Service Fund	50110	176,796	176,796	
Total Managed by NMFA				\$ 39,639,748

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Pledged State Revenues

As of June 30, 2018

Pledged State Revenues

Pledged User & Fuel Taxes:

Gasoline excise taxes	\$ 116,146,754
Special fuel excise taxes	108,140,513
Weight/Distance Taxes	86,277,900
Motor vehicle registration fees	80,204,438
Vehicle transaction fees	7,494,365
Oversize/Oversight permit fees	6,411,556
Trip (Mileage) tax	6,124,139
Driver's license fees	4,191,140
Tire recycling fees	1,878,156
Total Pledged User & Fuel Taxes	<u>416,868,961</u>

Other Pledged Revenue:

Leased vehicle gross receipts tax	6,220,099
Public regulation commission fees	3,358,716
Road fund interest income	1,037,162
HIF interest income	12,867
Total Other Pledged Revenue	<u>10,628,844</u>

Total Pledged State Revenues	<u><u>\$ 427,497,805</u></u>
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See Independent Auditors' Report

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

As of June 30, 2018

	<u>2006A GRIP</u> <u>(SHARE 10220)</u>	<u>2008A GRIP</u> <u>(SHARE 10410)</u>	<u>2008B GRIP</u> <u>(SHARE 10420)</u>
Gasoline excise taxes	\$ 11,614,675	\$ 11,614,675	\$ 11,614,675
Special fuel excise taxes	10,814,051	10,814,051	10,814,051
Weight/Distance Taxes	8,627,790	8,627,790	8,627,790
Motor vehicle registration fees	8,020,443	8,020,443	8,020,444
Vehicle transaction fees	749,437	749,437	749,436
Oversize/Oversight permit fees	641,156	641,156	641,156
Trip (Mileage) tax	612,414	612,414	612,414
Driver's license fees	419,114	419,114	419,114
Tire recycling fees	187,816	187,816	187,816
Public regulation commission fees	335,872	335,872	335,872
Leased vehicle gross receipts tax	622,010	622,010	622,010
FHWA Revenues	38,684,347	38,684,347	38,684,347
	<u>81,329,125</u>	<u>81,329,125</u>	<u>81,329,125</u>
Interest on Cash Balances*	<u>105,003</u>	<u>105,003</u>	<u>105,003</u>
Total Pledged Revenues			
Received	<u>\$ 81,434,128</u>	<u>\$ 81,434,128</u>	<u>\$ 81,434,128</u>

	<u>2006A GRIP</u>	<u>2008A GRIP</u>	<u>2008B GRIP</u>
Debt Service Principal Expenditures	\$ 3,570,000	\$ -	\$ -
Debt Service Interest Expenditures	<u>114,775</u>	<u>4,078,408</u>	<u>8,633,051</u>
Total Debt Service	<u>\$ 3,684,775</u>	<u>\$ 4,078,408</u>	<u>\$ 8,633,051</u>
Debt Service Coverage	22.10	19.97	9.43

*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

2008C GRIP (SHARE 10430)	2010A Refunding (SHARE 11140)	2010B Refunding (SHARE 20450)	2012A Refunding (SHARE 30850)	2014A Revenue (SHARE 11960)	2014B Refunding (SHARE 50110)
\$ 11,614,675	\$ 11,614,675	\$ 11,614,675	\$ 11,614,676	\$ 11,614,676	\$ 11,614,676
10,814,051	10,814,051	10,814,051	10,814,051	10,814,052	10,814,052
8,627,790	8,627,790	8,627,790	8,627,790	8,627,790	8,627,790
8,020,444	8,020,444	8,020,444	8,020,444	8,020,444	8,020,444
749,436	749,436	749,437	749,437	749,436	749,436
641,156	641,156	641,155	641,155	641,155	641,155
612,414	612,414	612,414	612,414	612,414	612,414
419,114	419,114	419,114	419,114	419,114	419,114
187,816	187,816	187,816	187,815	187,815	187,815
335,872	335,872	335,872	335,871	335,871	335,871
622,010	622,010	622,010	622,010	622,010	622,010
38,684,347	38,684,347	38,684,347	38,684,347	38,684,347	38,684,347
81,329,125	81,329,125	81,329,125	81,329,124	81,329,124	81,329,124
105,003	105,003	105,003	105,003	105,003	105,003
<u>\$ 81,434,128</u>	<u>\$ 81,434,128</u>	<u>\$ 81,434,128</u>	<u>\$ 81,434,127</u>	<u>\$ 81,434,127</u>	<u>\$ 81,434,127</u>

2008C GRIP	2010A Refunding	2010B Refunding	2012A Refunding	2014A Revenue	2014B Refunding
\$ -	\$ 8,770,000	\$ 78,075,000	\$ 1,305,000	\$ 3,775,000	\$ 1,430,000
3,187,668	3,060,625	18,361,250	7,411,163	3,505,500	3,970,250
<u>\$ 3,187,668</u>	<u>\$ 11,830,625</u>	<u>\$ 96,436,250</u>	<u>\$ 8,716,163</u>	<u>\$ 7,280,500</u>	<u>\$ 5,400,250</u>
25.55	6.88	0.84	9.34	11.19	15.08

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

As of June 30, 2018

	2018A Refunding (SHARE 20770)	TOTAL
Gasoline excise taxes	\$ 11,614,676	\$ 116,146,754
Special fuel excise taxes	10,814,052	108,140,513
Weight/Distance Taxes	8,627,790	86,277,900
Motor vehicle registration fees	8,020,444	80,204,438
Vehicle transaction fees	749,437	7,494,365
Oversize/Oversight permit fees	641,156	6,411,556
Trip (Mileage) tax	612,413	6,124,139
Driver's license fees	419,114	4,191,140
Tire recycling fees	187,815	1,878,156
Public regulation commission fees	335,871	3,358,716
Leased vehicle gross receipts tax	622,009	6,220,099
FHWA Revenues	38,684,348	386,843,471
	81,329,125	813,291,247
Interest on Cash Balances*	105,002	1,050,029
Total Pledged Revenues		
Received	\$ 81,434,127	\$ 814,341,276

	2018A Refunding	TOTAL
Debt Service Principal Expenditures	\$ -	\$ 96,925,000
Debt Service Interest Expenditures	-	52,322,690
Total Debt Service	\$ -	\$ 149,247,690
Debt Service Coverage	N/A	5.46

*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.

Contract Number	Contractor	Description	Expended in 2018
J00821	Pueblo of Santo Domingo	Santo Domingo Pueblo Project CN:A301543- installation of pedestrian path lighting	\$ -
J00822	Navajo Nation	Establish procedures for construction and maintenance of global traffic signal and roadway lighting projects with Navajo Nation throughout NM (Shiprock).	-

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

Date of Agreement		Total Estimated Amt of Project	Portion Applicable To Agency	Party Responsible for Operations	Audit Responsibility	Fiscal Agent (if applicable)	Agency Where Revenues/Expenditures are Reported
Beginning	Ending						
9/15/2017	Completion	\$ -	0%	Contractor	Department		Department
11/21/2017	Perpetual	-	0%	Contractor	Department		Department

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

Contract Number	Contractor	Description	Expended in 2018
M01482	City of Hobbs	Public Transportation Services	\$ 156,100
M01501	The University of New Mexico	UNM Resilience Colloquium	4,000
M01506	New Mexico Highlands University	Use of lot for Park & Ride prgm	-
M01507	City of Las Cruces	Funding to cover capital project	-
M01508	Village of Milan	Public Transportation Assistance	46,526
M01509	Golden Spread Rural Frontier	Public Transportation Services	53,121
M01510	Adelante Development Center	Purchase of Capital Equipment	-
M01511	Las Cumbres Community Services Inc	Purchase of Capital Equipment	-
M01512	North Central Regional Transit District	Public Transportation Services	416,609
M01513	Pueblo of San Felipe	Purchase of Capital Equipment	-
M01514	City of Las Vegas	Buses & Bus Related Equipment	60,204
M01515	La Vida Felicidad Inc	Purchase of Capital Equipment	-
M01516	Zia Therapy Ctr Inc	Purchase of Capital Equipment	-
M01517	Zia Therapy Ctr Inc	Public Transportation Services	223,827
M01518	Progressive Residential Service of NM	Purchase of Capital Equipment	-
M01519	Arca	Public Transportation Services	-
M01521	City of Roswell	Public Transportation Services	264,585
M01522	Coyote Canyon Rehab Ctr Inc	Purchase of Capital Equipment	-
M01524	Zuni Entrepreneurial Ent Inc	Purchase of Capital Equipment	-
M01525	City of Socorro	Purchase of Capital Equipment	36,672
M01526	Town of Red River	Public Transportation Services	37,809
M01527	Tohatchi Area of Opportunity & Svcs Inc	Purchase of Capital Equipment	-
M01528	Pueblo of Zuni	Public Transportation Services	61,256
M01529	The Community Pantry	Public Transportation Services	65,102
M01530	Liferoots Inc	Purchase of Capital Equipment	-
M01531	Presbyterian Medical Services	Purchase of Capital Equipment	-
M01532	Mandy's Special Farm	Purchase of Capital Equipment	-
M01533	City of Clovis	Public Transportation Services	159,817
M01534	Santa Ana Pueblo	Purchase of Capital Equipment	-
M01535	Rio Metro Regional Transit District	Purchase of Capital Equipment	-
M01536	Rio Metro Regional Transit District	Public Transportation Services	248,596
M01537	Pueblo of Laguna	Public Transportation Services	44,812
M01538	Incorporated County of Los Alamos NM	Purchase of Capital Equipment	-

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Date of Agreement		Total Estimated Amt of Project	Portion Applicable To Agency	Party Responsible for Operations	Audit Responsibility	Fiscal Agent (if applicable)	Agency Where Revenues/Expenditures are Reported
Beginning	Ending						
10/1/2017	9/30/2018	\$ 515,254	80%	Contractor	Department	Department	
7/12/2017	6/30/2018	4,000	20%	Contractor	Department	Department	
8/10/2017	8/10/2020	3	100%	Contractor	Department	Department	
8/28/2017	9/30/2018	186,695	80%	Contractor	Department	Department	
10/1/2017	9/30/2018	181,658	80%	Contractor	Department	Department	
10/1/2017	9/30/2018	255,989	80%	Contractor	Department	Department	
9/6/2017	9/30/2018	121,938	80%	Contractor	Department	Department	
9/6/2017	9/30/2018	91,513	80%	Contractor	Department	Department	
10/1/2017	9/30/2018	2,878,143	80%	Contractor	Department	Department	
9/5/2017	9/30/2018	85,501	80%	Contractor	Department	Department	
10/1/2017	9/30/2018	204,910	80%	Contractor	Department	Department	
9/7/2017	9/30/2018	87,333	80%	Contractor	Department	Department	
9/7/2017	9/30/2018	56,560	80%	Contractor	Department	Department	
10/1/2017	9/30/2018	768,340	80%	Contractor	Department	Department	
9/6/2017	9/30/2018	88,800	80%	Contractor	Department	Department	
9/6/2017	9/30/2018	108,048	80%	Contractor	Department	Department	
10/1/2017	9/30/2018	890,879	80%	Contractor	Department	Department	
9/11/2017	9/30/2018	39,764	80%	Contractor	Department	Department	
9/12/2017	9/30/2018	88,000	80%	Contractor	Department	Department	
10/1/2017	9/30/2018	142,761	80%	Contractor	Department	Department	
10/1/2017	9/30/2018	96,886	80%	Contractor	Department	Department	
9/7/2017	9/30/2018	67,120	80%	Contractor	Department	Department	
9/8/2017	9/30/2018	305,000	80%	Contractor	Department	Department	
10/1/2017	9/30/2018	222,136	80%	Contractor	Department	Department	
9/12/2017	9/30/2018	140,195	80%	Contractor	Department	Department	
9/15/2017	9/30/2018	189,345	80%	Contractor	Department	Department	
9/12/2017	9/30/2018	76,446	80%	Contractor	Department	Department	
10/1/2017	9/30/2018	526,825	80%	Contractor	Department	Department	
9/15/2017	9/30/2018	48,000	80%	Contractor	Department	Department	
9/13/2017	9/30/2018	8,800	80%	Contractor	Department	Department	
10/1/2017	9/30/2018	968,800	80%	Contractor	Department	Department	
9/20/2017	9/30/2018	162,148	80%	Contractor	Department	Department	
9/18/2017	9/30/2018	111,523	80%	Contractor	Department	Department	

See Independent Auditors' Report

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

Contract Number	Contractor	Description	Expended in 2018
M01539	Incorporated County of Los Alamos NM	Public Transportation Services	\$ 781,524
M01540	City of Portales	Public Transportation Services	45,923
M01541	City of Santa Fe	Purchase of Capital Equipment	-
M01542	Tresco Inc.	Purchase of Capital Equipment	-
M01543	Village of Cuba	Public Trans in non-urban	-
M01545	City of Carlsbad	Non-urbanized public transport	215,452
M01546	South Central Regional Transit District	Public Transportation Services	232,174
M01549	USGS National Center MS270	Investigation/Flood Analysis	124,497
M01550	North Central Regional Transit District	Federal assistance	-
M01551	City of Ruidoso Downs	Public Transportation Services	8,890
M01552	New Mexico Border Authority	Rail Bi-National Bypass Study	-
M01553	Grant, County of	Public Transportation Services	162,336
M01554	The University of New Mexico	State & Regional Forecasting Svcs	10,297
M01555	Cornucopia Adult Day Services	Public Transportation Services	-
M01557-1	Corrections Department	D1 Maintain Pub Roads & Hwys	-
M01557-2	Corrections Department	D2 Maintain Pub Roads & Hwys	-
M01557-3	Corrections Department	D3 Maintain Pub Roads & Hwys	-
M01557-5	Corrections Department	D5 Maintain Pub Roads & Hwys	-
M01558	North Central Regional Transit District	Needs Assessment/Taos Transit	-
M01562	Department of Cultural Affairs	PN U900181 Consult and Assist	-
M01563	Department of Cultural Affairs	PN U900111 Transportation Plan	-
M01564	The Navajo Nation	PN PTB1718X101311 Bus Transport	-
M01566	City of Santa Fe	Use of Capital Equipment	-
M01569	Mid-Region Council of Governments	Orthophotography and LiDAR	-
M01573	NM Transit Association	Training and Annual Conference	-

See Independent Auditors' Report

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

Date of Agreement		Total Estimated	Portion	Party	Audit	Fiscal Agent	Agency Where
Beginning	Ending	Amt of Project	To Agency	Responsible for Operations	Responsibility	(if applicable)	Revenues/Expenditures are Reported
10/1/2017	9/30/2018	\$ 1,625,702	80%	Contractor	Department		Department
10/1/2017	9/30/2018	199,418	80%	Contractor	Department		Department
9/19/2017	9/30/2018	194,060	80%	Contractor	Department		Department
9/14/2017	9/30/2018	238,283	80%	Contractor	Department		Department
9/26/2017	9/30/2019	145,360	0%	Contractor	Department		Department
10/1/2017	9/30/2018	401,153	80%	Contractor	Department		Department
10/1/2017	9/30/2018	419,086	80%	Contractor	Department		Department
11/21/2017	9/30/2022	991,950	80%	Contractor	Department		Department
11/21/2017	12/31/2018	67,546	80%	Contractor	Department		Department
10/1/2017	9/30/2018	191,126	80%	Contractor	Department		Department
12/7/2017	6/7/2019	100,000	100%	Contractor	Department		Department
10/1/2017	9/30/2018	648,174	80%	Contractor	Department		Department
7/17/2017	6/30/2019	27,682	15%	Contractor	Department		Department
9/26/2017	9/30/2018	95,246	80%	Contractor	Department		Department
2/15/2018	6/30/2022	406,740	100%	Contractor	Department		Department
2/16/2018	6/30/2022	76,000	100%	Contractor	Department		Department
2/17/2018	6/30/2022	285,000	100%	Contractor	Department		Department
2/18/2018	6/30/2022	145,500	100%	Contractor	Department		Department
2/27/2018	12/31/2018	67,546	80%	Contractor	Department		Department
3/13/2018	6/30/2021	50,000	100%	Contractor	Department		Department
3/14/2018	6/30/2021	25,000	100%	Contractor	Department		Department
3/23/2018	9/30/2018	441,342	100%	Contractor	Department		Department
4/16/2018	6/30/2018	52,000	80%	Contractor	Department		Department
2/16/2018	2/16/2019	50,000	100%	Contractor	Department		Department
6/29/2018	6/30/2019	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, 2018

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number
Direct Assistance Programs:		
U.S. Department of Transportation:		
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 Through to Subrecipients	Federal Participation Expenditures
\$ 18,217,840	\$ 386,786,631
455,763	458,144
18,673,603	387,244,775
18,673,603	387,244,775
451,425	2,106,114
1,654,673	2,478,925
2,106,098	4,585,039
2,185,124	7,656,645
4,291,222	12,241,684
-	59,984
-	59,984
-	30,641
2,055,876	2,120,742
2,055,876	2,151,383

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, 2018

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number
U.S. Department of Transportation (continued):		
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)		
Total U.S. Department of Transportation		
Total Federal Financial Assistance		

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Schedule of Expenditures of Federal Awards

Passed Through to Subrecipients	Federal Participation Expenditures
1,058,521	1,058,521
-	194
430,710	430,710
<u>9,678,892</u>	<u>10,732,185</u>
<u>13,223,999</u>	<u>14,372,993</u>
<u>36,188,824</u>	<u>413,919,436</u>
<u>\$ 36,188,824</u>	<u>\$ 413,919,436</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

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, 2018. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 *10% de minimis* 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	\$ 412,019,577
Deferred U.S. Department of Transportation (2018)	4,290,152
Deferred U.S. Department of Transportation (2017)	(2,390,294)
Other Adjustment	<u>1</u>

Supplemental Schedule of Expenditures
of Federal Awards

\$ 413,919,436

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. Wayne Johnson, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Mexico Department of Transportation, (the Department) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 25, 2018 .

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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
New Mexico Department of Transportation
and Mr. Wayne Johnson, New Mexico State Auditor

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *12-6-5 NMSA 1978* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

New Mexico Department of Transportation's Response to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 25, 2018

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

Mr. Tom Church, Cabinet Secretary
State of New Mexico Department of Transportation
and Mr. Wayne Johnson, New Mexico 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, 2018. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2018.

Mr. Tom Church, Cabinet Secretary
State of New Mexico Department of Transportation
and Mr. Wayne Johnson, New Mexico State Auditor

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-002. 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's 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 2018-002, 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. Wayne Johnson, New Mexico State Auditor

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 25, 2018

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, 2018

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:

CFDA Number(s)	Name of Federal Program or Cluster
20.205, 20.219	Highway Planning and Construction Cluster
20.600, 20.616	Highway Safety Cluster
20.513	Transit Service Programs Cluster

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

Auditee qualified as low-risk auditee? Yes No

Section II - Findings – Financial Statement

2018-001 Lack of Procedures over Construction In Progress (Finding that does not rise to the level of a significant deficiency)

Type of Finding:

- Control Deficiency

Condition:

During testing over Construction in Progress (CIP), we identified two projects, totaling \$13,153,248, that were not finalized timely. Both projects were completed and closed in FMIS, the Department's project tracking software, but were not reclassified to Infrastructure. The department has implemented procedures to reclassify projects when they have been notified of completion, but was not reviewing open projects to see if they had been previously completed.

Criteria or specific requirement:

GASB 34 Paragraph 18; "Capital assets should be reported at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use."

Context:

The two projects were completed in May 2013 and July 2017. The projects were not closed to infrastructure because they were not included in the finalized projects listing utilized by the Department to calculate their Infrastructure reclassification.

Effect:

Overstated Construction in Progress and Understated Infrastructure.

Cause:

Management Oversight.

Repeat finding:

Not Applicable

Recommendation:

We recommend the department implement a review of projects that are still included in CIP to ensure that all completed projects are reclassified to Infrastructure timely.

Views of responsible officials:

NMDOT's process for reviewing open and closed projects changed in 2014. Going forward, the CFO, Director of the Project Oversight Division and the SiteManager Administrator will review both open and closed projects every year to ensure all completed projects are captured and depreciated.

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

Section III - Findings and Questioned Costs – Major Federal Programs

2018-002 Subrecipient Information (Original Finding 2017-005 & 2016-004) (Significant Deficiency)

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, 2017 – June 30, 2018

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: NMDOT updated their agreement template to include missing 2 CFR § 200.331 requirements for all subrecipients of new awards

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

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

**2018-002 Subrecipient Information (Original Finding 2017-005 & 2016-004) (Significant Deficiency)
(continued)**

Questioned costs:

\$0

Context:

Out of the 17 subrecipients tested, four 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 numbers were 2016-004 and 2017-005.

Recommendation:

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

Views of responsible officials:

Going forward for FY19, the CFO and Program Directors will adopt a uniform checklist for all federal awards to address all 2 CFR § 200.331 communication requirements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section IV - Findings - Compliance and Other Matters

Section IV - Findings - Compliance and Other Matters

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2018.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Schedule of Prior Year Findings and Questioned Costs

Section II - Findings – Financial Statement

There were no findings for the year ended June 30, 2017

Section III - Findings and Questioned Costs – Major Federal Programs

2017-002 Payroll Procedures - Resolved
2017-005 Award Information - Repeated and Modified

Section IV - Findings - Compliance and Other Matters

2017-001 Deposit of Public Funds - Resolved
2017-003 Capital Assets: Property Loss - Resolved
2017-004 Per Diem Expenditures - Resolved

An exit conference was held with the Department on October 25, 2018. 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
Mallery Manzanares, Interim Administrative Services Director & Budget Director
Kristen Dorland, Chief Financial Officer & Accounting Services Director
Melissa Rael, Project Oversight Staff Manager
Sandra Gallegos, Financial Control Manager
Craig Vigil, Financial Control Staff Manager
Gilbert Gurule, Senior Accountant
Jeremy F. Romero, CPA, Consultant Contractor

CLIFTONLARSONALLEN, LLP

Raul Anaya, CPA, CFE, CGFM, Principal
Andres Gamez, CPA, Director
Natalie Romero, 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.