

TAXATION &
REVENUE
NEW MEXICO

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
AUDITORS

JUNE 30, 2014

TABLE OF CONTENTS

STATE OF NEW MEXICO TAXATION AND REVENUE DEPARTMENT

OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	24
Statement of Activities	25
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds.....	27
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	28
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	30
Statement of Revenues and Expenditures – Budget and Actual – Operating Fund 17200	31

TABLE OF CONTENTS

STATE OF NEW MEXICO TAXATION AND REVENUE DEPARTMENT

BASIC FINANCIAL STATEMENTS (CONTINUED)

FUND FINANCIAL STATEMENTS (CONTINUED)

Statement of Revenues and Expenditures – Budget and Actual – Weight Distance Tax Permit Fee Fund 99400.....	38
Statement of Revenues and Expenditures – Budget and Actual – Drive MVD Fund 79800.....	40
Statement of Revenues and Expenditures – Budget and Actual – Native American Fund 10690.....	43
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Revenues and Expenditures – Budget and Actual	45
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund Type – Agency Funds	46
Notes to the Financial Statements.....	47

TABLE OF CONTENTS

STATE OF NEW MEXICO TAXATION AND REVENUE DEPARTMENT

SUPPLEMENTARY INFORMATION

Non-Major Funds.....	77
Combining Balance Sheet - Non-Major Governmental Funds.....	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds.....	79
Statement of Revenues and Expenditures – Budget and Actual – STB Capital Outlay Fund 89200	80
Fiduciary Fund Types	81
Combining Statement of Fiduciary Assets and Liabilities – Fiduciary Fund Type – Agency Funds.....	84

OTHER SUPPLEMENTARY INFORMATION – Schedules Required Under 2.2.2 NMAC

Schedule of General Fund Components - Balance Sheet – General Funds.....	86
Schedule of General Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance – General Funds	87
Schedule of Special Appropriations	88
Schedule of Fiduciary Fund Inter-Agency Transfers.....	89
Schedule of Changes in Fiduciary Assets and Liabilities.....	91

TABLE OF CONTENTS

STATE OF NEW MEXICO TAXATION AND REVENUE DEPARTMENT

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

Schedule of Cash Balances	92
Schedule of Joint Powers Agreements and Memorandums of Understanding	94

SINGLE AUDIT

Schedule of Expenditures of Federal Awards	105
Notes to Schedule of Expenditures of Federal Awards	106
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	107
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance with OMB Circular A-133	109
Summary Schedule of Prior Audit Findings	112
Schedule of Findings and Questioned Costs	113
Exit Conference	128

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

Official Roster

Year Ended June 30, 2014

<u>Name</u>	<u>Title</u>
Demesia Padilla, CPA	Cabinet Secretary
John Monforte	Deputy Secretary
Division Directors:	
David Robbins/John Monforte	Administrative Services Division
Greg Saunders	Information Technology Division
Lizzy Vedamanikam	Audit and Compliance Division
Terry Rister	Revenue Processing Division
Cesario Quintana	Property Tax Division
Mark Williams	Motor Vehicle Division
Alvan Romero	Tax Fraud Investigations Division



CliftonLarsonAllen

CliftonLarsonAllen LLP
500 Marquette NW, Suite 800
Albuquerque, NM 87102
505-842-8290 | fax 505-842-1568
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Demesia Padilla, Cabinet Secretary
Honorable Susana Martinez, Governor
Hector H. Balderas, New Mexico State Auditor
New Mexico Taxation and Revenue Department
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund of the New Mexico Taxation and Revenue Department (Department), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's nonmajor governmental and fiduciary funds and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standard Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects., the respective financial position of each nonmajor governmental and fiduciary fund of the Department as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for all nonmajor funds 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 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Department. They do no purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2014, and the changes in the financial position 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.

As discussed in Note 19, the Department had a prior period restatement related to the construction in process in capital assets. The restatement was caused by not including assets in construction in process that were expensed in prior fiscal years but not placed in service until fiscal year 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Department's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the other schedules required by Section 2.2.2 NMAC as identified in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of federal award and other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of federal awards and other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Governmental Auditing Standards, we have also issued our report dated December 9, 2014 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 to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Department's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP



Albuquerque, New Mexico
December 9, 2014

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

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

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

Financial Highlights

The assets of the New Mexico Taxation and Revenue Department exceeded its liabilities at the close of the most recent fiscal year by \$52,587,119 (net position). \$20,990,634 of this amount represents the Department's net investment in capital assets. The remainder includes fund balances restricted for special appropriations and subsequent year expenditures related to the Department's non-reverting programs.

The Department's net position increased by \$6,286,226 during FY14. The change in net position resulted from an increase in the Investment in Capital Assets for purchases of data processing equipment and software enhancements to the Department's major computer processing systems.

The total cost of all Department programs (net of program revenue) was \$83,583,304. The Department administers and enforces New Mexico's taxation and revenue laws and motor vehicle code.

Department Accomplishments

FY 2014 TRD Collections and Distributions

Net Collections: TRD collected a total of \$7.9 billion in FY14. Combined reporting system taxes (gross receipts, withholding and compensating taxes) were the single largest category of collections at \$4.5 billion, or 56%, of total collections. Mineral extraction taxes were next at \$1.4 billion, or 17%. Income taxes were \$893 million, or 11%. Motor vehicle taxes and fees were \$359.0 million, or 5%, and other state funds were \$850 million, or 11%.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014**

Net Distributions: TRD distributed a total of \$8.4 billion in FY14. Of those distributions; \$4.4 billion, or 53%, was distributed to the State General Fund, \$1.6 billion, or 20%, was distributed to local governments, \$406 million, or 5%, was distributed to the New Mexico Department of Transportation, and \$1.9 billion, or 22%, was distributed to other state funds.

Revenue Enhancement Efforts

The Department continued its tax compliance efforts in fiscal year 2014 (FY14). The total FY14 compliance effort was \$384.8 million, including collections. This represents a \$65.2 million increase from FY13 resulting from an increase in the number of credit and questionable refund denials. The increase in collection dollars can be attributed to the GenTax upgrade and filling vacant collection positions.

The GenTax integrated tax system version 9 upgrade was completed in FY14. A new integrated Taxpayer Access Point (TAP) and the Discovery data warehouse were implemented. TAP expanded the ability of taxpayers to electronically manage their account, as well as file and pay on-line. Discovery warehouse allowed better identification of noncompliant taxpayers through audit and IRS matching programs of income sources for delinquent taxpayers.

The Questionable Refund Unit was moved from the Tax Fraud Investigations Division to the Audit and Compliance Division. The unit was expanded to include the examination of potentially fraudulent returns, auditing Personal Income Tax returns above the line (Adjusted Gross Income), identifying civil fraud and referring criminal fraud cases.

Compliance Enforcement Program

The Tax Fraud Investigations Division (TFID) was created in late fiscal year 2003. Four bureaus comprise the Division: the Tax Fraud Investigations Bureau (TFIB), the Forensic Audit Bureau (FAB), the Internal Audit Bureau (IAB) and the Internal Investigations Bureau (IIB).

In fiscal year 2014, there were four criminal cases referred to the district attorney's offices with prosecution recommendations. From fiscal year 2003 through the end of fiscal year 2014, sixty-four out of sixty-five TFID cases have been successfully prosecuted, resulting in a 98% successful prosecution rate.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014**

During fiscal year 2014, the IIB received twenty-two internal investigation referrals and/or investigation requests. Twenty-one of those investigations were completed during fiscal year 2014. The twenty-one completed investigations involved the following divisions:

Division/Department	Internal Investigations Completed in Fiscal Year 2014
Motor Vehicle Division	16
Property Tax Division	2
Audit and Compliance Division	1
Revenue Processing Division	1
Office of the Secretary	1
Total	21

Beginning in fiscal year 2015, TFID will consist of three Bureaus: TFIB, FAB and IIB. The Internal Audit Bureau will report to the Chief Security Officer under the Office of the Secretary. TFID plans to focus on the following priorities:

- Develop or revise Standard Operating Procedures/Operating Manuals for all TFID Bureaus and key areas within the Bureaus;
- Policy development and implementation; and
- Training improvements.

Internal Audit

In an effort to achieve organizational independence, the Internal Audit Bureau transitioned to a new audit function on July 1, 2014. Internal Audit will report administratively to the Chief Security Officer under the Office of the Secretary and report functionally to the TRD Audit Committee chaired by the Cabinet Secretary or her designee. The new audit function is staffed with five senior internal auditors and a chief auditor to oversee all administrative and operational aspects of the function.

In the past, TRD's Internal Audit Bureau focused its resources on the Motor Vehicle Division compliance audits. The new Internal Audit will expand its purview to all TRD Divisions using a risk based approach to address risks that can undermine TRD from achieving a high level of performance and public confidence. To increase accountability, Internal Audit will monitor action plans created in response to audit findings and report progress to the TRD Internal Audit Committee.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

During Fiscal Year 2014, Internal Audit completed twenty audits, including three follow-up audits as shown in the table below:

Division/Department	Internal Audits Completed in Fiscal Year 2014
Audit and Compliance Division	3
Administrative Services Division	2
Information Technology Division	1
Motor Vehicle Division	9
Revenue Processing Division	2
Office of the Secretary (GenTax)	3
Total	20

GenTax and E-Filing

Initiatives that the GenTax Bureau staff completed during FY14 include the following:

- Completion of the third and final phase of the GenTax System Upgrade to Version 9 that involved the development and implementation of a Business Credit Manager Module.
- The transition and implementation of the 9 E-file tax applications (PIT, CRS, Weight Distance, Combined Fuel Tax, Workers Comp, OGP/PTW Quarterly and Annual applications) from the legacy standalone E-file platform into the Taxpayer Access Point (TAP) environment.
- Implementation of New Generic KFI (Key from Image) application to streamline and simplify the key from paper image process for the Revenue Processing Division.
- Implementation of Payment options through TAP which allow taxpayers to submit payments through credit cards and e-checks for 28 different tax programs.
- Redesign of web user interface in TAP to incorporate the TRD standard look and feel.
- Implementation of the Personal Income Tax (PIT) MEF 2013 to enable taxpayers to file PIT online through Modern E-file.
- Execution of the Annual Tax Year Rollout project to update all Tax Programs for Tax Year 2013 filing.
- Enhancements to the Weight Distance and E-Permits systems.
- Commencement of project to implement Modern E-file for Corporate Income Tax.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014**

- Streamlined the warrant reconciliation process with input from the Financial Distribution Bureau and Department of Finance and Administration to extract warrant information from SHARE and upload into GenTax.
- Ongoing efforts also include creating data reports to assist in reconciliation of transactions and to improve compliance.

Infrastructure/Networking

The Information Technology Division (ITD) provides technology services, network and internet resources to assist the Department. The internal and external network infrastructure is constantly undergoing improvement efforts to ensure availability and security.

The Desktop Support Team closed thousands of ServicePro support tickets in FY14 originating from all divisions.

The virtual environment continues to support the migration of existing outdated physical servers, as well as the implementation of new servers.

The Division maintained and tuned two Storage Area Network systems increasing storage performance to the agency. The redundant DataDomain disk backup systems were increased in capacity to allow for more efficient protection of the virtual environment.

Delinquent Property Accounts

The Property Tax Division (PTD), Delinquent Property Tax Bureau is responsible for the collection of real property taxes that have become delinquent for more than two years. During FY14, the Bureau resolved a total of 12,572 delinquent property accounts, 11,627 accounts by field collections and 945 accounts through the sales process. The sales process includes both accounts resolved prior to sale and those actually sold. Collections netted \$4,491,168 in penalty and interest, \$994,545 in State Cost and \$160,825 on Installment Agreements for total overall collections of \$5,646,538, all of which funds the Property Tax Division.

The Property Tax Division collected \$14,129,873 in delinquent base taxes for New Mexico's thirty-three counties in FY14. Our FY14 goal was \$7.0 million.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014**

Field collections remain the chief method of resolving delinquent property tax accounts. The 11,627 accounts resolved by field collections represents 92.5% of total account resolutions. The amount of penalty and interest generated by field collections was \$4,277,018 or 95.2% of the total penalty and interest collected. Field collections netted \$957,405 in State Cost or 96.3% of the total State Cost collected.

Installment agreements are executed when delinquent taxpayers need time to meet their obligations. These payment contracts generally have a 36 month term. Penalty and interest collections from installment agreements totaled \$64,624. State Cost from installment agreements totaled \$8,018. New Mexico's counties received \$253,908 in delinquent tax base from installment agreements.

Accounts that are not resolved through field collections or installment agreements are scheduled for sale. There were 25 property tax sales in 25 counties conducted in FY14. The Division intends to hold a delinquent property tax sale in all 33 of New Mexico's counties pursuant to NMSA 7-38-65 D which became effective January 1, 2014. We are on track to meet that statutory goal which runs on a calendar year basis rather than a fiscal year basis.

The number of accounts listed for sale in FY14 was 1,776. Property Tax Sales resolved 945 accounts or 7.5% of the total resolved delinquent property accounts. It is important to note that only 245 accounts of the 1,776 listed for sale were resolved by an actual sale. 700 accounts were resolved prior to sale by payment in full or placed on installment agreements. The remaining 831 accounts did not receive the minimum bids to satisfy the delinquent property tax obligation at the sale. The amount of penalty and interest collected through sales was \$145,525 or 3.2% of the total penalty and interest collected. Sale collections also netted \$29,120 in State Cost which equates to 2.9% of the total State Cost collected.

Electronically Filed Tax Returns

The Revenue Processing Division (RPD) received approximately 922,961 Personal Income Tax (PIT) returns and 1,041,125 Combined Reporting System (CRS) gross receipts tax returns that were filed electronically. These returns amount to 87% of all incoming PIT returns and 85% of all CRS returns received by the Department.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014**

In addition, RPD received and processed 73,069 PIT returns with a 2-D Bar code. These returns are paper returns that are mailed in, where data from the returns is electronically read from the 2-D bar code as the return is processed through the scanning equipment and the information is then uploaded into the system automatically without manual data entry. Approximately 18% - 25% of the electronically filed returns do not meet edit criteria and must be reviewed by the edit error staff.

Motor Vehicle

The Motor Vehicle Division (MVD) has implemented and is continuing to implement various initiatives to meet customer expectations by providing services that are consistent, timely, accurate, confidential and efficient. During FY14, MVD completed the second year of its two year plan to improve MVD service outcomes. Key achievements in FY14 include:

- MVD currently maintains a high level of customer satisfaction with an average rating of better than 95 percent for a good/excellent rating. More than 50 percent of all MVD field office customers provided customer satisfaction data during FY14. MVD's rating is based on about 800,000 transactions.
- MVD currently maintains an average field office wait time of 13.4 minutes for FY14 Q4. In FY14, MVD wait times were well below the Key Performance Indicator (KPI) target of 20 minutes for Q2, Q3 and Q4.
- MVD achieved an eight year low on average call center hold time in FY14 Q4 at 2.42 minutes. Call center hold times were well below the target KPI of six minutes in Q2, Q3 and Q4.
- Online transactions as a percent of total MVD transactions hit a new high of 35 percent in FY14 Q4. Online transactions are more convenient for our customers and less expensive for MVD.
- MVD reduced its vacancy rate from 18.4 percent at the end of FY13 to 8 percent by the end of FY14.
- Customer complaints about MVD to the Governor, Lieutenant Governor and TRD Secretary dropped by 29 percent in FY14, and by 53 percent in FY14 Q4. Complaints were down in nine of the top fourteen categories.
- MVD's annual budget as a percentage of annual revenues, at 7 percent, is currently among the lowest for state motor vehicle agencies for which we were able to capture this information. The average is approximately 10-11 percent.
- MVD's total annual revenue per total FTE at \$1.2 million per FTE is currently among the highest for state motor vehicle agencies for which we were able to capture this information. The average is approximately \$800,000.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014**

- MVD's total annual transactions per total FTE at 9,475 per FTE is currently among the highest for state motor vehicle agencies for which we were able to capture this information. The average is approximately 7,500.
- MVD launched Tapestry in FY14 Q2, the largest IT project in MVD history which will replace our 30 year old outdated motor vehicle IT system. The project is currently on schedule, under budget and due for completion in September, 2016.
- MVD won its second consecutive Quality New Mexico performance excellence award in FY14, one of only two state agencies to be recognized.

The improved service outcomes were achieved through a business plan approach which maximized MVD's operational resources along with fund balances.

Overview of the Financial Statements

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

Government-wide Financial Statements. The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government and consist of a statement of net position and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Both statements distinguish between the governmental and business-type activities of the primary government.

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

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

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

Fund Financial Statements. Fund financial statements consist of a series of statements that focus on information about the major governmental funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (enterprise funds) and fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

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

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

The Department has two types of funds:

Governmental Funds – Most of the Department's services are included in governmental funds which focus on (a) how cash and other financial assets, that can be readily converted to cash, flow in and out, and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that helps the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.

Fiduciary Funds – The fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are not available to support Department programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Agency fiduciary funds are not included with the governmental-type funds since these funds are not available to support the Department's programs. The Department's fiduciary funds are maintained to receive primarily taxes and some fees. These monies are then distributed to the state general fund, counties, municipalities, other state agencies and other entities.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

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

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

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

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

Financial Analysis of the Department as a Whole

Net Position: Total Department net position for fiscal year ended June 30, 2014 is \$52,587,119. However, most of those assets are either restricted as to the purposes they can be used for or are invested in capital assets (buildings, equipment, etc.). The restricted net position in Governmental Activities is \$21,383,174 at the end of the fiscal year. Restricted net position includes \$424,222 legally committed for loans to other counties and \$20,958,952 in fund balances designated for subsequent year expenditures related to the Department's non-reverting programs. More detailed information is presented in Note 17 to the financial statements.

The Department's Net Position

	2014	2013
Assets		
Current and other assets	\$ 42,543,568	41,471,998
Capital assets	<u>20,990,634</u>	<u>13,457,889</u>
Total assets	<u>63,534,202</u>	54,929,887
Liabilities		
Current liabilities	<u>10,947,083</u>	8,628,994
Total liabilities	<u>10,947,083</u>	8,628,994
Net Position		
Net investment in capital assets	20,990,634	13,457,889
Restricted	21,383,174	34,074,594
Unrestricted (deficit)	<u>10,213,311</u>	<u>(1,231,590)</u>
Total net position	<u>\$ 52,587,119</u>	46,300,893

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

Governmental Activities: The table below summarizes the Department's activities for the fiscal years ended June 30, 2014 and 2013. Total change in net position from the previous fiscal year was \$6,286,226.

The Department's Governmental Activities

	2014	2013
Program expenses	\$ (85,244,174)	(87,165,244)
Program revenue	<u>1,660,870</u>	<u>3,115,762</u>
Net program (expense) revenue	<u>(83,583,304)</u>	<u>(84,049,482)</u>
General revenues	92,046,366	87,845,989
Transfers and reversions	<u>(2,176,836)</u>	<u>(3,047,688)</u>
Net general revenues, transfers and reversions	<u>89,869,530</u>	<u>84,798,301</u>
Change in net position	<u>6,286,226</u>	<u>748,819</u>
Net position, beginning of year, as previously reported	41,254,122	40,505,303
Restatement to capital assets	<u>5,046,771</u>	
Net position, beginning of year, as restated	<u>46,300,893</u>	<u>40,505,303</u>
Net position, end of year	<u>\$ 52,587,119</u>	<u>41,254,122</u>

Revenues for the governmental activities totaled \$93,707,236 and \$90,961,751 in the fiscal years ended June 30, 2014 and 2013, respectively. The increase is primarily attributable to special appropriations received in FY14 for the ONGARD upgrade, severance tax bond proceeds received for the purchase of equipment and an increase in MVD administrative fees.

The Department's program expenses for government-type activities during the fiscal year were \$85,244,174. Personnel services and employee benefits totaled \$57,668,479 or 67.7% of the program expenses. Other costs of \$16,088,568 or 18.9% of expenditures was used to support the General Fund operations of the Department such as computer usage, telecommunications, printing motor vehicle forms and tax forms, postage, and leases for rent of office space.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014**

Governmental Funds: The General Fund of the Department is used to account for the Department's primary operations. Of the total fund balance of \$33,321,909, \$11,773,108 is legally committed for items funded with special appropriations received by the Department. An additional \$20,958,952 is assigned for subsequent year expenditures related to the Department's non-reverting programs.

The Property Valuation special revenue fund is used to fund loans to counties to assist them with residential and non-residential property valuations. The fund balance of \$424,222 is legally committed for this purpose.

During FY14, capital asset activity included \$9,547,528 of capital outlay purchases for data processing equipment and software enhancements to the Department's major computer processing systems.

Fund Balance: As the Department completed the year, its governmental funds reported a combined fund balance of \$33,746,131. More detailed information about the Department's fund balances is presented in Note 17 to the financial statements.

General Fund Budgetary Highlights

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

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

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

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

Operating Fund 17200: Changes between the original and final budgets were \$3,300,210 for the Operating Fund. The difference between the original operating revenue budget and the final operating revenue budget included \$2,022,817 in prior year fund balance re-budgeted for Motor Vehicle Program initiatives and \$1,276,787 in federal grants.

Actual revenues collected which are classified as Other State Funds, were \$27,002,750 or \$2,700,850 higher than the Operating Budget Amount. This represents an 11.1% increase over the budgeted amount primarily due to the Property Tax Program exceeding its target for FY14 in collections of penalty and interest on delinquent property taxes.

Actual Federal grants revenue collected was \$1,410,245, which represents a 48.6% decrease from the budgeted amount. The U.S. Department of Transportation CDL grant funds a portion of the MVD project to upgrade the driver and vehicle systems. The grant funded portion of the project is delayed until the new driver system is in production.

Weight Distance Tax Permit Fee Fund 99400: Changes between the original and final budgets were \$400,000 for the Weight Distance Tax Permit Fee Fund. The difference between the original operating revenue budget and the final operating revenue budget was for prior year cash balance re-budgeted for Motor Vehicle Program initiatives.

Actual Weight Distance Administrative Fees collected during FY14 exceeded the budget by \$1,704,462. As a non-reverting program, fund balances will be assigned for subsequent year expenditures.

Drive MVD Fund 79800: Changes between the original and final budgets were \$543,235 for the Drive MVD Fund. The difference between the original operating revenue budget and the final operating revenue budget was for federal grant funds to support the MVD project to upgrade the driver and vehicle systems.

Capital Assets

At the end of fiscal year 2014, the Department has invested a total of \$45,058,566 in governmental-type activities in capital assets. This amount represents a net increase (including additions and deductions) of \$8,115,853 (22.0%) over last year's restated figure of \$36,942,713 in gross capital assets without taking accumulated depreciation into account. Refer to Note 19 regarding a restatement to capital assets.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

The Department's Capital Assets

	2014	2013
Furniture and fixtures	\$ 960,607	1,125,527
Software	28,254,414	21,350,635
Machinery and data processing equipment	10,051,542	8,624,564
Tenant leasehold improvements	712,762	712,762
Vehicles	82,454	82,454
Construction in process	4,996,787	5,046,771
	<u>45,058,566</u>	<u>36,942,713</u>
Accumulated depreciation	<u>(24,067,932)</u>	<u>(23,484,824)</u>
Net total	<u>\$ 20,990,634</u>	<u>13,457,889</u>

The FY14 increase represents capital outlay acquisitions for purchases of data processing equipment and software enhancements to the Department's major computer processing systems. The GenTax Version 9 Software upgrade was placed in service in June 2014 with a cost of \$5,046,771. More detailed information about the Department's capital assets is presented in Note 6 to the financial statements.

Debt Administration

The Department does not have any long-term debt.

Economic Factors and Next Year's Budgets

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

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

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014**

The Department's operating budget for fiscal year 2015 is \$87,319,000 and includes 1,109.0 full time equivalents (FTE). This represents a 3.4% increase from FY14 primarily from an increase in the General Fund appropriation for compensation increases and for maintenance of the GenTax integrated tax system.

The Laws of 2014, Chapter 63, Section 7, Item 4 extended the appropriation for \$8,300,000 to replace the 30-year-old common business oriented language-based driver and vehicle systems funded with MVD cash balances and revenue through FY15.

The Laws of 2014, Chapter 63, Section 7, Item 3 extended the appropriation for \$6,000,000 to stabilize and modernize the ONGARD revenue system through FY16.

The Laws of 2014, Chapter 63, Section 7, Item 2 appropriated \$12,897,100 to implement the motor vehicle program system modernization project funded from the computer systems enhancement fund and program cash balances.

Performance Measures

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

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

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

Key measures and FY14 results are summarized in the table below.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

Type of Measure	HB2 Measure	FY14 Target	FY14 Result
	Tax Administration Act		
Output	Percent of electronically filed returns (PIT, CRS)	85%	90%
Outcome	Collections as a percent of collectable audit assessments generated in the current fiscal year	55%	61%
Outcome	Collections as a percent of collectables outstanding balances from the end of the prior fiscal year	18%	18%
	Motor Vehicle Program		
Efficiency	Average call center wait time to reach an agent, in minutes	6	4:48
Outcome	Percent of registered vehicles with liability insurance	92%	91%
Efficiency	Average wait time in Q-Matic equipped offices, in minutes	20	17.4
	Property Tax Program		
Outcome	Percent of counties in compliance with sales ratio standard of eighty-five percent assessed value to market value	92%	93%
	Compliance Enforcement Program		
Outcome	Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year	40%	33%
	Program Support		
Outcome	Percent of driving-while-intoxicated drivers license revocations rescinded due to failure to hold hearings within ninety days	<1%	0.3%

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014**

Contacting the Agency's Financial Management

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF NET POSITION
June 30, 2014

Governmental
Activities

ASSETS

Unrestricted cash on hand	\$	25,203
Interest in the State Treasurer General Fund		
Investment Pool		
Unrestricted		36,526,502
Restricted for loans to counties		410,480
Receivables		
Due from federal government		554,130
Loans to counties, net		13,711
Other receivables, net		20,038
Due from external parties		3,798,840
Due from other state agencies		630,018
Prepaid expenses		29,330
Inventory of supplies		535,316
Capital assets, net		20,990,634
		<hr/>
Total assets		63,534,202

LIABILITIES

Accounts payable		6,431,804
Accrued payroll		1,394,601
Due to other state agencies		25,238
Due to State General Fund		894,786
Other training liabilities		51,008
Compensated absences		2,149,646
		<hr/>
Total liabilities		10,947,083

NET POSITION

Net investment in capital assets		20,990,634
Restricted for loans to counties		424,222
Restricted for other purposes		20,958,952
Unrestricted		10,213,311
		<hr/>
Total net position	\$	52,587,119

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	Program Support	Tax Administration Act	Motor Vehicle Program	Property Tax Program	Compliance Enforcement	Governmental Activities
Program Expenses	\$ 29,153,907	29,488,179	21,671,654	2,994,455	1,935,979	85,244,174
Total program expenses	29,153,907	29,488,179	21,671,654	2,994,455	1,935,979	85,244,174
Program Revenues						
Federal operating grants	-	1,256,960	403,910	-	-	1,660,870
Total program revenues	-	1,256,960	403,910	-	-	1,660,870
Net Program Expense	<u>(29,153,907)</u>	<u>(28,231,219)</u>	<u>(21,267,744)</u>	<u>(2,994,455)</u>	<u>(1,935,979)</u>	<u>(83,583,304)</u>
General Revenues						
Other state funds:						
Delinquent Property Tax						
Penalty and Interest						5,595,479
Weight Distance Administrative Fees						3,551,097
MVD Administrative Fees						17,759,737
Other Administrative Fees						7,555,385
Total general revenues						<u>34,461,698</u>
Transfers and Reversions						
State General Fund appropriations						54,709,900
State General Fund special appropriations						1,179,833
Severance tax bond proceeds						745,468
Transfers from other state agencies						949,467
Transfers to other state agencies						(1,266,196)
Reversions to State General Fund - FY14						(893,705)
Reversions to State Land Office - FY14						(16,935)
Total transfers and reversions						<u>55,407,832</u>
Net General Revenues, Transfers and Reversions						<u>89,869,530</u>
Change in net position						<u>6,286,226</u>
Net position, beginning of year, as previously reported						41,254,122
Restatement to capital assets						5,046,771
Net position, beginning of year, as restated						<u>46,300,893</u>
Net position, end of year						<u>\$ 52,587,119</u>

See Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	<u>Major Funds</u> <u>General</u>	<u>Other Governmental</u> <u>Funds</u>	<u>Total Governmental</u>
ASSETS			
Interest in the State Treasurer General Fund			
Investment Pool	\$ 36,526,502	410,480	36,936,982
Cash on hand	25,203	-	25,203
Receivables			
Due from federal government	554,130	-	554,130
Loans to counties, net	-	13,711	13,711
Other receivables, net	20,038	-	20,038
Due from:			
Other funds	3,798,840	-	3,798,840
Other state agencies	4,730	625,288	630,018
Inventory of supplies	535,316	-	535,316
Prepaid expenses	29,330	-	29,330
Total assets	\$ 41,494,089	1,049,479	42,543,568
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 5,806,547	625,257	6,431,804
Accrued payroll	1,394,601	-	1,394,601
Due to other state agencies	25,238	-	25,238
Due to State General Fund	894,786	-	894,786
Other liabilities	51,008	-	51,008
Total liabilities	8,172,180	625,257	8,797,437
Fund Balances			
Nonspendable			
Inventory of supplies	535,316	-	535,316
Prepaid expenses	29,330	-	29,330
Restricted			
Committed	14,192,169	-	14,192,169
Assigned			
Assigned	18,539,891	424,222	18,964,113
	25,203	-	25,203
Total fund balances	33,321,909	424,222	33,746,131
Total liabilities and fund balances	\$ 41,494,089	1,049,479	42,543,568

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances - Governmental Funds (Governmental Fund Balance Sheet)	\$ 33,746,131
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets not included in the governmental funds, but capitalized in the Statement of Net Position	45,058,566
Accumulated depreciation recorded in the Statement of Net Position, but not recorded in the governmental funds	(24,067,932)
	<u>20,990,634</u>
Compensated absences recorded in the Statement of Net Position, but not recorded in the governmental funds	(2,149,646)
	<u>(2,149,646)</u>
Net position of governmental activities (Statement of Net Position)	<u><u>\$ 52,587,119</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>Major Funds</u> <u>General</u>	<u>Other Governmental</u> <u>Funds</u>	<u>Total Governmental</u>
Revenues			
Other state funds	\$ 34,461,396	302	34,461,698
Federal funds	1,660,870	-	1,660,870
Total revenues	36,122,266	302	36,122,568
Expenditures			
Current			
Personal services and employee benefits	57,668,479	-	57,668,479
Contractual services	9,353,016	-	9,353,016
Other costs	16,088,568	13,309	16,101,877
Capital outlay	8,815,369	732,159	9,547,528
Total expenditures	91,925,432	745,468	92,670,900
Excess (Deficiency) of Revenues Over Expenditures	(55,803,166)	(745,166)	(56,548,332)
Other Financing Sources (Uses)			
State General Fund appropriations	54,709,900	-	54,709,900
State General Fund special appropriations	1,179,833	-	1,179,833
Severance tax bond proceeds	-	745,468	745,468
Transfers from other state agencies	949,467	-	949,467
Transfers to other state agencies	(1,266,196)	-	(1,266,196)
Other sources	600,606	-	600,606
Other transfers	(600,606)	-	(600,606)
Reversions to State General Fund - FY14	(893,705)	-	(893,705)
Reversions to State Land Office - FY14	(16,935)	-	(16,935)
Total other financing sources (uses)	54,662,364	745,468	55,407,832
Net changes in fund balances	(1,140,802)	302	(1,140,500)
Fund balances, June 30, 2013	34,462,711	423,920	34,886,631
Fund balances, June 30, 2014	\$ 33,321,909	424,222	33,746,131

See Notes to Financial Statements.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

Net Changes in Fund Balances - Total Governmental Funds		
(Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$	(1,140,500)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital asset additions recorded as expenditures in the governmental funds but capitalized in the Statement of Net Position		9,547,528
Loss on disposal of capital assets not recorded as expenditures in the governmental funds		(12,084)
Depreciation expense recorded in the Statement of Activities but not recorded as expenditures in the governmental funds		(2,002,699)
Net change in compensated absences recorded in the Statement of Activities as a liability but not recorded in the governmental funds		<u>(106,019)</u>
Change in net position of governmental activities		
(Statement of Activities)	\$	<u>6,286,226</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200
Year Ended June 30, 2014

	PROGRAM SUPPORT			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 19,283,000	18,983,000	18,983,000	-
Other state funds	832,200	832,200	881,296	49,096
Other sources	607,500	607,500	607,500	-
Total revenues	20,722,700	20,422,700	\$ 20,471,796	49,096
Fund Balance Budgeted	-	-		
Total revenues and fund balance budgeted	\$ 20,722,700	20,422,700		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 14,482,400	14,182,400	13,993,128	189,272
Contractual services	2,540,400	2,540,400	2,423,270	117,130
Other	3,699,900	3,699,900	3,663,889	36,011
Total expenditures	\$ 20,722,700	20,422,700	20,080,287	342,413

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2014

	TAX ADMINISTRATION ACT *			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 22,005,500	22,305,500	22,305,500	-
Other state funds	6,668,400	6,668,400	6,614,731	(53,669)
Federal funds	1,467,500	1,472,500	1,256,960	(215,540)
Other sources	124,700	125,306	125,306	-
Total revenues	30,266,100	30,571,706	\$ 30,302,497	(269,209)
Fund Balance Budgeted	-	-		
Total revenues and fund balance budgeted	\$ 30,266,100	30,571,706		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 23,891,900	24,192,506	23,843,371	349,135
Contractual services	188,300	241,800	224,212	17,588
Other	6,185,900	6,137,400	6,061,410	75,990
Total expenditures	\$ 30,266,100	30,571,706	30,128,993	442,713

* Less Fund 99400

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2014

MOTOR VEHICLE PROGRAM *				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 11,430,200	11,430,200	11,430,200	-
Other state funds	13,229,800	13,229,800	13,910,821	681,021
Federal funds	-	1,271,787	153,285	(1,118,502)
Other sources	53,700	53,700	53,700	-
Total revenues	24,713,700	25,985,487	\$ 25,548,006	(437,481)
Fund balance budgeted	-	1,962,817		
Total revenues and fund balance budgeted	\$ 24,713,700	27,948,304		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 15,396,600	16,048,002	15,005,647	1,042,355
Contractual services	3,912,700	5,211,957	4,644,757	567,200
Other	5,404,400	6,088,345	5,982,135	106,210
Other financing uses	-	600,000	600,000	-
Total expenditures	\$ 24,713,700	27,948,304	26,232,539	1,715,765

* Less Funds 99400 and 79800

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2014

	PROPERTY TAX PROGRAM			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ -	-	-	-
Other state funds	3,320,300	3,320,300	5,595,583	2,275,283
Total revenues	3,320,300	3,320,300	5,595,583	2,275,283
Fund balance budgeted	-	60,000		
Total revenues and fund balance budgeted	\$ 3,320,300	3,380,300		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 2,551,100	2,551,100	2,261,155	289,945
Contractual services	127,600	187,600	136,101	51,499
Other	641,600	641,600	593,042	48,558
Total expenditures	\$ 3,320,300	3,380,300	2,990,298	390,002

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2014

	COMPLIANCE ENFORCEMENT			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 1,941,200	1,941,200	1,941,200	-
Other state funds	251,200	251,200	319	(250,881)
Other sources	12,400	12,400	12,400	-
Total revenues	2,204,800	2,204,800	\$ 1,953,919	(250,881)
Fund balance budgeted	-	-		
Total revenues and fund balance budgeted	\$ 2,204,800	2,204,800		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 1,885,300	1,885,300	1,614,061	271,239
Contractual services	18,600	18,600	17,598	1,002
Other	300,900	300,900	295,762	5,138
	\$ 2,204,800	2,204,800	1,927,421	277,379

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2014

Fund 17200 SPECIAL APPROPRIATIONS
Gentax Upgrade Z20704

	PROGRAM SUPPORT			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other sources	\$ -	-	-	-
Total revenues	-	-	-	-
Fund balance budgeted	1,625,906	1,625,906		
	<u>\$ 1,625,906</u>	<u>1,625,906</u>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	1,625,906	1,519,906	1,480,286	39,620
Other	-	106,000	105,230	770
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 1,625,906</u>	<u>1,625,906</u>	<u>1,585,516</u>	<u>40,390</u>

Stabilize & Modernize ONGARD - Z20705

	PROGRAM SUPPORT			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ -	-	-	-
Other sources	1,331,000	1,331,000	1,331,000	-
Total revenues	1,331,000	1,331,000	<u>\$ 1,331,000</u>	-
Fund balance budgeted	728,764	728,764		
	<u>\$ 2,059,764</u>	<u>2,059,764</u>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	1,812,450	1,812,450	683,928	1,128,522
Other	247,314	247,314	241,685	5,629
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 2,059,764</u>	<u>2,059,764</u>	<u>925,613</u>	<u>1,134,151</u>

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
OPERATING FUND 17200 (CONTINUED)
Year Ended June 30, 2014

	TOTAL OPERATING FUND			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 54,659,900	54,659,900	54,659,900	-
Other state funds	24,301,900	24,301,900	27,002,750	2,700,850
Federal funds	1,467,500	2,744,287	1,410,245	(1,334,042)
Other sources	2,129,300	2,129,906	2,129,906	-
Total revenues	82,558,600	83,835,993	\$ 85,202,801	1,366,808
Fund balance budgeted	2,354,670	4,377,487		
Total revenues and fund balance budgeted	\$ 84,913,270	88,213,480		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 58,207,300	58,859,308	56,717,362	2,141,946
Contractual services	10,225,956	11,532,713	9,610,152	1,922,561
Other	16,480,014	17,221,459	16,943,153	278,306
Other financing uses	-	600,000	600,000	-
Total expenditures	\$ 84,913,270	88,213,480	83,870,667	4,342,813

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
WEIGHT DISTANCE TAX PERMIT FEE FUND 99400
Year Ended June 30, 2014

	TAX ADMINISTRATION ACT			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
Other state funds	\$ 1,047,500	1,047,500	1,047,500	-
Total revenues	1,047,500	1,047,500	\$ 1,047,500	-
Fund balance budgeted	-	-		
Total revenues and fund balance budgeted	\$ 1,047,500	1,047,500		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 932,600	932,600	543,433	389,167
Contractual services	-	-	-	-
Other	114,900	114,900	43,277	71,623
Other financing uses	-	-	-	-
Total expenditures	\$ 1,047,500	1,047,500	586,710	460,790

	MOTOR VEHICLE PROGRAM			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
Other state funds	\$ 804,800	804,800	2,509,262	1,704,462
Total revenues	804,800	804,800	\$ 2,509,262	1,704,462
Fund balance budgeted	1,265,900	1,665,900		
Total revenues and fund balance budgeted	\$ 2,070,700	2,470,700		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 563,200	428,200	407,684	20,516
Contractual services	40,000	575,000	569,326	5,674
Other	201,600	201,600	5,614	195,986
Other financing uses	1,265,900	1,265,900	1,265,590	310
Total expenditures	\$ 2,070,700	2,470,700	2,248,214	222,486

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
WEIGHT DISTANCE TAX PERMIT FEE FUND 99400 (CONTINUED)
Year Ended June 30, 2014

	TOTAL WEIGHT DISTANCE TAX PERMIT FEE FUND			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ 1,852,300	1,852,300	3,556,762	1,704,462
Total revenues	1,852,300	1,852,300	<u>\$ 3,556,762</u>	<u>1,704,462</u>
Fund balance budgeted	1,265,900	1,665,900		
Total revenues and fund balance budgeted	<u>\$ 3,118,200</u>	<u>3,518,200</u>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 1,495,800	1,360,800	951,117	409,683
Contractual services	40,000	575,000	569,326	5,674
Other	316,500	316,500	48,891	267,609
Other financing uses	1,265,900	1,265,900	1,265,590	310
Total expenditures	<u>\$ 3,118,200</u>	<u>3,518,200</u>	<u>2,834,924</u>	<u>683,276</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
DRIVE MVD FUND 79800
Year Ended June 30, 2014

	PROGRAM SUPPORT			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ 94,000	94,000	-	(94,000)
Federal funds	-	-	-	-
Total revenues	94,000	94,000	\$ -	(94,000)
Fund balance budgeted	-	-		
Total revenues and fund balance budgeted	\$ 94,000	94,000		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 94,000	94,000	-	94,000
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
Total expenditures	\$ 94,000	94,000	-	94,000

	MOTOR VEHICLE PROGRAM			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ -	-	-	-
Federal funds	-	543,235	250,625	(292,610)
Total revenues	-	543,235	\$ 250,625	(292,610)
Fund balance budgeted	-	-		
Total revenues and fund balance budgeted	\$ -	543,235		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	437,766	250,625	187,141
Other	-	105,469	-	105,469
Other financing uses	-	-	-	-
Total expenditures	\$ -	543,235	250,625	292,610

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
DRIVE MVD FUND 79800 (CONTINUED)
Year Ended June 30, 2014

FUND 798 SPECIAL APPROPRIATION
MVD Fix Z90703

	PROGRAM SUPPORT			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ -	-	2,831,526	2,831,526
Other sources	-	-	600,000	600,000
Total revenues	-	-	\$ 3,431,526	3,431,526
Fund Balance Budgeted	3,358,110	3,358,110		
Total revenues and fund balance budgeted	\$ 3,358,110	3,358,110		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	3,358,110	3,158,110	833,333	2,324,777
Other	-	200,000	-	200,000
Other financing uses	-	-	-	-
Total expenditures	\$ 3,358,110	3,358,110	833,333	2,524,777

FUND 798 SPECIAL APPROPRIATION
MVD Driver Z00703

	PROGRAM SUPPORT			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ -	-	-	-
Other sources	-	-	-	-
Total revenues	-	-	\$ -	-
Fund Balance Budgeted	8,300,000	8,300,000		
Total revenues and fund balance budgeted	\$ 8,300,000	8,300,000		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	8,195,300	6,675,600	5,200,868	1,474,732
Other	104,700	1,624,400	789,913	834,487
Other financing uses	-	-	-	-
Total expenditures	\$ 8,300,000	8,300,000	5,990,781	2,309,219

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
DRIVE MVD FUND 79800 (CONTINUED)
Year Ended June 30, 2014

FUND 798 SPECIAL APPROPRIATION
MVD Modernization Z40702

	PROGRAM SUPPORT			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ -	-	1,070,358	1,070,358
Other sources	-	-	-	-
Total revenues	-	-	\$ 1,070,358	1,070,358
Fund Balance Budgeted	-	-		
Total revenues and fund balance budgeted	\$ -	-		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
Total expenditures	\$ -	-	-	-

	TOTAL DRIVE MVD FUND			
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ 94,000	94,000	3,901,884	3,807,884
Federal funds	-	543,235	250,625	(292,610)
Other sources	-	-	600,000	600,000
Total revenues	94,000	637,235	\$ 4,752,509	4,115,274
Fund balance budgeted	11,658,110	11,658,110		
Total revenues and fund balance budgeted	\$ 11,752,110	12,295,345		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 94,000	94,000	-	94,000
Contractual services	11,553,410	10,271,476	6,284,826	3,986,650
Other	104,700	1,929,869	789,913	1,139,956
Other financing uses	-	-	-	-
Total expenditures	\$ 11,752,110	12,295,345	7,074,739	5,220,606

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
NATIVE AMERICAN FUND 10690
Year Ended June 30, 2014

Native American PIT Settlement	TAX ADMINISTRATION ACT			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ -	-	-	-
Total revenues	-	-	\$ -	-
Fund Balance Budgeted	-	12,116		
Total revenues and fund balance budgeted	\$ -	12,116		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	10,904	10,692	212
Other financing uses	-	1,212	1,212	-
Total expenditures	\$ -	12,116	11,904	212

FUND 10690 SPECIAL APPROPRIATIONS Native American PIT Settlement Z40519	TAX ADMINISTRATION ACT			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ -	50,000	50,000	-
Total revenues	-	50,000	\$ 50,000	-
Fund Balance Budgeted	-	-		
Total revenues and fund balance budgeted	\$ -	50,000		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	45,000	-	45,000
Other financing uses	-	5,000	-	5,000
Total expenditures	\$ -	50,000	-	50,000

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
NATIVE AMERICAN FUND 10690 (CONTINUED)
Year Ended June 30, 2014

	<u>TOTAL NATIVE AMERICAN FUND</u>			
	<u>Budgeted Amounts</u>		<u>Budgetary Basis Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State General Fund Appropriations	\$ -	50,000	50,000	-
Total revenues	-	50,000	<u>\$ 50,000</u>	-
Fund Balance Budgeted	-	12,116		
Total revenues and fund balance budgeted	<u>\$ -</u>	<u>62,116</u>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	55,904	10,692	45,212
Other financing uses	-	6,212	1,212	5,000
Total expenditures	<u>\$ -</u>	<u>62,116</u>	<u>11,904</u>	<u>50,212</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2014

	Operating Fund 17200	Weight Distance Fund 99400	Drive MVD Fund 79800	Native American Fund 10690	Total General Fund	STB Capital Outlay Fund 89200
Total Expenditures and Other Financing Uses (Statement of Revenues, Expenditures and and Changes in Fund Balance)	\$ 84,781,307	2,834,924	7,074,739	11,904	94,702,874	745,468
Reversions to State General Fund-FY14	(893,705)	-	-	-	(893,705)	
Reversions to State Land Office-FY14	(16,935)	-	-	-	(16,935)	
Total Expenditures (Statement of Revenues and Expenditures Budget and Actual)	\$ 83,870,667	2,834,924	7,074,739	11,904	93,792,234	745,468

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND TYPE - AGENCY FUNDS
JUNE 30, 2014

ASSETS

Interest in State General Fund Investment Pool	\$	831,905,139
Cash on hand and in banks		3,824,217
Receivables:		
Counties, municipalities and fee agents		5,064,085
Due from state general fund		329,900
Due from other state agencies		-
Due from taxpayers		1,035,591,477
Citations		27,394,345
Tax assessments		1,076,074,290
Allowance for uncollectibles		(1,104,693,745)
 Total assets	 \$	 <u>1,875,489,708</u>

LIABILITIES

Accounts payable	\$	112,344
Unidentified tax collections		259,698,416
Due to state general fund		945,367,683
Due to counties and municipalities		307,334,230
Due to other state agencies		254,850,728
Due to other funds		3,798,840
Refunds due to taxpayers		102,915,828
Other liabilities - stale dated warrants		1,411,639
 Total liabilities	 \$	 <u>1,875,489,708</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1. NATURE OF ORGANIZATION

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

Office of the Secretary. The Office provides overall leadership, administration, and support for the department. The Office sets forth policy for the administration and enforcement of tax laws, oversees Department operations, the Human Resources Bureau and advises the Governor on matters of tax and motor vehicle policy.

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

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

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

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

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

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1. NATURE OF ORGANIZATION (CONTINUED)

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

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

Tax Fraud Investigations Division. The Tax Fraud Investigations Division is responsible for investigations of various types of tax fraud, motor vehicle fraud and other financial crimes. The division consists of the Internal Audit Bureau, Internal Investigations Bureau and the Tax Fraud Investigations Bureau. In an effort to achieve organizational independence, beginning in fiscal year 2015 the Internal Audit Bureau will report administratively to the Chief Security Officer under the Office of the Secretary and report functionally to the Department's Audit Committee.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity. The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A primary government is any state or general purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Department, therefore, is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State. The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide and fiduciary fund 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. Derived tax revenues are recognized when the underlying exchange transaction takes place. The Department estimates the amount receivable at year end primarily by looking at subsequent cash receipts up to 120 days past year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

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

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

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Department reports the following major governmental funds:

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

The General Fund includes an appropriation for the *Weight Distance Tax Permit Fee Fund*, the purpose of which is to provide an account from which the Department may pay the costs of issuing and administering weight distance tax identification permits. The General Fund also includes the *Drive MVD Fund*, the purpose of which is to provide an account from which the Department may track costs associated with the modernization of MVD's vehicle and driver IT systems.

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

Additionally, the Department reports the following fund types:

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

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

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

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

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds. Fiduciary funds account for assets held by the Department in a trustee capacity or as an agent for individuals, private organizations other government units and/or funds. The fiduciary fund type includes agency funds, which are custodial in nature and do not present results of operations. Agency funds are used to account for assets that the Department holds for others in an agency capacity. It is comprised of collection funds, which account for all activity of the tax programs administered by the Department, unclaimed property and fuel users/suppliers bonds. Unmatched money (money that cannot be matched to tax returns) over sixty days is remitted to the State General Fund per statute. These funds are subject to be refunded to the taxpayer or subject to being distributed to local governments once the proper tax return is identified and matched to the funds. The balance of the unmatched money sent to the State General Fund as of June 30, 2014 was \$135 million.

Cash Deposits and Interest in the State General Fund Investment Pool. The Department is required by statute to remit any money received for or on behalf of the state into the state treasury. Money deposited by the Department with the State Treasurer is pooled and invested by the State Treasurer. Investment securities are exposed to custodial credit risk when the securities are uninsured and not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent, but not in the agency's name. Specific pledged collateral for amounts held by the State Treasurer is included in the New Mexico State Treasurer's Office separately issued financial statements for the fiscal year ended June 30, 2014.

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

"Interest in the State General Fund Investment Pool" is comprised of all of the Department's accounts placed in the custody of the State Treasurer.

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

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

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources. In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The Department did not have any items that qualified for reporting as a deferred outflow or deferred inflow as of June 30, 2014.

Fund Balance. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable represents reserves for supplies inventory and prepaid postage. Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. See Note 17 for additional information about fund balances.

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

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

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

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Budgetary Data. The State Legislature makes annual appropriations to the Department. Legal compliance is monitored through the establishment of an annual budget for the General Fund (Operating Fund 17200, Drive MVD Fund 79800, Weight Distance Tax Permit Fee Fund 99400 and the Native American Fund 10690). A budget is never prepared for the Property Valuation Fund 34800, a special revenue fund.

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

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

1. The Department submits a proposed budget to the New Mexico state legislature for the fiscal year commencing the following July 1. The state legislature must approve the budget prior to its legal enactment.
2. The expenditures and encumbrances of each appropriation unit may not legally exceed the budget for that category. Budgets are controlled at the "appropriation unit" level within activities (personal services and benefits, contractual services, etc.).
3. Any adjustment to the budget must be submitted to and approved by the State of New Mexico Department of Finance and Administration State Budget Division in the form of a budget adjustment request.
4. Beginning in FY 2006, the annual budget, per the General Appropriations Act, Laws of 2006, Chapter 109, Section 3, Subsections N and O, was adopted on a modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) which must be paid out of the next year's budget. The modified accrual basis of accounting is consistent with generally accepted accounting principles (GAAP). Budgeted revenues may be less than budgeted expenditures as the ending fund balance may, in certain instances, be rebudgeted for expenditures in the next fiscal year. Budgetary comparisons presented in the financial statements are on a modified accrual basis of accounting.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Department has been designated as a “reverting agency” by the New Mexico state legislature and, therefore, pursuant to the Laws of 2004, Chapter 114, Section 2(E), “unencumbered balances in agency accounts remaining at the end of the fiscal year 2014 shall revert to the [state] general fund by September 30, 2014, unless otherwise indicated in the General Appropriations Act of 2004 or otherwise provided by law.” The budget does not consider reversions.

5. The Department had a number of invoices where the goods and services were received by June 30, 2014 (FY14), but were unpaid by that date. In these circumstances, accounts payable amounts were not established in FY14 at fiscal year end because these amounts were immaterial to the financial statements. These payments were processed as “Requests to Pay Prior Year Bills” in FY15 and were paid from FY15 budget.

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

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

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

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

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

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 3. STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED

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

In June 2012, an independent expert diagnostic report revealed that the Pool balances had not been reconciled at a “business unit by fund” level since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) in July of 2006. This report, entitled “Current State Diagnostic of Cash Control,” also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items was unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance and Administration (DFA) at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, DFA is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer (Section 8-6-3 NMSA 1978). Therefore, under the direction of the State Controller/ Financial Control Division Director, The Financial Control Division (FCD) of DFA undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement the changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting from the Remediation Project and has made changes to the State’s SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Remediation Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements. DFA is responsible for the monthly reconciliation of these accounts.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

**NOTE 3. STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED
(CONTINUED)**

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating any of the historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences will be reported in the State General Fund.

The New Mexico Taxation and Revenue Department has established internal control procedures applying the State of New Mexico's Manual of Model Accounting Practices. Since the inception of SHARE, the Department's manual and automated tax information systems have been maintained and reconciled to ensure that cash flows are accurately represented within SHARE.

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

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 (GFIP) managed by the New Mexico State Treasurer's Office.

At June 30, 2014, the Department had the following invested in the General Fund Investment Pool:

Interest in State General Fund Investment Pool \$868,842,121

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

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

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

Provisions of the New Mexico State Public Money Act (Article 10, Sections 6-10-1 to 6-10-63 NMSA 1978) require a bank to be qualified to receive deposits of public monies by depositing collateral security or by giving bond at a minimum level of 50 percent to collateralize governmental

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

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

cash deposits when they exceed the amounts of depository insurance by the federal deposit insurance corporation (FDIC) or the national credit union administration. The State Treasurer's Office financial statements disclose the type of purchased security investments held (i.e., bond, note, Treasury bill, etc.), categories of risk involved, security number, Committee on Uniform Securities Identification Procedures (CUSIP) identification number, fair market value, maturity date of securities held, name of the custodian and the place of safekeeping for all "collateral" pledged to secure State Agency cash deposits. The bank balances as of June 30, 2014, are entirely insured or collateralized with securities held by the agent in the bank's name.

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

Cash on hand (petty cash and change funds) in the amount of \$20,203 was held at the various Audit and Compliance Division (ACD) district offices, Motor Vehicle Division (MVD) field offices and Tax Fraud Investigations Division (TFID) offices for change funds and small purchases. Also, \$5,000 is held by TFID to be used for special investigations.

As of June 30, 2014 the Department's cash balances (called "Interest in the State General Fund Investment Pool") have been reconciled to the Department's portion of the GFIP. See the Schedule of Cash Balances in the Other Supplementary Information Section.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2014.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 5. RECEIVABLES

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

\$156,201,701 of the active tax assessments issued by the Department and listed below are under protest and/or subject to litigation.

At June 30, 2014, the Department's receivables, including the applicable allowances for uncollectible accounts are as follows:

	Governmental Funds			Fiduciary Funds
	General	Special Revenue	Capital Project	Agency
Receivables:				
Accounts receivable	\$ 38,840	-	-	-
Federal Grants	554,130	-	-	-
County property valuation loans	-	253,711	-	-
Other receivables—stale dated warrants	-	-	-	1,225,110
Citations	-	-	-	27,394,345
Tax assessments considered uncollectible	-	-	-	1,076,074,290
Gross receivables	<u>592,970</u>	<u>253,711</u>	<u>-</u>	<u>1,104,693,745</u>
Allowance for uncollectibles	(18,802)	(240,000)	-	(1,104,693,745)
Total receivables, net	<u>\$ 574,168</u>	<u>13,711</u>	<u>-</u>	<u>-</u>
Due From:				
Other Funds	\$ 3,798,840	-	-	-
Taxpayers	-	-	-	1,035,591,477
State General Fund	-	-	-	329,900
Local governments	-	-	-	3,838,975
Other Agencies	4,730	31	625,257	-
Total Due From	<u>\$ 3,803,570</u>	<u>31</u>	<u>625,257</u>	<u>1,039,760,352</u>

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 5. RECEIVABLES (CONTINUED)

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

Accounts Receivable

Receivables are recorded in connection with payroll employee overpayments, PERA buybacks and database access fee revenues. To date, an allowance of \$18,802 has been recorded for accounts where collection cannot be assured. In FY14, \$1,745 of receivables were determined to be uncollectible. Article IV Section 32 of the New Mexico Constitution provides:

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

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

Federal Grants

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

County Property Valuation Loans

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

Other Receivables – Stale Dated Warrants

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

Citations

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

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 5. RECEIVABLES (CONTINUED)

Tax Assessments

Pursuant to state statute Section 7-1-17.A. NMSA 1978, tax assessments represent the determination by the Department that a taxpayer is liable for taxes that are due. Section 7-1-17.B. NMSA 1978 states “assessment of tax are effective (1) when a return of a taxpayer is received by the Department showing a liability for taxes; (2) when a document denominated “notice of assessment taxes”, issued by the Department is mailed or delivered in person to the taxpayer against whom the liability for tax is asserted, demanding of the taxpayer the immediate payment of the taxes and briefly informing the taxpayer of the remedies available to the taxpayer; or (3) when an effective jeopardy assessment is made as provided in the Tax Administrative Act (7-1-1 NMSA 1978).” An estimate for uncollectible accounts equal to the taxpayers assessment amount is recorded where collections cannot be assured.

Due From Other Funds

The Department records due from other internal, fiduciary funds for revenues that are measurable and available as of June 30, 2014. The Department considers revenue to be available if they are collected within 60 days after the end of the current fiscal year.

Due From Taxpayers

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

Due From State General Fund

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

Due From Other Agencies

The Department works with other agencies to determine outstanding revenues due at June 30, 2014.

Write Offs

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

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 5. RECEIVABLES (CONTINUED)

Receivables – Fiduciary Funds Tax Assessments

At June 30, 2014, tax assessments and penalty citations issued and uncollected by the Fiduciary Fund Type were:

Combined reporting system (CRS) taxes	\$ 613,155,324
Personal income tax	319,366,070
Corporate income tax	96,211,970
Citations	27,394,345
Cigarette tax	7,218,089
Combined fuel tax	1,362,009
Weight distance tax	3,060,439
Delinquent tax	1,225,110
Workers’ compensation tax	720,793
Restitution	543,558
Fiduciary income tax	430,334
Gasoline tax	226,925
Tobacco products	285,722
Special fuel supplier	315,503
Enhanced 911 tax	314,139
Petroleum products loading fee	56,194
Liquor excise tax	23,050
International fuel tax agreement/international registration plan	707,382
Water conservation fees	14,638
Local liquor tax	13,173
Daily bed surcharge	4,505
Railroad car tax	172
Unclaimed property	1,258
Bingo and raffle tax	1,055
Telecommunications relay surcharge	2,626
Gaming	5,926
Alternative fuel distributors	96
Oil and gas tax programs:	
Oil and gas taxes (OGT & HM)	<u>32,033,340</u>
 Total receivables, fiduciary funds tax assessments	 <u>\$1,104,693,745</u>

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	June 30 2014 As Previously		Balance June 30 2014					Balance
	<u>Reported</u>	<u>Restatement</u>	<u>As Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2014</u>	
Governmental activities:								
Furniture and fixtures	\$ 1,125,527	-	1,125,527	-	(164,920)	-	960,607	
Software	21,350,635	-	21,350,635	2,299,685	-	4,604,094	28,254,414	
Machinery and data processing equipment	8,624,564	-	8,624,564	2,251,056	(1,266,755)	442,677	10,051,542	
Tenant leasehold improvements	712,762	-	712,762	-	-	-	712,762	
Vehicles	82,454	-	82,454	-	-	-	82,454	
Total depreciable assets	<u>31,895,942</u>	<u>-</u>	<u>31,895,942</u>	<u>4,550,741</u>	<u>(1,431,675)</u>	<u>5,046,771</u>	<u>40,061,779</u>	
Construction in process	-	5,046,771	5,046,771	4,996,787	-	(5,046,771)	4,996,787	
Total non-depreciable assets	-	5,046,771	5,046,771	4,996,787	-	(5,046,771)	4,996,787	
Total assets	<u>31,895,942</u>	<u>5,046,771</u>	<u>36,942,713</u>	<u>9,547,528</u>	<u>(1,431,675)</u>	<u>-</u>	<u>45,058,566</u>	
Less accumulated depreciation for:								
Furniture and fixtures	(1,090,714)	-	(1,090,714)	(6,467)	164,920	-	(932,261)	
Software	(14,628,579)	-	(14,628,579)	(1,350,027)	-	-	(15,978,606)	
Machinery and data processing equipment	(7,369,808)	-	(7,369,808)	(601,404)	1,254,671	-	(6,716,541)	
Tenant leasehold improvements	(313,269)	-	(313,269)	(44,801)	-	-	(358,070)	
Vehicles	(82,454)	-	(82,454)	-	-	-	(82,454)	
Total accumulated depreciation	<u>(23,484,824)</u>	<u>-</u>	<u>(23,484,824)</u>	<u>(2,002,699)</u>	<u>1,419,591</u>	<u>-</u>	<u>(24,067,932)</u>	
Capital assets, net	\$ <u>8,411,118</u>	<u>5,046,771</u>	<u>13,457,889</u>	<u>7,544,829</u>	<u>(12,084)</u>	<u>-</u>	<u>20,990,634</u>	

The Department does not have any debt related to capital assets at June 30, 2014.

Depreciation expense was charged to the following programs:

Program Support	\$ 1,675,034
Tax Administration Act	181,894
Motor Vehicle Program	140,180
Compliance Enforcement	5,591
	<u>\$ 2,002,699</u>

Capital asset activity included \$4,550,741 of capital outlay acquisitions, primarily for purchases of data processing equipment and software enhancements to the Department's major computer processing systems. Construction in process includes \$4,996,787 in expenditures for the MVD modernization project to replace the 30 year old vehicle and driver systems. \$7,111,288 of these expenditures was charged to professional services and reclassified as capital outlay.

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

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 7. INTER/INTRA FUND RECEIVABLES AND PAYABLES

Transfers occur between agency funds and governmental funds of the Department for administrative fees that help pay for the operating costs of certain tax programs in accordance with state laws.

The inter-fund receivables and payables (due to and from other funds) reported in the financial statements represent outstanding cash transfers as of June 30, 2014 and are comprised of the following balances:

<u>Fund</u>	<u>Fund Description</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Operating Funds:			
17200	General Fund – Operations	\$ 3,017,593	-
79800	Drive MVD	603,530	-
10690	Native American	-	-
99400	Weight Distance Tax Permit Fee	<u>177,717</u>	<u>-</u>
Total Operating Funds		<u>3,798,840</u>	<u>-</u>
Fiduciary Funds:			
27900	Corporate Income Tax	-	-
64200	PIT (TAA) Suspense	-	-
68000	HazMat Finger Printing Fee	-	-
68100	County & Municipal Gasoline	6,256,350	-
68200	County & Municipal Recreation	-	-
68300	County & Municipal Cigarette	-	-
68400	Small Cities Assistance	3,495,655	-
70900	Local Liquor Excise Tax	6,894	362
71000	Unclaimed Property	196,212	-
71300	Oil & Gas Ad Valorem Prod Tax	44,400,197	-
71500	Ad Valorem Equipment Tax	10,179	-
81900	Income Tax Suspense	-	-
82500	Transportation & MVD Suspense	930,521	2,296,868
82800	Tax Admin Act(TAA) Suspense	-	7,195,238
83000	Delinquency List Suspense	-	519,158
83100	Workers' Compensation Fund	-	143,441
83200	CRS (TAA) Suspense	-	4,529,405
83300	Oil & Gas Accounting Suspense	-	<u>44,410,376</u>
Total Fiduciary Funds		<u>55,296,008</u>	<u>59,094,848</u>
Total Inter-fund Balances		\$ <u>59,094,848</u>	<u>59,094,848</u>

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 8. INTRA-FUND TRANSFERS

Within the agency funds of the Department, tax collections recorded in one agency fund are transferred to and distributed out of another agency fund in accordance with state laws. The balances represent the transfers made during the fiscal year. Since the transfers are between the tax programs and funds, the following amounts are eliminated for combining purposes to avoid any duplication of account balances:

Additions:	
Income tax suspense fund	\$ 368,058,909
Oil and gas suspense funds	193,479,550
(Other) TAA suspense funds	106,886,438
(Other) HazMat fingerprinting fund	-
	<u>\$ 668,424,897</u>
Deductions:	
CRS suspense fund	\$ 366,131,432
Oil and gas accounting suspense fund	193,479,550
TAA suspense fund	7,491,531
Transportation and motor vehicle suspense fund	1,322,384
Total	<u>\$ 668,424,897</u>

NOTE 9. LEASES

Operating Leases. The Department leases facilities and equipment under numerous operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Department's Statement of Net Position. Leases are subject to future appropriation and are cancelable by the Department at the end of each fiscal year. For the year ended June 30, 2014, facilities rental expenditures were \$3,593,494 and equipment rental expenditures were \$572,166.

NOTE 10. LIABILITIES

Current Liabilities. The Department's Governmental Funds total current liabilities at fiscal year-end were \$8,797,437. Accounts payable of \$6,431,804 consists of goods or services received by the Department by June 30, 2014 but paid after June 30, 2014. Accounts payable includes \$1,371,115 for the Department's portion of the FY09 AFSCME arbitration award of back pay to current and former bargaining unit eligible state employees. Accrued payroll of \$1,394,601 consists of payroll expenditures incurred from June 21, 2014 through June 30, 2014 but paid after June 30, 2014. The agency funds owed the general fund \$3,798,840 at June 30, 2014 per the Statement of Fiduciary Assets and Liabilities.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 10. LIABILITIES (CONTINUED)

Compensated Absences. A summary of changes in compensated absences payable for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences payable	\$ <u>2,043,627</u>	<u>4,410,486</u>	<u>(4,304,467)</u>	\$ <u>2,149,646</u>	\$ <u>2,149,646</u>

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

NOTE 11. DUE TO STATE GENERAL FUND (REVERSIONS)

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end. For certain funds, cash recoveries during the fiscal year from stale-dated warrants are also due to the State General Fund. Current year reversions due to the State General Fund as of June 30, 2014 were as follows:

FY14 Reversions:	
Revenue reversions	\$ 54,601
Expenditure reversions	815,649
Special appropriation reversions	<u>40,390</u>
Total FY14 Reversions	910,640
Reversions due the State Land Office	(16,935)
Stale Dated Warrants	<u>1,081</u>
Total due to State General Fund at June 30, 2014	\$ <u>894,786</u>

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 12. 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 are required to contribute 8.92% of their gross salary. The Department is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2014, 2013 and 2012 were \$6,296,138, \$5,348,766, and \$4,797,082, respectively, which equal the amount of the required contributions for each year.

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

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

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

the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3,4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

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

July 1, 2014, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$759,994, \$707,980, and \$656,246, respectively, which equal the required contributions for each year.

NOTE 14. RISK MANAGEMENT

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

NOTE 15. CONTINGENCIES

Federal Grant Programs. The Department participates in numerous federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Department has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectibility of any related receivable as of June 30, 2014, may be impaired.

In the opinion of the Department, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Expenditures disallowed and required to be repaid to the grantor agencies as a result of such audits, if any, would require an appropriation from the State General Fund.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 15. CONTINGENCIES (CONTINUED)

Pending or Threatened Litigation. There are various protests and lawsuits by taxpayers or other parties claiming abatements, refunds and the recovery of unclaimed property in the Department's possession arising from various tax programs administered by the Department. The total dollar amount representing the claims either in protest with the department or pending in state courts is \$156,201,701 for the fiscal year. Management intends to contest all cases vigorously. Any liability would be paid for out of the Department's agency funds.

The Department is also subject to other legal proceedings, claims and liabilities, including employee claims, which arise in the ordinary course of the Department's operations. The litigation is handled through the Department and the State of New Mexico General Services Department, Risk Management Division. In the opinion of the Department's management and in-house legal counsel, the ultimate resolution of the above matters will not have a material adverse impact on the financial position or results of operations of the Department.

NOTE 16. JOINT POWERS AGREEMENTS / MEMORANDUMS OF UNDERSTANDING

The Department has entered into Joint Powers Agreements (JPA) and Memorandums of Understandings (MOU) with numerous New Mexico state agencies, local governments, Tribal entities and other States. These primarily provide for information sharing agreements and database access agreements for Property Tax and Motor Vehicles.

None of these JPA's or MOU's creates a joint venture or ongoing financial interest in another organization. Transactions made pursuant to these agreements are reported by the Department on the modified accrual basis of accounting as general revenues and program expenses. The Schedule of Joint Powers Agreements and Memorandums of Understanding is in the Other Supplementary Information section of this report.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 17. GOVERNMENTAL FUND BALANCES - RESTRICTED AND COMMITTED

The Department's fund balances represent: (1) Restricted Purposes which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. A summary of the nature and purpose of these reserves by fund type at June 30, 2014, follows:

<u>Fund/Program</u>	<u>Laws</u>	<u>Committed Purposes</u>	<u>Restricted Purposes</u>
General Fund:			
Native American Settlement	Laws of 2011, Chapter 179, Section 5, Item 9, \$250,000 non-reverting	213	-
Native American Settlement	Laws of 2014, Chapter 313, Section 5, Item 19, \$50,000 non-reverting	50,000	-
ONGARD Upgrade	Laws of 2014, Chapter 63, Section 7, Item 3, \$6,000,000 through FY16	1,134,151	-
Replace MVD System	Laws of 2014, Chapter 63, Section 7, Item 4, \$8,300,000 through FY15	2,309,219	-
Replace MVD System	Laws of 2013, Chapter 227, Section 7, Item 4, \$8,042,500 through FY15	7,209,167	-
Replace MVD System	Laws of 2014, Chapter 63, Section 7, Item 2, \$12,897,100 through FY16	1,070,358	-
Total General Fund:		<u>11,773,108</u>	-
STB Capital Outlay Fund:			
TRD Equipment	Laws of 2014, Chapter 64, Section 51, \$1,500,000 through FY16	-	-
Total Fund Balance - Committed for Special Appropriations		<u>11,773,108</u>	-
Fund Balance:			
General Fund:			
Financial Responsibility Act	NMSA 1978, Section 66-5-201 and 66-6-23A(5)(e)	-	297,484
EDL - Enhanced Driver's License	NMSA 1978, Section 66-5-44, C	-	2,253,208
Delinquent Property Tax	NMSA 1978, Section 7-38-62	-	9,761,670
PIT Intercept Administration Fees	NMSA 1978, Section 7-2C-12	-	273,223
MVD Non-Reverting Revenues	Laws of 2009, Chapter 156, Section 1 through 7	992,798	1,010,395
Out of State DWI Verification	NMSA 1978, Section 66-5-44, B	-	596,189
Weight Distance Tax Fund 99400	NMSA 1978, 7-15A-14	5,773,985	-
Total General Fund Balance - Restricted / Committed for Subsequent Years' Expenditures		<u>6,766,783</u>	<u>14,192,169</u>
Property Valuation Fund 34800 -			
Loans to Counties	NMSA 1978, 7-35-3(B)	424,222	-
Total Fund Balance		<u>18,964,113</u>	<u>14,192,169</u>

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 18. REVENUES AND OTHER FINANCING SOURCES

General fund revenue and other financing sources reported for the year ended June 30, 2014 consisted of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
Other State Funds:			
Delinquent Property Tax	\$ 5,595,479	-	5,595,479
Workers Comp Assessment	612,672	-	612,672
Alcoholic Beverage Tax	57,395	-	57,395
Unclaimed Property	370,500	-	370,500
Sale of MVD Data	7,098,532	-	7,098,532
Motor Vehicle - Special Plates	139,996	-	139,996
Private Retail Agents	1,016,468	-	1,016,468
Enhanced Drivers License (EDL)	1,685,122	-	1,685,122
Parental Responsibilities	110,035	-	110,035
Provisional License	184,651	-	184,651
Hazmat Fingerprinting	13,808	-	13,808
Financial Responsibilities	3,512,811	-	3,512,811
Motorcycle & Off Highway Registration Fee	295,145	-	295,145
Out of State DWI Verification Interlock	440,400	-	440,400
Weight Distance Tax Administrative Fees	3,551,097	-	3,551,097
Motor Vehicle Admin Fees	3,262,769	-	3,262,769
Interest Income		302	302
Other Admin Fees (PIT & GRT)	6,454,147	-	6,454,147
Misc. Revenue - Program	60,369	-	60,369
Total Other State Funds	34,461,396	302	34,461,698
Other Financing Sources:			
Revenue to operate Native American Fund	606	-	606
Revenue to MVD System Replacement	600,000	-	600,000
Severance Tax Bond Proceeds	-	745,468	745,468
Total Other Financing Sources	600,606	745,468	1,346,074
State General Fund:			
State General Fund Appropriations	54,709,900	-	54,709,900
Special Appropriations	1,179,833	-	1,179,833
Total State General Fund	55,889,733	-	55,889,733
State Land Office Transfers	949,467	-	949,467
Total State Funds	91,901,202	745,770	92,646,972
Federal Funds	1,660,870	-	1,660,870
Total Revenues - GAAP	\$ 93,562,072	745,770	94,307,842

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 19. PRIOR PERIOD RESTATEMENT

The Statement of Net Position includes a prior period restatement of \$5,046,771. This amount is a restatement to increase construction in process as of June 30, 2013. The restatement was caused by not including assets in construction in process that were expensed in prior fiscal years but not placed in service until fiscal year 2014. This created an understatement of capital assets and net position at the government wide financial statements. Below is a schedule of the changes in capital assets and the changes in net position, and the effects of the correction of the error.

	June 30, 2013 As Previously Reported	Restatement	June 30, 2013 As Restated
Capital Assets			
Cost	\$ 31,895,942	5,046,771	\$ 36,942,713
Accumulated Depreciation	(23,484,824)	-	(23,484,824)
Net capital assets	<u>\$ 8,411,118</u>	5,046,771	<u>\$ 13,457,889</u>

As a result of these erroneous recordings of construction in process, the June 30, 2013 beginning net position for the governmental activity was understated by \$5,046,771.

Net position, beginning	\$ 41,254,122
Restatement	<u>5,046,771</u>
Net position, beginning, restated	<u>\$ 46,300,893</u>

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 20. SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement will be effective for the Department in fiscal year 2015. The Department is in the process of evaluating the impact of this pronouncement on its financial statements. GASBS No. 68 will require the Department to record its proportionate share of the unfunded pension plan liabilities in the New Mexico State Retirement System and other plans. Although the amount of the liability is unknown, it is presumed to be material.

In January 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement will be effective for the Department in fiscal year 2015. The Department is in the process of evaluating the impact of this pronouncement on its financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combination includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement will be effective for the Department in fiscal year 2015. The Department is in the process of evaluating the impact (if any) of this pronouncement on its financial statements.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NON-MAJOR FUNDS
Year Ended June 30, 2014**

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

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

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

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

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

	<u>Property</u>	<u>Capital</u>	<u>Total</u>
ASSETS			
Interest in the State Treasurer General Fund			
Investment Pool	\$ 410,480	-	410,480
Receivables:			
Due from other state agencies	31	625,257	625,288
Loans to counties, net	13,711	-	13,711
	<hr/>		
Total assets	\$ 424,222	625,257	1,049,479
	<hr/>		
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	625,257	625,257
	<hr/>		
Total liabilities	-	625,257	625,257
Fund Balances			
Committed for loans to counties	424,222	-	424,222
	<hr/>		
Total fund balances	424,222	-	424,222
	<hr/>		
Total liabilities and fund balances	\$ 424,222	625,257	1,049,479
	<hr/>		

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>Property</u>	<u>Capital</u>	<u>Total</u>
Revenues			
Miscellaneous revenue	\$ 302	-	302
Total revenues	302	-	302
Expenditures			
Current expenditures:			
Operating costs	-	13,309	13,309
Capital outlay	-	732,159	732,159
Total expenditures	-	745,468	745,468
Excess of revenues over expenditures	302	(745,468)	(745,166)
Other Financing Sources (Uses)			
Severance tax bond proceeds	-	745,468	745,468
Net other financing sources (uses)	-	745,468	745,468
Net change in fund balance	302	-	302
Fund balance, June 30, 2013	423,920	-	423,920
Fund balance, June 30, 2014	\$ 424,222	-	424,222

See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
STB CAPITAL OUTLAY FUND 89200
Year Ended June 30, 2014

	STB CAPITAL OUTLAY FUND			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Budgetary Basis Actual Amounts	
	Original	Final		
Revenues				
Severance tax bond proceeds	\$ 745,468	745,468	745,468	-
Total revenues	745,468	745,468	\$ 745,468	-
Fund Balance Budgeted	-	-		
Total revenues and fund balance budgeted	\$ 745,468	745,468		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	745,468	745,468	745,468	-
Other financing uses	-	-	-	-
Total expenditures	\$ 745,468	745,468	745,468	-

See Notes to Financial Statements.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
FIDUCIARY FUND TYPES
Year Ended June 30, 2014**

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

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

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

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
FIDUCIARY FUND TYPES (CONTINUED)
Year Ended June 30, 2014**

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

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
FIDUCIARY FUND TYPES (CONTINUED)
Year Ended June 30, 2014**

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

Collections funds:

- CRS Suspense Funds (Funds 70700 and 83200) – used for the taxes reported through the combined reporting system (CRS), which reports gross receipts taxes, compensating taxes, withholding taxes and leased vehicle surcharges.
- Personal Income Tax Funds (Funds 23600, 64200, 81900 and 82900) – used for reporting personal income taxes.
- Corporate Income Tax (Fund 27900) – used for reporting corporate income taxes, franchise taxes, and past-through entity annual withholding taxes.
- TAA Suspense and Other Funds (Funds 68100, 68200, 68300, 68400, 70900, 82800, 83000 and 83100) – used for reporting gasoline taxes, special fuel taxes, alternative fuel taxes, petroleum products loading fees, water conservation fees, liquor taxes, cigarette taxes, tobacco products taxes, gaming taxes, fiduciary taxes, estate taxes, railroad car tax, worker's compensation fees, 911 emergency surcharges, telecommunications relay service surcharges and delinquent property taxes.
- Motor Vehicle Funds (Funds 82500 and 68000) – used for reporting motor vehicle excise taxes, vehicle registrations, boat registrations and taxes, special fuel taxes paid through IFTA, weight distance taxes, commercial vehicle permits, and motor vehicle / driver penalties.
- Oil and Gas Funds (Funds 23700, 23800, 23900, 71300, 71400, 71500 and 83300) – used for reporting taxes relating primarily to oil and gas, natural gas and other natural resources.

Non-Collection funds:

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

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND TYPE - AGENCY FUNDS
JUNE 30, 2014

ASSETS	Collection Funds						Non-Collection	Eliminations	June 30, 2014
	CRS Suspende	Personal Income Tax Funds	Corporate Income Tax	TAA Suspende / Other	Motor Vehicle	Oil & Gas	Other Funds		Totals
Interest in State General Fund Investment Pool	\$ 419,958,667	63,082,172	78,979,845	83,029,558	25,186,334	156,577,911	5,090,652	-	831,905,139
Cash on hand and in banks	-	-	-	-	3,824,217	-	-	-	3,824,217
Receivables:									
Counties, municipalities and fee agents	3,838,975	-	-	1,225,110	-	-	-	-	5,064,085
Due from state general fund	-	-	-	329,900	-	-	-	-	329,900
Due from other state agencies	-	-	-	-	-	-	-	-	-
Due from taxpayers	471,605,445	80,646,518	67,175,503	49,756,046	20,323,621	346,084,344	-	-	1,035,591,477
Due from other funds	-	-	-	9,758,899	930,521	44,410,376	196,212	(55,296,008)	-
Citations	-	-	-	-	27,394,345	-	-	-	27,394,345
Tax assessments	613,155,324	319,909,628	96,211,970	11,702,331	3,060,439	32,033,340	1,258	-	1,076,074,290
Allowance for uncollectibles	(613,155,324)	(319,909,628)	(96,211,970)	(12,927,441)	(30,454,784)	(32,033,340)	(1,258)	-	(1,104,693,745)
Total assets	\$ 895,403,087	143,728,690	146,155,348	142,874,403	50,264,693	547,072,631	5,286,864	(55,296,008)	1,875,489,708
LIABILITIES									
Accounts Payable	\$ 346	3,352	-	107,602	-	1,044	-	-	112,344
Unidentified tax collections	44,047,425	22,666,546	92,333,238	31,739,221	1,543,349	62,306,511	5,062,126	-	259,698,416
Due to state general fund	575,331,848	120,625,942	53,713,096	30,493,619	11,475,667	153,727,511	-	-	945,367,683
Due to counties and municipalities	257,076,141	-	-	19,910,753	2,678,311	27,669,025	-	-	307,334,230
Due to other state agencies	13,651,126	400,000	-	50,910,970	30,336,281	159,552,351	-	-	254,850,728
Refunds due to taxpayers	-	-	-	1,492,988	1,879,462	99,404,378	139,000	-	102,915,828
Due to other funds	4,529,405	-	-	7,858,199	2,296,868	44,410,376	-	(55,296,008)	3,798,840
Other liabilities - stale dated warrants	766,796	32,850	109,014	361,051	54,755	1,435	85,738	-	1,411,639
Total liabilities	\$ 895,403,087	143,728,690	146,155,348	142,874,403	50,264,693	547,072,631	5,286,864	(55,296,008)	1,875,489,708

See Notes to Financial Statements.

**OTHER SUPPLEMENTARY INFORMATION –
Schedules Required Under 2.2.2 NMAC**

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF GENERAL FUND COMPONENTS - BALANCE SHEET
GENERAL FUNDS
June 30, 2014

	<u>Operating</u>	<u>Weight Distance</u>	<u>Drive MVD</u>	<u>Native American</u>	<u>Total</u>
ASSETS					
Interest in the State Treasurer General Fund					
Investment Pool	\$ 20,025,633	5,629,304	10,821,352	50,213	36,526,502
Cash on hand	25,203	-	-	-	25,203
Receivables:					
Due from federal government	303,505	-	250,625	-	554,130
Loans to counties, net	-	-	-	-	-
Other receivables, net	20,038	-	-	-	20,038
Due from:					
Other funds	3,017,593	177,717	603,530	-	3,798,840
Other state agencies	4,420	310	-	-	4,730
Inventory of supplies	535,316	-	-	-	535,316
Prepaid expenses	29,330	-	-	-	29,330
Total assets	\$ 23,961,038	5,807,331	11,675,507	50,213	41,494,089
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 4,709,538	10,246	1,086,763	-	5,806,547
Accrued payroll	1,371,501	23,100	-	-	1,394,601
Due to other state agencies	25,238	-	-	-	25,238
Due to State General Fund	894,786	-	-	-	894,786
Other Liabilities	51,008	-	-	-	51,008
Total liabilities	7,052,071	33,346	1,086,763	-	8,172,180
Fund Balances					
Nonspendable					
Inventory of supplies	535,316	-	-	-	535,316
Prepaid expenses	29,330	-	-	-	29,330
Restricted					
Committed	14,192,169	-	-	-	14,192,169
Assigned					
Committed	2,126,949	5,773,985	10,588,744	50,213	18,539,891
Assigned	25,203	-	-	-	25,203
Total fund balances	16,908,967	5,773,985	10,588,744	50,213	33,321,909
Total liabilities and fund balances	\$ 23,961,038	5,807,331	11,675,507	50,213	41,494,089

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF GENERAL FUND COMPONENTS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GENERAL FUNDS
Year Ended June 30, 2014

	<u>Operating</u>	<u>Weight Distance</u>	<u>Drive MVD</u>	<u>Native American</u>	<u>Total</u>
Revenues					
Other state funds	\$ 27,002,750	3,556,762	3,901,884	-	34,461,396
Federal funds	1,410,245	-	250,625	-	1,660,870
Total revenues	28,412,995	3,556,762	4,152,509	-	36,122,266
Expenditures					
Current expenditures:					
Personal services and employee benefits	56,717,362	951,117	-	-	57,668,479
Contractual services	8,180,457	569,326	603,233	-	9,353,016
Other costs	15,764,935	48,891	264,050	10,692	16,088,568
Capital outlay	2,607,913	-	6,207,456	-	8,815,369
Total expenditures	83,270,667	1,569,334	7,074,739	10,692	91,925,432
Excess of revenues over expenditures	(54,857,672)	1,987,428	(2,922,230)	(10,692)	(55,803,166)
Other Financing Sources (Uses)					
State General Fund appropriations	54,659,900	-	-	50,000	54,709,900
State General Fund special appropriations	1,179,833	-	-	-	1,179,833
Fund Balance Sources	606	-	600,000	-	600,606
Fund Balance Transfers	(600,000)	-	-	(606)	(600,606)
Transfers from other state agencies	949,467	-	-	-	949,467
Transfers to other state agencies	-	(1,265,590)	-	(606)	(1,266,196)
Reversions to State General Fund - FY14	(893,705)	-	-	-	(893,705)
Reversions to State Land Office - FY14	(16,935)	-	-	-	(16,935)
Net other financing sources (uses)	55,279,166	(1,265,590)	600,000	48,788	54,662,364
Net change in fund balance	421,494	721,838	(2,322,230)	38,096	(1,140,802)
Fund balance, June 30, 2013	16,487,473	5,052,147	12,910,974	12,117	34,462,711
Fund balance, June 30, 2014	\$ 16,908,967	5,773,985	10,588,744	50,213	33,321,909

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF SPECIAL APPROPRIATIONS
Year Ended June 30, 2014

Special Appropriation	Amount Appropriated	Amount Received to Date	Expenditures to Date	Unencumbered Balance	Amount Reverted
General Fund:					
Special appropriation to Taxation & Revenue Department for Native American Settlement, Laws of 2011, Chapter 179, Section 5, Item 9, Non-reverting.	\$ 250,000	250,000	249,787	213	-
Special appropriation to Taxation & Revenue Department for Native American Settlement, Laws of 2014, Chapter 313, Section 5, Item 19, Non-reverting.	50,000	50,000	-	50,000	-
Special appropriation to Taxation & Revenue Department to upgrade tax administration software, Laws of 2012, Chapter 19, Section 7, Item 4, through FY14.	6,230,000	6,230,000	6,189,610	-	40,390
Special appropriation to Taxation & Revenue Department to modernize ONGARD system, Laws of 2012, Chapter 19, Section 7, Item 5. Extended Laws of 2014, Chapter 63, Section 7, Item 3, through FY16.	6,000,000	2,915,100	1,780,948	1,134,151	-
Special appropriation to Taxation & Revenue Department to replace MVD System, Laws of 2009, Chapter 124, Section 5, Item 6. Extended Laws of 2011, Chapter 179, Section 7, Item 2. Extended Laws of 2013, Chapter 227, Section 7, Item 4, through FY15.	8,042,500	8,042,500	833,333	7,209,167	-
Special appropriation to Taxation & Revenue Department to replace MVD System, Laws of 2010, Special Session, Chapter 6, Section 7, Item 3. Extended Laws of 2012, Chapter 19, Section 7, Item 3. Extended Laws of 2014, Chapter 63, Section 7, Item 4, through FY15.	8,300,000	8,300,000	5,990,781	2,309,219	-
Special appropriation to Taxation & Revenue Department for MVD Modernization, Laws of 2014, Chapter 63, Section 7, Item 2, through FY16.	12,897,100	1,070,358	-	1,070,358	-
General Fund Total	41,769,600	26,857,958	15,044,459	11,773,108	40,390
STB Capital Outlay Fund:					
Severance Tax Bond proceeds to Taxation & Revenue Department to purchase equipment, Laws of 2013, Chapter 226, Section 35. Extended Laws of 2014, Chapter 64, Section 51, through FY16	1,500,000	745,468	745,468	-	-
Total Special Appropriations	\$ 43,269,600	27,603,426	15,789,927	11,773,108	40,390

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SUPPLEMENTAL SCHEDULE OF INTER-AGENCY TRANSFERS

Fiscal Year Ended June 30, 2014

Account Transferred to:	Account Transfer to:	Account Transferred from:	Reason for Transfe	Account Transfer from:	Net Amount
Children Youth and Familles Department:					
CYFD-Children's Trust Fund	78000-690	Transportation & MVD Suspense	1	82500-333	\$ 27,250
Department of Cultural Affairs:					
OCA Capital Projects/Laws of 1992	69100-505	CRS TAA Suspense Fund	1	83200-333	363,966
COA/Municipal Event Surcharge	19305-505	TAA Suspense Fund	1	82800-333	5,850
Department of Education:					
Substance Abuse Education	05700-924	Income Tax Suspense Fund	1	81900-333	8,433
Driving Safety Fees	57300-924	Transportation & MVD Suspense	1	82500-333	1,418,706
Lottery Tuition	63700-950	Income Tax Suspense Fund	1	81900-333	6,731
Department of Environment:					
Tire Recycling Fund	02600-667	Transportation & MVD Suspense	1	82500-333	929,870
Water Conservation Fund (WCF)	56700-667	TAA Suspense Fund	1	82800-333	2,472,988
Corrective Action Fund (PPL)	99000-667	TAA Suspense Fund	1	82800-333	18,494,492
Department of Finance and Administration:					
DFA Appropriations - Restitution	85300-341	TRD Restitution Fund	1	23600-333	530
DFA Appropriations - CIT	85300-341	CIT TAA Suspense Fund	1	27900-333	205,702,403
DFA Appropriations - PIT	85300-341	PIT TAA Suspense Fund	1	64200-333	544,389,668
DFA Appropriations - Unclaimed Property	85300-341	Unclaimed Property Susp Fund	1	71000-333	21,516,170
SBOF - State Debt	80000-341	Oil & Gas Ad Valorem Prod Fund	1	71300-333	9,463,247
SBOF - State Debt	80000-341	Copper Production Tax Fund	1	71400-333	203,308
SBOF - State Debt	80000-341	Ad Valorem Equipment Tax Fund	1	71500-333	1,459,919
Juvenile Adjudication Fund	10780-341	Transportation & MVD Suspense	1	82500-333	151,113
Santa Fe 400th Plate	10880-341	Transportation & MVD Suspense	1	82500-333	1,475
Judicial Education Fund	58900-341	Transportation & MVD Suspense	1	82500-333	460,164
DFA Appropriations - MVC	85300-341	Transportation & MVD Suspense	1	82500-333	139,403,423
Enhanced 911 Fund	01700-341	TAA Suspense Fund	1	82800-333	11,836,060
Cancer Research & Treatment Center	23300-341	TAA Suspense Fund	1	82800-333	743,347
Local DWI Grant Fund	56000-341	TAA Suspense Fund	1	82800-333	18,774,959
DFA Appropriations - TAA	85300-341	TAA Suspense Fund	1	82800-333	177,912,775
DFA Appropriations - WKC	85300-341	Workmens' Compensation Fund	1	83100-333	294,320
County-supported Medicaid Fund	02100-341	CRS TAA Suspense Fund	1	83200-333	19,829,846
Small Counties Assistance Fund	73700-341	CRS TAA Suspense Fund	1	83200-333	10,295,556
DFA Appropriations - CRS TAA	85300-341	CRS TAA Suspense Fund	1	83200-333	2,816,214,394
DFA Appropriations - Oil & Gas	85300-341	Oil & Gas Accounting Suspense	1	83300-333	528,463,384
Department of Game & Fish:					
Game & Fish - Intercept Fund	30700-717	Income Tax Suspense Fund	1	81900-333	29,587
Game & Fish-ATV Registration	10840-516	Transportation & MVD Suspense	1	82500-333	629,910
Game Protection Fund - Bass Habitat Program	19800-516	Transportation & MVD Suspense	1	82500-333	5,415
Game Protection Fund - Wildlife Program	30700-516	Transportation & MVD Suspense	1	82500-333	8,420
Department of Human Services					
Child Support Enforcement Fund	97800-630	Income Tax Suspense Fund	1	81900-333	2,489,547
Brain Injury Services Fund	76800-624	Transportation & MVD Suspense	1	82500-333	455,770
Department of Health:					
DOH Breast Cancer Awareness	06100-665	Transportation & MVD Suspense	1	82500-333	16,250
Blood Donor Plate	06105-665	Transportation & MVD Suspense	1	82500-333	400
Children's Eyesight Fund	26104-665	Transportation & MVD Suspense	1	82500-333	52,924
Department of Public Safety:					
Federal Bureau of Investigations	12805-790	Hazmat Finger Printing Fee Fund	1	68000-333	5,124
Department of Tourism:					
National Scenic By-Ways Program	03000-418	Transportation & MVD Suspense	1	82500-333	8,000
Litter Control & Beautification Fund	26200-418	Transportation & MVD Suspense	1	82500-333	1,024,995
Department of Transportation:					
State Road Fund Appropriations	20100-805	Transportation & MVD Suspense	1	82500-333	169,896,464
Recycling & Illegal Dumping Fund	20200-805	Transportation & MVD Suspense	1	82500-333	1,829,004
Local Government Road Fund	20300-805	Transportation & MVD Suspense	1	82500-333	895,340
Motorcycle Training Fund	20600-805	Transportation & MVD Suspense	1	82500-333	133,002
DOT DWI Prevention & Education Program	20700-805	Transportation & MVD Suspense	1	82500-333	511,335
Traffic Safety Education & Enforcement Fund	20800-805	Transportation & MVD Suspense	1	82500-333	273,594
Interlock Device Fund	82600-805	Transportation & MVD Suspense	1	82500-333	511,700
State Road Fund Appropriations	20100-805	TAA Suspense Fund	1	82800-333	199,578,020
Local Government Road Fund	20300-805	TAA Suspense Fund	1	82800-333	18,565,251
State Aviation Fund	20500-805	TAA Suspense Fund	1	82800-333	379,788
Highway Infrastructure Fund	20200-805	CRS TAA Suspense Fund	1	83200-333	5,630,139
Local Government Road Fund	20300-805	CRS TAA Suspense Fund	1	83200-333	1,876,712
State Aviation Fund	20500-805	CRS TAA Suspense Fund	1	83200-333	5,541,676

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SUPPLEMENTAL SCHEDULE OF INTER-AGENCY TRANSFERS

Fiscal Year Ended June 30, 2014

Account Transferred to:	Account Transfer to:	Account Transferred from:	Reason for Transfe	Account Transfer from:	Net Amount
Department of Veterans' Services:					
Veterans National Cemetary	12300-670	Income Tax Suspense Fund	1	81900-333	\$ 12,185
New Mexico VSC/ Enterprise Fund	20490-670	Transportation & MVD Suspense	1	82500-333	46,032
New Mexico VSC/ Armed Forces	78400-670	Transportation & MVD Suspense	1	82500-333	86,592
New Mexico VSC/Enterprise Fund	20490-670	Income Tax Suspense Fund	1	81900-333	3,501
Department of Workforce Solutions					
Unemployment Insurance Benefit Intercept		Income Tax Suspense Fund	1	81900-333	1,000,788
Energy, Minerals & Natural Resources Department:					
EMNRD Parks & Recreation/Vietnam Memorial	20010-521	Income Tax Suspense Fund	1	81900-333	15,096
EMNRD Forest Relief	32100-521	Income Tax Suspense Fund	1	81900-333	12,081
EMNRD - Parks & Recreation	20010-521	TAA Suspense Fund	1	82500-333	397,648
Boat Suspense Fund	77300-521	Transportation & MVD Suspense	1	82500-333	350,072
EMNRD Parks & Recreation	20010-521	TAA Suspense Fund	1	82800-333	140,412
Motor Boat Fuel Tax Fund	30900-521	TAA Suspense Fund	1	82800-333	190,043
NM Youth Conservation Corps Fund	01400-522	CRS TAA Suspense Fund	1	83200-333	3,639,982
EMNRD Capital Projects/ 1994	64600-521	CRS TAA Suspense Fund	1	83200-333	5,095,281
OCD - Oil and Gas Reclamation	31100-521	Oil & Gas Accounting Suspense	1	83300-333	6,247,294
General Services Department:					
Handicapped Phone Access Fund	56500-350	TAA Suspense Fund	1	82800-333	2,796,013
Livestock Board					
NM Livestock/Horse Shelter	12130-508	Income Tax Suspense Fund	1	81900-333	10,477
Military Affairs Department					
Veterans Service/Armed Forces	10580-705	Income Tax Suspense Fund	1	81900-333	9,757
New Mexico Administrative Office of the Courts:					
Admin Office of the Courts	53300-218	Income Tax Suspense Fund	1	81900-333	377,464
Jury & Witness Fee Fund	01200-218	Transportation & MVD Suspense	1	82500-333	754,740
Court Automation Fund	07800-218	Transportation & MVD Suspense	1	82500-333	1,526,000
Magistrate Court Operations Fund	11120-218	Transportation & MVD Suspense	1	82500-333	553,824
Court Facilities Fund	53200-218	Transportation & MVD Suspense	1	82500-333	1,734,978
Local Government Corrections Fund	68800-218	Transportation & MVD Suspense	1	82500-333	2,847,940
New Mexico Retiree Health:					
NM Retiree Health Care Fund	38100-343	CRS TAA Suspense Fund	1	83200-333	23,744,412
Office of the State Treasurer:					
Severance Bonding Fund	41000-394	Oil & Gas Accounting Suspense	1	83300-333	534,528,670
Public Employees Retirement Association:					
PERA - Administration	60600-366	PIT TAA Suspense Fund	1	64200-333	2,400,000
Public Regulation Commission					
Firefighters Survivor Fund	56400-430	Transportation & MVD Suspense	1	82500-333	6,945
Regulation and Licensing Department					
Animal Shelter Fund	20120-420	Transportation & MVD Suspense	1	82500-333	12,175
State Land Office:					
ONGARD/ Oil & Gas Royalty	26400-539	Oil & Gas Accounting Suspense	1	83300-333	339,823
Secretary of the State:					
Public Election Fund	81200-370	Unclaimed Property Susp Fund	1	71000-333	1,200,000
Workers Compensation Administration:					
Workers' Compensation Administration Fund	98200-632	Workers' Compensation Suspense Fund	1	83100-333	12,264,566
					<u>\$ 5,543,537,505</u>

Transfer Purpose

1 Transfer to beneficiary's funds from fiduciary fund as provided by New Mexico Statutes.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>ASSETS</u>				
Interest in State General Fund Investment Pool	\$ 826,896,972	8,562,491,766	8,557,483,599	831,905,139
Cash on hand and in banks	2,661,906	4,209,729	3,047,418	3,824,217
Receivables:				
Counties, municipalities and fee agents	4,072,822	5,064,085	4,072,822	5,064,085
Due from state general fund	182,239,555	329,900	182,239,555	329,900
Due from other state agencies	34,287,890	-	34,287,890	-
Due from other non-agency funds	90,325	-	90,325	-
Due from taxpayers	808,609,419	1,035,591,477	808,609,419	1,035,591,477
Other receivables - stale dated warrants	145,570	-	145,570	-
Citations	25,993,539	1,400,806	-	27,394,345
Tax assessments	1,037,634,103	1,076,074,290	1,037,634,103	1,076,074,290
Allowance for uncollectibles	(1,063,703,273)	1,063,703,273	1,104,693,745	(1,104,693,745)
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Total assets	\$ 1,858,928,828	11,748,865,326	11,732,304,446	1,875,489,708
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<u>LIABILITIES</u>				
Unidentified tax collections	\$ 250,600,393	8,383,007,371	8,373,909,348	259,698,416
Due to state general fund	852,593,630	4,500,137,428	4,407,363,375	945,367,683
Due to counties and municipalities	304,890,197	1,647,409,402	1,644,965,369	307,334,230
Due to other state agencies	217,898,813	1,312,780,735	1,275,828,820	254,850,728
Due to other funds	-	672,223,737	668,424,897	3,798,840
Refunds due to taxpayers	226,737,437	426,154,381	549,975,990	102,915,828
Due to external parties	4,191,593	82,847,594	87,039,187	-
Other liabilities - stale dated warrants	2,016,765	145,570	750,696	1,411,639
Accounts Payable	-	2,150,021	2,037,677	112,344
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 1,858,928,828	17,026,856,239	17,010,295,359	1,875,489,708
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See Notes to Financial Statements.

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF CASH BALANCES
June 30, 2014

Interest in the State General Fund Investment Pool

Account Name	Fund Type	DFA SHARE Acct No.	Bank Balance per State Treasurer	Adjustments Not in SHARE	Balance per Financial Statements
Governmental Funds:					
TRD - Operating Fund	Govt'l	17200 - 333	\$ 20,025,633	-	20,025,633
Property Valuation Fund	S R	34800 - 333	410,480	-	410,480
Native American Fund	S R	10690 - 333	50,213	-	50,213
STB Capital Outlay Fund	Capital	88500 - 333	-	-	-
Drive MVD Fund	Govt'l	79800 - 333	10,821,352	-	10,821,352
Weight Distance Tax Permit Fee Fund	Govt'l	99400 - 333	5,629,304	-	5,629,304
Total governmental funds			36,936,982	-	36,936,982
Fiduciary Funds:					
Restitution Fund	Agency	23600 - 333	94	-	94
Oil & Gas Ad Valorem	Agency	23800 - 333	-	-	-
Corporate Income Tax (CIT)	Agency	27900 - 333	78,979,845	-	78,979,845
Personal Income Tax (PIT)	Agency	64200 - 333	63,113,474	-	63,113,474
HazMat Fingerprinting	Agency	68000 - 333	-	-	-
County & Municipal Gasoline Tax	Agency	68100 - 333	472,008	-	472,008
County & Municipal Cigarette	Agency	68300 - 333	-	-	-
Small Cities Assistance	Agency	68400 - 333	6,475,138	-	6,475,138
Motor Transportation	Agency	70600 - 333	139,000	-	139,000
Local Liquor Excise Tax	Agency	70900 - 333	112,347	-	112,347
Unclaimed Property Suspense Fund	Agency	71000 - 333	4,941,893	-	4,941,893
Oil & Gas Ad Valorem	Agency	71300 - 333	380,266	-	380,266
Ad Valorem Equipment	Agency	71500 - 333	1,044	-	1,044
Income Tax Suspense Fund	Agency	81900 - 333	(31,396)	-	(31,396)
Transportation & Motor Vehicle	Agency	82500 - 333	25,186,334	-	25,186,334
Unidentified Remittances	Agency	82700 - 333	9,759	-	9,759
Enhanced 911 Surcharge	Agency	82800 - 333	71,615,080	-	71,615,080
Delinquency List Suspense	Agency	83000 - 333	3,674,013	-	3,674,013
Worker's Compensation	Agency	83100 - 333	680,972	-	680,972
CRS (TAA) Suspense Fund	Agency	83200 - 333	419,958,667	-	419,958,667
Oil and Gas Accounting	Agency	83300 - 333	156,196,601	-	156,196,601
Total fiduciary funds			831,905,139	-	831,905,139
Total interest in the State General Fund Investment Pool			\$ 868,842,121	-	868,842,121

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF CASH BALANCES
June 30, 2014

Cash in Banks

As of June 30, 2014, reconciled motor vehicle field office cash in banks (checking accounts) totaled \$156,405 as follows:

Name of Depository Bank	Account Name	Balance per Financial Statements	Bank Balance
Western Commerce Bank (Loving)	NM Taxation & Revenue Department	\$ 9,498	9,498
Western Commerce Bank (Tatum)	NM Taxation & Revenue Department	4,738	4,738
Ambank (Bayard)	NM Taxation & Revenue Department	5,299	5,299
The First Natl Bank of New Mexico (Angel Fire)	NM Taxation & Revenue Department	9,842	9,842
The First Natl Bank of New Mexico (Logan)	NM Taxation & Revenue Department	13,686	13,686
The First Natl Bank of New Mexico (Nara Visa)	NM Taxation & Revenue Department	6,411	6,411
Southwest Capital Bank (Pecos)	NM Taxation & Revenue Department	11,771	11,771
First National Bank (Cloudero)	NM Taxation & Revenue Department	7,962	7,962
Farmers & Stockmens Bank (Clayton MVD)	NM Taxation & Revenue Department	24,882	24,882
Farmers & Stockmens Bank (Clayton POE)	NM Taxation & Revenue Department	2,602	2,602
People's Bank (Questa)	NM Taxation & Revenue Department	14,437	14,437
People's Bank (Red River)	NM Taxation & Revenue Department	4,314	4,314
My Bank (Mountainair)	NM Taxation & Revenue Department	5,576	5,576
Western Bank (Lordsburg MVD)	NM Taxation & Revenue Department	17,490	17,490
Western Bank (Lordsburg POE)	NM Taxation & Revenue Department	10,827	10,827
The Citizens Bank of Clovis	NM Taxation & Revenue Department	2,874	2,874
First State Bank (Reserve)	NM Taxation & Revenue Department	4,196	4,196
Total cash in banks		156,405	156,405
Deposits in transit from agents		3,667,812	3,667,812
Outstanding checks and adjustments		-	-
Total cash on hand and in banks		\$ 3,824,217	3,824,217

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

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
AND MEMORANDUMS OF UNDERSTANDING
Year Ended June 30, 2014

Participants	Administrative Agency	Description	Date of Agreement	Amount
TRD/Bernalillo Metro Court	NM TRD	DWI Hearings parking-Law enforcement officers & TRD legal staff	7/6/2011-6/30/2014	Based on rate and usage
DHS-USCIS/MVD	DHS	S.A.V.E. Program-Verification of Immigrants for Public Benefits By Dept of Homeland Security	2/15/2011-Indefinitely	Based on rate and usage
TRD/RLD	NMRLD	Licensing Information Sharing	10/2010-Indefinitely	\$0
TRD/DOH	NMTRD	Process & information sharing for rural healthcare practitioner credits	9/2010-Indefinitely	\$0
TRD/NMSOS	NMSOS	Information sharing of voter registration & UCC	11/2010-Indefinitely	\$0
TRD/NMDPS	NMCMN	Enforcement/collections of weight distance & trip tax	1/2009-6/30/2015	\$386,774
TRD/CNM	NMTRD	Commercial driver license testing	7/2012-Indefinitely	\$0
TRD/NMDWS	TRD/DWS	User access to uFactsb-between Unemployment Bureau & TRD	11/2012-11/6/2015	\$0
TRD/NMGCB	NMTRD	Dissemination of criminal history information on employees subject to the REAL ID Act	10/2012-Indefinitely	\$0
TRD/DFA/LFC-DOT/UNM REGENTS	UNM	Four long-term quarterly forecasts	7/2010-6/30/2014	\$93,966
NM GOVERNORS OFFICE/ TRD/ CYFD/ NMCD/ EXPONM/ HSD/ DOT/ PDD/ DCA/ DWS/ DOH/ DVR/ RLD/ ALTS/ GSD/ CFB/ WCA/ MCMC/ NMENV/ PED/ DoIT/ DPS-MTD	NM GOVERNORS OFFICE	Analysis of collective bargaining agreements, labor relations, training, contract negotiations, etc.	7/2011-Indefinitely	\$250,000
TRD/DMV/NMI/APSPD	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	5/2011-Indefinitely	Based on usage
TRD/DMV/NMI/APSPD/NM HIDT	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	9/2011-Indefinitely	Based on usage
TRD/DMV/NMI/DAVID J. ALDERETE ESQ.	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	1/2012-Indefinitely	Based on usage
TRD/DMV/NMI/ARCA	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	9/17/2011-Indefinitely	Based on usage
TRD/DMV/NMI/AT SCENE INVESTIGATIONS	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	10/21/2011-Indefinitely	Based on usage
TRD/DMV/NMI/Bernalillo Academy	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	11/19/2011-Indefinitely	Based on usage
TRD/DMV/NMI/Big Brothers Big Sisters of NM	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	11/19/2011-Indefinitely	Based on usage
TRD/MVD/NMI/BUDGET TOWING	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	9/17/2011-Indefinitely	Based on usage
TRD/MVD/NMI/CENTRAL CONSOLIDATED SCHOOL DISTRICT	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	8/12/2011-Indef.	Based on usage
TRD/MVD/NMI/CENTRAL REGION EDUCATION COOP	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	9/01/2011-2018	Based on usage

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
AND MEMORANDUMS OF UNDERSTANDING
Year Ended June 30, 2014**

Participants	Administrative Agency	Description	Date of Agreement	Amount
TRD/MVD/NMI/CETRUS AUTO FINANCE LLC	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	2/6/2012-Indefinitely	Based on usage
TRD/MVD/NMI/CHAVES COUNTY	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	10/5/2011-Indefinitely	Based on usage
TRD/MVD/NMI/CIBOLA COUNTY ASSESSORS OFFICE	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	12/2011-Indefinitely	Based on usage
TRD/MVD/NMI/CIMMARON MUNICIPAL SCHOOLS	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	5/2011-Indefinitely	Based on usage
TRD/MVD/NMI/CITY OF BELEN	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	6/2011-Indefinitely	Based on usage
TRD/MVD/NMI/CITY OF GALLUP	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	7/2011-Indefinitely	Based on usage
TRD/MVD/NMI/CITY OF PORTALES	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	5/2011-Indefinitely	Based on usage
TRD/MVD/NMI/CITY OF RIO RANCHO	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	7/2011-Indefinitely	Based on usage
TRD/MVD/NMI/CITY OF TUCUMCARI	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	10/2011-Indefinitely	Based on usage
TRD/MVD/NMI/COUNTY OF CURRY	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	6/2011-Indefinitely	Based on usage
TRD/MVD/NMI/COUNTY OF COLFAX	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	5/2011-Indefinitely	Based on usage
TRD/MVD/NMI/CURRY COUNTY CLERK'S OFFICE	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	3/2012-Indefinitely	Based on usage
TRD/MVD/NMI/DE BACA COUNTY	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	7/2011-Indefinitely	Based on usage
TRD/MVD/NMI/DL PETERSON TRUST	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	10/2011-Indefinitely	Based on usage
TRD/MVD/NMI/LOS LUNAS DOH COMMUNITY PROG.	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	12/2011-12/4/2015	Based on usage
TRD/MVD/NMI/DONA ANA COUNTY	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	5/5/2012-Indefinitely	Based on usage
TRD/MVD/NMI/NMDOT	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	10/5/2011-Indefinitely	Based on usage
TRD/MVD/NMI/EAGLEMARK SAVINGS BANK	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	10/19/2011-Indefinitely	Based on usage

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
AND MEMORANDUMS OF UNDERSTANDING
Year Ended June 30, 2014

Participants	Administrative Agency	Description	Date of Agreement	Amount
TRD/MVD/NMI/EL PARAISO SERVICES	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	11/19/2011-Indefinitely	Based on usage
TRD/MVD/NMI/ENVIROTECH	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	12/2011-Indefinitely	Based on usage
TRD/MVD/NMI/GRIEGO & GUGGINO	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	2/2012-Indefinitely	Based on usage
TRD/MVD/NMI/HERIGAGE HOME HEALTHCARE SERVICE	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	10/18/2011-Indefinitely	Based on usage
TRD/MVD/NMI/HIDALGO COUNTY	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	5/2011-Indefinitely	Based on usage
TRD/MVD/NMI/HIGH DESERT FAMILY SERVICES	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	1/2012-Indefinitely	Based on usage
TRD/MVD/NMI/HYDROPURE TECHNOLOGIES	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	2/5/2012-Indefinitely	Based on usage
TRD/MVD/NMI/LOS ALAMOS COUNTY	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	5/2011-Indefinitely	Based on usage
TRD/MVD/NMI/LOS ALAMOS SCHOOL TRANSIT	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	6/25/2011-Indefinitely	Based on usage
TRD/MVD/NMI/LOS LUNAS SCHOOLS TRANSPORTATION DEPT	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	6/25/2011-Indefinitely	Based on usage
TRD/MVD/NMI/LOS POBLANOS ORGANICS	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	1/20/2012-Indefinitely	Based on usage
TRD/MVD/NMI/MCCARTHY & HOLTHUS	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	12/16/2011-Indefinitely	Based on usage
TRD/MVD/NMI/MORA COUNTY	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	2/2012-Indefinitely	Based on usage
TRD/MVD/NMI/9TH JUDICIAL DISTRICT ATTORNEY'S OFFICE	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	1/26/2012-Indefinitely	Based on usage
TRD/MVD/NMI/NM LOTTERY AUTHORITY	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	10/2011-Indefinitely	Based on usage
TRD/MVD/NMI/NMSU	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	9/2011-Indefinitely	Based on usage
TRD/MVD/NMI/NMSU EH&S	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	10/2011-Indefinitely	Based on usage
TRD/MVD/NMI/OTERO CNTY.	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	3/9/2012-Indefinitely	Based on usage

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
AND MEMORANDUMS OF UNDERSTANDING
Year Ended June 30, 2014

Participants	Administrative Agency	Description	Date of Agreement	Amount
TRD/MVD/NMI/PECOS INDEPENDENT SCHOOLS	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	8/12/2011-Indefinitely	Based on usage
TRD/MVD/NMI/PROGRESSIVE INSURANCE	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	9/29/2011-Indefinitely	Based on usage
TRD/MVD/NMI/JAMES B. RAGAN	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	5/2012-Indefinitely	Based on usage
TRD/MVD/NMI/RIO ARRIBA	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	3/19/2012-Indefinitely	Based on usage
TRD/MVD/NMI/ROY MUNICIPAL SCHOOLS	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	5/2011-Indefinitely	Based on usage
TRD/MVD/NMI/SAN MIGUEL COUNTY	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	5/19/2011-Indefinitely	Based on usage
TRD/MVD/NMI/7TH JUDICIAL DISTRICT ATTORNEY'S OFFICE	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	12/2011-Indefinitely	Based on usage
TRD/MVD/NMI/TAOS COUNTY	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	10/5/2011-Indefinitely	Based on usage
TRD/MVD/NMI/THOMAS MANAGEMENT	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	12/29/2011-Indefinitely	Based on usage
TRD/MVD/NMI/TUCUMCARI PUBLIC SCHOOLS	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	12/29/2011-Indefinitely	Based on usage
TRD/MVD/NMI/VILLAGE OF LOGAN	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	5/11/2011-Indefinitely	Based on usage
TRD/MVD/NMI/VILLAGE OF TIJERAS	NMI	NM Interactive Online User Access-Driver Monitoring, Driver History & Motor Vehicle Records	5/11/2011-Indefinitely	Based on usage
TRD/NMDWS	Both	Claims Information Sharing-TRD/Unemployment Insurance/NMDWS	1/26/2013-Indefinitely	State Legislature Appropriated
TRD/MVD/GSD/TSD	MVD	MVD database access-Undercover & street plate program	2/6/2013-Indefinitely	N/A
TRD/MVD/EASTERN NM ROSWELL UNIVERSITY	MVD	3rd party testing of CDL Applicants	5/16/2013-6/30/2017	N/A
TRD/BERNALILLO COUNTY TREASURER	BCT	Data base access for property tax liens on manufactured homes	2/16/2012-Indefinitely	N/A
TRD/CATRON COUNTY TREASURER	CCT	Data base access for property tax liens on manufactured homes	10/18/2013-Indefinitely	N/A
TRD/MVD/UNM CONTINUING EDUCATION	MVD	None for the Road testing program	7/2012-Indefinitely	Based on usage
TRD/MVD/SAFETY NET WORKS	TRD	Surety bond for VIN Inspections	3/26/2013-Indefinitely	\$0
TRD/MVD/MVD SPECIALISTS	TRD	Surety bond for VIN Inspections	2/28/2013-Indefinitely	\$0
TRD/MVD/Retro: Relive the Route Committee	MVD	Recycled license plates-Float & Wall	2/18/2014-Indefinitely	\$0
TRD/MVD/ASAP MVD	MVD	Super Title Service Co Operations	2/17/2013-11/30/2015	\$0
TRD/MVD/COMPLETE COMPLIANCE SERVICE	MVD	Super Title Service Co Operations	12/17/2013-12/17/2014	\$0
TRD/MVD/COPART OF ARIZONA	MVD	Super Title Service Co Operations	1/2014-1/2015	\$0

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
AND MEMORANDUMS OF UNDERSTANDING
Year Ended June 30, 2014

Participants	Administrative Agency	Description	Date of Agreement	Amount
TRD/MVD/NMIADA	MVD	Super Title Service Co Operations	1/2014-1/2015	\$0
TRD/MVD/RAPID MVD SERVICES	MVD	Super Title Service Co Operations	12/16/2013-11/30/2015	\$0
TRD/MVD/ROADRUNNER MVD	MVD	Super Title Service Co Operations	12/2013-11/30/2015	\$0
TRD/MVD/UNM CONTINUING EDUCATION	MVD	DWI Prevention Program	6/10/2010-6/30/2014	\$0
TRD/MVD/CHAVES COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	7/30/2012-Indefinitely	N/A
TRD/MVD/COLFAX COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	2/8/2012-Indefinitely	N/A
TRD/MVD/CURRY COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	2/16/2012-Indefinitely	N/A
TRD/MVD/DONA ANA COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	2/8/2012-Indefinitely	N/A
TRD/MVD/EDDY COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	2/8/2012-Indefinitely	N/A
TRD/MVD/GRANT COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	12/29/2011-Indefinitely	N/A
TRD/MVD/HARDING COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	12/29/2011-Indefinitely	N/A
TRD/MVD/HIDALGO COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	8/8/2013-Indefinitely	N/A
TRD/MVD/LEA COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	2/8/2012-Indefinitely	N/A
TRD/MVD/LINCOLN COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	5/18/2012-Indefinitely	N/A
TRD/MVD/LOS ALAMOS COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	4/16/2012-Indefinitely	N/A
TRD/MVD/MCKINLEY COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	3/2012-Indefinitely	N/A
TRD/MVD/OTERO COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	2/8/2012-Indefinitely	N/A
TRD/MVD/QUAY COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	2/29/2011-Indefinitely	N/A
TRD/MVD/RIO ARRIBA COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	7/5/2012-Indefinitely	N/A
TRD/MVD/ROOSEVELT COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	5/23/2013-Indefinitely	N/A
TRD/MVD/SAN JUAN COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	5/23/2013-Indefinitely	N/A
TRD/MVD/SAN MIGUEL COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	2/21/2013-Indefinitely	N/A
TRD/MVD/SANDOVAL COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	12/2011-Indefinitely	N/A
TRD/MVD/SANTA FE COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	12/2011-Indefinitely	N/A
TRD/MVD/SIERRA COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	12/2011-Indefinitely	N/A
TRD/MVD/SOCORRO COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	2/8/2012-Indefinitely	N/A
TRD/MVD/TAOS COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	2/8/2012-Indefinitely	N/A
TRD/MVD/TORRANCE COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	2/8/2012-Indefinitely	N/A

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
AND MEMORANDUMS OF UNDERSTANDING
Year Ended June 30, 2014**

Participants	Administrative Agency	Description	Date of Agreement	Amount
TRD/MVD/VALENCIA COUNTY TREASURER	MVD	Data base access for property tax liens on manufactured homes	2/8/2012-Indefinitely	N/A
HSD/TRD	Both	Information exchange, interface, data transfer agreement	4/2014-4/2017	N/A
TRD/Pueblo of Cochiti	TRD	Information Exchange Agreement	12/2006-Indefinitely	N/A
TRD/STATE OF TEXAS	BOTH	Exchange of Tax Related Information	4/22/1985-Indefinitely	\$0
TRD/STATE OF UTAH	BOTH	Exchange of Tax Related Information	10/31/1989-Indefinitely	\$0
TRD/STATE OF VERMONT	BOTH	Exchange of Tax Related Information	7/25/1985-Indefinitely	\$0
TRD/LOS ALAMOS NATIONAL SECURITY, LLC. (LANL)	TRD	Filing Agreement	12/2013-12/30/2017	\$0
TRD/NM Dept of Workforce Solutions	BOTH	Information Sharing-Unemployment Insurance Bureau	2/2013-2/2017	State Legislature Appropriated
TRD/STATE OF VIRGINIA	BOTH	Exchange of Tax Related Information	6/26/1985-Indefinitely	\$0
TRD/STATE OF WASHINGTON	BOTH	Exchange of Tax Related Information	3/26/1984-Indefinitely	\$0
TRD/STATE OF WISCONSIN	BOTH	Exchange of Tax Related Information	7/1/1985-Indefinitely	\$0
TRD/STATE OF WYOMING	BOTH	Exchange of Tax Related Information	9/27/2005-Indefinitely	\$0
TRD/Jicarilla Apache Nation	TRD	Gasoline Taxes within Tribal Lands	11/2003-Indefinitely	\$0
TRD/Laguna Pueblo	TRD	Gasoline Taxes within Tribal Lands	10/2006-Indefinitely	\$0
TRD/NMDOT/Nambe Pueblo	TRD	Gasoline Taxes within Tribal Lands	2/2006-Indefinitely	\$0
TRD/Navajo Tax Commission	TRD	Exchange of Tax Related Information	3/2004-Indefinitely	\$0
TRD/Santo Domingo Tribe	TRD	Gasoline Taxes within Tribal Lands	2/2004-Indefinitely	\$0
TRD/Pueblo of Zuni	TRD	Information Sharing Agreement (JPA)	10/1999-Indefinitely	\$0
TRD/TTB	TRD	Disclosure of Federal Returns regarding Alcohol & Tobacco Sales Tax	2/2008-Indefinitely	\$0
TRD/Workman's Compensation Administration	BOTH	Information Sharing Agreement	5/1993-Indefinitely	\$0
TRD/ASBDCCNM	TRD	Classroom space for tax workshops	8/2014-6/2015	N/A
TRD/MVD/NMDPS	Both	Salaries for special operations at ports-of-entries and license plate reader maintenance	10/2010-6/30/2015	\$400,000
TRD/MVD/NMDPS	MVD	Automated Finger I.D. System Background Check	11/2013-11/5/2016	\$0
TRD/MVD/NMDOT	MVD	\$25.00 license plate fee for Route 66 Historic Preservation Fund	3/2007-Indefinitely	\$0
TRD/MVD/CNM	MVD	3rd party testing of CDL Applicants	7/2013-6/30/2017	\$0
TRD/MVD/DONA ANA COMMUNITY COLLEGE	MVD	3rd party testing of CDL Applicants	7/2013-6/30/2017	\$0
TRD/MVD/F.B.I.	MVD	F.A.C.E. Data base access	5/8/2013-Indefinitely	\$0
TRD/MVD/EASTERN UNIVERSITY OF NM	MVD	3rd party testing of CDL Applicants	2/2012-Indefinitely	\$0
TRD/MVD/NM JR College in Hobbs	MVD	3rd party testing of CDL Applicants	5/2013-6/30/2017	\$0
TRD/MVD/NMDOT	MVD	3rd party testing of CDL Applicants	6/20/2013-6/30/2017	\$0
TRD/MVD/Operating Engineers	MVD	3rd party testing of CDL Applicants	5/20/2013-6/30/2017	\$0
TRD/MVD/NM PUBLIC EDUCATION DEPT	MVD	3rd party testing of CDL Applicants	6/2013-6/30/2017	\$0
TRD/MVD/SAN JUAN COMMUNITY COLLEGE	MVD	3rd party testing of CDL Applicants	6/2013-6/30/2017	\$0
TRD/MVD/NM PUBLIC EDUCATION DEPT	MVD	3rd party testing of CDL Applicants	7/2013-6/30/2017	\$0
TRD/MVD/A-ADVANCE DRIVING SCHOOL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/A+DRIVING SCHOOL	MVD	Driver Tester Agreement	7/16/2012-Indefinitely	\$0

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
AND MEMORANDUMS OF UNDERSTANDING
Year Ended June 30, 2014

Participants	Administrative Agency	Description	Date of Agreement	Amount
TRD/MVD/ABC DRIVERS ED.	MVD	Driver Tester Agreement	8/8/2012-Indefinitely	\$0
TRD/MVD/ABC TIERRA ENCANTADA	MVD	Driver Tester Agreement	9/4/52012-Indefinitely	\$0
TRD/MVD/ALBUQUERQUE DRIVING SCHOOL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/ACHIEVEMENT DRIVING SCHOOL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/ADVANCED DRIVING SCHOOL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/ALBUQUERQUE JOB CORPS	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/ARTESIA PUBLIC SCHOOLS	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/BEST PRICE DRIVING SCHOOL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/BRADLEY SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/CADILLAC SCHOOL OF DRIVING	MVD	Driver Tester Agreement	8/13/2013-Indefinitely	\$0
TRD/MVD/CHAMISA SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/COACH AL'S DRIVING SCHOOL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/COACH'S SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/CRASH COUSE DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/DRIVE TECH ALBUQUERQUE	MVD	Driver Tester Agreement	3/12/2013-Indefinitely	\$0
TRD/MVD/DRIVE TECH DRIVER'S ED	MVD	Driver Tester Agreement	2/22/2014-Indefinitely	\$0
TRD/MVD/DRIVE TECH SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/DRIVING TO INDEPENDENCE	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/EXCEL DRIVING SCHOOL, LLC	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/GARLEY'S DRIVING SCHOOL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/GT3 SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/JENKINS DRIVER'S ED	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/LARRABEE'S SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/LTD SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/MCGINNIS SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/MI TIERRA	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/NM ACADEMY OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/NM JUNIOR COLLGE	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/NM STATE UNIVERSITY CARLSBAD	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/NORTH RIO GRANDE DRIVER'S SCHOOL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/PORTALES SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/26/2013-Indefinitely	\$0
TRD/MVD/PREMIER SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/26/2012-Indefinitely	\$0
TRD/MVD/PROFORCE ACADEMY	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/ROCKY MTN TRAINING SERVICES	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/JOB CORPS ROSWELL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/SIERRA DRIVING SCHOOL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/STATE SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/STREET SMART DRIVING SCHOOL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/T&R SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/TJ MCGINNIS SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/TEPPSCO	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
AND MEMORANDUMS OF UNDERSTANDING
Year Ended June 30, 2014

Participants	Administrative Agency	Description	Date of Agreement	Amount
TRD/MVD/THE WRIGHT WAY SCHOOL OF DRIVING	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/TLC DEFENSIVE DRIVING SCHOOL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/TURNER'S DRIVING SCHOOL	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/XLR8	MVD	Driver Tester Agreement	9/4/2012-Indefinitely	\$0
TRD/MVD/CITY OF AZTEC	MVD	Motor Vehicle Service Provider	5/25/2014-5/24/2018	\$0
TRD/MVD/CITY OF DEMING	MVD	Motor Vehicle Service Provider	5/20/2010-5/20/2014	\$0
TRD/MVD/CITY OF HOBBS	MVD	Motor Vehicle Service Provider	3/29/2014-3/28/2018	\$0
TRD/MVD/CITY OF BAYARD	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/CITY OF BERNALILLO	MVD	Motor Vehicle Service Provider	1/9/2013-1/8/2017	\$0
TRD/MVD/CITY OF BLOOMFIELD	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/CITY OF EUNICE	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/CITY OF HOBBS	MVD	Motor Vehicle Service Provider	3/29/2014-3/28/2018	\$0
TRD/MVD/CITY OF MELROSE	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/CITY OF RIO RANCHO	MVD	Motor Vehicle Service Provider	3/25/2012-3/26/2016	\$0
TRD/MVD/EDDY COUNTY	MVD	Motor Vehicle Service Provider	3/6/2012-3/5/2016	\$0
TRD/MVD/DEXTER COUNTY	MVD	Motor Vehicle Service Provider	1/9/2013-1/8/2017	\$0
TRD/MVD/ESTANCIA CNTY	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/HATCH COUNTY	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/JAL COUNTY	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/KIRTLAND AFB	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/VILLAGE OF LOVING	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/VILLAGE OF LOVINGTON	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/MORA COUNTY	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/MOUNTAINAIR	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/SANTA ROSA	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/CARRIZOZO	MVD	Motor Vehicle Service Provider	3/6/2012-3/5/2016	\$0
TRD/MVD/RED RIVER	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/TATUM	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/ANGEL FIRE	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/VILLAGE OF CHAMA	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/CLOUDCROFT	MVD	Motor Vehicle Service Provider	1/15/2013-1/2017	\$0
TRD/MVD/VILLAGE OF CORONA	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/VILLAGE OF CUBA	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/FORT SUMNER	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/JEMEZ SPRINGS	MVD	Motor Vehicle Service Provider	8/8/2012-8/8/2016	\$0
TRD/MVD/VILLAGE OF LOGAN	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/VILLAGE OF PECOS	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/VILLAGE OF QUESTA	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/VILLAGE OF ROY	MVD	Motor Vehicle Service Provider	7/20/2010-7/20/17	\$0
TRD/MVD/VILLAGE OF TIJERAS	MVD	Motor Vehicle Service Provider	12/26/2012-12/25/2016	\$0
TRD/MVD/VILLAGE OF TULAROSA	MVD	Motor Vehicle Service Provider	3/21/2013-3/21/2017	\$0

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
AND MEMORANDUMS OF UNDERSTANDING
Year Ended June 30, 2014

Participants	Administrative Agency	Description	Date of Agreement	Amount
TRD/MVD/WAGON MOUND	MVD	Motor Vehicle Service Provider	12/26/2012-12/26/2016	\$0
TRD/MVD/WHITE SANDS	MVD	Motor Vehicle Service Provider	12/26/2012-12/26/2016	\$0
TRD/STATE OF ALABAMA	BOTH	Exchange of Tax Related Information	3/31/1992-Indefinitely	\$0
TRD/STATE OF ALASKA	BOTH	Exchange of Tax Related Information	9/16/1982-Indefinitely	\$0
TRD/STATE OF ARIZONA	BOTH	Exchange of Tax Related Information	5/27/1985-Indefinitely	\$0
TRD/MVD/STATE OF ARIZONA DEPT OF TRANS	BOTH	Exchange of Tax Related Information	7/8/1993-Indefinitely	\$0
TRD/STATE OF ARKANSAS	BOTH	Exchange of Tax Related Information	9/16/1982-Indefinitely	\$0
TRD/CALIFORNIA EQUALIZATION	BOTH	Exchange of Tax Related Information	6/5/1985-Indefinitely	\$0
TRD/CALIFORNIA FRANCHISE	BOTH	Exchange of Tax Related Information	6/5/1985-Indefinitely	\$0
TRD/STATE OF COLORADO	BOTH	Exchange of Tax Related Information	9/17/1982-Indefinitely	\$0
TRD/STATE OF CONNECTICUT	BOTH	Exchange of Tax Related Information	1/3/2002-Indefinitely	\$0
TRD/STATE OF DELAWARE	BOTH	Exchange of Tax Related Information	2/3/1998-Indefinitely	\$0
TRD/DISTRICT OF COLUMBIA	BOTH	Exchange of Tax Related Information	11/12/1982-Indefinitely	\$0
TRD/STATE OF FLORIDA	BOTH	Exchange of Tax Related Information	3/7/2003-Indefinitely	\$0
TRD/STATE OF HAWAII	BOTH	Exchange of Tax Related Information	9/30/1982-Indefinitely	\$0
TRD/STATE OF IDAHO	BOTH	Exchange of Tax Related Information	4/25/1985-Indefinitely	\$0
TRD/STATE OF ILLINOIS	BOTH	Exchange of Tax Related Information	7/15/1985-Indefinitely	\$0
TRD/STATE OF INDIANA	BOTH	Exchange of Tax Related Information	9/8/1999-Indefinitely	\$0
TRD/STATE OF IOWA	BOTH	Exchange of Tax Related Information	4/1/1991-Indefinitely	\$0
TRD/STATE OF KANSAS	BOTH	Exchange of Tax Related Information	9/16/1982-Indefinitely	\$0
TRD/STATE OF KENTUCKY	BOTH	Exchange of Tax Related Information	1/4/1999-Indefinitely	\$0
TRD/STATE OF LOUISIANA	BOTH	Exchange of Tax Related Information	6/14/1996-Indefinitely	\$0
TRD/STATE OF MAINE	BOTH	Exchange of Tax Related Information	11/12/1985-Indefinitely	\$0
TRD/STATE OF MARYLAND	BOTH	Exchange of Tax Related Information	8/2/1999-Indefinitely	\$0
TRD/STATE OF MASSACHUSETTS	BOTH	Exchange of Tax Related Information	8/2/1999-Indefinitely	\$0
TRD/STATE OF MICHIGAN	BOTH	Exchange of Tax Related Information	11/12/1982-Indefinitely	\$0
TRD/STATE OF MINNESOTA	BOTH	Exchange of Tax Related Information	5/11/1984-Indefinitely	\$0
TRD/STATE OF MISSISSIPPI	BOTH	Exchange of Tax Related Information	7/5/1985-Indefinitely	\$0
TRD/STATE OF MISSOURI	BOTH	Exchange of Tax Related Information	5/14/1991-Indefinitely	\$0
TRD/STATE OF MONTANA	BOTH	Exchange of Tax Related Information	12/10/1982-Indefinitely	\$0
TRD/STATE OF NEBRASKA	BOTH	Exchange of Tax Related Information	11/4/1982-Indefinitely	\$0
TRD/NEVADA DMV	BOTH	Exchange of Tax Related Information	12/1/1995-Indefinitely	\$0
TRD/STATE OF NEVADA	BOTH	Exchange of Tax Related Information	11/26/1996-Indefinitely	\$0
TRD/STATE OF NEW HAMPSHIRE	BOTH	Exchange of Tax Related Information	5/26/1985-Indefinitely	\$0
TRD/STATE OF NEW JERSEY	BOTH	Exchange of Tax Related Information	5/29/1987-Indefinitely	\$0
TRD/STATE OF NEW YORK	BOTH	Exchange of Tax Related Information	12/22/2005-Indefinitely	\$0
TRD/STATE OF N.CAROLINA	BOTH	Exchange of Tax Related Information	3/19/1984-Indefinitely	\$0
TRD/STATE OF N.DAKOTA	BOTH	Exchange of Tax Related Information	6/1/2002-Indefinitely	\$0
TRD/STATE OF OHIO	BOTH	Exchange of Tax Related Information	3/13/1997-Indefinitely	\$0
TRD/STATE OF OKLAHOMA	BOTH	Exchange of Tax Related Information	6/28/1996-Indefinitely	\$0
TRD/STATE OF OREGON	BOTH	Exchange of Tax Related Information	9/11/1985-Indefinitely	\$0

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
AND MEMORANDUMS OF UNDERSTANDING
Year Ended June 30, 2014

Participants	Administrative Agency	Description	Date of Agreement	Amount
TRD/STATE OF PENNSYLVANIA	BOTH	Exchange of Tax Related Information	9/11/1985-Indefinitely	\$0
TRD/STATE OF RHODE ISLAND	BOTH	Exchange of Tax Related Information	5/28/1985-Indefinitely	\$0
TRD/STATE OF S.CAROLINA	BOTH	Exchange of Tax Related Information	12/16/1983-Indefinitely	\$0
TRD/STATE OF S.DAKOTA	BOTH	Exchange of Tax Related Information	10/26/1983-Indefinitely	\$0
TRD/STATE OF TENNESSEE	BOTH	Exchange of Tax Related Information	6/3/1985-Indefinitely	\$0
TRD/SLO/EMNRD	TRD	Shared responsibility of the ONGARD System	9/25/1990-Indefinitely	***
*** The Tri-Agencies are responsible for the ONGARD Service Center and all expenses as allocated by the NM State Legislature				

SINGLE AUDIT

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Pass-Through Identifying Number	Federal Participating Expenditures
U.S. Department of Interior Audits of Oil and Gas Leases	15.427	N/A	\$ 1,256,544
U.S. Department of Transportation CDL Project and Administration	20.232	N/A	213,285
Federal/State Motor Fuel Tax Compliance	20.240	MFTE011	416
			<u>213,701</u>
U.S. Department of Homeland Security Driver's License Security Grant Program	97.089	N/A	190,625
Total Expenditures of Federal Awards			<u><u>\$ 1,660,870</u></u>

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Taxation and Revenue Department under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position, changes in net position or cash flow of the Department.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting which is described in Note 2 to the Department's governmental fund financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. NON-CASH ASSISTANCE

The Department did not receive any Federal non-cash assistance in fiscal year 2014.



CliftonLarsonAllen

CliftonLarsonAllen LLP
500 Marquette NW, Suite 800
Albuquerque, NM 87102
505-842-8290 | fax 505-842-1568
www.cliftonlarsonallen.com

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

Demesia Padilla, Cabinet Secretary
Honorable Susana Martinez, Governor
Hector H. Balderas, New Mexico State Auditor
New Mexico Taxation and Revenue Department
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, each major fund, the aggregate remaining fund information and the budgetary comparison of the general fund of the New Mexico Taxation and Revenue Department (Department) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and the combining and individual funds and related budgetary comparison of the Department presented as supplementary information, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider

the deficiency described in the accompanying Schedule of Findings and Questioned Costs as number 2014-004 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as number 2009-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2009-001, 2013-001, 2013-003, 2014-001, 2014-002, and 2014-003.

The Department's Response to Findings

The Department's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

CliftonLarsonAllen LLP



Albuquerque, New Mexico
December 9, 2014



CliftonLarsonAllen

CliftonLarsonAllen LLP
500 Marquette NW, Suite 800
Albuquerque, NM 87102
505-842-8290 | fax 505-842-1568
www.cliftonlarsonallen.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE WITH OMB
CIRCULAR A-133**

Demesia Padilla, Cabinet Secretary
Honorable Susana Martinez, Governor
Hector H. Balderas, New Mexico State Auditor
NM Taxation and Revenue Department
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited New Mexico Taxation and Revenue Department's (Department) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2014. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instances of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

The Department's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Finding 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.

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 OMB Circular A-133, 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 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-005, which 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 Quested Costs. The Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 9, 2014

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014**

09-01	Information Technology – User Account and Identity Management	Repeated and Modified – renumbered as 2009-001
09-02	Internal Control Monitoring for Tax Systems	Repeated and Modified – renamed to “Internal Control Monitoring for MVD Tax Distributions” – renumbered as 2009-002
13-01	Information Technology – ONGARD Controls	Repeated and Modified – renumbered as 2013-001
13-02	Information Technology – GenTax Controls	Resolved
13-03	Information Technology – Overall IT Controls	Repeated and Modified – renumbered as 2013-003

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(s) identified? Yes None Reported

Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant deficiency(s) identified? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
15.427	US Department of Interior – Audits of Oil and Gas Leases

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee? Yes No

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2009-002 Internal Control Monitoring for MVD Tax Distributions (Significant Deficiency) Repeated and Modified

CONDITION

The Department has a number of control activities to ensure the MVD driver and vehicle information technology systems it operates produces accurate and reliable information. There are only limited monitoring activities to ensure that these controls operate as intended. During our procedures over tax distributions, we noted a lack of documentation over the reconciliation and review process for MVD tax distributions.

CRITERIA

A sound system of internal controls requires the periodic monitoring of control activities to ensure that the controls are operating effectively. This includes a coordinated, risk based, overall monitoring to ensure that controls and control systems that have been put in place continue to operate effectively.

EFFECT

The lack of periodic internal review could result in incorrect distributions to beneficiaries or other errors in the tax distribution processing. Since the process is automated, errors could be repeated and compounded.

CAUSE

The Department does not have a formalized process in place to review its system of internal controls over the receipts and distributions made by the MVD driver and vehicle information technology systems and the allocation of the distributions to the beneficiaries.

RECOMMENDATION

We recommend that the Department develop formal policies and procedures for periodic monitoring of the internal control activities over the MVD systems' receipts and distributions to beneficiaries and the related allocations.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

2009-002 Internal Control Monitoring for MVD Tax Distributions (Significant Deficiency) Repeated and Modified (Continued)

RECOMMENDATION (CONTINUED)

The nature, extent and timing of periodic monitoring should be determined based on a risk assessment by the Department. We believe that Internal Audit, which is tasked by the organization to assess risk and ensure controls within the organization are operating effectively, should drive the process of monitoring the tax distributions. We believe that some level of monitoring should occur each time there is a tax rate change (January 1 and July 1), change in statute that could affect the either receipt or distribution, and when a system upgrade occurs. The monitoring should include a coordinated, risk based approach to testing the operating effectiveness of key controls and processes.

We also recommend transactional testing for certain attributes to ensure the mathematical correctness of the distributions. Transactional testing should include testing the input and the output of the MVD driver and vehicle information technology systems in a test environment. Internal Audit, Distributions, and IT should work together to walk through the transactions selected for testing from the point at which a receipt is entered in the system until the distribution occurs.

MANAGEMENT RESPONSE

Internal Audit will work with Financial Distributions and IT to develop a coordinated risk based approach for periodic monitoring of tax distributions and to independently validate that transactions are authorized, approved and accurate.

The Department is actively engaged in the process of replacing the 30 year old MVD driver and vehicle information technology systems as part of the MVD System Re-engineering Project (Tapestry). There will be no more changes to the current systems while the implementation of Tapestry is in process. The new Tapestry system will be in production in September 2016.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

2009-001 Information Technology – MVD/MVD2 Controls (Non-Compliance in Accordance with New Mexico State Audit Rule) Repeated and Modified

CONDITION

During our procedures over the MVD/MVD2 information technology system, we noted there are no formal system development and change management policies and procedures in place for system upgrades and system changes for Webfile and MVD/MVD2.

CRITERIA

Per State of NM Statewide Guideline “Enterprise IT Security Policy”, S-GUIDE-002.003, “the State of New Mexico shall securely and economically protect its business functions including public access to appropriate information and resources, while maintaining compliance with legal requirements established by existing Federal and State statutes pertaining to confidentiality privacy, accessibility, availability, and integrity.”

In accordance with ISACA’s Control Objectives for Information and related Technology (COBIT) framework, a change management process (AI6 and AI7) includes controls that provide reasonable assurance that system changes of financial reporting significance are authorized, appropriately tested before being moved to production and that segregation of duties exist between IT staff responsible for moving a system change into production and the IT staff involved in the development.

EFFECT

With the absence of formalized change management policy and the other required processes for change management, there is an increased risk of unauthorized or incorrect modification in the MVD/MVD2.

CAUSE

The Department does not have formalized procedures in place to approve, test, and review system changes.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

2009-001 Information Technology – MVD/MVD2 Controls (Non-Compliance in Accordance with New Mexico State Audit Rule) Repeated and Modified (Continued)

RECOMMENDATION

We recommend the system development process should be documented as evidence that system changes are carefully designed and configured to ensure financial statement transactions and financial reports continue to be accurate and complete after MVD/MVD2 system changes are implemented. It is recommended to create an official documented policy that is accessible to all relevant groups to manage system developments and changes, including documentation of test procedure and results. We also recommend that the Department review who in IT has the ability to promote production code and ensure that segregation of duties is being enforced.

MANAGEMENT'S RESPONSE

The Department is actively engaged in the process of replacing the 30 year old MVD driver and vehicle information technology systems as part of the MVD System Re-engineering Project (Tapestry). There will be no more changes to the current systems while the implementation of Tapestry is in process. The new Tapestry system will be in production in September 2016.

Short-term Solution - The current process involves the use of email as change management documentation. When a system upgrade or fix is to be implemented, an email approving the migration into production is sent from MVD Management. The Department will look into a hard copy form that will contain signatures from the users.

Long-term Solution – A formal system development and change management process has been implemented as part of the Tapestry project, which began in June 2014. The new approval process (which is the same as the process already in place in the GenTax Bureau) ensures segregation of duties. All system change requests are documented by the end users or developers in the Fast Code Repository system (FCR). System changes are tracked throughout the change management lifecycle (from initiation through development, testing and implementation) in FCR. At the required stages written approval is documented in the FCR system. From a physical aspect, Code change/development is completed by the developers. Code changes that are completed are reviewed and approved by management to be moved into production. Once approved, the physical changes are systematically moved into production. The Tapestry system will consist of four separate environments:

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

2009-001 Information Technology – MVD/MVD2 Controls (Non-Compliance in Accordance with New Mexico State Audit Rule) Repeated and Modified (Continued)

MANAGEMENT’S RESPONSE (CONTINUED)

Development – Developers have the authority to make code changes in this environment. All revision levels and code changes are tracked in Microsoft Team Foundation Server (TFS).

Test – Developers have the authority to migrate code changes into the Test environment.

Staging – Developers have no authority to make changes in the Staging Environment. All code changes must be approved and migrated from Test into Staging by a member of the management team and Systems Support Unit management.

Production - Developers have no authority to make changes in the Production Environment. All code changes must be approved by a member of the management team. The code changes are then moved from Staging into production systematically by the System Support unit.

2013-001 Information Technology – ONGARD Controls (Non-Compliance in Accordance with New Mexico State Audit Rule) Repeated and Modified

CONDITION

During our procedures over the ONGARD information technology system, we noted that due to ONGARD not being transactional in nature, the last transaction log is permanently recorded in a transaction log meaning that only the last change is available if auditing is necessary. If a new change occurs, the prior history of the change is overwritten.

CRITERIA

Per State of NM Statewide Guideline “Enterprise IT Security Policy”, S-GUIDE-002.003, “the State of New Mexico shall securely and economically protect its business functions including public access to appropriate information and resources, while maintaining compliance with legal requirements established by existing Federal and State statutes pertaining to confidentiality privacy, accessibility, availability, and integrity.”

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-001 Information Technology – ONGARD Controls (Non-Compliance in Accordance with New Mexico State Audit Rule) Repeated and Modified (Continued)

EFFECT

Without a way to track and determine the status of data changed in ONGARD, there is potential that failures in data changes or unauthorized changes get overlooked.

CAUSE

Structure of existing database prevents strong audit trail.

RECOMMENDATION

We recommend that ONGARD be modernized to provide the ability to track history of data changes.

MANAGEMENT'S RESPONSE

The Department, the State Land Office, and the Department of Energy, Minerals and Natural Resources are actively engaged in the process of replacing the 25 year old ONGARD information technology system. There will be no more changes to the current systems until the implementation of the system upgrade is completed in 2016.

A contract has been executed with Mathtech Inc. (contract #18078 TR15-33) to engage in the Business Process Analysis and documentation of all the current business processes in the ONGARD system. The engagement of Mathtech will commence in December 2014. Concurrent with this process, the tri-agency consortium has submitted a C2 request and is engaged in the C2 process to convince the legislature to fund the ONGARD replacement system in fiscal year 2016. Moreover, the tri-agencies are actively meeting with members of the oil and gas community in other states to determine what vendor solutions might be available. Once the Business Process Analysis is complete, TRD will issue an RFI to further explore industry solutions. Once the RFI analysis of the marketplace is complete, TRD will issue an RFP to the appropriate vendor community.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-003 Information Technology – Overall IT Controls (Non-Compliance in Accordance with New Mexico State Audit Rule) Repeated and Modified

CONDITION

During our procedures over the overall information technology system, we noted the Department relies heavily on the Department of Information Technology (DoIT) for services. These services include but are not limited to backing up of data and disaster recovery plan exists for the mainframe and SHARE. The Department was unsure if mainframe or SHARE could be recovered in the event of a disaster and backup data is being taken off-site.

CRITERIA

Per State of NM Statewide Guideline “Enterprise IT Security Policy”, S-GUIDE-002.003, “the State of New Mexico shall securely and economically protect its business functions including public access to appropriate information and resources, while maintaining compliance with legal requirements established by existing Federal and State statutes pertaining to confidentiality privacy, accessibility, availability, and integrity.”

CAUSE

The Department does not have formalized procedures in place regarding a disaster recovery plan.

EFFECT

The Department does not have control over the mainframe and SHARE and thus has reduced ability to influence the IT control environment.

RECOMMENDATION

We recommend the Department work with DoIT to gain an understanding of the disaster recovery plan and storage of backups. It would be prudent for the Department to be part of DoIT’s testing of the Disaster Recovery Plan to ensure the viability of the DoIT’s plan and the timeliness of its execution. In addition, it would be prudent for the Department to understand where backup data is being stored.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-003 Information Technology – Overall IT Controls (Non-Compliance in Accordance with New Mexico State Audit Rule) Repeated and Modified (Continued)

MANAGEMENT'S RESPONSE

The Department will continue to work with DoIT to ensure the viability of DoIT's Disaster Recovery Plan. The Department will be involved in the testing of the Disaster Recovery Plan whenever DoIT's Plan needs to be validated.

2014 – 001 Untimely Deposits (Non Compliance in Accordance with New Mexico State Audit Rule)

CONDITION

During our testwork over cash receipts from MVD Field offices across the state, all 40 items selected we noted that the field offices are not making deposits with the respective financial institution within the required period of time.

CRITERIA

State agencies must deposit all monies received with STO or with the authorized banking institution by the close of the next business day after receipt, per FIN 2 of the Manual of Model Accounting Practices.

CAUSE

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

EFFECT

Non compliance with the NM State Audit Rule and DFA's Manual of Model Accounting Practices.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014 – 001 Untimely Deposits (Non Compliance in Accordance with New Mexico State Audit Rule) (Continued)

RECOMMENDATION

We recommend the Department obtain an exemption from the current statute to allow more time for deposits with these rural locations.

MANAGEMENT'S RESPONSE

The Motor Vehicle Division will obtain an exemption from current statute and DFA's Manual of Model Accounting Practices to allow the rural MVD field offices additional time to complete bank deposits.

2014-002 Travel and Per Diem (Non Compliance in Accordance with New Mexico State Audit Rule)

CONDITION

While performing a test of controls over travel and per diem disbursements, we noted 1 instance out of 22 where the Department was out of compliance with State compliance requirements. In this instance, the incorrect per diem rate was paid. The total amount of the unapproved disbursement was \$50.

CRITERIA

Per Section 10-8-1 to 10-8-8 NMSA 1978 and 2.42.2 NMAC, the Department is required to be in compliance with State regulations concerning travel and per diem disbursements.

CAUSE

Lack of effective internal controls and review of travel and per diem disbursements.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014-002 Travel and Per Diem (Non Compliance in Accordance with New Mexico State Audit Rule) (Continued)

EFFECT

Without effective internal controls in place over travel and per diem transactions, the Department could become out of compliance with State laws governing travel and per diem expenditures.

RECOMMENDATION

We recommend the Department institute more effective internal controls over the processing of travel and per diem transactions and adequately review transactions prior to processing them.

MANAGEMENT'S RESPONSE

The \$50 per diem amount paid to the employee in error was reimbursed to the Department by the employee. The Administrative Services Division (ASD) Financial Services Bureau (FSB) has reviewed internal controls and procedures with Division staff. The ASD FSB Accounts Payable Manager will provide a second level of review to ensure Division's comply with NMAC and Department policy. The Department's Per Diem and Mileage policies were updated in April 2014 and are pending approval. Upon approval, appropriate training will be conducted with Division staff to ensure that disbursements are in compliance.

2014 – 003 Use of State Issued Gas Credit Cards (Non Compliance in Accordance with New Mexico State Audit Rule)

CONDITION

During testwork over gas cards, we identified the following:

- There currently is not a process in place for the Department to document the monthly review of fuel card purchases/exception reports.
- We identified 29 instances where a fuel type other than regular unleaded was purchased, which amounted to \$1,065.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014 – 003 Use of State Issued Gas Credit Cards (Non Compliance in Accordance with New Mexico State Audit Rule) (Continued)

CRITERIA

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

EFFECT

Non compliance with New Mexico Statutes.

CAUSE

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE

The Department's Vehicle Use and Fuel Credit Card policies have been updated in accordance with NMAC 1.5.3.19 NMSA 1978 as of August 2014. These policies require the purchase of unleaded fuel. The Administrative Services Division (ASD) Financial Services Bureau (FSB) Fleet Manager is responsible for ensuring that Division Fleet Coordinators are aware of and adhere to all policies and procedures through appropriate training. The ASD FSB Fleet Manager will review the monthly exception report and alert Division Fleet Coordinators of exceptions. The Division will establish procedures for holding employees accountable for violations of policies and procedures.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014 – 004 Capital Asset Restatement (Material Weakness)

CONDITION

During audit testwork over capital assets, the Department brought to our attention the fact that ending capital assets at June 30, 2013 were understated by the \$5M GENTAX software construction project. This project was funded by Special Appropriation in FY12, however, the associated expenses from FY12 and FY13 were not capitalized.

CRITERIA

In accordance with the NM State Audit Act (Section 12-6-10 NMSA 1978) capital assets are items with a value greater than \$5,000.

EFFECT

The capital assets and fund balance at June 30, 2013 were understated by approximately \$5M.

CAUSE

Lack of appropriate identification of expenses that should have been capitalized.

RECOMMENDATION

We recommend the Department remind their employees of the capitalization threshold for assets purchased by the Department, including those that are being constructed.

MANAGEMENT'S RESPONSE

The Administrative Services Division (ASD) Financial Services Bureau (FSB) Capital Asset Coordinator will perform a monthly review of general ledger expenditures to identify those assets that meet the capitalization threshold of \$5,000. This review will be performed for all Department funds including special appropriations. With the implementation of the Asset Management module in SHARE during FY2014, the Department's Capital Asset Control Policy has been updated and is pending approval.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

C. FEDERAL AWARD FINDINGS

2014 – 005 Allowability – Time and Effort Payroll Certification (Significant Deficiency and Non-Compliance with Federal Program)

**CFDA # 15.427 U.S. Department of the Interior – Audits of Oil and Gas Leases
Questioned Costs – Zero**

CONDITION

During our testwork over payroll transactions related to this federal program, we noted that the program manager did not have adequate time and effort certifications for Department personnel that work on the program 100% of the time, at the time of our request. Appropriate certifications were prepared for the necessary personnel, but they were not prepared in a timely manner.

CRITERIA

In accordance with OMB A-87, Cost Principals for State and Local Entities, employees that work on a grant 100% of the time must submit semi annual certifications stating this fact.

EFFECT

Non compliance with OMB A-87 Cost Principals.

CAUSE

Lack of adherence to and adequate understanding of OMB A-87 Cost Principals.

RECOMMENDATION

We recommend the Department remind program managers responsible for administering federal funds of the Cost Principals and Compliance Requirements for their respective federal grants.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

C. FEDERAL AWARD FINDINGS (CONTINUED)

2014 – 005 Allowability – Time and Effort Payroll Certification (Significant Deficiency and Non-Compliance with Federal Program) (Continued)

MANAGEMENT'S RESPONSE

The Administrative Services Division (ASD) Financial Services Bureau (FSB) reviewed the time and effort certification requirement per OMB A-87 with the Division Grant Program Manager. A certification process was developed and the Program Manager completed certifications for the period of January 1, 2014 through June 30, 2014 and provided them to ASD FSB on August 19, 2014. Future certifications will be completed in December and June of each fiscal year. The ASD FSB Grant Coordinator will provide reminders to the Division and will follow-up to ensure the certifications are received timely.

**STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
EXIT CONFERENCE
Year Ended June 30, 2014**

An exit conference was held with the State of New Mexico Taxation and Revenue Department (Department) on December 2, 2014. The conference was held at the Joseph M. Montoya Building in Santa Fe, New Mexico. In attendance were:

FOR THE DEPARTMENT:

Demesia Padilla, Cabinet Secretary
JoAnn Chavez, Financial Distributions Bureau Chief
Renee Sandoval, TAA Distribution Financial Manager
Lilian Ukadike, Cash Control Financial Manager
Lisa Lucas, Financial Services Bureau Chief
Raja Sambandam, Chief Security Officer

FOR CLIFTONLARSONALLEN LLP:

Georgie L. Ortiz, CPA, CGFM, Managing Principal
Laura Beltran-Schmitz, CPA, CGFM, CFE, Engagement Director
Ian Murray, Senior Associate