



New Mexico DEPARTMENT OF
TRANSPORTATION
MOBILITY FOR EVERYONE

Financial Statements & Other Financial Information

(Independent Auditor's Report included)

Year ended June 30, 2019



**New Mexico Department of Transportation
Financial Statements
for the Year Ended
June 30, 2019
and Independent Auditors' Report**

NEW MEXICO DEPARTMENT OF TRANSPORTATION
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Year Ended June 30, 2019

Commission

Walter G. Adams	Chairman	District 4
Jennifer Sandoval	Vice-Chair	District 1
Charles Lundstrom	Secretary	District 6
Bruce Ellis	Commissioner	District 2
Keith Mortensen	Commissioner	District 3
Vacant	Commissioner	District 5

Administrative Officers

Michael Sandoval	Cabinet Secretary
Vacant	Deputy Secretary
Mallery Manzanares	Interim Administrative Services Director & Budget Director

INDEPENDENT AUDITORS' REPORT

Independent Auditor's Report

Mr. Michael Sandoval, Cabinet Secretary
State of New Mexico Department of Transportation

and

Mr. Brian S. Colón, Esq., New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2019, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

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, 2019, 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 Department, 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, 2019, 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 5–22 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and 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 reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, general fund financial statements, and the schedule of expenditures of federal awards are 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 31, 2019, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the 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.

REDW LLC

Phoenix, AZ
October 31, 2019

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, 2019. 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 \$320,389,987, and the net position of the Department's governmental activities increased by \$319,856,711 due to the Department's State General Fund appropriations received in the 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 25 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.

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

1. 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 22 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 89 through 106.

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, 2019, the Department's assets and deferred outflows of resources exceeded liabilities by \$5,052,948,767.

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, 2019

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Net Position

As of June 30, 2019 and 2018, 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, 2019 and 2018.

Table A-1 The Department's Net Position

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Assets:				
Current and other assets	\$ 748,941,549	\$ 439,360,932	\$ 10,302,150	\$ 21,121,354
Capital assets and other	5,445,815,330	5,545,969,927	11,352,480	-
Total Assets	\$ 6,194,756,879	\$ 5,985,330,859	\$ 21,654,630	\$ 21,121,354
Deferred Outflows:				
Deferred loss on refunding	\$ 70,900,847	\$ 81,590,035	-	-
Deferred outflow of resources	-	-	-	-
Total Deferred Outflows	\$ 70,900,847	\$ 81,590,035	\$ -	\$ -
Liabilities:				
Current liabilities	\$ 227,754,581	\$ 222,458,257	-	-
Long-term liabilities	1,006,609,008	1,133,025,211	-	-
Total Liabilities	\$ 1,234,363,589	\$ 1,355,483,468	\$ -	\$ -
Net Position:				
Net investment in capital assets	\$ 4,383,351,286	\$ 4,364,570,315	-	-
Restricted	647,942,851	346,867,111	21,654,630	21,121,354
Total Net Position	\$ 5,031,294,137	\$ 4,711,437,426	\$ 21,654,630	\$ 21,121,354

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Total	
2019	2018
\$ 759,243,699	\$ 460,482,286
5,457,167,810	5,545,969,927
\$ 6,216,411,509	\$ 6,006,452,213
\$ 70,900,847	\$ 81,590,035
-	-
\$ 70,900,847	\$ 81,590,035
\$ 227,754,581	\$ 222,458,257
1,006,609,008	1,133,025,211
\$ 1,234,363,589	\$ 1,355,483,468
\$ 4,383,351,286	\$ 4,364,570,315
669,597,481	367,988,465
\$ 5,052,948,767	\$ 4,732,558,780

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Management's Discussion and Analysis
Year Ended June 30, 2019

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, 2019 and 2018. Governmental activities increased the Department's net position by \$319,856,711 in 2019 and \$101,941,781 in 2018. Business-type activities increased the Department's net position by \$533,276 in 2019 and \$184,517 in 2018, due to interest income earned during the year.

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

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues:				
Program revenues:				
Charges for services	\$ 38,812,915	\$ 59,696,186	\$ 6,273	\$ 7,134
Operating grants	29,009,890	26,674,659	-	-
Capital grants	376,590,779	387,244,776	-	-
General revenues:				
User and fuel taxes	460,724,193	434,923,215	-	-
Interest income	7,307,921	6,927,024	527,003	177,383
Special revenues:				
Gain (loss) on disposal of assets	384,283	706,430	-	-
Total Revenues	912,829,981	916,172,290	533,276	184,517
Expenses:				
Programs and infrastructure	620,998,210	537,196,279	-	-
Transportation and highway operations	222,987,226	222,602,547	-	-
Program support	36,093,858	35,034,878	-	-
Modal	66,028,855	64,394,437	-	-
Total Expenses	946,108,149	859,228,141	-	-
Net Revenues Before Transfers and Reversions	(33,278,168)	56,944,149	533,276	184,517
Transfers and Reversions	353,134,879	44,997,632	-	-
(Decrease) Increase in Net Position	319,856,711	101,941,781	533,276	184,517
Net Position, Beginning of Fiscal Year	4,711,437,426	4,609,495,645	21,121,354	20,936,837
Net Position, End of Fiscal Year	\$ 5,031,294,137	\$ 4,711,437,426	\$ 21,654,630	\$ 21,121,354

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Total	
2019	2018
\$ 38,819,188	\$ 59,703,320
29,009,890	26,674,659
376,590,779	387,244,776
460,724,193	434,923,215
7,834,924	7,104,407
384,283	706,430
913,363,257	916,356,807
620,998,210	537,196,279
222,987,226	222,602,547
36,093,858	35,034,878
66,028,855	64,394,437
946,108,149	859,228,141
(32,744,892)	57,128,666
353,134,879	44,997,632
320,389,987	102,126,298
4,732,558,780	4,630,432,482
\$ 5,052,948,767	\$ 4,732,558,780

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 2019 fiscal year, the Department's governmental funds reported a combined ending fund balance of \$648,724,260 an increase of \$298,594,545 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 \$23,811,793.

The changes in fund balance for the Department's major funds for 2019 are as follows:

State Road Fund(s) (SHARE 10040 and 20100)	\$ 31,337,478
GF Capital Outlay Fund (SHARE 93100)	<u>\$ 274,213,327</u>
Major fund, net change in fund balances	<u>\$ 305,550,805</u>

The net increase in the State Road Fund(s) is primarily due to an increase in state revenues and funding for operating the ports of entry.

The net increase in the GF Capital Outlay Fund is primarily due to amounts appropriated in FY19 from the State General Fund to the Department for statewide roadway planning, design, construction and maintenance for projects identified in the laws. Individual laws of the GF Capital Outlay Fund are provided in the Supplemental Schedule of Special Appropriations and law descriptions are provided in the Notes to the Supplemental Schedule of Special Appropriations.

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 \$94,322,741. Overall, these changes were caused by the following significant budget adjustments:

Increase - Highway Operations (Infrastructure and Equipment)	\$ 12,000,000
Increase - Transit Federal (North Central Regional Transit)	3,600,000
Increase - Federal Aid Program	62,707,741
Increase - Transit Federal (Incorporated County of Los Alamos)	1,485,000
Increase - WIPP: Heater Scarification and Hot in-place Recycle	9,000,000
Increase - US 550 Warranty Program	5,500,000
Increase - Motorcycle Fund	30,000
	\$ 94,322,741

The Department's original operating budget for fiscal year 2019 was \$886,336,800. This budget included \$864,041,100 of new revenues and \$22,295,700 of prior year funds rebudgeted. The final budget for the fiscal year was \$1,615,442,122. The \$729,105,322 increase in budget was due to FY19 budget adjustments discussed above and the Department's authorized practice of rolling forward into FY19 its remaining FY18 unexpended purchase orders. The appropriation budgetary period for those FY18 unexpended purchase orders lapses at the end of the FY18 fiscal year and the Department has to re-establish the budget in FY19 to re-appropriate the balance of its unexpended purchase orders. The Department funds the budget increase by utilizing the balance of the unused FY18 budget revenues that were originally budgeted for the unexpended purchase orders. The roll forward budget of \$634,782,581 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, 2019, amounts to \$5,440,400,330 (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.

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.

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Capital Assets Overview - continued

Fiscal Year 2018-2019 Active Projects with a contract amount of \$10 million or more:

I-25, MP 154.05 to MP 157.84 for 3.79 miles - Socorro County
NM 15, MP 0 to MP 1.121 for 1.121 miles - Grady County
NM 209, MP 2.44 to MP 7.14 for 4.7 miles - Curry County
US 54, MP 69.56 to MP 78.16 for 8.6 miles - Otero County
NM 529, MP 0 to MP 22.165 for 22.165 miles - Eddy County
US 82, MP 107.653 to MP 139.07 for 31.417 miles - Eddy County
I-25/South Raton Interchange , MP 450.232 to MP 454 for 3.768 miles - Colfax County
NM 434, MP 17.24 to MP 19.66 for 2.42 miles - Moriarty County
US 54, MP 324.9 to MP 326.3 for 1.4 miles - Quay County
NM 41, MP 46.221 to MP 55.543 for 9.322 miles - Santa Fe County
I-40/NM 124 Interchange at MP 96.5 for .602 miles - Cibola County
US 491, MP 15.03 to MP 37 for 21.97 miles - McKinley County
NM 6, MP 0.272 to MP 18.475 for 18.203 miles - Valencia County
NM 502, MP 1.248 to MP 2.055 for .807 miles - Los Alamos County
I-25/Rio Bravo Interchange for 2.5 miles - Bernalillo County
I-25, MP 229.1 to MP 230.95 for 1.85 miles - Bernalillo County
US 550, MP 1.368 to MP 2.331 for .963 miles - Sandoval County
NM 136, MP 0.448 to MP 9.168 for 8.72 miles - Dona Ana County
NM 28, MP 29.7 to MP 29.9 for .2 miles - Dona Ana County
NM 188, MP 1.4 to MP 3 for 1.6 miles - Dona Ana County
I-25/NM14 (Cerrillos Rd) MP 276.94 to MP 278.22 for 1.28 miles & NM 14 MP 46.044 to MP 46.27 for .23 miles - Santa Fe County
US 64, MP 54.12 to MP 57.98 for 3.86 miles - San Juan County
I-40, MP 39.9 to MP 42.5 for 2.6 miles - McKinley County
I-40, MP 4.73 to MP 5.06 for .33 miles - McKinley County
I-10, MP 91.7 to MP 116.5 for 24.8 miles - Luna County
I-25/University Interchange for 1.076 miles - Dona Ana County
I-25, MP 454.25 to MP 460.8 for 6.55 miles - Colfax County
US 54, MP 302.53 to MP 303.27 for .74 miles - Quay County
US 550, MP 0.6 to MP 3 for 2.4 miles - Sandoval County
I-25, MP 458.9 to MP 460.8 for 1.9 miles - Colfax County
US 85 (Grand Ave), MP 0 to MP 1.73 for 1.73 miles - San Miguel County
I-40, MP 37.6 to MP 42.8 for 5.2 miles - McKinley County
NM 273, MP 0.8 to MP 3.1 for 2.3 miles - Dona Ana County

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Capital Assets Overview - continued

Automotive and Major Road Equipment

For fiscal year 2019, the Automotive and Major Road Equipment modified accrual basis budget total was approximately \$19,447,198. Of this budget, approximately \$18,624,259 was fully expended at June 30, 2019. 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**

	2019	2018
Land	\$ 5,215,358	\$ 5,177,044
Construction in Process	440,669,451	329,405,559
Right of Way	512,777,786	507,845,730
Infrastructure	13,400,745,894	13,757,100,949
Equipment and furniture	30,560,348	29,438,752
Library	113,566	113,566
Buildings	51,461,853	49,679,437
Automotive and Major Road Fund Equipment	254,557,705	242,211,418
Accumulated depreciation	(9,255,701,631)	(9,384,027,528)
Total	\$ 5,440,400,330	\$ 5,536,944,927

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, 2019, the Department had a total outstanding debt (bonds) of \$988,170,000. Outstanding bond debt is backed by the Department's anticipated state tax revenues and FHWA revenues.

Table A-4
Department's Outstanding Debt

	2019	2018
Bonds (excludes deferred amounts on refunding)	\$ 988,170,000	\$ 1,091,460,000

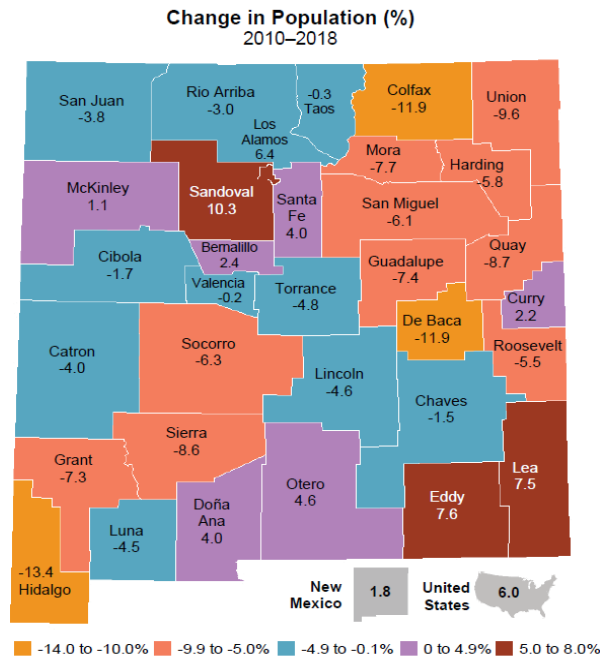
The Department's total bond debt decreased by 9.5%, or (\$103,290,000). Total outstanding bond debt at the end of the 2019 fiscal year was \$988,170,000 compared to \$1,091,460,000 at the end of the 2018 fiscal year. The net decrease in debt resulted from \$103,290,000 in principal repayments. See Note 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 2018, according to the U.S. Census Bureau, New Mexico's population reached 2,095,428. Between 2000 and 2018, the State was the twenty-third fastest growing state, as the population increased 15.1 percent from the 2000 population of 1,819,046. Between 2010 and 2018, population increased by 1.8 percent. Over the same period of time, the national population grew 6.0 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, Eddy, Lea and Otero.



Source: New Mexico 2019 State of the Workforce, New Mexico Department of Workforce Solutions

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, agriculture-agribusiness, government, and mining. New Mexico holds more than 6 percent of U.S. proved crude oil reserves, and in 2018 New Mexico has been the third-largest oil-producing state. New Mexico ranks among the top ten natural producing states. At the end of FY 2019, in New Mexico there were 100 active rigs compared to 104 a year ago, and 61 two years ago. In 2017 coal, copper and potash production value amounted to \$1.5 billion and the state ranked 12th, 3rd and 1st respectively in the US. The mining and logging industry employed more than 20 thousand New Mexicans in 2018. 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.

2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

Revenue Forecasts and Budgets

Federal Revenue:

Federal Revenue – From July 1, 2018 through September 30, 2019, \$404.1 million 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. FY19's project letting schedule resulted in an overall increase in Federal revenue from \$386.8 million in FY2018 to \$376.7 million in FY2019 or a \$9.1 million or 2.5% decrease. In FY19 New Mexico received \$42.5 million in redistribution funds by Federal Highway Administration's Headquarter office.

Federal Transit Administration Funds - NMDOT reported revenue of \$14,235,412 in FY 2019 Federal Transit Administration grant funds.

National Highway Traffic Safety Administration Funds - NMDOT reported revenue of \$16,253,567 in FY 2019 of National Highway Traffic Safety Administration grant funds.

State Revenue:

Revenues for the New Mexico Department of Transportation over the long-term (21 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 2019 it has been 2.5%.

Department of Transportation revenues were not immune from the latest recession. However, diversity of revenue sources helped to moderate the impact. State Road Fund revenues are split roughly half and half between passenger car based and interstate trucking sourced. Those revenues associated with trucking (Special Fuel and Weight Distance tax) tend to closely track the national economy, while passenger vehicle revenues (Gasoline tax and Vehicle Registration fees) tend to be less affected by economic cycles. With continuous improvements in the US economy, trucking activity has improved significantly and concurrently trucking related revenues represent the major revenue stream. 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, and FY 2018 and FY 2019 have been two record years, with an overall growth rate around 4.5 percent and 7.2 percent, respectively.

2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

State Revenue - continued:

State Revenue Forecasts - Major Revenue Sources

State Road Fund revenues are expected to continue to grow in the following fiscal years, as new legislation passed during the 2019 Legislative Session dedicated additional revenue to roads. In FY 2020 and FY 2021, the State Road Fund will be receiving one percentage point of the Motor Vehicle Excise tax, representing about \$55 million per fiscal year, to improve road conditions in District 2, while in 2022 and thereafter the State Road Fund will be receiving about \$50 million of Motor Vehicle Excise tax per fiscal year.

Road Fund revenues are estimated by the NMDOT economists on a biannual basis, in January before the budget is set and in July. 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.

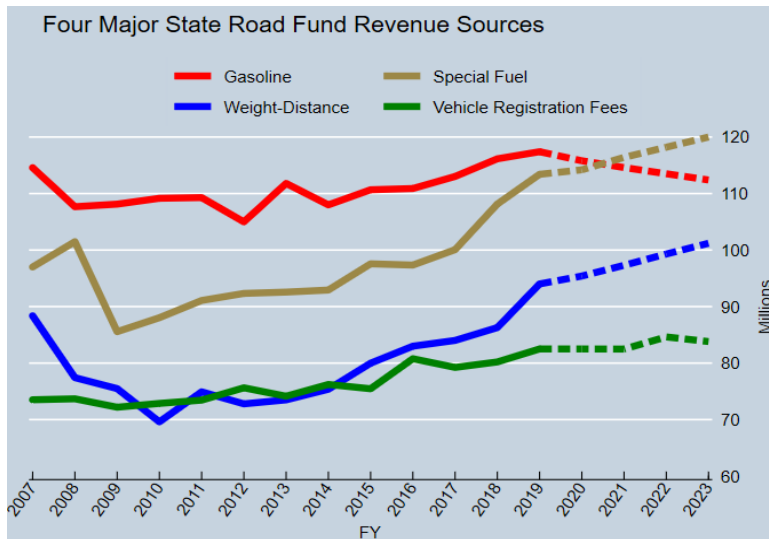
The methodology adopted for forecasting NMDOT's revenues relies on econometric techniques such as regression models and time series models (i.e. ARIMA, ARIMAX).

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

- UNM, Bureau of Business and Economic Research Quarterly Economic Forecast of the New Mexico Economy

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.

In FY 2019, revenues from gasoline, special fuels, weight distance and vehicle registration constitute 91% of the State Road Fund and 75% of all the NMDOT's funds.



2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

State Revenue - continued:

State Revenue Forecasts - Major Revenue Sources

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. 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 \$117.4 million in revenue in FY 2019. 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 remained relatively stable from 1995 to 1999, decreased slightly in 2001, reached a new peak in 2007, and slightly declined during the great recession and the 2011-2014 period of high gas prices. Starting from 2016, gasoline gallons sold have begun to increase significantly benefiting from relatively low and stable petroleum prices, and from a shift in consumers' preferences from passenger cars to SUVs and light trucks, and reached a new record peak in 2019.

For the past 19 years, FY 2000 to FY 2019, Road Fund gasoline revenues averaged \$111 million; gasoline revenues only varied by more than a few million from that average twice (\$7 million above average in FY 2019 and \$6 million below average in FY 2012). In the next few years, increasing passenger vehicle efficiency and only modest increases in New Mexico's population are expected to keep this revenue stream flat or declining.

Special fuel tax (primarily diesel) is the second largest of the state's revenue sources, providing about \$113.4 million in FY 2019. 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 of \$85.6 million in FY 2009, climbed slowly to \$100.1 million in FY 2017, and thanks to a strong national economy coupled with the oil boom in the Permian Basin region has reached a new peak in FY 2018 and in FY 2019, collecting \$108.1 million and \$113.4 million, respectively. Special fuel revenue is expected to surpass gasoline revenue by FY 2021.

2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

State Revenue - continued:

State Revenue Forecasts - Major Revenue Sources

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 \$94 million in revenue in FY 2019. 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 FY 2009. The full year impact in FY 2010 of this Weight Distance tax revenue decline was a \$7.8 million decrease relative to FY 2008. Recently, continuing improvements in the US economy, and the oil boom in the south-east of the state have positively impacted trucking activity, and in FY 2019 Weight Distance revenue reached a new record level, collecting \$94 million and growing at a 9% annual rate. In the next few years Weight Distance revenue is forecast to continue to grow around 1.8% yearly.

Motor vehicle registration fees are the fourth largest revenue source at about \$82.5 million in FY 2019. 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 \$82-84 million in the following fiscal years.

Port of entry revenues, mainly Trip Tax and Oversize/Overweight, have been positively impacted by the E-permit system launched by NMDOT in 2015. The new system allows truckers to renew their permits online 24 hours a day easing long waits and allowing commerce to flow much easier. 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. Trip tax rose to a peak of \$8.6 million in FY 2006 and provided revenues of about \$6.8 million in FY 2019. New Mexico is one of four states that impose a Weight Distance tax and its associated trip tax. Oversize/overweight permits are charged to vehicles with excessive weight, height, length or width. In FY 2019, Oversize/Overweight reached its highest peak, collecting \$7.2 million in revenue. 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.

2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

State Revenue - continued:

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 80.7 million gallons in FY 2018 and 77.7 million gallons in FY 2019.

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) 795-1401

FINANCIAL STATEMENTS

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Net Position

As of June 30, 2019

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Current Assets:			
Cash:			
Unrestricted	\$ 600	\$ -	\$ 600
Cash equivalents: (Note 2)			
Investment in SGFIP	626,871,290	10,214,324	637,085,614
Managed by NMFA	8,610,265	-	8,610,265
Receivables:			
Accounts receivable, net (Note 3)	603,773	-	603,773
Interest receivable	137,555	-	137,555
Notes and loans receivable (Note 4)	-	87,826	87,826
Other receivables	18,724	-	18,724
Due from:			
U.S. Department of Transportation (Note 5)	41,944,993	-	41,944,993
Other state agencies (Note 7)	44,233,185	-	44,233,185
Local governments (Note 8)	1,871	-	1,871
Inventories (Note 9)	13,427,965	-	13,427,965
Prepaid expenses - other	74,568	-	74,568
Prepaid expense - NM44 warranty	2,707,500	-	2,707,500
Property held for resale	10,309,260	-	10,309,260
Total Current Assets	748,941,549	10,302,150	759,243,699
Non-Current Assets:			
Notes and loans receivable (Note 4)	-	11,352,480	11,352,480
Prepaid expense - NM44 warranty, net	5,415,000	-	5,415,000
Capital assets, net (Note 10)	5,440,400,330	-	5,440,400,330
Total Non-Current Assets	5,445,815,330	11,352,480	5,457,167,810
Total Assets	6,194,756,879	21,654,630	6,216,411,509
Deferred Outflows of Resources:			
Deferred loss on refunding (Note 15)	70,900,847	-	70,900,847
Total Deferred Outflows of Resources	70,900,847	-	70,900,847
Total Assets and Deferred Outflows of Resources	\$ 6,265,657,726	\$ 21,654,630	\$ 6,287,312,356

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Net Position

As of June 30, 2019

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Current Liabilities:			
Accounts payable and contracts payable, including retainage of \$3,670,427	\$ 57,308,720	\$ -	\$ 57,308,720
Due to:			
U.S. Department of Transportation	2,368	-	2,368
Other state agencies (Note 7)	946,860	-	946,860
Local governments (Note 8)	7,466,404	-	7,466,404
Component units of the state (Note 13)	147,574	-	147,574
Higher Ed Institution (Note 14)	609,750	-	609,750
Unearned revenue	7,957,388	-	7,957,388
Other accrued expenses	5,688,615	-	5,688,615
Deficiency in SGFIP	14,371,333	-	14,371,333
Other liabilities	298,440	-	298,440
Current portion of long-term obligations (Note 15):			
Compensated absences	7,260,573	-	7,260,573
Debentures payable	107,110,000	-	107,110,000
Capitalized bond premium	18,586,556	-	18,586,556
Total Current Liabilities	227,754,581	-	227,754,581
Long-Term Liabilities:			
Long-term obligations (Note 15):			
Debentures payable	881,060,000	-	881,060,000
Capitalized bond premium, net	125,549,008	-	125,549,008
Total Long-Term Liabilities	1,006,609,008	-	1,006,609,008
Total Liabilities	1,234,363,589	-	1,234,363,589
Net Position:			
Net investment in capital assets	4,383,351,286	-	4,383,351,286
Restricted for:			
Loans	-	21,654,630	21,654,630
Specific purposes	647,942,851	-	647,942,851
Total Net Position	5,031,294,137	21,654,630	5,052,948,767
Total Liabilities and Net Position	\$ 6,265,657,726	\$ 21,654,630	\$ 6,287,312,356

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, 2019

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Program Expenses:			
Programs and infrastructure	\$ 620,998,210	\$ -	\$ 620,998,210
Transportation and highway operations	222,987,226	-	222,987,226
Program support	36,093,858	-	36,093,858
Modal	66,028,855	-	66,028,855
Total Program Expenses	946,108,149	-	946,108,149
Program Revenues:			
Charges for services	38,812,915	6,273	38,819,188
Operating grants	29,009,890	-	29,009,890
Capital grants	376,590,779	-	376,590,779
Total Program Revenues	444,413,584	6,273	444,419,857
Net Program Revenue (Expense)	(501,694,565)	6,273	(501,688,292)
General Revenues:			
User and fuel taxes	460,724,193	-	460,724,193
Interest income	7,307,921	527,003	7,834,924
Gain on disposal of assets and adjustments	384,283	-	384,283
Total General Revenues	468,416,397	527,003	468,943,400
Transfers:			
State general fund appropriation (Note 12)	318,680,385	-	318,680,385
Transfers from: severance tax bond appropriations (Note 12)	41,435,094	-	41,435,094
Transfers from (to) other state agencies and local governments, net (Note 12)	(6,980,600)	-	(6,980,600)
Total Transfers	353,134,879	-	353,134,879
Net General Revenues and Transfers	821,551,276	527,003	822,078,279
Change in Net Position/Operating Income	319,856,711	533,276	320,389,987
Net Position, Beginning of Fiscal Year	4,711,437,426	21,121,354	4,732,558,780
Net Position, End of Fiscal Year	\$ 5,031,294,137	\$ 21,654,630	\$ 5,052,948,767

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Balance Sheet - Governmental Funds

As of June 30, 2019

	<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>GF Capital Outlay Fund (SHARE 93100)</u>		
Assets:				
Cash:				
Unrestricted	\$ 600	\$ -	\$ -	\$ 600
Cash equivalents: (Note 2)				
Investment in SGFIP	269,816,190	297,912,136	59,142,964	626,871,290
Managed by NMFA	227,841	-	8,382,424	8,610,265
Receivables:				
Accounts receivable, net (Note 3)	599,111	-	4,662	603,773
Interest receivable	423	-	137,132	137,555
Notes and loans receivable	-	-	-	-
Other receivables	18,724	-	-	18,724
Due from:				
U.S. Department of Transportation (Note 5)	32,848,245	-	9,096,748	41,944,993
Other funds (Note 6)	-	-	763	763
Other state agencies (Note 7)	41,024,442	-	3,208,743	44,233,185
Local governments (Note 8)	-	-	1,871	1,871
Inventories (Note 9)	13,427,965	-	-	13,427,965
Prepaid expenses - other	74,568	-	-	74,568
Property held for resale	10,309,260	-	-	10,309,260
Total Assets	\$ 368,347,369	\$ 297,912,136	\$ 79,975,307	\$ 746,234,812
Liabilities, Deferred Inflows of Resources and Fund Balance:				
Liabilities:				
Accounts payable	\$ 47,999,706	\$ 3,268,809	\$ 6,040,205	\$ 57,308,720
Due to:				
U.S. Department of Transportation	-	-	2,368	2,368
Other funds (Note 6)	-	-	763	763
Other state agencies (Note 7)	99,721	-	847,139	946,860
Local governments (Note 8)	2,626,390	-	4,840,014	7,466,404
Component units of the state (Note 13)	147,574	-	-	147,574
Higher Ed Institution (Note 14)	415,518	-	194,232	609,750
Unearned revenue	7,957,388	-	-	7,957,388
Other accrued expenses	5,632,782	-	55,833	5,688,615
Deficiency in SGFIP	9,812,651	-	4,558,682	14,371,333
Other liabilities	183,125	-	115,315	298,440
Total Liabilities	74,874,855	3,268,809	16,654,551	94,798,215
Deferred Inflows of Resources:				
Amounts unavailable (not received within period of availability)	1,099,847	-	1,612,490	2,712,337
Total Deferred Inflows of Resources	1,099,847	-	1,612,490	2,712,337
Fund Balance:				
Non-spendable	23,811,793	-	-	23,811,793
Restricted	269,660,721	294,643,327	63,313,610	627,617,658
Unassigned (Note 16)	(1,099,847)	-	(1,605,344)	(2,705,191)
Total Fund Balance	292,372,667	294,643,327	61,708,266	648,724,260
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 368,347,369	\$ 297,912,136	\$ 79,975,307	\$ 746,234,812

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, 2019

Total Fund Balance - Governmental Funds
(Balance Sheet - Governmental Funds) \$ 648,724,260

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

Amounts recorded as deferred inflows of resources in the governmental funds that were not received within the period of availability - 60 days after year end; recorded as revenue in the Statement of Activities: 2,712,337

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

The cost of capital assets is	14,696,101,961	
Accumulated depreciation is	<u>(9,255,701,631)</u>	
Total capital assets		5,440,400,330

Prepaid warranty expenditures recorded as an expenditure in the governmental funds, but recorded as an asset, net of amortization in the Statement of Net Position: 8,122,500

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)	(988,170,000)
Deferred loss on refunding (net of current period amortization)	70,900,847
Compensated absences	(7,260,573)

Capitalized bond premiums not recorded in the governmental funds as a liability, net of amortization: (144,135,564)

Net Position of Governmental Activities (Statement of Net Position) **\$ 5,031,294,137**

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, 2019

	Major Funds		Non Major Governmental Funds	Total Governmental Funds
	State Road Fund(s) (SHARE 10040 and 20100)	GF Capital Outlay Fund (SHARE 93100)		
Revenues:				
User and fuel taxes	\$ 431,878,822	\$ -	\$ 28,845,371	\$ 460,724,193
U.S. Department of Transportation	376,689,505	-	30,488,979	407,178,484
Fees and fines	-	-	55,551	55,551
Licenses and permits	13,467,047	-	12,534,014	26,001,061
Charges for services	2,937,767	-	-	2,937,767
Other revenue	8,715,306	-	1,449,109	10,164,415
Interest earnings	4,226,735	-	3,081,186	7,307,921
Total Revenues	837,915,182	-	76,454,210	914,369,392
Expenditures:				
Current:				
Operating costs	11,083,455	-	91,305	11,174,760
Personal services	98,250,593	-	945,512	99,196,105
Out-of-state travel	148,591	-	67,648	216,239
Grants and services	1,594,906	19,522,635	60,061,518	81,179,059
Travel	17,202,969	-	5,328	17,208,297
Maintenance and repairs	15,260,809	-	24,921	15,285,730
Supplies	40,412,423	-	23,862	40,436,285
Contractual services	163,160,899	2,138,504	11,500,492	176,799,895
Other costs	12,621,701	-	112,301	12,734,002
Employee benefits	49,219,147	-	403,421	49,622,568
Capital outlay	260,178,705	22,805,919	26,712,431	309,697,055
Debt service:				
Principal	83,714,156	-	19,575,844	103,290,000
Interest	46,948,750	-	5,120,981	52,069,731
Total Expenditures	799,797,104	44,467,058	124,645,564	968,909,726
Excess (Deficiency) of Revenues Over (Under) Expenditures	38,118,078	(44,467,058)	(48,191,354)	(54,540,334)
Other Financing Sources (Uses):				
General fund special appropriations (Note 12)	-	318,680,385	-	318,680,385
Severance tax bond appropriations (Note 12)	-	-	41,435,094	41,435,094
Transfers in: (Note 12)				
Inter-Agency	3,219,400	-	300,000	3,519,400
Intra-Agency	-	-	825,238	825,238
Transfers (out): (Note 12)				
Inter-Agency	(10,000,000)	-	(500,000)	(10,500,000)
Intra-Agency	-	-	(825,238)	(825,238)
Total Other Financing Sources (Uses)	(6,780,600)	318,680,385	41,235,094	353,134,879
Net Changes in Fund Balance	31,337,478	274,213,327	(6,956,260)	298,594,545
Fund Balance, June 30, 2018	261,035,189	20,430,000	68,664,526	350,129,715
Fund Balance, June 30, 2019	\$ 292,372,667	\$ 294,643,327	\$ 61,708,266	\$ 648,724,260

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

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: (10,689,188)

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 \$144,135,564 in the Statement of Net Position, net of \$18,861,114 of amortization, recorded as a decrease to interest expense in the Statement of Net Position:

Amortization of bond premium	18,861,114	
Premium of new bonds issued	-	
	-	18,861,114

Change in Net Position of Governmental Activities (Statement of Activities)	\$ 319,856,711
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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Net Position - Proprietary Fund

As of June 30, 2019

	State Infrastructure Bank (SHARE 89300)
Assets:	
Current Assets:	
Cash:	
Unrestricted	\$ -
Cash equivalents: (Note 2)	
Investment in SGFIP	10,214,324
Receivables:	
Interest receivable	-
Notes and loans receivable (Note 4)	87,826
Total Current Assets	10,302,150
Non-Current Assets:	
Notes and loans receivable (Note 4)	11,352,480
Total Non-Current Assets	11,352,480
Total Assets	\$ 21,654,630
 Liabilities and Net Position:	
Liabilities:	
Current Liabilities:	
Accounts payable	\$ -
Total Current Liabilities	-
Total Liabilities	-
Net Position:	
Restricted for:	
Loans	21,654,630
Total Net Position	21,654,630
Total Liabilities and Net Position	\$ 21,654,630

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, 2019

	State Infrastructure Bank (SHARE 89300)
Operating Revenues (Expenses):	
Loan interest income	\$ 6,273
Total Operating Revenues (Expenses)	<u>6,273</u>
Non-Operating Revenues (Expenses):	
Interest income	527,003
Total Non-Operating Revenues (Expenses)	<u>527,003</u>
Change in Net Position/Operating Income	533,276
Net Position, Beginning of Fiscal Year	<u>21,121,354</u>
Net Position, End of Fiscal Year	<u>\$ 21,654,630</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, 2019

	State Infrastructure Bank (SHARE 89300)
Cash Flows from Operating Activities:	
Cash received from interest on loans	\$ 6,273
Loans issued	(10,900,000)
Loans repaid	86,957
Net Cash Provided (Used) by Operating Activities	(10,806,770)
Cash Flows from Investing Activities:	
Cash received from interest	527,003
Net Cash Provided (Used) by Investing Activities	527,003
Net Increase (Decrease) in Cash and Cash Equivalents	(10,279,767)
Cash and Cash Equivalents at June 30, 2018	20,494,091
Cash and Cash Equivalents at June 30, 2019	\$ 10,214,324
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 6,273
Change in assets and liabilities:	
(Increase) decrease in notes and loans receivable	(10,813,043)
Net Cash Provided (Used) by Operating Activities	\$ (10,806,770)

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, 2019

	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	\$ 368,883,000	\$ 908,970,969	\$ 376,689,505	\$ (532,281,464)
Other state funds	419,068,400	423,358,400	456,998,942	33,640,542
Transfers outside the agency	3,219,400	3,219,400	3,219,400	-
Interest revenue	1,030,000	1,030,000	4,226,735	3,196,735
Total Revenues and Other Financing Sources	792,200,800	1,336,578,769	841,134,582	\$ (495,444,187)
Prior Year Funds Rebudgeted	17,281,700	157,986,590		
	\$ 809,482,500	\$ 1,494,565,359		
Expenditures and Other Financing Uses:				
Project Design & Construction:				
Personal services/employee benefits	\$ 25,388,800	\$ 25,388,800	21,803,231	\$ 3,585,569
Contractual services	326,065,300	952,580,926	346,831,498	605,749,428
Other	153,522,900	155,632,931	145,565,134	10,067,797
Transfers (in) out	-	-	-	-
	504,977,000	1,133,602,657	514,199,863	619,402,794
Highway Operations:				
Personal services/employee benefits	106,240,800	106,240,800	99,793,076	6,447,724
Contractual services	49,407,600	73,059,311	39,690,012	33,369,299
Other	79,962,200	103,416,341	92,906,237	10,510,104
	235,610,600	282,716,452	232,389,325	50,327,127
Business Support:				
Personal services/employee benefits	25,340,400	25,340,400	23,229,012	2,111,388
Contractual services	4,321,900	4,321,900	1,602,745	2,719,155
Other	13,086,300	13,086,300	11,183,099	1,903,201
	42,748,600	42,748,600	36,014,856	6,733,744
Modal:				
Personal services/employee benefits	3,277,600	3,277,600	2,644,421	633,179
Contractual services	19,228,000	28,047,195	12,056,669	15,990,526
Other	3,640,700	4,172,855	2,491,970	1,680,885
	26,146,300	35,497,650	17,193,060	18,304,590
Total Budgeted Expenditures and Other Financing Uses	\$ 809,482,500	\$ 1,494,565,359	799,797,104	\$ 694,768,255
Non-Budgeted Items:				
Reversions			-	
Total Expenditures and Other Financing Uses			799,797,104	
Excess (Deficiency) of Revenues Over (Under)				
Expenditures and Other Financing Sources and Uses			\$ 41,337,478	

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, 2019.

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 (Supplemental Schedule of Pledged State Revenues) and other items not properly included among program revenues are reported instead as general revenues net of estimated refunds and uncollectible amounts. 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.

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. Individual laws restricting the fund balance of the GF Capital Outlay Fund are provided in the Supplemental Schedule of Special Appropriations.

Reclassification of Beginning Fund Balance

During fiscal year 2019, the Department re-evaluated its funds to ascertain compliance with major fund reporting. As such, it was determined that the 2018A Bond Debt Service Fund (SHARE 20770) should be presented as a Non-Major Governmental Fund and GF Capital Outlay Fund (SHARE 93100) qualifies as a Major Fund for financial reporting purposes. The impact of these changes in reporting is summarized below:

	GF Capital Outlay Fund (SHARE 93100)	2018A Bond Debt Service Fund (SHARE 20770)	Non Major Governmental Funds
Fund balance at June 30, 2018, as previously reported	\$ -	\$ 2,100,605	\$ 86,993,921
Impact of change in major fund classifications	20,430,000	(2,100,605)	(18,329,395)
Fund balance at July 1, 2018, as reclassified	\$ 20,430,000	\$ -	\$ 68,664,526

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, 2019, 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. Individual laws restricting the fund balance of the GF Capital Outlay Fund are provided in the Supplemental Schedule of Severance Tax Bonds.

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. Individual laws restricting the fund balance of the GF Capital Outlay Fund are provided in the Supplemental Schedule of Special Appropriations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

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

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.

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

Budgets and Budgetary Accounting

Per the General Appropriations Act of 2018, Section 3K, "For the purpose of administering the General Appropriation Act of 2018, 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 12) 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 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 (Note 3) deemed uncollectible through the end of FY19 was \$5,253,259 and a net total of \$124,465 was moved to the uncollectible account during the current fiscal year. A total of \$68,273 was recovered from the uncollectible account during the current fiscal year.

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, 2019 (Note 11).

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, 2019. There are no loans past due for more than 90 days as of the end of the fiscal year which require placement on non-accrual status (Note 4).

Due From U.S. Department of Transportation

Due from the U.S. Department of Transportation represents amounts billed and unbilled in accordance with the various grant agreements. The "billed" portion represents contract expenditures incurred and billed by the Department. The "unbilled" portion represents expenditures included in accounts payable that will be billed when paid by the Department. The "excess project costs" represents costs actually incurred on a project in excess of approved amounts. The Department provides for an allowance for uncollectible accounts in excess of project costs classification. The allowance is based on an analysis of amounts that are reasonably assured of collection (Note 5). There was no allowance for FY 2019. 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 6) and are included in the governmental fund financial statements. Inter-fund transactions are eliminated in the accrual basis government-wide financial statements.

Due From and Due To Other State Agencies

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

Due From and Due To Local Governments

Due from/to other local governments represents amounts due from and due to local governments to the Department (Note 8) 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 13) at the CAFR level and are included in the governmental fund financial statements and accrual basis government-wide financial statements.

Due to Higher Ed Institution

The amount represents payables due to Higher Ed Institutions of the State of New Mexico (Note 14) 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 18 years, the term of the warranty. At the end of the fiscal year 2019 the total prepaid expense unamortized value was \$8,122,500. 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. Capital assets defined in Section 12-6-10 NMSA 1978 requires agencies to capitalize expenditures for capital outlay 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, Automobiles 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, 2019, 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 2018, 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, 2019 for other multiple year appropriation periods are as follows:

STB Capital Outlay Fund	89200		\$ 5,387,053
GF Capital Outlay Fund	93100		-
			\$ 5,387,053
			\$ 5,387,053

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 \$0.99 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 \$1.23 billion. Debt Service principal and interest paid for the current year and total pledged revenues were \$155,359,731 and \$835,001,080, 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 Office (STO) acts as the State's bank when agency cash receipts are deposited and later pooled into a statewide investment fund, also referred to as the State General Fund Investment Pool (SGFIP). In times when cash amounts are greater than immediate needs, the amounts 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 are reduced.

The comprehensive cash reconciliation model which compares aggregated agency claims on the SGFIP to the associated resources held by the State Treasurer's Office has been completed for fiscal year 2019. This process has been previously reviewed 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. These reviews have deemed the process sound and the Department fully compliant with the reconciliation requirements.

The State Controller indicated on September 17, 2019 that as of June 30, 2019, resources held in pool were equivalent to the corresponding business unit claims on those resources. 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, 2019. 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, 2019 the Department had the following invested in the General Fund Investment Pool:

General Fund Investment Pool	\$ 626,871,290
State Infrastructure Bank	10,214,324
	\$ 637,085,614

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, 2019.

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, 2019.

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, 2019 the Department had the following managed by NMFA held with Bank of Albuquerque:

Bank of Albuquerque, trustee account (Managed by NMFA)	<u>\$ 8,610,265</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, 2019 is as follows:

<u>Number of Days Outstanding</u>				
0 - 30		\$		551,843
31 - 60				49,498
61 - 90				2,432
91 - 120				-
Beyond 120				5,253,259
				<u>5,857,032</u>
Allowance for uncollectible accounts				(5,253,259)
				<u>\$ 603,773</u>

4. NOTES AND LOANS RECEIVABLE

Loans receivable funded by the State Infrastructure Bank consist of the following:

	<u>Short-term</u>		<u>Long-term</u>	
A ten (10) year note receivable from the Town of Peralta secured by property taxes and sewer funds	\$ 87,826	\$	452,480	
A seventeen (17) year note receivable from Rio Metro Regional Transit District secured by gross receipts tax			10,900,000	
			<u>-</u>	
	<u>\$ 87,826</u>	<u>\$</u>	<u>11,352,480</u>	

5. DUE FROM U.S. DEPARTMENT OF TRANSPORTATION

Due from U.S. Department of Transportation (USDOT) consists of the following at June 30, 2019:

<u>Agency</u>				
Federal Highway Administration		\$		32,848,245
Less allowance for uncollectible amounts				-
Total Federal Highway Administration				<u>32,848,245</u>
Other USDOT Agencies				<u>9,096,748</u>
Total USDOT		<u>\$</u>		<u>41,944,993</u>

6. DUE FROM AND DUE TO OTHER FUNDS

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

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

Interfund receivables and payables as of June 30, 2019 consist of the following:

	<u>Fund Number</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	<u>Net (Sub-totals only)</u>
Debt Service Funds:				
2006A GRIP Bond Debt Service Fund	10220	-	763	
2010B GRIP Bond Debt Service Fund	20450	763	-	
Total Debt Service Funds		<u>763</u>	<u>763</u>	<u>-</u>
Total Interfund Receivables and Payables		<u>\$ 763</u>	<u>\$ 763</u>	<u>\$ -</u>
Total Governmental – net				-
Total All Funds				<u>\$ -</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

7. DUE FROM AND DUE TO OTHER STATE AGENCIES

Due From Other State Agencies

Fund Description	Fund Number	Sub-total	Total	Business Unit	Fund Affiliate
State Road Fund(s)	10040 / 20100	\$ 21,083,331		33300	82500
				33300	82800
HIF Bond Fund	20200	637,373		33300	83200
Local Government Road Fund	20300	1,879,697		33300	82800
		212,458		33300	83200
State Aviation Fund	20500	35,653		33300	82800
		443,562		33300	83200
Total taxes due from Taxation and Revenue Department			\$ 44,233,185		
Total Government-wide			\$ 44,233,185		

Due To Other State Agencies

Fund Description	Fund Number	Sub-total	Total	Business Unit	Fund Affiliate
State Road Fund(s)	10040 / 20100	\$ 86,302		79000	12802
		13,419		79000	12804
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	844,557		79000	12802
		2,582		79000	12804
Total grant expenses due to Department of Public Safety			\$ 946,860		
Total Government-wide			\$ 946,860		

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM AND DUE TO LOCAL GOVERNMENTS

Due From Local Governments

Fund Description	Fund Number	Due From	Total
Governmental Funds			
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	County of Luna	\$ 1,871
Total Governmental Funds			<u>1,871</u>
Total Government-wide			<u>\$ 1,871</u>

Due To Local Governments

Fund Description	Fund Number	Due To	Total
Governmental Funds			
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	Bernalillo County	\$ 47,014
		Board of Comm City of Las Cruces	13,680
		Chaves County	2,199
		City of Alamogordo	1,103
		City of Albuquerque	92,978
		City of Aztec	1,683
		City of Belen	842
		City of Carlsbad	2,278
		City of Clovis	6,676
		City of Farmington	7,380
		City of Gallup	3,477
		City of Las Vegas	527
		City of Lovington	872
		City of Moriarty	236
		City of Portales	3,441
		City of Rio Rancho	9,865
		City of Santa Fe	3,718
		City of Sunland Park	1,581
		City of Truth or Consequences	274
		County of Eddy	4,520
		County of Luna	1,000
		County of Otero	632
		County of Roosevelt	411

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM AND DUE TO LOCAL GOVERNMENTS - continued

Due To Local Governments - continued

Fund Description	Fund Number	Due To	Total
Governmental Funds			
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	County of Sandoval	\$ 18,710
		County of Taos	2,496
		County of Torrance	347
		Lea County	13,232
		McKinley County	54,782
		Pueblo of Sandia	1,720
		San Juan County	1,049
		Town of Silver City	3,057
		Village of Los Lunas	1,700
		County of Mora	650
		Dona Ana County	7,240
		Treasurer of Union County	540
Federal Planning & Development Fund	10030	Board of Commissioners City Las Cruces	15,418
		City of Carlsbad	88,398
		City of Farmington	7,714
		City of Hobbs	33,623
		City of Las Vegas	34,826
		City of Portales	8,385
		City of Roswell	200,744
		City of Santa Fe	32,338
		City of Socorro	18,576
		El Paso Metropolitan Planning Org.	7,759
		Grant, County of	70,512
		Incorporated County of Los Alamos	431,165
		Mid-Region Council of Governments	73,681
		North Central Regional Transit District	303,555
		Pueblo of Laguna	30,554
		Pueblo of Zuni	15,967
		Rio Metro Regional Transit District	174,820
		South Central Regional Transit	27,995
		The Navajo Nation	66,678
		Village of Milan	11,827
State Road Fund(s)	10040 and 20100	Bernalillo County	96,934
		Board of Comm City of Las Cruces	47,989
		Catron County	464

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM AND DUE TO LOCAL GOVERNMENTS - continued

Due To Local Governments - continued

Fund Description	Fund Number	Due To	Total
Governmental Funds			
State Road Fund(s)	10040 and 20100	Chaves County	\$ 282,728
		City of Alamogordo	121
		City of Albuquerque	131,066
		City of Artesia	1,436
		City of Aztec	222
		City of Bayard	207
		City of Belen	655
		City of Bloomfield	330
		City of Carlsbad	5,678
		City of Clovis	2,055
		City of Deming	1,647
		City of Espanola	138
		City of Farmington	42,454
		City of Gallup	2,404
		City of Jal	40
		City of Las Cruces	51,997
		City of Las Vegas	4,655
		City of Lordsburg	3,355
		City of Lovington	488
		City of Moriarty	988
		City of Portales	1,424
		City of Raton	109
		City of Rio Rancho	3,234
		City of Roswell	16,610
		City of Santa Fe	170,944
		City of Santa Rosa	1,665
		City of Socorro	923
		City of Sunland Park	216
		City of Truth Or Consequences	1,217
		City of Tucumcari	177
		County of Eddy	44,467
		County of Luna	8,029
		County of Mora	1,251
		County of Otero	378
		County of Roosevelt	728

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM AND DUE TO LOCAL GOVERNMENTS - continued

Due To Local Governments - continued

Fund Description	Fund Number	Due To	Total
Governmental Funds			
State Road Fund(s)	10040 and 20100	County of Sandoval	\$ 1,930
		County of Taos	1,364
		County of Torrance	383
		County of Valencia	41
		Eastern Plains Council of Governments	19,371
		Incorporated County of Los Alamos	792
		McKinley County	32,698
		Mid-Region Council of Governments	302,330
		Pueblo de San Ildefonso	86,265
		Pueblo of Sandia	886
		Rio Metro Regional Transit District	344,492
		San Juan County	462,644
		San Miguel County	58,073
		Santa Fe County	1,140
		Socorro County	62,207
		South Central Council of Governments	22,218
		Town of Bernalillo	2,880
		Town of Carrizozo	753
		Town of Clayton	165
		Town of Estancia	184
		Town of Hurley	653
		Town of Mountainair	668
		Town of Silver City	10,366
		Town of Springer	86
		Town of Tatum	1,284
		Town of Vaughn	432
		Village of Angel Fire	24,991
		Village of Capitan	459
		Village of Cimarron	699
		Village of Corona	88
		Village of Corrales	618
		Village of Cuba	2,617
		Village of Des Moines	30
		Village of Hatch	569
		Village of Hope	206

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM AND DUE TO LOCAL GOVERNMENTS - continued

Due To Local Governments - continued

Fund Description	Fund Number	Due To	Total
Governmental Funds			
State Road Fund(s)	10040 and 20100	Village of Logan	\$ 656
		Village of Los Lunas	227,053
		Village of Magdalena	67
		Village of Milan	5,359
		Village of Mosquero	18
		Village of Questa	80
		Village of Roy	53
		Village of Ruidoso	1,258
		Village of San Jon	215
		Village of San Ysidro	47
		Village of Santa Clara	17,195
		Village of Tijeras	25
		Village of Wagon Mound	359
Local Government Road Fund	20300	Colfax County Treasurer	214,347
		County of Sandoval	471,245
		Town of Grants	1,099,202
		Town of Taos	100,223
		Village of Tijeras	61,000
STB Capital Outlay Fund	89200	Bernalillo County	9,801
		Cider Mill Farms Wua	6,480
		City of Albuquerque	51,151
		City of Gallup	156,971
		City of Lovington	23,826
		City of Rio Rancho	11,548
		County of Eddy	30,087
		Dona Ana County	613,029
		Pueblo of San Felipe	23,485
		The Navajo Nation	1,174
Total Governmental Funds			<u>7,466,404</u>
Enterprise Funds:			
State Infrastructure Fund	89300	Town of Silver City	-
Total Enterprise Funds			<u>-</u>
Total Government-wide			<u>\$ 7,466,404</u>

9. INVENTORIES

Inventory as of June 30, 2019 consists of the following:

Highway maintenance materials stockpiled	\$ 6,967,327
Repair parts and expendable supplies	5,809,873
Fuel, oil and lubricants	<u>650,765</u>
	<u>\$ 13,427,965</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, 2019 follows:

	Beginning Balance	Additions	Adjustments &	
	June 30, 2018		Transfers	Retirements
Non-Depreciable Assets:				
Construction in Progress	\$ 329,405,559	\$ 286,538,374	\$ -	\$ -
Rail System Infrastructure - Right of Way	72,204,581	-	-	-
Land	5,177,044	38,314	-	-
Right of Way	435,641,149	-	-	-
Total Non-Depreciable Assets	842,428,333	286,576,688	-	-
Depreciable Assets:				
Infrastructure	13,383,813,474	-	-	(526,811,568)
Automotive and Major Road Fund Equipment	242,211,418	18,624,259	-	(6,277,972)
Rail System Infrastructure	373,287,475	-	114,087	-
Buildings	49,679,437	1,778,816	3,600	-
Equipment and Furniture	29,438,752	2,717,292	-	(1,595,696)
Library	113,566	-	-	-
Total Depreciable Assets	14,078,544,122	23,120,367	117,687	(534,685,236)
Total Assets	14,920,972,455	309,697,055	117,687	(534,685,236)
Less Accumulated Depreciation:				
Infrastructure	(9,007,888,682)	(376,846,324)	-	526,811,568
Automotive and Major Road Fund Equipment	(169,453,044)	(12,145,889)	-	6,230,363
Rail System Infrastructure	(151,326,203)	(14,934,915)	-	-
Buildings	(31,861,649)	(848,319)	-	-
Equipment and Furniture	(23,390,027)	(1,506,645)	-	1,567,622
Library	(107,923)	(1,564)	-	-
Total Accumulated Depreciation	(9,384,027,528)	(406,283,656)	-	534,609,553
Net Total	\$ 5,536,944,927	\$ (96,586,601)	\$ 117,687	\$ (75,683)

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

Depreciation:	
Programs and infrastructure	\$ 377,103,178
Transportation and highway operations	13,498,019
Program support	726,689
Modal	14,955,770
	<u>406,283,656</u>
Amortization	2,707,500
Total Depreciation and Amortization	<u><u>\$ 408,991,156</u></u>

10. CAPITAL ASSETS - continued

CIP Reclassifications	Ending Balance June 30, 2019
\$ (175,274,482)	\$ 440,669,451
-	72,204,581
-	5,215,358
4,932,056	440,573,205
(170,342,426)	958,662,595
170,184,926	13,027,186,832
-	254,557,705
157,500	373,559,062
-	51,461,853
-	30,560,348
-	113,566
170,342,426	13,737,439,366
-	14,696,101,961
-	(8,857,923,438)
-	(175,368,570)
-	(166,261,118)
-	(32,709,968)
-	(23,329,050)
-	(109,487)
-	(9,255,701,631)
\$ -	\$ 5,440,400,330

The Department had major contractual commitments related to various capital projects as of June 30, 2019 for the construction of various highway projects related to construction in progress. At June 30, 2019 the Department had spent \$440,669,451 on these projects and had remaining contractual commitments with contractors of \$282,866,342. These projects are funded through the State Road Fund, federal funds, severance tax fund and general fund

11. STB CAPITAL OUTLAY FUND

Severance tax bond proceeds as of June 30, 2019, 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	\$ 69,549,644
Sale and reauthorization of severance tax bonds	1,316,915
Funding received from the State Board of Finance	(42,632,040)
Reversion to the State Board of Finance	<u>(152,130)</u>
Balance, end of year	<u>\$ 28,082,389</u>

The funding for the year ended June 30, 2019 was received under the 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, Laws of 2018, Chapters 68 and 80, and Laws of 2019, Chapter 280.

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.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

12. TRANSFERS

Transfers within the Agency

	Fund Number		Transfers In	Transfers Out	Net (Sub-totals only)
Debt Service Funds:					
2006A GRIP Bond Debt Service Fund	10220	(1)	-	18,238	
		(2)	460,000		
2010A Bond Debt Service Fund	11140	(2)	12,000	-	
2010B Bond Debt Service Fund	20450	(1)	763	-	
		(2)	-	807,000	
2014A Bond Debt Service Fund	11960	(1)	17,475	-	
2012A Bond Debt Service Fund	30850	(2)	175,000	-	
2018A Bond Debt Service Fund	20770	(2)	160,000	-	
Total Debt Service Funds			825,238	825,238	-
			\$ 825,238	\$ 825,238	\$ -
Total Governmental – net					\$ -
Total Enterprise Funds – net					-
Total Transfers within the Agency					\$ -

- (1) Transfer to close debt service fund 10220 - 2006A GRIP Debt Service that was paid off in FY19
(2) Transfer balances between debt service funds to make scheduled debt service payments

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

12. TRANSFERS - continued

Transfers outside the Agency

	Fund Number		Transfers In	Transfers Out	Net (Sub-totals only)
General Funds:					
State Road Fund(s)	10040 / 20100	(3)	\$ 3,219,400	\$ -	
		(5)	-	(10,000,000)	
Total General Funds			<u>3,219,400</u>	<u>(10,000,000)</u>	<u>\$ (6,780,600)</u>
Special Revenue Funds:					
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	(4)	300,000	-	
		(6)	-	(500,000)	
Total Special Revenue Funds			<u>300,000</u>	<u>(500,000)</u>	<u>(200,000)</u>
Capital Projects Funds:					
STB Capital Outlay Fund	89200	(7)	41,435,094	-	
GF Capital Outlay Fund	93100	(8)	44,000,000	-	
		(9)	4,000,000	-	
		(10)	188,000,000	-	
		(11)	82,680,385	-	
Total Capital Projects Funds			<u>360,115,479</u>	<u>-</u>	<u>360,115,479</u>
			<u>\$ 363,634,879</u>	<u>\$ (10,500,000)</u>	<u>\$ 353,134,879</u>
Total Governmental – net					353,134,879
Total Enterprise Funds – net					<u>-</u>
Total Government Wide - Statement of Activities					<u>\$ 353,134,879</u>

- (3) Transfer from Taxation and Revenue Department for Laws of 2018 ,HB2, Section 4 H, Weight Distance tax
- (4) Transfer from Department of Finance and Administration for DWI Program
- (5) Transfer to Energy, Minerals and Natural Resources Department, Laws of 2018, HB2, Section 5, For Carlsbad brine well remediation fund
- (6) Transfer to Second Judicial District Attorney for a data-driven prosecution pilot program.
- (7) Transfer from Department of Finance and Administration, Board of Finance for Severance Tax Bond appropriations
- (8) Transfer from the General Fund for Laws of 2018 HB 2, Ch 73, Section 5 road improvement projects
- (9) Transfer from the General Fund for Laws of 2018 HB 2, Ch 73, Section 5 road improvement projects
- (10) Transfer from the General Fund for Laws of 2019, HB2, Ch 271, Section 9, acquisition of row, planning, design, construction and match FHWA and other state funds projects
- (11) Transfer from the General Fund for Laws of 2019, SB280, Ch 277, Section 40, statewide road improvement projects

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

13. 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	\$ 147,574
Total Government-wide			\$ 147,574

14. DUE TO HIGHER ED INSTITUTION

Fund Description	Fund Number	Due To	Total
Governmental Funds			
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	The University of New Mexico	\$ 194,232
State Road Fund(s)	10040 and 20100	The University of New Mexico Regents of New Mexico State Univ.	69,169 346,349
Total Government-wide			\$ 609,750

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, 2019:

Governmental Activities	Balance at June 30, 2018	Increase	Decrease	Ending Balance June 30, 2019	Amounts due within one year
2006A GRIP Bonds	\$ 650,000	\$ -	\$ (650,000)	\$ -	\$ -
2010A Refunding Bonds	60,590,000	-	(8,990,000)	51,600,000	9,210,000
2010B Refunding Bonds	297,150,000	-	(82,385,000)	214,765,000	86,520,000
2012A Refunding Bonds	168,670,000	-	(4,640,000)	164,030,000	4,975,000
2014A Revenue Bonds	66,335,000	-	(3,855,000)	62,480,000	4,155,000
2014B Refunding Bonds	77,975,000	-	(1,505,000)	76,470,000	1,580,000
2018A Refunding Bonds	420,090,000	-	(1,265,000)	418,825,000	670,000
Debentures	1,091,460,000	-	(103,290,000)	988,170,000	107,110,000
Compensated absences payable	7,060,725	7,186,789	(6,986,941)	7,260,573	7,260,573
Total obligations	1,098,520,725	\$ 7,186,789	\$ (110,276,941)	995,430,573	\$ 114,370,573
Less current portion	(109,850,725)			(114,370,573)	
Net long-term obligations	<u>\$ 988,670,000</u>			<u>\$ 881,060,000</u>	
Unamortized bond premium	\$ 162,996,678	\$ -	\$ (18,861,114)	\$ 144,135,564	\$ 18,586,556

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, 2018	Increase	Decrease	Ending Balance June 30, 2019	Amounts due within one year
Deferred loss on refunding	\$ 81,590,035	-	(10,689,188)	\$ 70,900,847	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, 2019, there were no bonds outstanding that were considered defeased in substance.

The cumulative deferred amount on the refundings of \$70,900,847 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.

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.

On June 17, 2019, the Series 2006A GRIP Bonds were retired with the early payment of the remaining principal balance due in fiscal year 2023.

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 \$6,724,650, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2010A Refunding:			
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	-	332,050	332,050
2025	6,885,000	166,025	7,051,025
	<u>6,885,000</u>	<u>166,025</u>	<u>7,051,025</u>
Total	<u>\$ 51,600,000</u>	<u>\$ 6,724,650</u>	<u>\$ 58,324,650</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 \$21,395,500, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2010B Refunding:			
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>\$ 214,765,000</u>	<u>\$ 21,395,500</u>	<u>\$ 236,160,500</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 \$27,685,650, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2012A Refunding:			
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	2,825,000	1,900,650	4,725,650
2025-2026	43,985,000	2,648,200	46,633,200
Total	<u>\$ 164,030,000</u>	<u>\$ 27,685,650</u>	<u>\$ 191,715,650</u>

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 \$27,473,500, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2014A Revenue:			
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	-	2,778,750	2,778,750
2025-2029	32,565,000	10,847,250	43,412,250
2030-2032	23,010,000	2,249,750	25,259,750
Total	<u>\$ 62,480,000</u>	<u>\$ 27,473,500</u>	<u>\$ 89,953,500</u>

15. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2014B Revenue and Refundings

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

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

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

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$28,140,500, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2014B Refunding:			
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	1,920,000	3,483,000	5,403,000
2025-2027	67,740,000	9,853,500	77,593,500
Total	<u>\$ 76,470,000</u>	<u>\$ 28,140,500</u>	<u>\$ 104,610,500</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 \$131,269,750, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2018A Refunding:			
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	142,060,000	16,050,750	158,110,750
2025-2029	154,875,000	31,048,750	185,923,750
2030	24,080,000	1,204,000	25,284,000
	<u>418,825,000</u>	<u>131,269,750</u>	<u>550,094,750</u>
Total	<u>\$ 418,825,000</u>	<u>\$ 131,269,750</u>	<u>\$ 550,094,750</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>
2020	\$ 155,225,850
2021	153,584,600
2022	164,691,725
2023	163,362,700
2024	182,837,200
2025-2029	360,613,725
2030-2032	50,543,750
Total	\$ 1,230,859,550

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 \$52,069,731 for the year-ended June 30, 2019.

Capital Leases

There are no future minimum lease obligations to report as of June 30, 2019.

Compensated Absences

An obligation amounting to \$7,260,573 at June 30, 2019 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 \$210,404

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

Fund 10030: Federal Planning and Development Fund \$1,394,940

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

Fund 10040 / 20100: State Road Fund(s) \$1,099,847 (Unassigned negative portion of fund balance)

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

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 FY19 of the gross covered salary. The contribution requirements of plan members and the Department are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2019, 2018, 2017 were \$15,732,927, \$15,622,151, and \$15,918,648, 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, 2019.

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, 2019 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 2018-2019 fiscal year, the Department paid Risk Management \$6,961,754 in insurance premiums. 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. 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, 2019, 2018, and 2017, 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, 2019 was \$1,025,503.

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, 2019 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 12 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.

24. SUBSEQUENT EVENTS

Capital Outlay Appropriations

Below are the the amounts appropriated from Department of Finance and Administration's General Fund to the Department of Transportation's GF Capital Outlay Fund (SHARE 93100):

Laws	FY19 Legislation		Amount	Law Description
	Chapter	Section		
House Bill 2	271	5/34	\$ 11,000,000.00	Contingent on DFA FY19 General Fund revenues
House Bill 2	271	9/1	50,000,000.00	For acquisition of ROW, planning, design and construction
House Bill 2	271	9/2	89,000,000.00	Statewide transportation improvement plan
House Bill 2	271	9/3	50,000,000.00	Local government transportaion project fund
House Bill 548	279	24	25,000.00	Carrot Express Milan

SUPPLEMENTARY INFORMATION

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

As of June 30, 2019

	Departmental Services- Inventories Fund (SHARE 10040)	State Road Fund (SHARE 20100)	Interfund Activity	State Road Fund(s) (SHARE 10040 and 20100)
Assets:				
Cash:				
Unrestricted	\$ -	\$ 600	\$ -	\$ 600
Cash equivalents:				
Investment in SGFIP	-	269,816,190	-	269,816,190
Managed by NMFA	-	227,841	-	227,841
Receivables:				
Accounts receivable, net	-	599,111	-	599,111
Interest receivable	-	423	-	423
Notes and loans receivable	-	-	-	-
Other receivables	-	18,724	-	18,724
Due from:				
U.S. Department of Transportation	-	32,848,245	-	32,848,245
Other funds	-	-	-	-
Other state agencies	-	41,024,442	-	41,024,442
Local governments	-	-	-	-
Inventories	13,427,965	-	-	13,427,965
Prepaid expenses - other	74,568	-	-	74,568
Property held for resale	-	10,309,260	-	10,309,260
Total Assets	\$ 13,502,533	\$ 354,844,836	\$ -	\$ 368,347,369
Liabilities, Deferred Inflows of Resources and Fund Balance:				
Liabilities:				
Accounts payable	\$ 533,768	\$ 47,465,938	\$ -	\$ 47,999,706
Due to:				
U.S. Department of Transportation	-	-	-	-
Other funds	-	-	-	-
Other state agencies	-	99,721	-	99,721
Local governments	-	2,626,390	-	2,626,390
Component units of the state	-	147,574	-	147,574
Higher Ed Institution	-	415,518	-	415,518
Unearned revenue	-	7,957,388	-	7,957,388
Other accrued expenses	-	5,632,782	-	5,632,782
Deficiency in SGFIP	9,812,651	-	-	9,812,651
Other liabilities	-	183,125	-	183,125
Total Liabilities	10,346,419	64,528,436	-	74,874,855
Deferred Inflows of Resources:				
Amounts unavailable (not received within period of availability)	-	1,099,847	-	1,099,847
Total Deferred Inflows of Resources	-	1,099,847	-	1,099,847
Fund Balance:				
Non-spendable	13,502,533	10,309,260	-	23,811,793
Restricted	-	280,007,140	(10,346,419)	269,660,721
Unassigned	(10,346,419)	(1,099,847)	10,346,419	(1,099,847)
Total Fund Balance	3,156,114	289,216,553	-	292,372,667
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 13,502,533	\$ 354,844,836	\$ -	\$ 368,347,369

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, 2019

	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	\$ -	\$ 431,878,822	\$ -	\$ 431,878,822
U.S. Department of Transportation	-	376,689,505	-	376,689,505
Fees and fines	-	-	-	-
Licenses and permits	-	13,467,047	-	13,467,047
Charges for services	-	2,937,767	-	2,937,767
Other revenue	-	8,715,306	-	8,715,306
Interest earnings	-	4,226,735	-	4,226,735
Total Revenues	-	837,915,182	-	837,915,182
Expenditures:				
Current:				
Operating costs	-	11,083,455	-	11,083,455
Personal services	-	98,250,593	-	98,250,593
Out-of-state travel	-	148,591	-	148,591
Grants and services	-	1,594,906	-	1,594,906
Travel	-	17,202,969	-	17,202,969
Maintenance and repairs	-	15,260,809	-	15,260,809
Supplies	-	40,412,423	-	40,412,423
Contractual services	-	163,160,899	-	163,160,899
Other costs	703,472	11,918,229	-	12,621,701
Employee benefits	-	49,219,147	-	49,219,147
Capital outlay	-	260,178,705	-	260,178,705
Debt service:				
Principal	-	83,714,156	-	83,714,156
Interest	-	46,948,750	-	46,948,750
Total Expenditures	703,472	799,093,632	-	799,797,104
Excess (Deficiency) of Revenues Over (Under) Expenditures	(703,472)	38,821,550	-	38,118,078
Other Financing Sources (Uses):				
General fund special appropriations	-	-	-	-
Severance tax bond appropriations	-	-	-	-
Transfers in:				
Inter-Agency	-	3,219,400	-	3,219,400
Intra-Agency	-	-	-	-
Transfers (out):				
Inter-Agency	-	(10,000,000)	-	(10,000,000)
Intra-Agency	-	-	-	-
Total Other Financing Sources (Uses)	-	(6,780,600)	-	(6,780,600)
Net Changes in Fund Balance	(703,472)	32,040,950	-	31,337,478
Fund Balance, June 30, 2018	3,859,586	257,175,603	-	261,035,189
Fund Balance, June 30, 2019	\$ 3,156,114	\$ 289,216,553	\$ -	\$ 292,372,667

See Independent Auditors' Report

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

As of June 30, 2019

	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	-	128,010	-	665,123
Managed by NMFA	-	-	-	-
Receivables:				
Accounts receivable, net	-	3,367	-	-
Interest receivable	-	-	-	-
Notes and loans receivable	-	-	-	-
Other receivables	-	-	-	-
Due from:				
U.S. Department of Transportation	4,883,201	-	-	-
Other funds	-	-	-	-
Other state agencies	-	-	-	-
Local governments	1,871	-	-	-
Inventories	-	-	-	-
Prepaid expenses - other	-	-	-	-
Property held for resale	-	-	-	-
Total Assets	\$ 4,885,072	\$ 131,377	\$ -	\$ 665,123
Liabilities, Deferred Inflows of Resources and Fund Balance:				
Liabilities:				
Accounts payable	\$ 795,439	\$ -	\$ -	\$ 33,088
Due to:				
U.S. Department of Transportation	2,368	-	-	-
Other funds	-	-	-	-
Other state agencies	844,557	-	-	-
Local governments	233,581	-	-	13,471
Component units of the state	-	-	-	-
Higher Ed Institution	178,429	5,471	-	-
Unearned revenue	-	-	-	-
Other accrued expenses	22,986	-	-	-
Deficiency in SGFIP	2,807,712	-	-	-
Other liabilities	-	-	-	-
Total Liabilities	4,885,072	5,471	-	46,559
Deferred Inflows of Resources:				
Amounts unavailable (not received within period of availability)	210,404	-	-	-
Total Deferred Inflows of Resources	210,404	-	-	-
Fund Balance:				
Non-spendable	-	-	-	-
Restricted	-	125,906	-	618,564
Unassigned	(210,404)	-	-	-
Total Fund Balance	(210,404)	125,906	-	618,564
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 4,885,072	\$ 131,377	\$ -	\$ 665,123

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)
\$ -	\$ -	\$ -
2,115,403	2,120,863	5,029,399
-	-	-
-	25	3,392
-	-	-
-	-	-
-	-	4,883,201
-	-	-
-	-	1,871
-	-	-
-	-	-
<u>\$ 2,115,403</u>	<u>\$ 2,120,888</u>	<u>\$ 9,917,863</u>
\$ 103,167	\$ 3,340	\$ 935,034
-	-	2,368
-	-	-
2,582	-	847,139
64,858	-	311,910
-	-	-
-	10,332	194,232
-	-	-
-	2,524	25,510
-	-	2,807,712
-	50	50
<u>170,607</u>	<u>16,246</u>	<u>5,123,955</u>
-	-	210,404
-	-	<u>210,404</u>
-	-	-
1,944,796	2,104,642	4,793,908
-	-	(210,404)
<u>1,944,796</u>	<u>2,104,642</u>	<u>4,583,504</u>
<u>\$ 2,115,403</u>	<u>\$ 2,120,888</u>	<u>\$ 9,917,863</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, 2019

	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	16,253,567	-	-	-
Fees and fines	-	-	-	-
Licenses and permits	-	222,388	122,542	445,591
Charges for services	-	-	-	-
Other revenue	-	-	-	-
Interest earnings	-	-	341	-
Total Revenues	16,253,567	222,388	122,883	445,591
Expenditures:				
Current:				
Operating costs	-	-	-	-
Personal services	368,055	-	-	-
Out-of-state travel	29,332	-	-	-
Grants and services	5,041,502	-	-	49,925
Travel	-	-	-	-
Maintenance and repairs	3,726	-	-	-
Supplies	-	-	-	-
Contractual services	8,985,197	251,870	135,849	231,050
Other costs	862	-	-	-
Employee benefits	176,707	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	14,605,381	251,870	135,849	280,975
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,648,186	(29,482)	(12,966)	164,616
Other Financing Sources (Uses):				
General fund special appropriations	-	-	-	-
Severance tax bond appropriations	-	-	-	-
Transfers in:				
Inter-Agency	-	-	-	-
Intra-Agency	-	-	-	-
Transfers (out):				
Inter-Agency	-	-	-	-
Intra-Agency	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Changes in Fund Balance	1,648,186	(29,482)	(12,966)	164,616
Fund Balance, June 30, 2018	(1,858,590)	155,388	12,966	453,948
Fund Balance, June 30, 2019	\$ (210,404)	\$ 125,906	\$ -	\$ 618,564

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)
\$ -	\$ -	\$ -
-	-	16,253,567
-	-	-
960,979	426,627	2,178,127
-	-	-
-	50	50
50,888	-	51,229
<u>1,011,867</u>	<u>426,677</u>	<u>18,482,973</u>
-	-	-
-	47,742	415,797
-	-	29,332
286,291	-	5,377,718
-	-	-
-	-	3,726
-	-	-
221,122	539,404	10,364,492
-	6,308	7,170
-	17,838	194,545
-	-	-
-	-	-
<u>507,413</u>	<u>611,292</u>	<u>16,392,780</u>
<u>504,454</u>	<u>(184,615)</u>	<u>2,090,193</u>
-	-	-
-	-	-
-	300,000	300,000
-	-	-
-	(500,000)	(500,000)
-	-	-
<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>
<u>504,454</u>	<u>(384,615)</u>	<u>1,890,193</u>
<u>1,440,342</u>	<u>2,489,257</u>	<u>2,693,311</u>
<u>\$ 1,944,796</u>	<u>\$ 2,104,642</u>	<u>\$ 4,583,504</u>

See Independent Auditors' Report

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

As of June 30, 2019

	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	5,029,399	-	3,886,657	29,590,404
Receivables:				
Accounts receivable, net	3,392	-	-	-
Interest receivable	-	-	-	-
Notes and loans receivable	-	-	-	-
Other receivables	-	-	-	-
Due from:				
U.S. Department of Transportation	4,883,201	4,213,547	-	-
Other funds	-	-	-	-
Other state agencies	-	-	637,373	2,092,155
Local governments	1,871	-	-	-
Inventories	-	-	-	-
Prepaid expenses - other	-	-	-	-
Property held for resale	-	-	-	-
Total Assets	\$ 9,917,863	\$ 4,213,547	\$ 4,524,030	\$ 31,682,559
Liabilities, Deferred Inflows of Resources and Fund Balance:				
Liabilities:				
Accounts payable	\$ 935,034	\$ 668,088	\$ -	\$ -
Due to:				
U.S. Department of Transportation	2,368	-	-	-
Other funds	-	-	-	-
Other state agencies	847,139	-	-	-
Local governments	311,910	1,654,535	-	1,946,017
Component units of the state	-	-	-	-
Higher Ed Institution	194,232	-	-	-
Unearned revenue	-	-	-	-
Other accrued expenses	25,510	17,543	-	-
Deficiency in SGFIP	2,807,712	1,750,970	-	-
Other liabilities	50	115,265	-	-
Total Liabilities	5,123,955	4,206,401	-	1,946,017
Deferred Inflows of Resources:				
Amounts unavailable (not received within period of availability)	210,404	1,402,086	-	-
Total Deferred Inflows of Resources	210,404	1,402,086	-	-
Fund Balance:				
Non-spendable	-	-	-	-
Restricted	4,793,908	-	4,524,030	29,736,542
Unassigned	(210,404)	(1,394,940)	-	-
Total Fund Balance	4,583,504	(1,394,940)	4,524,030	29,736,542
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 9,917,863	\$ 4,213,547	\$ 4,524,030	\$ 31,682,559

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)	
\$ -	\$ -	\$ -	\$ -	\$ -
15,153,474	112,078	-	-	53,772,012
-	-	1,271,252	6,626,077	7,897,329
1,270	-	-	-	4,662
-	-	2,394	14,299	16,693
-	-	-	-	-
-	-	-	-	-
-	-	-	-	9,096,748
479,215	-	-	-	-
-	-	-	-	3,208,743
-	-	-	-	1,871
-	-	-	-	-
-	-	-	-	-
<u>\$ 15,633,959</u>	<u>\$ 112,078</u>	<u>\$ 1,273,646</u>	<u>\$ 6,640,376</u>	<u>\$ 73,998,058</u>
\$ 11,158	\$ -	\$ -	\$ -	\$ 1,614,280
-	-	-	-	2,368
-	-	-	-	-
-	-	-	-	847,139
-	-	-	-	3,912,462
-	-	-	-	-
-	-	-	-	194,232
-	-	-	-	-
12,780	-	-	-	55,833
-	-	-	-	4,558,682
-	-	-	-	115,315
<u>23,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,300,311</u>
-	-	-	-	1,612,490
-	-	-	-	<u>1,612,490</u>
-	-	-	-	-
15,610,021	112,078	1,273,646	6,640,376	62,690,601
-	-	-	-	(1,605,344)
<u>15,610,021</u>	<u>112,078</u>	<u>1,273,646</u>	<u>6,640,376</u>	<u>61,085,257</u>
\$ 15,633,959	\$ 112,078	\$ 1,273,646	\$ 6,640,376	\$ 73,998,058

See Independent Auditors' Report

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

As of June 30, 2019

	Capital Projects Fund	STB Capital Outlay Fund	Total Capital Projects Funds
	(SHARE 10050)	(SHARE 89200)	
Assets:			
Cash:			
Unrestricted	\$ -	\$ -	\$ -
Cash equivalents:			
Investment in SGFIP	-	5,353,477	5,353,477
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	-	-	-
Local governments	-	-	-
Inventories	-	-	-
Prepaid expenses - other	-	-	-
Property held for resale	-	-	-
Total Assets	\$ -	\$ 5,353,477	\$ 5,353,477
Liabilities, Deferred Inflows of Resources and Fund Balance:			
Liabilities:			
Accounts payable	\$ -	\$ 4,425,925	\$ 4,425,925
Due to:			
U.S. Department of Transportation	-	-	-
Other funds	-	-	-
Other state agencies	-	-	-
Local governments	-	927,552	927,552
Component units of the state	-	-	-
Higher Ed Institution	-	-	-
Unearned revenue	-	-	-
Other accrued expenses	-	-	-
Deficiency in SGFIP	-	-	-
Other liabilities	-	-	-
Total Liabilities	-	5,353,477	5,353,477
Deferred Inflows of Resources:			
Amounts unavailable (not received within period of availability)	-	-	-
Total Deferred Inflows of Resources	-	-	-
Fund Balance:			
Non-spendable	-	-	-
Restricted	-	-	-
Unassigned	-	-	-
Total Fund Balance	-	-	-
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ -	\$ 5,353,477	\$ 5,353,477

See Independent Auditors' Report

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

2006A GRIP Bond Debt Service Fund	2010A Bond Debt Service Fund	2010B Bond Debt Service Fund	2012A Bond Debt Service Fund	2014A Bond Debt Service Fund	2014B Bond Debt Service Fund
(SHARE 10220)	(SHARE 11140)	(SHARE 20450)	(SHARE 30850)	(SHARE 11960)	(SHARE 50110)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	17,475	-
341	9,070	356,192	33,382	23,624	16,672
-	-	-	-	-	-
422	1,243	90,059	8,252	5,472	3,436
-	-	-	-	-	-
-	-	-	-	-	-
-	-	763	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 763</u>	<u>\$ 10,313</u>	<u>\$ 447,014</u>	<u>\$ 41,634</u>	<u>\$ 46,571</u>	<u>\$ 20,108</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
763	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	10,313	447,014	41,634	46,571	20,108
-	-	-	-	-	-
<u>-</u>	<u>10,313</u>	<u>447,014</u>	<u>41,634</u>	<u>46,571</u>	<u>20,108</u>
\$ 763	\$ 10,313	\$ 447,014	\$ 41,634	\$ 46,571	\$ 20,108

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

As of June 30, 2019

	2018A Bond Debt Service Fund	Total Debt Service Funds	Total Non Major Governmental Funds
	<u>(SHARE 20770)</u>		
Assets:			
Cash:			
Unrestricted	\$ -	\$ -	\$ -
Cash equivalents:			
Investment in SGFIP	-	17,475	59,142,964
Managed by NMFA	45,814	485,095	8,382,424
Receivables:			
Accounts receivable, net	-	-	4,662
Interest receivable	11,555	120,439	137,132
Notes and loans receivable	-	-	-
Other receivables	-	-	-
Due from:			
U.S. Department of Transportation	-	-	9,096,748
Other funds	-	763	763
Other state agencies	-	-	3,208,743
Local governments	-	-	1,871
Inventories	-	-	-
Prepaid expenses - other	-	-	-
Property held for resale	-	-	-
Total Assets	<u><u>\$ 57,369</u></u>	<u><u>\$ 623,772</u></u>	<u><u>\$ 79,975,307</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balance:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 6,040,205
Due to:			
U.S. Department of Transportation	-	-	2,368
Other funds	-	763	763
Other state agencies	-	-	847,139
Local governments	-	-	4,840,014
Component units of the state	-	-	-
Higher Ed Institution	-	-	194,232
Unearned revenue	-	-	-
Other accrued expenses	-	-	55,833
Deficiency in SGFIP	-	-	4,558,682
Other liabilities	-	-	115,315
Total Liabilities	<u>-</u>	<u>763</u>	<u>16,654,551</u>
Deferred Inflows of Resources:			
Amounts unavailable (not received within period of availability)	-	-	1,612,490
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>1,612,490</u>
Fund Balance:			
Non-spendable	-	-	-
Restricted	57,369	623,009	63,313,610
Unassigned	-	-	(1,605,344)
Total Fund Balance	<u><u>57,369</u></u>	<u><u>623,009</u></u>	<u><u>61,708,266</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 57,369</u></u>	<u><u>\$ 623,772</u></u>	<u><u>\$ 79,975,307</u></u>

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

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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

For the Year Ended June 30, 2019

	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	\$ -	\$ -	\$ 6,760,412	\$ 16,383,401
U.S. Department of Transportation	16,253,567	14,235,412	-	-
Fees and fines	-	-	-	-
Licenses and permits	2,178,127	-	1,909,813	8,446,074
Charges for services	-	-	-	-
Other revenue	50	-	-	95,958
Interest earnings	51,229	-	73,541	781,606
Total Revenues	18,482,973	14,235,412	8,743,766	25,707,039
Expenditures:				
Current:				
Operating costs	-	19,575	-	-
Personal services	415,797	335,945	-	-
Out-of-state travel	29,332	31,175	-	-
Grants and services	5,377,718	13,090,762	-	21,157,562
Travel	-	2,293	-	-
Maintenance and repairs	3,726	-	-	-
Supplies	-	311	-	-
Contractual services	10,364,492	792,641	-	-
Other costs	7,170	2,500	-	-
Employee benefits	194,545	129,307	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	3,073,023	-
Interest	-	-	4,044,113	-
Total Expenditures	16,392,780	14,404,509	7,117,136	21,157,562
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,090,193	(169,097)	1,626,630	4,549,477
Other Financing Sources (Uses):				
General fund special appropriations	-	-	-	-
Severance tax bond appropriations	-	-	-	-
Transfers in:				
Inter-Agency	300,000	-	-	-
Intra-Agency	-	-	-	-
Transfers (out):				
Inter-Agency	(500,000)	-	-	-
Intra-Agency	-	-	-	-
Total Other Financing Sources (Uses)	(200,000)	-	-	-
Net Changes in Fund Balance	1,890,193	(169,097)	1,626,630	4,549,477
Fund Balance, June 30, 2018	2,693,311	(1,225,843)	2,897,400	25,187,065
Fund Balance, June 30, 2019	\$ 4,583,504	\$ (1,394,940)	\$ 4,524,030	\$ 29,736,542

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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)	
\$ 5,701,558	\$ -	\$ -	\$ -	\$ 28,845,371
-	-	-	-	30,488,979
55,551	-	-	-	55,551
-	-	-	-	12,534,014
-	-	-	-	-
1,628	-	1,351,473	-	1,449,109
408,665	-	22,709	208,998	1,546,748
<u>6,167,402</u>	<u>-</u>	<u>1,374,182</u>	<u>208,998</u>	<u>74,919,772</u>
71,730	-	-	-	91,305
193,770	-	-	-	945,512
7,141	-	-	-	67,648
2,747,731	-	-	-	42,373,773
3,035	-	-	-	5,328
21,195	-	-	-	24,921
23,551	-	-	-	23,862
120,823	-	-	8,085	11,286,041
2,089	-	100,542	-	112,301
79,569	-	-	-	403,421
-	-	-	3,963,843	3,963,843
-	-	-	-	3,073,023
<u>3,270,634</u>	<u>-</u>	<u>100,542</u>	<u>3,971,928</u>	<u>66,415,091</u>
<u>2,896,768</u>	<u>-</u>	<u>1,273,640</u>	<u>(3,762,930)</u>	<u>8,504,681</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	300,000
-	-	-	-	-
-	-	-	-	(500,000)
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
<u>2,896,768</u>	<u>-</u>	<u>1,273,640</u>	<u>(3,762,930)</u>	<u>8,304,681</u>
<u>12,713,253</u>	<u>112,078</u>	<u>6</u>	<u>10,403,306</u>	<u>52,780,576</u>
<u>\$ 15,610,021</u>	<u>\$ 112,078</u>	<u>\$ 1,273,646</u>	<u>\$ 6,640,376</u>	<u>\$ 61,085,257</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, 2019

	Capital Projects Fund	STB Capital Outlay Fund	Total Capital Projects Funds
	(SHARE 10050)	(SHARE 89200)	
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	-	17,687,745	17,687,745
Travel	-	-	-
Maintenance and repairs	-	-	-
Supplies	-	-	-
Contractual services	-	214,451	214,451
Other costs	-	-	-
Employee benefits	-	-	-
Capital outlay	-	22,748,588	22,748,588
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	-	40,650,784	40,650,784
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(40,650,784)	(40,650,784)
Other Financing Sources (Uses):			
General fund special appropriations	-	-	-
Severance tax bond appropriations	-	41,435,094	41,435,094
Transfers in:			
Inter-Agency	-	-	-
Intra-Agency	-	-	-
Transfers (out):			
Inter-Agency	-	-	-
Intra-Agency	-	-	-
Total Other Financing Sources (Uses)	-	41,435,094	41,435,094
Net Changes in Fund Balance	-	784,310	784,310
Fund Balance, June 30, 2018	-	(784,310)	(784,310)
Fund Balance, June 30, 2019	\$ -	\$ -	\$ -

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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	2010A Bond Debt Service Fund	2010B Bond Debt Service Fund	2012A Bond Debt Service Fund	2014A Bond Debt Service Fund	2014B Bond Debt Service Fund
(SHARE 10220)	(SHARE 11140)	(SHARE 20450)	(SHARE 30850)	(SHARE 11960)	(SHARE 50110)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,020	52,076	1,150,344	90,631	60,846	39,889
<u>2,020</u>	<u>52,076</u>	<u>1,150,344</u>	<u>90,631</u>	<u>60,846</u>	<u>39,889</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
520,444	1,836,405	9,979,448	1,434,077	781,977	685,470
<u>520,444</u>	<u>1,836,405</u>	<u>9,979,448</u>	<u>1,434,077</u>	<u>781,977</u>	<u>685,470</u>
(518,424)	(1,784,329)	(8,829,104)	(1,343,446)	(721,131)	(645,581)
-	-	-	-	-	-
-	-	-	-	-	-
460,000	12,000	763	175,000	17,475	-
-	-	-	-	-	-
(18,238)	-	(807,000)	-	-	-
<u>441,762</u>	<u>12,000</u>	<u>(806,237)</u>	<u>175,000</u>	<u>17,475</u>	<u>-</u>
(76,662)	(1,772,329)	(9,635,341)	(1,168,446)	(703,656)	(645,581)
<u>76,662</u>	<u>1,782,642</u>	<u>10,082,355</u>	<u>1,210,080</u>	<u>750,227</u>	<u>665,689</u>
\$ -	\$ 10,313	\$ 447,014	\$ 41,634	\$ 46,571	\$ 20,108

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, 2019

	2018A Bond Debt Service Fund (SHARE 20770)	Total Debt Service Funds	Total Non Major Governmental Funds
Revenues:			
User and fuel taxes	\$ -	\$ -	\$ 28,845,371
U.S. Department of Transportation	-	-	30,488,979
Fees and fines	-	-	55,551
Licenses and permits	-	-	12,534,014
Charges for services	-	-	-
Other revenue	-	-	1,449,109
Interest earnings	138,632	1,534,438	3,081,186
Total Revenues	<u>138,632</u>	<u>1,534,438</u>	<u>76,454,210</u>
Expenditures:			
Current:			
Operating costs	-	-	91,305
Personal services	-	-	945,512
Out-of-state travel	-	-	67,648
Grants and services	-	-	60,061,518
Travel	-	-	5,328
Maintenance and repairs	-	-	24,921
Supplies	-	-	23,862
Contractual services	-	-	11,500,492
Other costs	-	-	112,301
Employee benefits	-	-	403,421
Capital outlay	-	-	26,712,431
Debt service:			
Principal	1,265,000	16,502,821	19,575,844
Interest	1,076,868	1,076,868	5,120,981
Total Expenditures	<u>2,341,868</u>	<u>17,579,689</u>	<u>124,645,564</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,203,236)</u>	<u>(16,045,251)</u>	<u>(48,191,354)</u>
Other Financing Sources (Uses):			
General fund special appropriations	-	-	-
Severance tax bond appropriations	-	-	41,435,094
Transfers in:			
Inter-Agency	-	-	300,000
Intra-Agency	160,000	825,238	825,238
Transfers (out):			
Inter-Agency	-	-	(500,000)
Intra-Agency	-	(825,238)	(825,238)
Total Other Financing Sources (Uses)	<u>160,000</u>	<u>-</u>	<u>41,235,094</u>
Net Changes in Fund Balance	<u>(2,043,236)</u>	<u>(16,045,251)</u>	<u>(6,956,260)</u>
Fund Balance, June 30, 2018	<u>2,100,605</u>	<u>16,668,260</u>	<u>68,664,526</u>
Fund Balance, June 30, 2019	<u>\$ 57,369</u>	<u>\$ 623,009</u>	<u>\$ 61,708,266</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

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

For the Year Ended June 30, 2019

	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	\$ 401,275,300	\$ 963,184,839	\$ 407,178,484	\$ (556,006,355)
Other state funds	457,534,400	461,854,400	498,531,518	36,677,118
Transfers outside the agency	3,519,400	3,519,400	3,519,400	-
Interest revenue	1,712,000	1,712,000	7,076,212	5,364,212
Total Revenues and Other Financing Sources	864,041,100	1,430,270,639	916,305,614	\$ (513,965,025)
Prior Year Funds Rebudgeted	22,295,700	185,171,483		
	\$ 886,336,800	\$ 1,615,442,122		
Expenditures and Other Financing Uses:				
Project Design & Construction:				
Personal services/employee benefits	\$ 25,388,800	\$ 25,388,800	21,803,231	\$ 3,585,569
Contractual services	326,065,300	952,585,634	346,831,498	605,754,136
Other	185,234,900	205,658,647	191,480,728	14,177,919
Transfers (in) out	-	-	-	-
	536,689,000	1,183,633,081	560,115,457	623,517,624
Highway Operations:				
Personal services/employee benefits	106,240,800	106,240,800	99,793,076	6,447,724
Contractual services	49,407,600	73,059,311	39,690,012	33,369,299
Other	79,962,200	103,416,341	92,906,237	10,510,104
	235,610,600	282,716,452	232,389,325	50,327,127
Business Support:				
Personal services/employee benefits	25,340,400	25,340,400	23,229,012	2,111,388
Contractual services	4,321,900	4,321,900	1,602,745	2,719,155
Other	13,086,300	13,086,300	11,183,099	1,903,201
	42,748,600	42,748,600	36,014,856	6,733,744
Modal:				
Personal services/employee benefits	5,194,600	5,194,600	3,993,356	\$ 1,201,244
Contractual services	31,512,800	42,555,877	23,334,624	19,221,253
Other	34,581,200	58,593,512	23,871,799	34,721,713
	71,288,600	106,343,989	51,199,779	55,144,210
Total Budgeted Expenditures and Other Financing Uses	\$ 886,336,800	\$ 1,615,442,122	879,719,417	\$ 735,722,705
Non-Budgeted Items:				
Reversions			-	
Total Expenditures and Other Financing Uses			879,719,417	
Excess (Deficiency) of Revenues Over (Under)				
Expenditures and Other Financing Sources and Uses			\$ 36,586,197	

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 Severance Tax Bonds

As of June 30, 2019

<u>Laws</u>	<u>Chapter</u>	<u>Bonds Appropriated</u>	<u>Bonds Sold</u>	<u>Original Budget</u>	<u>Amounts AIPP</u>	<u>Funds Reauthorized</u>
2013	226	\$ 493,670	\$ 493,670	\$ 493,670	\$ -	\$ -
2014	66	6,040,475	6,040,475	6,040,475	-	(2,819,775)
2015	3	40,715,376	40,715,376	40,715,376	-	(3,540,627)
2015	147	-	-	-	-	105,000
2016	5	27,150,000	27,150,000	27,150,000	-	-
2016	81	10,857,428	10,857,428	10,857,428	-	(120,000)
2016	83	-	-	-	-	393,300
2017	133	-	-	-	-	745,362
2018	68	-	-	-	-	5,059,896
2018	80	15,225,958	15,225,958	15,225,958	-	(25,000)
2019	280	-	-	-	-	4,335,596
		<u>\$ 100,482,907</u>	<u>\$ 100,482,907</u>	<u>\$ 100,482,907</u>	<u>\$ -</u>	<u>\$ 4,133,752</u>

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Severance Tax Bonds

Funds Reverted	Final Budget	Funds Received	Expended To Date	Balance Available	Due from Board of Finance
\$ -	\$ 493,670	\$ 212,904	\$ 212,904	\$ 280,766	\$ -
(60,093)	3,160,607	2,454,679	2,454,679	705,928	-
(560,000)	36,614,749	36,504,025	36,504,025	110,724	-
(8,086)	96,914	96,914	96,914	-	-
-	27,150,000	24,313,240	24,313,240	2,836,760	-
-	10,737,428	8,086,157	8,086,157	2,651,271	-
(83,951)	309,349	309,326	309,326	23	-
-	745,362	678,161	678,161	67,201	-
-	5,059,896	793,922	793,922	4,265,974	-
-	15,200,958	2,200,483	2,200,483	13,000,475	-
-	4,335,596	172,329	172,329	4,163,267	-
<u>\$ (712,130)</u>	<u>\$ 103,904,529</u>	<u>\$ 75,822,140</u>	<u>\$ 75,822,140</u>	<u>\$ 28,082,389</u>	<u>\$ -</u>

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

As of June 30, 2019

<u>Laws</u>	<u>Chapter</u>	<u>Section</u>	<u>Appropriation Amount</u>	<u>AIPP</u>	<u>Appropriation Budget Balance</u>
2018 HB2	73	5	\$ 68,430,000	\$ -	\$ 68,430,000
2019 HB2	271	5	-	-	-
2019 HB2	271	5	-	-	-
2019 HB2	271	9	200,000,000	-	200,000,000
2019 SB280	277	40	84,739,996	10,840	84,750,836
2019 SB536	278	25	265,000	-	265,000
2019 HB548	279	24	50,000	-	50,000
Total Special Appropriations			<u>\$ 353,484,996</u>	<u>\$ 10,840</u>	<u>\$ 353,495,836</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**

<u>Reauthorized</u>	<u>Appropriation Adjusted Budget Balance</u>	<u>Expenditures Inception to June 30, 2019</u>	<u>Encumbrances Balance as of June 30, 2019</u>	<u>Reversion Amount</u>	<u>Balance as of June 30, 2019</u>
\$ (23,962,942)	\$ 44,467,058	\$ 44,467,058	\$ -	\$ -	\$ -
21,194,081	21,194,081	-	-	-	21,194,081
2,768,861	2,768,861	-	-	-	2,768,861
-	188,000,000	-	-	-	188,000,000
-	82,680,385	-	-	-	82,680,385
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 339,110,385</u>	<u>\$ 44,467,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,643,327</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; \$20,000,000 for the local government road fund to be disbursed in accordance with statute; \$44,000,000 for road improvement projects; \$4,000,000 for statewide rest area improvements. Any unexpended or unencumbered balance remaining at the end of the 2019 fiscal year will revert to the State General Fund. These funds were extended (reauthorized) based on HB2,2019, Chapter271, section 5 and are available through 2024.

Under the Laws of 2019, House Bill 2, Chapter 271, Section 9(1), the Department was appropriated \$250,000,000 from the General Fund for acquisition of rights of way, planning, design, and construction and to match federal and other state funds for projects throughout New Mexico. Section 9(2) appropriates \$89,000,000 from the General Fund in fiscal year 2020 to be distributed equally among the six NMDOT transportation districts statewide for roadway planning, design, construction and maintenance in accordance with projects identified on the statewide transportation improvement program. Section 9(3) appropriates \$50,000,000 from the General Fund in fiscal year 2020 to the local government transportation project fund, contingent on enactment of House Bill 694 or similar legislation of the fifty-fourth legislature.

Under the Laws of 2019, Senate Bill 280, Chapter 277, Section 40, the Department was appropriated \$84,729,156 for transportation projects for expenditure in fiscal years 2019 through 2023 for the purpose of planning, designing, and construction improvements in Bernalillo, Chaves, Cibola, Colfax, Curry, Dona Ana, Eddy, Grant, Guadalupe, Lea, Luna, McKinley, Mora, Otero, Quay, Rio Arriba, Roosevelt, San Juan, San Miguel, Sandoval, Santa Fe, Sierra, Socorro, Taos, Torrance, Union, and Valencia County.

Under the Laws of 2019, Senate Bill 536, Chapter 278, Section 25, the Department was appropriated from the General Fund for expenditure in fiscal years 2019 and 2020 for the following purposes: Section 25 (1) \$200,000 to improve Isleta Boulevard Southwest in Bernalillo County; Section 25(3) \$15,000 for road rehabilitation of County Road A042 near Morphy Lake in Mora County; Section 25(4) \$50,000 to plan and design improvements to Steeplechase roadway in Edgewood.

Under the Laws of 2019, House Bill 548, Chapter 279, Section 24, the Department was appropriated \$50,000 from the General Fund for expenditure in fiscal years 2019 and 2020 for a pilot project using fast-charging equipment for electric vehicles at a highway rest stop. Section 59 appropriates \$25,000 from the General Fund for expenditure in fiscal year 2020 for Milan to operate the Carrot express.

Under the Laws of 2019, House Bill 2, Section 5 (100-102), reauthorized the Department's appropriations period of time for expending the \$20,000,000 for the local government road fund to be disbursed in accordance with statute; \$44,000,000 for road improvement projects; \$4,000,000 for statewide rest area improvements, from the general fund in Item 105 Section 5 of Chapter 73 of Laws 2018 for the local government road fund is extended through fiscal year 2020.

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

As of June 30, 2019

	Budgeted Amounts		Received Prior Year(s)	Received Current Year
	Original	Final		
Special Revenue Funds				
2014A Bond Project Fund	-	80,000,000	80,521,706	208,998
Total	\$ -	\$ 80,000,000	\$ 80,521,706	\$ 208,998

See Independent Auditors' Report

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

Total Revenue	Variance From Final Budget Over (Under)	Expended Prior Year(s)	Expended Current Year	Total Expenditures	Variance From Final Budget (Over) Under
80,730,704	730,704	70,118,400	3,971,928	74,090,328	5,909,672
\$ 80,730,704	\$ 730,704	\$ 70,118,400	\$ 3,971,928	\$ 74,090,328	\$ 5,909,672

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Individual Bank Accounts

As of June 30, 2019

	SHARE Fund Number	Bank Balance	Book Balance	Book Total
Cash				
State Road Fund(s)	10040 and 20100	\$ 600	\$ 600	
Total Cash				<u>\$ 600</u>
Investment in SGFIP				
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	\$ 5,029,399	\$ 5,029,399	
State Road Fund(s)	10040 and 20100	269,816,190	269,816,190	
2014A Bond Debt Service Fund	11960	17,475	17,475	
HIF Bond Fund	20200	3,886,657	3,886,657	
Local Government Road Fund	20300	29,590,404	29,590,404	
2004A GRIP Bond Project Fund	20400	112,078	112,078	
State Aviation Fund	20500	15,153,474	15,153,474	
STB Capital Outlay Fund	89200	5,353,477	5,353,477	
State Infrastructure Bank	89300	10,214,324	10,214,324	
GF Capital Outlay Fund	93100	297,912,136	297,912,136	
Total Investment in SGFIP				<u>\$ 637,085,614</u>
Managed by NMFA:				
Bank of Albuquerque, trustee account				
State Road Fund(s)	10040 and 20100	\$ 227,841	\$ 227,841	
2006A GRIP Bond Debt Service Fund	10220	341	341	
2006D GRIP Bond Project Fund	10270	1,271,252	1,271,252	
2010A Bond Debt Service Fund	11140	9,070	9,070	
2014A Bond Debt Service Fund	11960	23,624	23,624	
2014A Bond Project Fund	11970	6,626,077	6,626,077	
2010B Bond Debt Service Fund	20450	356,192	356,192	
2018A Bond Debt Service Fund	20770	45,814	45,814	
2012A Bond Debt Service Fund	30850	33,382	33,382	
2014B Bond Debt Service Fund	50110	16,672	16,672	
Total Managed by NMFA				<u>\$ 8,610,265</u>

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Pledged State Revenues

As of June 30, 2019

Pledged State Revenues

Pledged User & Fuel Taxes:

Gasoline excise taxes	\$ 117,364,505
Special fuel excise taxes	113,382,728
Weight/Distance taxes	94,016,007
Motor vehicle registration fees	82,453,180
Vehicle transaction fees	7,576,170
Oversize/Oversight permit fees	7,225,073
Trip (Mileage) tax	6,758,320
Motor vehicle excise tax	6,562,407
Driver's license fees	4,116,602
Tire recycling fees	1,909,813
Total Pledged User & Fuel Taxes	<u>441,364,805</u>

Other Pledged Revenue:

Leased vehicle gross receipts tax	6,760,412
Public regulation commission fees	5,890,877
Road fund interest income	4,221,939
HIF interest income	73,542
Total Other Pledged Revenue	<u>16,946,770</u>

Total Pledged State Revenues	<u><u>\$ 458,311,575</u></u>
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See Independent Auditors' Report

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

As of June 30, 2019

	2006A GRIP (SHARE 10220)	2010A Refunding (SHARE 11140)	2010B Refunding (SHARE 20450)	2012A Refunding (SHARE 30850)
Gasoline excise taxes	\$ 16,766,358	\$ 16,766,358	\$ 16,766,358	\$ 16,766,358
Special fuel excise taxes	16,197,533	16,197,533	16,197,533	16,197,533
Weight/Distance taxes	13,430,858	13,430,858	13,430,858	13,430,858
Motor vehicle registration fees	11,779,026	11,779,026	11,779,026	11,779,026
Vehicle transaction fees	1,082,310	1,082,310	1,082,310	1,082,310
Oversize/Oversight permit fees	1,032,153	1,032,153	1,032,153	1,032,153
Trip (Mileage) tax	965,474	965,474	965,474	965,474
Motor vehicle excise tax	937,487	937,487	937,487	937,487
Driver's license fees	588,086	588,086	588,086	588,086
Tire recycling fees	272,830	272,830	272,830	272,830
Public regulation commission fees	841,554	841,554	841,554	841,554
Leased vehicle gross receipts tax	965,773	965,773	965,773	965,773
FHWA Revenues	53,812,786	53,812,786	53,812,786	53,812,786
	118,672,228	118,672,228	118,672,228	118,672,228
Interest on Cash Balances*	613,640	613,640	613,640	613,641
Total Pledged Revenues				
Received	\$ 119,285,868	\$ 119,285,868	\$ 119,285,868	\$ 119,285,869
	2006A GRIP	2010A Refunding	2010B Refunding	2012A Refunding
Debt Service Principal Expenditures	\$ 650,000	\$ 8,990,000	\$ 82,385,000	\$ 4,640,000
Debt Service Interest Expenditures	22,906	2,674,625	14,457,500	7,394,850
Total Debt Service	\$ 672,906	\$ 11,664,625	\$ 96,842,500	\$ 12,034,850
Debt Service Coverage	177.27	10.23	1.23	9.91

*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

<u>2014A Revenue</u> <u>(SHARE 11960)</u>	<u>2014B Refunding</u> <u>(SHARE 50110)</u>	<u>2018A Refunding</u> <u>(SHARE 20770)</u>	<u>TOTAL</u>
\$ 16,766,358	\$ 16,766,358	\$ 16,766,357	\$ 117,364,505
16,197,532	16,197,532	16,197,532	113,382,728
13,430,858	13,430,858	13,430,859	94,016,007
11,779,026	11,779,025	11,779,025	82,453,180
1,082,310	1,082,310	1,082,310	7,576,170
1,032,153	1,032,154	1,032,154	7,225,073
965,474	965,475	965,475	6,758,320
937,487	937,486	937,486	6,562,407
588,086	588,086	588,086	4,116,602
272,831	272,831	272,831	1,909,813
841,554	841,554	841,553	5,890,877
965,773	965,773	965,774	6,760,412
<u>53,812,787</u>	<u>53,812,787</u>	<u>53,812,787</u>	<u>376,689,505</u>
118,672,229	118,672,229	118,672,229	830,705,599
<u>613,640</u>	<u>613,640</u>	<u>613,640</u>	<u>4,295,481</u>
<u>\$ 119,285,869</u>	<u>\$ 119,285,869</u>	<u>\$ 119,285,869</u>	<u>\$ 835,001,080</u>

<u>2014A Revenue</u>	<u>2014B Refunding</u>	<u>2018A Refunding</u>	<u>TOTAL</u>
\$ 3,855,000	\$ 1,505,000	\$ 1,265,000	\$ 103,290,000
<u>3,316,750</u>	<u>3,898,750</u>	<u>20,304,350</u>	<u>52,069,731</u>
<u>\$ 7,171,750</u>	<u>\$ 5,403,750</u>	<u>\$ 21,569,350</u>	<u>\$ 155,359,731</u>

16.63	22.07	5.53	5.37
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See Independent Auditors' Report

**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 2019
J00821	Pueblo of Santo Domingo	Santo Domingo Pueblo Project CN:A301543 - installation of pedestrian path lighting at Indian Service Route 88 and NM 22	\$ -
J00822	Navajo Nation	Establish procedures for construction and maintenance of pending and future global traffic signal and roadway lighting projects with Navajo Nation throughout NM (Shiprock).	\$ -
J00823	Navajo Nation	Installation of roadway lighting at the following locations: US550 from MP 1.45 to MP 1.59 and US550 from MP 2.51 to MP3.0	\$ -

See Independent Auditors' Report

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

<u>Date of Agreement</u>		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
<u>Beginning</u>	<u>Ending</u>						
9/15/2017	Project Completion	\$ -	0%	Contractor	Department		Department
11/21/2017	Perpetual	\$ -	0%	Contractor	Department		Department
10/10/2018	Project Completion	\$ -	0%	Contractor	Department		Department

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SINGLE AUDIT

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

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 Transit Administration (FTA)		
Federal Transit Cluster		
Federal Transit Capital Investment Grants	20.500	
Federal Transit Formula Grants	20.507	
Bus and Bus Facilities Formula Program	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
\$ 26,150,242	\$ 376,189,887
400,892	400,892
26,551,134	376,590,779
26,551,134	376,590,779
382,802	2,190,662
2,374,188	3,958,395
2,756,990	6,149,057
3,352,467	8,456,324
6,109,457	14,605,381
51,952	71,952
-	46,500
1,433,244	1,433,244
1,485,196	1,551,696

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, 2019

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number
U.S. Department of Transportation (continued):		
Federal Transit Administration (FTA) (continued):		
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Res	20.505	
Formula Grants for Rural 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
1,435,779	1,435,779
578,764	578,764
<u>9,894,023</u>	<u>10,838,270</u>
<u>13,393,762</u>	<u>14,404,509</u>
<u>46,054,353</u>	<u>405,600,669</u>
<u>\$ 46,054,353</u>	<u>\$ 405,600,669</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, 2019. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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	\$ 407,178,484
Deferred U.S. Department of Transportation (2019)	2,712,337
Deferred U.S. Department of Transportation (2018)	(4,290,152)
Other Adjustment	-
	<hr/>

Supplemental Schedule of Expenditures
of Federal Awards

\$ 405,600,669

See Independent Auditors' Report

Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Mr. Michael Sandoval, Cabinet Secretary
State of New Mexico Department of Transportation

and

Mr. Brian S. Colón, Esq., New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2019, and the related notes to the financial statements, which collectively comprise the Departments' basic financial statements and have issued our report thereon dated October 31, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*; however, the results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Section 12-6-5 NMSA 1978. These matters are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-003, 2019-004, and 2019-005.

The Department's Responses to Findings

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

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.



Phoenix, Arizona
October 31, 2019

Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance

Mr. Michael Sandoval, Cabinet Secretary
State of New Mexico Department of Transportation

and

Mr. Brian S. Colón, Esq., New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the State of 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, 2019. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-002 that we consider to be a significant deficiency.

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

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.

REDW LLC

Phoenix, Arizona
October 31, 2019

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, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: 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

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

Internal Control over compliance for major federal programs:

• Material weakness(es) identified? Yes No

• Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205, 20.219	Highway Planning and Construction Cluster
20.500, 20.507, 20.526	Federal Transit 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

2019-001 Infrastructure (Other Matters)

Type of Finding:

- Control Deficiency

Criteria:

Management is responsible for establishing a process for preparing accounting estimates. Although the process may not be documented or formerly applied, it normally consists of the following:

- Identifying situations for which accounting estimates are required
- Identifying the relevant factors that may affect the accounting estimate.
- Accumulating relevant, sufficient, and reliable data on which to base the estimate.
- Developing assumptions that represent management's judgement of the most likely circumstances and events with respect to the relevant factors.
- Determining the estimated amount based on the assumptions and other relevant factors.
- Accounting estimates should be reevaluated anytime new information that could affect the original assumptions becomes available.
- Determining that the accounting estimate is presented in conformity with applicable accounting principles and that disclosure is adequate.

Condition:

The methodology and assumptions underlying the depreciation and retirement estimates of infrastructure have not been reassessed for reasonableness in a number of years.

Cause:

The Department has carried forward the methodology for allocating depreciation used in previous years, which has not included retirements as a factor in calculating depreciation of infrastructure assets at the composite (group) level.

Effect:

The underlying assumptions and estimates of calculating depreciation expense may have changed since the inception of the methodology currently utilized by the Department.

Repeat finding:

Not Applicable

Section II - Findings – Financial Statement (Continued)

2019-001 Infrastructure (Other Matters) (continued)

Auditor's Recommendation:

The Department should perform a more current evaluation of their methods and assumptions used to calculate depreciation and retirements of infrastructure assets. In completing these assessments, the Department should consider other acceptable group depreciation methods, such as the method described in Exercise 2, Applying Group Depreciation to Infrastructure Assets at Transition and in Subsequent Years, in the GASB Implementation Guide, to ensure the most suitable depreciation method is used by the Department.

Management's Response:

Every three years, or as needed, the CFO will coordinate with the Cabinet Secretary and Chief Engineer to evaluate if there are any significant changes which would impact the underlying assumptions and estimates used to calculate the depreciation expense and retirements for infrastructure. If a significant event occurs, such as a natural disaster, the Department will assess accordingly.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section III - Findings and Questioned Costs - Major Federal Programs
For the Year Ended June 30, 2019

Section III - Findings and Questioned Costs – Major Federal Programs

2019-002 Subrecipient Monitoring (Significant Deficiency)

Federal agency:

US Department of Transportation, Federal Highway Administration (FHWA)

Federal program title:

Highway Planning and Construction Cluster

CFDA number:

20.205 & 20.219

Award year and number:

Multiple Awards; Covering July 1, 2018 – June 30, 2019

Pass-through entity:

Not Applicable

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria:

The Department should have procedures in place to ensure department-wide compliance with subrecipient monitoring requirements for pass-through entities.

Condition:

During our audit, we observed that each of the Department's Districts perform their own procedures for monitoring their respective subrecipients, which makes the oversight function difficult to monitor department-wide compliance with monitoring of subrecipients.

Questioned costs:

None

Context:

Six Districts perform individual subrecipient monitoring activities throughout the State of New Mexico.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section III - Findings and Questioned Costs - Major Federal Programs
For the Year Ended June 30, 2019

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

2019-002 Subrecipient Monitoring (Significant Deficiency) (continued)

Effect:

Decentralized controls over subrecipient monitoring increases the risk of non-compliance with the requirements under 2 CFR 200.331.

Repeat finding:

Not Applicable

Cause:

Current practice of the Department has been to rely on each individual District to oversee compliance with subrecipient monitoring requirements.

Recommendation:

We recommend the Department develop and implement a centralized subrecipient monitoring program over each of the five districts to ensure overall department-wide compliance.

Management's Response:

In 2019, the Department moved toward implementing a centralized subrecipient monitoring program by revamping the Tribal/Local Public Agency Handbook to include the information needed for agencies to successfully apply for federally funded transportation projects. In FY20, and moving forward, all federally funded projects are subject to follow the requirements within the Handbook. The Handbook has policies in all phases of project development to assist the Department in assessing risk of subrecipients. The Handbook provides the six districts, the three design regions, and the planning bureau, with uniform policies and procedures to ensure the Department is in compliance with all CFR requirements which will be monitored by the Construction and Civil Rights Bureau. The CFO and Project Oversight Division Director will work closely with the Construction and Civil Rights Bureau to assess risk on subrecipients.

Section IV - Findings - Compliance and Other Matters

2019-003 Segregation of Duties – User Access Rights (Other Matters)

Type of Finding:

- Other Matters

Criteria:

Payroll controls should ensure key duties and responsibilities are appropriately segregated to different personnel to minimize the risk of payroll errors, misuse or fraud from occurring and going undetected for a prolonged period of time.

Condition:

The Payroll Administrator who is responsible for the preparation and processing of payroll also has user access rights to change pay rates in the HCM Share system. In addition, there was no evidence that all changes to the HCM Share system were being reviewed and approved by an independent supervisory-level employee prior to being recorded/accepted in the system during the period of January 1, 2019 through May 31, 2019.

Cause:

User access rights within the HCM Share system was set up to allow the Payroll Administrator with the ability to make pay rate changes. In addition, policies and procedures have not been developed and implemented requiring that an independent supervisory-level employee review be performed and documented of all changes to the HCM Share system during the period of January 1, 2019 through May 31, 2019.

Effect:

Payroll errors, misuse or fraud could occur and go undetected for prolong periods of time.

Repeat finding:

Not Applicable

Auditor's Recommendation:

A system report of all changes to HCM Share system should be generated for review. An independent supervisory-level employee, who does not have access rights to modify HCM Share system should review this report and match the changes to approved Personnel Action Forms. This review should be documented. Further, The Department should evaluate user access rights within the HCM Share system to ensure key payroll duties and responsibilities are properly segregated.

Management's Response:

The primary responsibility of review for all dollar rate changes in SHARE HCM will be with employees who do not have editing capabilities in the system. A designated HR employee, manager-level or higher, will audit each payroll for any instance of change in dollar rate, then verifying supporting documentation, and record that verification. The report is then given to the designated Deputy Director for follow-up on any discrepancies.

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

2019-004 Use of State Issued Fuel Cards (Other Non-Compliance)

Type of Finding:

- Other Matters

Criteria:

1.5.3.19 NMAC requires that employees enter exact current mileage (no tenths) at time of purchases.

Condition:

For 1 of 25 fuel card transactions reviewed, the mileage log was not completed for a vehicle at the time of refueling.

Cause:

An employee within the Survey Unit department did not adhere to the Department's fuel card policies and procedures for recording mileage at time of purchasing fuel.

Effect:

The Department did not comply with the New Mexico administrative code for this particular fuel purchase.

Repeat finding:

Not Applicable

Auditor's Recommendation:

We recommend the Department remind employees of their policies and procedures pertaining to fuel card purchases.

Management's Response:

The Department will mitigate the risk of non-compliance by reviewing the Administrative Directive during:

- Annual Acknowledgement which requires all Department employees to reread the Administrative Directive and sign for understanding. This will be overseen by the HR Manager.
- New Employee Orientation required for all new employees to the Department which is overseen by the Training Manager
- Department led Defensive Driving courses required for all Department employees that is overseen by the Risk Management Manager.

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

2019-005 Disposition of Capital Assets (Other Non-Compliance)

Type of Finding:

- Other Non-Compliance

Criteria:

Pursuant to section 13-6-1 of NMSA 1978, the governing authority shall, as a prerequisite to the disposition of any items of tangible personal property, give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor.

Condition:

Documentation was not maintained by the Accounting Services division of the Department to provide evidence that the State Auditor was notified of the disposal of tangible personal property described on the Inspection and Condemnation Report, dated December 6, 2018 and approved for disposal by the Policy and Procedures Committee of the New Mexico Department of Transportation. The associated property was disposed by the Department in fiscal year 2019.

Cause:

Controls were not effectively implemented to ensure the Department complied with notification of state auditor requirements for this particular property disposition.

Effect:

The Department is considered to be in noncompliance with notification of property disposition to the state auditor requirements for this particular disposition of property, as documentation of such notification was not maintained by Accounting Services division of the Department.

Repeat finding:

Not Applicable

Auditor's Recommendation:

The Department should take corrective actions for this particular disposition of property, as necessary with the State Auditor's office. In addition, documentation of State Auditor notifications should be maintained by the Accounting Services division of the Department.

Management's Response:

The Department has since notified OSA. Accounting Services will maintain all notifications sent to OSA and GSD as part of the bi-monthly fund reconciliation process. The CFO, Deputy Director or Staff Manager will audit for notifications and sign off accordingly.

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

Section II - Findings – Financial Statement

2018-001 Lack of Procedures over Construction In Progress - Resolved

Section III - Findings and Questioned Costs – Major Federal Programs

2018-002 Award Information - Resolved

Section IV - Findings - Compliance and Other Matters

There were no findings for the year ended June 30, 2018

An exit conference was held with the Department on October 25, 2019. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO DEPARTMENT OF TRANSPORTATION

Michael Sandoval, Cabinet Secretary
Justin Reese, Deputy Secretary
Walter G. Adams, Commissioner Chairman
Mallery Manzanares, Interim Administrative Services Director & Budget Director
Kristen Dorland, Chief Financial Officer & Accounting Services Director
Jennifer Schwartz, Accounting Services Deputy Director
Becky Valencia, Accounting Services Staff Manager
Gilbert Gurule, Senior Accountant
Jeremy F. Romero, CPA, Shareholder, Consultant Contractor

REDW, LLC

Tom Friend, CPA, Principal
Stephen Montoya, CPA, Senior Manager
Javier Machuca, CPA, CGMA, CGFM, Senior Manager
Ernesto Ramirez, 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.