



**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS'  
REPORT**

**JUNE 30, 2009**

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

**Official Roster**

**Year Ended June 30, 2009**

<u>Name</u>	<u>Title</u>
Rick Homans	Cabinet Secretary
Marilyn Hill	Deputy Secretary
Division Directors:	
Wanda Helms	Administrative Services Division
Phil Salazar	Audit and Compliance Division
Libby Gonzales	Revenue Processing Division
Rick Silva	Property Tax Division
Ken Ortiz	Motor Vehicle Division
Marlin Mackey	Information Services Division
Alvan Romero	Tax Fraud Investigations Division

## Independent Auditors' Report

Mr. Rick Homans, Cabinet Secretary  
Honorable Bill Richardson, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budget comparison of the general fund of the State of New Mexico Taxation and Revenue Department (Department) as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements, as listed in the table of contents. We have also audited the financial statements of each of the Department's nonmajor governmental and fiduciary funds as presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinions.

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, 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 not purport to, and do not present fairly the

Mr. Rick Homans, Cabinet Secretary  
Honorable Bill Richardson, Governor  
Hector H. Balderas, New Mexico State Auditor

financial position of the entire State of New Mexico as of June 30, 2009, 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.

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 and for the year ended June 30, 2009, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund for the year then ended, in conformity 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 funds of the Department as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparisons for the nonmajor governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, on our consideration of the Department's internal controls over financial reporting and 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 control 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 18 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Mr. Rick Homans, Cabinet Secretary  
Honorable Bill Richardson, Governor  
Hector H. Balderas, New Mexico State Auditor

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Department's basic financial statements, the combining and individual fund financial statements and budgetary comparisons of the Department. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget, Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. Also, the accompanying schedules listed as supplemental schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Moss Adams LLP*

Albuquerque, New Mexico  
December 14, 2009

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009**

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 \$24,472,679 (net assets).

The governmental net assets decreased by \$155,506.

The total cost of all Department programs was \$91,295,586.

**Department Highlights**

**FY 2009 TRD Collections and Distributions**

**Net Collections:** TRD collected a total of \$6.8 billion in FY 2009. Combined reporting system taxes (gross receipts, withholding and compensating taxes) were the single largest category of collections at \$4.4 billion, or 65 % of total collections. Mineral extraction taxes were next at \$1.2 billion or 18%. Income taxes were \$663 million or 10%. Motor vehicle taxes and fees were \$318 million or 5% and other \$219 million or 5%.

**Net Distributions:** TRD distributed a total of \$6.8 billion in FY 2009. \$4.4 billion, or 65%, was distributed to the State General Fund. \$1.2 billion, or 18%, was distributed to local governments. \$400 million, or 6%, was distributed to the New Mexico Department of Transportation. \$800 million, or 12%, was distributed to other state funds.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009

Revenue Enhancement Efforts

The Department continued its initiative to enhance tax collections efforts in fiscal year 2009 (FY09). In FY09, the Department not only tracked collections, but also tracked the amount of refund and credit requests denied. Both activities have a similar effect; collections add revenues to the General Fund and the denials keep money in the General Fund that would normally be issued via a refund or credit. Goals were established for both activities and the initiative was based on the sum of expected collections and refunds or credits denied. For FY09, the Audit and Compliance Division (ACD) collected an additional \$387,609 in back taxes and denied refund and credit requests of \$12,495,475 over the baseline goals. Of these amounts, \$9,703,712 was retained in the General Fund from the refund and credit denials.

Overall, the collections and refund and credit denials were \$12,883,085, and when added to the baseline goal of \$205,548,620, overall results totaled \$218,431,704.

Compliance Enforcement Program

The Tax Fraud Investigations Division (TFID) was created in late fiscal year 2003. In FY09, there were fifteen criminal prosecution cases referred to the district attorney's offices and/or the Attorney General's Office. From FY03 through the end of FY09, TFID has successfully prosecuted thirty-five tax fraud cases resulting in a 100% successful prosecution rate.

During FY09, the TFID Internal Audit Bureau completed thirty-four Internal Audits; thirty were performed for the Motor Vehicle Division (MVD), one for the Audit and Compliance Division (ACD), one for the Administrative Services Division (ASD) and two audits were agency wide. The divisions concurred with the recommendations of the internal audits 100% of the time.

During FY09, the Internal Investigations Bureau received fifty-two referrals and completed forty-two Internal Investigations. The forty-two completed Internal Investigations involved the following entities:

<u>Number of Investigations in FY 09</u>	<u>Division/Department</u>
32	Motor Vehicle Division
4	Audit and Compliance Division
2	Taxation and Revenue Department
1	Property Tax Division
1	Returns Processing Division
1	General Services Department
1	Office of the Secretary
42	Total
	6

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

Since the reorganization that took place in 2005, the Internal Investigations Bureau has initiated a policy of completing an Administrative Investigation Report on all internal investigations.

GenTax and NMWebfile

Progress continued on the goal to enhance GenTax, the integrated tax system for the Department, with 28 tax programs now housed in the GenTax system. Specific FY 2009 accomplishments include: implementation of the Private Collection Agencies (PCA) system; upgrades to the GenTax tools; upgrade to the accounting module (taFin); implementation of the non-zero based Tax Increment Development Districts (TIDD); conversion of zero based TIDDs; the hardening of servers, tightening of security, and moving servers to the DoIT data center; setup of Data Mirroring; the issuance of a one-time Taxpayer Rebate; implementation of a new Weight Distance suspension process; added payment options in Taxpayer Access Point (TAP) application for weight distance program and incorporated the new tax year forms; re-work of 1099s; the completion of the IDMS database conversion project; 2008 tax year required legislative tax program changes; implemented new process for Tax Fraud Tracking; redesign of ULS (unified login service); implemented CRS webfile application; implemented webfile 2009 weight distance permit application, implementation of weight distance tax application; implementation of 2008 Pitnet and Pitnet light applications.

The GenTax /NMWebfile project team project team has numerous projects planned or being implemented. Some of these are: upgrading the Collections and Bankruptcy modules in GenTax; implementation of payment option for remaining GenTax programs in the Taxpayer Access Point application; implementation of a new Fed/State application incorporating federally mandated requirements; the GenTax project team is also implementing a new reconciliation process for RPD GenTax payments; working on a reconciliation process of GenTax warrants to SHARE and Bank of America and a Stale Dating warrant process. Tax programs scheduled for web enablement include: the redesign of the Fed/State application, a Combined Fuel Tax E-Filing application, a Liquor and Cigarette Tax E-Filing application; 2010 e-permits for weight distance, and 2009 Pitnet and Pitnet light applications. We are looking at automatic loading of assessments from the Data Warehouse into GenTax (gateway) and upgrades to the Refund module and Taxpayer Offset Program (This project will be done to the extent funds are available in partnership with Fast Enterprises, the GenTax vendor).



**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

Electronically Filed Tax Returns

The Revenue Processing Division (RPD) received approximately 664,833 Personal Income Tax (PIT) returns and 295,785 Combined Reporting System (CRS) returns (gross receipts tax) that were filed electronically. These returns amount to 62 % of all incoming PIT returns and 26 % of all CRS returns received by the Department.

In addition, RPD received and processed 177,627 PIT returns with a 2-D Bar code. These returns are paper returns that are mailed in, however, data from the returns is electronically read as the return is processed through the scanning equipment and the information is then uploaded into the system automatically without data entry. Approximately 18% - 25% of the electronically filed returns do not meet edit criteria and must be reviewed by the edit error staff. These returns will be included in the electronically filed returns figures in the future. The Department is implementing electronic filing for the Weight Distance and the Combined Fuel programs. They should be fully operational in this fiscal year.

Delinquent Property Accounts

The Property Tax Division, Delinquent Property Tax Bureau is responsible for the collection of real property taxes that are delinquent for two years. During FY09 the Bureau resolved a total of 12,159 delinquent property accounts, either by field collections or through sales, resulting in 16.2% of New Mexico's 75,000 delinquent property accounts being resolved. Total collections netted \$1,981,530 in Penalty and Interest and \$283,916 in costs for an overall collection of \$2,265,446.

Field collections resolved 10,371 accounts or 13.8% of all delinquent property. The amount of penalty and interest collected through field collections, which is retained by the Department, was \$1,892,583. Field collections also netted \$254,136 in costs, again retained by the Department.

Accounts that are not resolved through a field collection are scheduled for sale. The number of accounts that were offered for sale was 1,967. A total of 26 property tax sales were conducted. Prior to the commencement of the sales, 588 accounts were resolved and 1,200 tax accounts were sold. A total of 1,788 accounts were resolved through sales or 90.9% of all delinquent property accounts offered for sale. Penalty and interest collected through sales was \$88,948 and the amount of cost collected through sales was \$29,780.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

Financial Responsibility Act

The Motor Vehicle Division (MVD) receives an additional \$2 for each twelve-month period for which a vehicle with a gross vehicle weight under twenty-six thousand pounds is registered for the purposes of enforcing the provisions of the Mandatory Financial Responsibility Act [66-5-201 NMSA 1978] and for creating a multi-language noncommercial driver's license testing program. The Motor Vehicle Division reduced the average uninsured rate in New Mexico from a national high of 33.03% in FY03 to an average of 10% for FY09.

Customer Field Office Wait Time

In FY09, MVD achieved its legislative performance target of 14 minutes for average customer wait time in MVD field offices.

IDNM – Central Issuance

In late FY09, MVD successfully implemented Phase I of Central Issuance statewide. This phase issues New Mexico driver's licenses (DL) and identification cards (ID) utilizing Facial Recognition software and an out-of-state central facility for card production. The Division implemented the Document Authentication and Document Recovery systems (Phase II) during Q3 FY09. Troubleshooting continues in FY09. Phase II will complete the central issuance process for MVD. Central Issuance reduces fraud and identity theft resulting in a more secure DL and ID.

Department Highlights

Partner Management Unit

MVD created the Partner Management Unit to oversee reporting of MVD transactions and remitting of MVD revenues to the state by state-run field offices, municipalities and county field offices, private retail agents, title service companies, dealers and MVD data vendors. The Unit successfully collected \$6.45 million from its inception in December 2007 to June 2008 and has collected \$32.4 million in FY09.

E-Permit

MVD implemented an electronic permit (E-Permit) system to increase compliance in registration of commercial vehicles and payment of the respective weight distance taxes. This new permit system is vehicle specific and allows Motor Transportation Officers the ability to determine if a commercial vehicle is registered to operate in New Mexico or if a trip-tax should be assessed.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

Point of Sale (POS)

MVD has purchased a commercial off the shelf (COTS) point of sale software that will enable the Division to more accurately and securely record transactions, revenue and distributions. Full implementation is expected during FY10.

System Reengineering

MVD expects to replace the current backend system to completely modernize MVD driver and vehicle functionality in FY10.

Improved Website

A new MVD website was launched in November 2009. The website improvements included improved navigation, greater information availability, the ability to more easily renew vehicle registrations, downloadable forms and real-time field office wait times.

MVD Verification and Oversight

MVD instituted:

- Digital image exchange to share driver's license information and images with other states to prevent DL and ID fraud;
- Mandatory automated vehicle checks for all New Mexico vehicle titles to identify stolen vehicles and prevent fraud; and
- Out-of-state DWI checks for out-of-state applicants seeking New Mexico driver's licenses through the newly created Compliance Unit.

**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

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

statement of net assets 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 TRIMS Capital Project Fund, the Weight Distance Tax Permit Fund and the Property Valuation Special Revenue Fund.

**Fund Financial Statements.** Fund financial statements consist of a series of statements that focus on information about the major governmental and enterprise funds. Fund financial statements also report information about a government's fiduciary 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 funds include the General Fund, which is the Department's primary operating fund, and the TRIMS capital project fund, which accounts for the acquisition of capital assets or design and development of major computer processing systems.

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 Computer Equipment capital project fund, created to fund purchases of computer equipment.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009

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. With the implementation of GASB Statement 34, fiduciary funds are not included with the governmental-type funds since these funds are not available to support the Department's programs. The Department's fiduciary funds are maintained to receive primarily taxes and some fees. These monies are then distributed to the state general fund, counties, municipalities, other state agencies and other entities.

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

**Infrastructure Assets.** GASB Statement 34 requires that infrastructure assets (roads, bridges, traffic signals, etc.) be valued and reported within the governmental column of the Government-wide Statements. Additionally, the government must elect to either depreciate these assets over their estimated useful life or develop a system of asset management designed to maintain the service delivery potential. The Department does not own a material interest in any infrastructure assets and therefore is not required to implement this portion of GASB Statement 34.

**Budgetary Comparisons.** In addition to MD&A, GASB Statement 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

Actual are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

**Financial Analysis of the Department as a Whole**

**Net Assets:** Total Department net assets for fiscal year ended June 30, 2009 are \$24,472,679. 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 unrestricted, designated net assets in Governmental Activities are \$15,284,438 at the end of the fiscal year.

**The Department's Net Assets**

	2009	2008
Assets		
Current and other assets	\$ 23,058,577	26,988,658
Capital assets	<u>10,676,534</u>	<u>10,375,614</u>
<b>Total assets</b>	<u><b>33,735,111</b></u>	<u><b>37,364,272</b></u>
Liabilities		
Current liabilities	9,262,432	12,485,087
Long-term liabilities	<u>-</u>	<u>251,000</u>
<b>Total liabilities</b>	<u><b>9,262,432</b></u>	<u><b>12,736,087</b></u>
Net Assets		
Invested in capital assets	10,676,534	10,375,614
Restricted	15,284,438	15,031,554
Unrestricted (deficit)	<u>(1,488,293)</u>	<u>(778,983)</u>
<b>Total net assets</b>	<u><b>\$ 24,472,679</b></u>	<u><b>24,628,185</b></u>

**Governmental Activities:** The table below summarizes the Department's activities for the fiscal years ended June 30, 2009 and 2008. Total change in net assets from the previous fiscal year was \$155,506.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009

**The Department's Governmental Activities**

	2009	2008
Program expenses	\$ (91,295,586)	(88,897,026)
Program revenue	<u>2,772,870</u>	<u>1,748,686</u>
<b>Net program (expense) revenue</b>	<u>(88,522,716)</u>	<u>(87,148,340)</u>
General revenues	89,129,251	86,043,973
Transfers and reversions	<u>(762,041)</u>	<u>(2,549,403)</u>
<b>Net general revenues, transfers and reversions</b>	<u>88,367,210</u>	<u>83,494,570</u>
<b>Change in net assets</b>	(155,506)	(3,653,770)
Net assets, beginning	<u>24,628,185</u>	<u>28,281,955</u>
<b>Net assets, ending</b>	<u>\$ 24,472,679</u>	<u>24,628,185</u>

Revenues for the governmental activities totaled \$91,902,121 and \$87,792,659 in the fiscal years ended June 30, 2009 and 2008 respectively. The change is attributable to an increase in general fund appropriations plus additional revenue from federal grant revenues, sale of MVD Data and Motor Vehicle Administrative fees.

The Department's total expenditures for government-type activities during the fiscal year were \$91,295,586. Approximately 62% of the expenditures of the Department are in the area of personnel services and employee benefits. The second highest area of expenditure within the Department is in the category of other costs (21%). The majority of this amount was used to support the general operations of the Department such as computer usage, telecommunications, printing motor vehicle forms and tax forms, postage, and leases for rent of office space.

The financial position of the Department has decreased but remains consistent with that of the prior year. The decrease in net assets of \$155,506 is minimal and consistent with Fiscal Year 2008 activity.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**Governmental Funds:** The General Fund of the Department is used to account for the Department's primary operations. Of the total fund balance of \$14,742,483, \$5,545,366 is legally restricted for items funded with special appropriations received by the Department. An additional \$8,147,345 is designated for subsequent year expenditures related to the Department's non-reverting programs.

The TRIMS capital project fund is used to account for the acquisition of capital assets or design and development of the Department's integrated tax systems. The fund balance of \$73,284 is legally restricted for this purpose.

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 \$1,511,981 is legally restricted for this purpose.

During FY09, capital asset activity included \$167,842 of capital outlay purchases for purchases of machinery and equipment, \$1,927,473 for data processing equipment, and \$1,186,433 in 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 approximately \$16,334,210.

**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, 2009**

Changes between the original and final budgets were \$3,291,985 for the Operating Fund. The Operating Budget for Revenues classified as Other State Funds increased from \$13,454,000 to \$13,575,000 or \$121,000. This was a 1% increase from the original Operating Budget. Actual revenues collected, which are classified as Other State Funds, were \$16,149,032, or \$2,574,032 higher than the Operating Budget Amount. This represents a 19% increase over the budgeted amount.

Actual Federal grants revenue collected were \$2,772,870, which represents a 18% decrease over the budget amount. Fifty-three percent (53%) of all Federal grant revenue is attributable to the Minerals Management Service (MMS) grant.

The \$3,291,985 difference between the original operating revenue budget and the final operating revenue budget included \$7,079,234 in prior year cash balance re-budgeted. Re-budgeted cash balance consisted of fund balance generated from special appropriations, PIT Intercept Administration Fees, Interlock, Enhanced Driver's License and Delinquent Property Tax funding.

Budget adjustments for the Operating Fund were 3.6% of the original budget. The increases were primarily from Federal funds and re-budgeted cash balance.

The majority of the increases from the original budget to the final budget pertain to Motor Vehicle Initiatives, which are supported by revenues related to Out-of-State DWI verification fees, Off Highway vehicle fees, Tax ID Program to enforce weight-distance for the Audit Compliance Division and the Motor Vehicle Division, and Enhanced Drivers' License Fee fund balance; and Delinquent Property Tax fund balance for Property Tax Division's unanticipated expenses.

Significant variances between budgeted amounts and actual amounts are primarily due to monies received for special appropriations that were not budgeted in fiscal year 2009, but are planned to be expended in future fiscal years and federal grants awarded to the department.

**Capital Assets and Debt Administration**

At the end of fiscal year 2009, the Department has invested a total of \$25,273,496 in governmental-type activities in capital assets. This amount represents a net increase (including additions and deductions) of \$2,182,439 (9.5%) over last year's figure of \$23,091,057 in gross capital assets without taking accumulated depreciation into account.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009

**The Department's Capital Assets**

	2009	2008
Furniture and fixtures	\$ 1,189,834	1,189,834
Software	15,021,107	13,834,674
Data processing equipment	5,967,744	4,190,106
Machinery and equipment	2,794,595	3,469,438
Tenant leasehold improvements	217,762	217,762
Vehicles	82,454	189,243
	<u>25,273,496</u>	<u>23,091,057</u>
Less accumulated depreciation	<u>14,596,961</u>	<u>12,715,443</u>
<b>Net total</b>	<u><b>\$ 10,676,534</b></u>	<u><b>10,375,614</b></u>

More detailed information about the Department's capital assets is presented in Note 5 to the financial statements.

GASB Statement 34 requires the recording and depreciation of infrastructure assets such as roads, bridges, traffic signals, etc. The Department does not own any infrastructure assets.

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

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

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

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

The Department's operating budget for fiscal year 2010 is \$89,878,100 and includes 1,315.7 full time equivalents (FTE). The Department received recurring funding of \$3,568,700 and 64 FTE to expand Audit and Compliance Division and Information Technology Division for the fair share initiative that closes the tax gap to achieve fair application of the tax laws among all taxpayers and to help support important programs through additional revenue collections; \$1,502,700 additional non-recurring funding from Other state funds, was received for this same effort; and \$558,100 and 10 FTE from increased Weight Distance Fees for the Road Fund Enhancement initiatives. The Department also received non-recurring funding of \$467,500 to support the fair share initiative and to promote the managed audit program; \$1,832,500 to upgrade the GENTAX bankruptcy module, for electronic content management services and equipment and to purchase external data to identify additional audit prospects; and \$8,042,500 to replace the 30-year-old common business oriented language-based driver and vehicle systems the appropriation is from MVD cash balances and revenues.

As required by the Accountability in Government Act, fiscal year 2009 was the eighth year the Department has submitted performance based and program budgets. 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.

**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  
Post Office Drawer 630  
Joseph M. Montoya Building Room 3040  
Santa Fe, New Mexico 87504-0630

## **FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF NET ASSETS  
June 30, 2009

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Unrestricted cash on hand	\$ 19,125
Interest in the State Treasurer General Fund	
Investment Pool	
Unrestricted on deposit with State Treasurer	16,803,856
Restricted for loans to counties	1,296,720
Receivables	
Due from federal government	1,428,877
Loans to counties	223,791
Other receivables, net	5,295
Due from external parties	2,250,044
Due from other entities	222
Prepaid expenses	29,737
Inventory of supplies	1,000,910
<b>Total current assets</b>	<b>23,058,577</b>
Non-Current Assets	
Capital assets, net	10,676,534
<b>Total assets</b>	<b>33,735,111</b>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 3,543,960
Accrued payroll	2,776,345
Due to other state agencies	8,752
Due to state general fund	378,147
Deferred revenues	10,000
Other training liabilities	7,163
Compensated absences	2,438,066
Contingent liability	100,000
<b>Total liabilities</b>	<b>9,262,432</b>
Net Assets	
Invested in capital assets	10,676,534
Restricted for special appropriations	5,551,828
Restricted for loans to counties	1,511,981
Restricted for TRIMS software upgrades	73,284
Restricted for other purposes	8,147,345
Unrestricted net assets (deficit)	(1,488,293)
<b>Total net assets</b>	<b>\$ 24,472,679</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

	Program Support	Tax Administration Act	Motor Vehicle Program	Property Tax Program	Compliance Enforcement	Other Governmental Funds	Governmental Activities
Program Expenses	\$ 25,351,695	31,882,126	27,953,646	3,387,761	2,680,610	39,748	91,295,586
<b>Total program expenses</b>	<b>25,351,695</b>	<b>31,882,126</b>	<b>27,953,646</b>	<b>3,387,761</b>	<b>2,680,610</b>	<b>39,748</b>	<b>91,295,586</b>
Program Revenues							
Federal operating grants	-	1,514,292	1,258,578	-	-	-	2,772,870
<b>Total program revenues</b>	<b>-</b>	<b>1,514,292</b>	<b>1,258,578</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,772,870</b>
Net Program Expense	(25,351,695)	(30,367,834)	(26,695,068)	(3,387,761)	(2,680,610)	(39,748)	(88,522,716)
General Revenues							
Other state funds:							
Delinquent Property Tax							3,867,934
Penalty and Interest							1,309,920
Weight Distance Administrative Fees							12,281,097
MVD Administrative Fees							40,000
Other gifts and grants							17,498,951
<b>Total general revenues</b>							<b>17,498,951</b>
Transfers and Reversions							
State General Fund appropriations							68,330,300
State General Fund special appropriations							3,300,000
Transfers to other state agencies							(250,000)
Reversions to state general fund - FY09							(512,041)
<b>Total transfers and reversions</b>							<b>70,868,259</b>
Net General Revenues, Transfers and Reversions							88,367,210
Change in net assets							(155,506)
Net assets, beginning of fiscal year							24,628,185
<b>Net assets, end of fiscal year</b>							<b>\$ 24,472,679</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2009

	Major Funds			
	General	TRIMS	Other	Total Governmental
ASSETS				
Interest in the State Treasurer General Fund				
Investment Pool	\$ 16,707,920	73,284	1,319,372	18,100,575
Cash on hand	19,125	-	-	19,125
Receivables				
Due from federal government	1,428,877	-	-	1,428,877
Loans to counties	-	-	223,791	223,791
Other receivables, net	5,295	-	-	5,295
Due from:				
Other funds	2,250,043	-	-	2,250,043
Other entities	-	-	222	222
Inventory of supplies	1,000,910	-	-	1,000,910
Prepaid expenses	29,737	-	-	29,737
Total assets	\$ 21,441,907	73,284	1,543,385	23,058,576
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,527,770	-	16,190	3,543,960
Accrued payroll	2,776,345	-	-	2,776,345
Due to other funds	-	-	-	-
Due to other state agencies	-	-	8,752	8,752
Due to state general fund	378,147	-	-	378,147
Deferred revenues	10,000	-	-	10,000
Other liabilities	7,163	-	-	7,163
Total liabilities	6,699,424	-	24,942	6,724,366
Fund Balances				
Reserved for				
Cash on hand	19,125	-	-	19,125
Inventory of supplies	1,000,910	-	-	1,000,910
Prepaid expenses	29,737	-	-	29,737
Special appropriations	5,545,366	-	6,462	5,551,828
Loans to counties	-	-	1,511,981	1,511,981
TRIMS software upgrades	-	-	-	-
Unreserved, designated	8,147,345	73,284	-	8,220,629
Unreserved, undesignated	-	-	-	-
Total fund balances	14,742,483	73,284	1,518,443	16,334,210
Total liabilities and fund balances	\$ 21,441,907	73,284	1,543,385	23,058,576

See Notes to Financial Statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUND  
TO THE STATEMENT OF NET ASSETS  
Year Ended June 30, 2009

<b>Total Fund Balances - Governmental Funds</b> <b>(Governmental Fund Balance Sheet)</b>	<b>\$ 16,334,210</b>
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets not included in the governmental funds, but capitalized in the Statement of Net Assets	25,273,496
Accumulated depreciation recorded in the Statement of Net Assets, but not recorded in the governmental funds	(14,596,961)
Long-term contingent liabilities recorded in Statement of Net Assets, but not recorded in the governmental funds	(100,000)
Compensated absences recorded in the Statement of Net Assets, but not recorded in the governmental funds	<u>(2,438,066)</u>
<b>Net assets of governmental activities (Statement of Net Assets)</b>	<b><u>\$ 24,472,679</u></b>

*See Notes to Financial Statements.*



STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
June 30, 2009

	Major Funds		Other	Total Governmental
	General	TRIMS		
Revenues				
Other state funds	\$ 17,458,951	-	-	17,458,951
Federal funds	2,772,870	-	-	2,772,870
<b>Total revenues</b>	<b>20,231,821</b>	<b>-</b>	<b>-</b>	<b>20,231,821</b>
Expenditures				
Current				
Personal services and employee benefits	61,699,742	-	-	61,699,742
Contractual services	5,477,591	465,287	39,748	5,982,626
Other costs	20,247,033	130,730	-	20,377,763
Capital outlay	3,279,518	33,730	-	3,313,248
<b>Total expenditures</b>	<b>90,703,884</b>	<b>629,746</b>	<b>39,748</b>	<b>91,373,378</b>
Excess (Deficiency) of Revenues Over Expenditures	(70,472,063)	(629,746)	(39,748)	(71,141,557)
Other Financing Sources (Uses)				
State General Fund appropriations	71,630,300	-	-	71,630,300
Other gifts and grants	40,000	-	-	40,000
Transfers to other state agencies	(250,000)	-	-	(250,000)
Reversions to state general fund - FY09	(377,316)	-	(134,725)	(512,041)
<b>Total other financing sources (uses)</b>	<b>71,042,984</b>	<b>-</b>	<b>(134,725)</b>	<b>70,908,259</b>
<b>Net changes in fund balances</b>	<b>570,921</b>	<b>(629,746)</b>	<b>(174,473)</b>	<b>(233,298)</b>
Fund balances, June 30, 2008	14,171,562	703,030	1,692,916	16,567,508
<b>Fund balances, June 30, 2009</b>	<b>\$ 14,742,483</b>	<b>73,284</b>	<b>1,518,443</b>	<b>16,334,210</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

<b>Net Changes in Fund Balances - Total Governmental Funds</b>		
<b>(Statement of Revenues, Expenditures, and Changes in Fund Balances)</b>	<b>\$</b>	<b>(233,298)</b>

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 Assets		3,313,248
Decreases in capital assets not recorded as expenditures in the governmental funds		(151,280)
Depreciation expense recorded in the Statement of Activities but not recorded as expenditures in the governmental funds		(2,861,047)
FY 08 contingent long-term liabilities paid in FY09		151,000
Net change in compensated absences recorded in the Statement of Activities as a liability but not recorded in the governmental funds		<u>(374,129)</u>
<b>Change in net assets of governmental activities</b>		
<b>(Statement of Activities)</b>	<b>\$</b>	<b><u>(155,506)</u></b>

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -  
OPERATING FUND 17200  
Year Ended June 30, 2009

		PROGRAM SUPPORT			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Budgetary Basis Actual Amounts	
		Original	Final		
Revenues					
State General Fund Appropriations	\$	24,316,996	23,690,100	23,690,100	-
Other state funds		822,200	814,200	860,374	46,174
Federal funds		-	-	-	-
Total revenues		25,139,196	24,504,300	<u>\$ 24,550,474</u>	46,174
Fund Balance Budgeted		<u>4,550,067</u>	<u>4,762,267</u>		
Total revenues and fund balance budgeted		<u>\$ 29,689,263</u>	<u>29,266,567</u>		
Expenditures					
Personal services/employee benefits	\$	15,075,062	14,255,230	13,918,215	337,015
Contractual services		6,731,505	6,085,930	2,218,896	3,867,034
Other		7,882,696	8,925,407	8,421,396	504,011
		<u>\$ 29,689,263</u>	<u>29,266,567</u>	<u>24,558,507</u>	4,708,060

See Notes to Financial Statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -  
OPERATING FUND 17200 (CONTINUED)  
Year Ended June 30, 2009

TAX ADMINISTRATION ACT

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget
				Positive
				(Negative)
Revenues				
State General Fund Appropriations	\$ 29,849,500	29,326,800	29,326,800	-
Other state funds	764,400	785,400	835,077	49,677
Federal funds	1,565,800	1,701,917	1,514,292	(187,625)
Total revenues	32,179,700	31,814,117	\$ 31,676,169	(137,948)
Fund Balance Budgeted	-	-		
Total revenues and fund balance budgeted	\$ 32,179,700	31,814,117		
Expenditures				
Personal services/employee benefits	\$ 24,888,500	24,911,768	24,724,496	187,272
Contractual services	105,600	33,300	32,281	1,019
Other	7,185,600	6,869,049	6,359,574	509,475
	\$ 32,179,700	31,814,117	31,116,351	697,766

See Notes to Financial Statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -  
OPERATING FUND 17200 (CONTINUED)  
Year Ended June 30, 2009

MOTOR VEHICLE PROGRAM \*

	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 15,263,400	15,263,400	15,263,400	-
Other state funds	9,355,300	9,463,300	10,581,137	1,117,837
Other sources	-	40,000	40,000	
Federal funds	-	1,676,897	1,258,578	(418,319)
<b>Total revenues</b>	<b>24,618,700</b>	<b>26,443,597</b>	<b>\$ 27,143,115</b>	<b>699,518</b>
Fund balance budgeted	-	1,903,571		
<b>Total revenues and fund balance budgeted</b>	<b>\$ 24,618,700</b>	<b>28,347,168</b>		
Expenditures				
Personal services/employee benefit: \$	15,615,100	17,365,085	17,022,750	342,335
Contractual services	3,052,400	3,367,541	3,016,412	351,129
Other	5,951,200	7,614,542	7,012,438	602,104
	<b>\$ 24,618,700</b>	<b>28,347,168</b>	<b>27,051,600</b>	<b>1,295,568</b>

\* Less SHARE Fund 99400

See Notes to Financial Statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -  
OPERATING FUND 17200 (CONTINUED)  
Year Ended June 30, 2009

PROPERTY TAX PROGRAM

	<u>Budgeted Amounts</u>		<u>Budgetary Basis</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
State General Fund Appropriations	\$ 651,300	651,300	651,300	-
Other state funds	2,512,100	2,512,100	3,868,039	1,355,939
Federal funds	-	-	-	-
<b>Total revenues</b>	<b>3,163,400</b>	<b>3,163,400</b>	<b>\$ 4,519,339</b>	<b>1,355,939</b>
Fund balance budgeted	1,600	413,396		
<b>Total revenues and fund balance budgeted</b>	<b>\$ 3,165,000</b>	<b>3,576,796</b>		
Expenditures				
Personal services/employee benefits	\$ 2,466,200	2,692,996	2,671,715	21,281
Contractual services	125,700	105,700	88,992	16,708
Other	573,100	778,100	761,852	16,248
	<b>\$ 3,165,000</b>	<b>3,576,796</b>	<b>3,522,560</b>	<b>54,236</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -  
OPERATING FUND 17200 (CONTINUED)  
Year Ended June 30, 2009

COMPLIANCE ENFORCEMENT				
	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget
				Positive
				(Negative)
Revenues				
State General Fund Appropriations	\$ 2,758,700	2,698,700	2,698,700	-
Other state funds	-	-	4,405	4,405
Federal funds	-	-	-	-
Total revenues	2,758,700	2,698,700	\$ 2,703,105	4,405
Fund balance budgeted	-	-		
Total revenues and fund balance budgeted	\$ 2,758,700	2,698,700		
Expenditures				
Personal services/employee benefits	\$ 2,215,400	2,205,400	2,196,844	8,556
Contractual services	9,200	23,200	21,649	1,551
Other	534,100	470,100	442,128	27,972
	\$ 2,758,700	2,698,700	2,660,622	38,078

See Notes to Financial Statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -  
OPERATING FUND 17200 (CONTINUED)  
Year Ended June 30, 2009

TOTAL OPERATING FUND				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 72,839,896	71,630,300	71,630,300	-
Other state funds	13,454,000	13,575,000	16,149,032	2,574,032
Other sources		40,000	40,000	
Federal funds	1,565,800	3,378,814	2,772,870	(605,944)
<b>Total revenues</b>	<b>87,859,696</b>	<b>88,624,114</b>	<b>\$ 90,592,202</b>	<b>1,968,088</b>
Fund balance budgeted	4,551,667	7,079,234		
<b>Total revenues and fund balance budgeted</b>	<b>\$ 92,411,363</b>	<b>95,703,348</b>		
Expenditures				
Personal services/employee benefits	\$ 60,260,262	61,430,479	60,534,021	896,458
Contractual services	10,024,405	9,615,671	5,378,230	4,237,441
Other	22,126,696	24,657,198	22,997,388	1,659,810
	<b>\$ 92,411,363</b>	<b>95,703,348</b>	<b>88,909,639</b>	<b>6,793,709</b>

See Notes to Financial Statements.



STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -  
WEIGHT DISTANCE TAX PERMIT FUND 99400  
Year Ended June 30, 2009

MOTOR VEHICLE PROGRAM				
	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget
				Positive
				(Negative)
Revenues				
State General Fund Appropriations	\$	-	-	-
Other state funds		1,178,800	1,309,920	(90,080)
Federal funds		-	-	-
Total revenues		1,178,800	\$ 1,309,920	(90,080)
Fund balance budgeted		-	1,579,332	
Total fund balance budgeted	\$	1,178,800	2,979,332	
Expenditures				
Personal services/employee benefits	\$	608,100	1,165,721	331,779
Contractual services		-	99,362	361,771
Other		570,700	376,079	394,621
Other Financing Uses		-	250,000	-
	\$	1,178,800	1,891,161	1,088,171

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, 2009

	<u>Fund 17200</u>	<u>Fund 99400</u>	<u>Total General Fund</u>
<b>Total Expenditures (Statement of Revenues, Expenditures and Changes in Fund Balances)</b>	\$ 89,062,723	1,891,161	90,953,884
Requests to pay prior year bills: FY08 bills paid from FY 09 budget subsequent to the 60-day period of availability per GAAP	(153,084)	-	(153,084)
<b>Total Expenditures (Statement of Revenues and Expenditures, Budget and Actual for General Fund)</b>	<u>\$ 88,909,639</u>	<u>1,891,161</u>	<u>90,800,800</u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO**  
**TAXATION AND REVENUE DEPARTMENT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
**June 30, 2009**

**Assets**

Interest in State Treasurer General Fund	
Investment Pool	\$ 606,074,751
Cash on hand and in banks	11,047,709
Unclaimed Property held for Redemption	7,977,422
Receivables:	
Due from state general fund	221,379,346
Due from other state agencies	54,724,732
Due from taxpayers	693,917,821
Tax assessments:	
Amount considered uncollectable	759,130,014
Allowance for uncollectibles	(759,130,014)
<b>Total assets</b>	<b>\$ 1,595,121,781</b>

**Liabilities**

Unidentified tax collections	\$ 103,242,751
Due to State General Fund	785,334,967
Due to counties and municipalities	252,916,678
Due to other state agencies	158,938,747
Refunds due to taxpayers	287,147,846
Due to external parties	2,250,044
Other liabilities	145,525
Reserve for litigated assessments	5,133,223
Funds held in trust for others	12,000
<b>Total liabilities</b>	<b>\$ 1,595,121,781</b>

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**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 and advises the Governor on matters of tax and motor vehicle policy.

*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.

*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 Human Resources Bureau, General Services Bureau, Budget Bureau, Financial Services Bureau and Financial Distribution Bureau.

*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.

*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.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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

*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.

*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.

*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.

**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. The GASB has issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. These Statements established 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.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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

*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. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

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. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The Department has no component units.

*Government-wide and Fund Financial Statements.* The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Department. 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 assets 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 net assets are available, it is the Department's policy to first apply restricted 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 a separate column in the fund financial statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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

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

The government-wide and agency fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Derived tax revenues are recognized when the underlying exchange transaction takes place. The Department estimates the amount receivable at year end primarily by looking at subsequent cash receipts up to 120 days past year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to Governmental Accounting Standards Board Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

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

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**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 also 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.

**Capital Project Funds**

TRIMS Capital Project Fund. This capital project fund accounts for the acquisition of capital assets or design and development of the Department's major computer processing systems. The TRIMS Fund was designated by the Department as a major fund for tracking purposes upon enactment of the initial appropriation and through the first fiscal years. There have been no further appropriations to the TRIMS Fund.

Capital Improvement Projects. This capital project fund accounts for various capital improvement projects.

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 is a special revenue fund. 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.

**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



STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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

sixty days is remitted to the 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 general fund as of June 30, 2009 was \$183.7 million.

The Department has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1089, unless FASB conflicts with GASB. The Commission has elected to not apply FASB pronouncements issued after the applicable date.

*Cash Deposits and Interest in State Treasurer 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 State Treasurer's separately issued financial statements.

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 Treasurer 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 motor vehicle field 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 fund balance reserve, which indicates it is unavailable for appropriation, even though it is a component of reported net assets.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**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 are defined by the Department as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 FINANCIAL STATEMENTS  
June 30, 2009

**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.

*Net Assets or Fund Equity.* Net assets are reported as restricted when external or legal constraints are placed on their use. Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." The Department does not have any related debt.

In the fund financial statements, governmental funds report reservations of fund balance to indicate that a portion of the fund balance is not available for expenditure or is legally segregated for a specific future use. Designations of fund balance represent tentative plans for subsequent year expenditures that are subject to change.

*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, and Weight Distance Tax Permit Fee Fund 99400). A budget is never prepared for the Property Valuation Fund, 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 capital project funds are budgeted using this methodology, which is generally a multi-year budget; therefore, the budget reflected for SHARE Fund 88500 on page 65 includes the unexpended portion of the budget as of June 30, 2009.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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

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 the 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) 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.

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 2009 shall revert to the [state] general fund by September 30, 2009, unless otherwise indicated in the General Appropriations Act of 2004 or otherwise provided by law."

5. The Department had a number of invoices where the goods and services were received by June 30, 2009 (FY09), but were unpaid by that date. In these circumstances, accounts payable amounts were established in FY09 at fiscal year end. These payments were processed as "Requests to Pay Prior Year Bills" in FY09 and were paid from FY10 budget. The related accounts payable amount for FY09 was included on "Balance Sheet – Governmental Funds" and the expenditures are included on "Statement of Revenues, Expenditures, and Changes in Fund Balances" since these fund financial statements are prepared using the modified accrual basis of accounting. However, "Statement of Revenues and Expenditures – Budget and Actual" is prepared using the budget basis requiring that these accounts payable amounts are not to be included on this financial

STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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

statement. Therefore, "Reconciliation of Expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds on page 23 to the Statement of Revenues and Expenditures - Budget and Actual" on pages 25 to 30 reconciles these differences.

*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.* 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. Federal grant revenues are recognized as revenue when the expenditure is incurred.

*Operating Transfers.* Operating transfers represent transfers of funds from one fund to another fund when both funds are part of the same reporting entity. Transfers are not considered revenues by the receiving fund or expenditures by the disbursing fund. An operating transfer is 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 FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 3. CASH AND INTEREST IN THE STATE TREASURER GENERAL  
FUND INVESTMENT POOL**

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 (NMSTO), 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 NMSTO.

Provisions of the New Mexico State Public Money Act (Article 10, Sections 6-10-1 to 6-10-63 NMSA 1978) require a bank to be qualified to receive deposits of public monies by depositing collateral security or by giving bond at a minimum level of 50 percent to collateralize governmental cash deposits when they exceed the amounts of depository insurance by the federal deposit insurance corporation (FDIC) or the national credit union administration. The State Treasurer issues separate financial statements which 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, 2009, are entirely insured or collateralized with securities held by the agent in the bank's name.

As of June 30, 2009, the reconciled interest in the State Treasurer's General Fund Investment Pool was \$624,175,327.

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.

Cash on hand (petty cash and change funds) in the amount of \$19,125 was held at the various Audit and Compliance Division (ACD) district offices and Motor Vehicle Division (MVD) field offices for change funds and small purchases.

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The Department does not have an investment policy that limits investment rate risk.

For additional information, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2009.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 3. CASH AND INTEREST IN THE STATE TREASURER GENERAL FUND INVESTMENT POOL  
(CONTINUED)

Interest in the State Treasurer General Fund Investment Pool - Department of Finance  
and Administration (DFA) - continued

As of June 30, 2009, the Department's cash balances (now called "Interest in the State Treasurer General Fund Investment Pool") have been reconciled to the Department's portion of the Interest in the State Treasurer General Fund Investment Pool. The following reconciles SHARE closing cash balances with the Department's financial statements.

Account Name	Fund Type	DFA SHARE Acct. No.	Bank Balance per State Treasurer	Audit Adjustments not in SHARE	Balance per Financial Statements
<b>Governmental Funds:</b>					
TRIMS Expenditure Fund	Capital	08600 - 333	\$ 73,284	-	73,284
TRD - Operating Fund	Gov't'l.	17200 - 333	15,135,683	-	15,135,683
Property Valuation Fund	S R	34800 - 333	1,296,720	-	1,296,720
Capital Improvement Project	Capital	88500 - 333	22,652	-	22,652
Weight Distance Tax Admin Fee	Gov't'l.	99400 - 333	1,572,236	-	1,572,236
<b>Total Governmental Funds</b>			<b>18,100,575</b>	<b>-</b>	<b>18,100,575</b>
<b>Fiduciary Funds:</b>					
TRD Restitution Fund	Fiduciary	23600 - 333	2,322	-	2,322
Oil & Gas - Ad Valorem Equip. Tax	Fiduciary	23900 - 333	158,776	-	158,776
CIT (TAA) Suspense	Fiduciary	27900 - 333	1,706,226	-	1,706,226
PIT (TAA) Suspense	Fiduciary	64200 - 333	142,516,624	-	142,516,624
Hazmat Finger Printing Fees	Fiduciary	68000 - 333	42,330	-	42,330
Small Cities Assistance	Fiduciary	68400 - 333	-	-	-
County & Municipal Cigarette	Fiduciary	68300 - 333	3,373,518	-	3,373,518
Local Liquor Tax Fund	Fiduciary	70900 - 333	96,000	-	96,000
Motor Transportation Cash Bond	Fiduciary	70600 - 333	182,037	-	182,037
Unclaimed Property Suspense	Fiduciary	71000 - 333	9,220,682	-	9,220,682
Oil & Gas - Ad Valorem Prod. Tax	Fiduciary	71300 - 333	-	-	-
Ad Valorem Equipment Tax	Fiduciary	71500 - 333	1,044	-	1,044
Income Tax Suspense	Fiduciary	81900 - 333	2,317	-	2,317
Transportation & MVD Suspense	Fiduciary	82500 - 333	16,795,187	-	16,795,187
T.A.A. Suspense	Fiduciary	82800 - 333	59,410,911	-	59,410,911
Delinquency List Suspense	Fiduciary	83000 - 333	5,676,905	-	5,676,905
Worker's Compensation Fund	Fiduciary	83100 - 333	751,684	-	751,684
CRS TAA Suspense - TRIMS	Fiduciary	83200 - 333	271,939,157	-	271,939,157
Oil & Gas Accounting Suspense	Fiduciary	83300 - 333	94,199,031	-	94,199,031
<b>Total Fiduciary Funds</b>			<b>606,074,752</b>	<b>-</b>	<b>606,074,752</b>
<b>Total Interest in the State Treasurer Investment Pool</b>			<b>\$ 624,175,327</b>	<b>-</b>	<b>624,175,327</b>

STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
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NOTE 3. CASH AND INVESTMENT IN THE STATE TREASURER GENERAL FUND INVESTMENT POOL  
(CONTINUED)

Cash in Banks

As of June 30, 2009, reconciled motor vehicle field office cash in banks (checking accounts) totaled \$1,892,588, as follows:

Name of Depository	Account Name	Balance per Financial Statements	Bank Balance
First Community Bank	NM Taxation & Revenue Department	\$ 40,311	68,965
Bank of Las Vegas	NM Taxation & Revenue Department	31,234	29,298
Citizen's Bank of Clovis	NM Taxation & Revenue Department	3,272	1,159
Farmers & Stockmens Bank	Motor Vehicles Division	43,499	68,571
Farmers & Stockmens Bank	Motor Transportation Department	4,179	8,023
First National Bank	NM Taxation & Revenue Department	37,174	54,233
First National Bank	Taxation & Revenue Department	17,543	38,219
First State Bank	NM Taxation & Revenue Department	19,865	36,645
My Bank	NM Taxation & Revenue Department	33,307	32,724
Western Bank	Motor Vehicles Division	32,018	54,437
Western Bank	Motor Transportation Department	48,345	88,843
Western Commerce Bank	NM Taxation & Revenue Department	27,133	39,402
Western Commerce Bank	NM Taxation & Revenue Department	10,858	13,232
Wells Fargo Bank	Taxation & Revenue Department	<u>1,543,851</u>	<u>3,315,822</u>
<b>Total cash per financial statements</b>		1,892,588	3,849,572
Deposits in transit from agents		9,155,121	9,155,121
Outstanding checks and adjustments		<u>-</u>	<u>(1,956,984)</u>
<b>Total cash in banks</b>		<b>\$ <u>11,047,709</u></b>	<b><u>11,047,709</u></b>

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  
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NOTE 4. 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 yearend from information report to the Department within the accrual period.

Approximately \$140,151,750 of the active tax assessments issued by the Department and listed below are under protest and/or subject to litigation.

At June 30, 2009, the Department's receivables, including the applicable allowances for uncollectable accounts are as follows:

	Governmental Funds			Fiduciary Funds
	General	Capital Project	Special Revenue	Agency
<b>Receivables:</b>				
Accounts receivable	\$ 20,461	-	-	969,938,130
Cigarette stamps	-	-	-	-
County property valuation loans	-	-	463,791	-
Federal grants	1,428,877	-	-	-
Property tax	-	-	-	83,769
Tax assessments amount considered uncollectable	-	-	-	759,130,014
<b>Gross receivables</b>	<u>1,449,338</u>	<u>-</u>	<u>463,791</u>	<u>1,729,151,913</u>
<b>Less allowance for uncollectibles</b>	<u>(15,167)</u>	<u>-</u>	<u>(240,000)</u>	<u>(759,130,014)</u>
<b>Total receivables, net</b>	<u>\$ 1,434,171</u>	<u>-</u>	<u>223,791</u>	<u>970,021,899</u>

Following is a description of the accounts receivable recorded by the Department:

Accounts Receivable

Receivables are recorded in connection with database access fee revenues. An allowance of \$15,167 has been recorded for accounts where collection cannot be assured.

Cigarette Stamps

The cigarette stamps account represents receivables resulting from the sale of cigarette stamps, which are recorded when the stamps are issued to the purchaser. All account balances are considered collectible.

County Property Valuation Loans

The loans to counties account represents loans made to counties 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.

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NOTE 4. RECEIVABLES (CONTINUED)

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.

Receivables - Fiduciary Funds Tax Assessments

At June 30, 2009, tax assessments issued and uncollected by the Fiduciary Fund Type were as follows:

Compensating and Withholding Taxes	\$ 440,057,980
Corporate Income Tax	81,854,212
Personal Income Tax	130,123,922
Gasoline Tax	30,650,175
Combined Fuel Tax	4,015,223
Cigarette Tax	5,862,375
Daily Bed Surcharge	4,290
Delinquent Tax	97,345
Estate Tax	3,118,560
Fiduciary Income Tax	143,646
Liquor Excise Tax	5,501,937
Petroleum Products Loading Fee	24,995,037
Special Fuel Supplier	2,304
Telecommunications Relay Surcharge	2,360,334
Tobacco Products	15,591
Water Conservation Fees	1,691,159
Enhanced 911 Tax	2,545
Alternative Fuel Distributors	802,254
Restitution	36
Railroad Car Tax	3,319
Gaming	35,376
Unclaimed Property	547,215
Workers' Compensation Tax	937,421
Weight Distance Tax	
Oil and Gas Tax Programs:	
ONGARD Oil and Gas (OGT)	<u>4,412,940</u>
<b>Total receivables, fiduciary funds tax assessments</b>	<b>\$ <u>737,235,197</u></b>

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**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Governmental activities:</b>					
Capital assets being depreciated:					
Furniture and fixtures	\$ 1,189,834	-	-	-	1,189,834
Software	13,834,674	1,186,433	-	-	15,021,107
Data processing equipment	4,190,106	1,927,473	(149,835)	-	5,967,744
Machinery and equipment	3,469,438	167,842	(842,685)	-	2,794,595
Tenant leasehold improvements	217,762	-	-	-	217,762
Vehicles	<u>189,243</u>	<u>31,500</u>	<u>(138,289)</u>	<u>-</u>	<u>82,454</u>
Total capital assets being depreciated	23,091,057	3,313,248	(1,130,809)	-	25,273,496
Less accumulated depreciation for:					
Furniture and fixtures	(646,116)	(169,976)	-	-	(816,092)
Software	(6,187,365)	(1,743,679)	-	-	(7,931,044)
Data processing equipment	(3,003,036)	(651,080)	149,835	-	(3,504,281)
Machinery and equipment	(2,610,525)	(270,176)	712,303	-	(2,168,398)
Tenant leasehold improvements	(111,212)	(14,517)	-	-	(125,729)
Vehicles	<u>(157,189)</u>	<u>(11,619)</u>	<u>117,391</u>	<u>-</u>	<u>(51,417)</u>
Total accumulated depreciation	<u>(12,715,443)</u>	<u>(2,861,047)</u>	<u>979,529</u>	<u>-</u>	<u>(14,596,961)</u>
Capital assets, net	\$ <u>10,375,614</u>	<u>452,201</u>	<u>(151,280)</u>	<u>-</u>	<u>10,676,534</u>

Depreciation expense of \$2,861,047 was charged to the following programs:

Program Support	\$ 2,162,862
Tax Administration Act	339,519
Motor Vehicle Program	357,037
Property Tax Program	-
Compliance Enforcement	<u>1,628</u>
	<u>\$ 2,861,047</u>

Capital asset activity included \$3,313,248 of capital outlay acquisitions, primarily for purchases of data processing equipment and software.

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

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**NOTE 6. INTER/INTRA FUND RECEIVABLES AND PAYABLES**

Inter-fund transfers are made between the governmental funds of the Department to correct recording errors noted at year-end. Transfers also 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, 2009 comprised of the following balances:

<u>Fund</u>	<u>Fund Description</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b>Operating Funds:</b>			
17200	General Fund – Operations	\$ 2,223,387	-
99400	Tax Identification Fund	<u>26,657</u>	-
<b>Total Operating Funds</b>		<u>2,250,044</u>	-
<b>Fiduciary Funds:</b>			
68000	HazMat Finger Printing Fund	-	27,498
70900	Local Liquor Excise Tax	-	8,966
82500	Transportation & MVD Suspense	-	894,848
82800	TAA Suspense Fund	-	6,303
83000	Delinquent List Suspense Fund	-	1,355,834
83100	Workers' Compensation Fund	-	160,890
68400	County & Municipal Cigarette	436,146	-
71300	Oil & Gas Ad Valorem Prod. Tax	20,193,420	-
71500	Ad Valorem Production Tax	4,118	-
81900	Income Tax Suspense (TRIMS) Fund	12,120	-
83200	CRS (TAA) Suspense	-	448,266
83300	Oil & Gas Suspense Fund	<u>-</u>	<u>20,197,538</u>
<b>Total Fiduciary Funds</b>		<u>20,645,804</u>	<u>20,645,804</u>
<b>Total Interfund Balances</b>		\$ <u>22,895,848</u>	<u>22,895,848</u>

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**NOTE 7. 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 in the elimination column on Schedule of Changes in Fiduciary Assets and Liabilities represent the transfers made during the fiscal year. Since the transfers are between the tax programs within the fund (column), the following amounts are eliminated for combining purposes to avoid any duplication of account balances:

Additions:	
Personal Income Tax Suspense	\$ 448,495,527
TAA Suspense / Other	39,626,026
Oil and Gas	<u>179,608,738</u>
Total	<u>\$ 667,730,291</u>
Deductions:	
CRS Suspense	\$ 448,495,527
TAA Suspense / Other	39,626,026
Oil and Gas	<u>179,608,738</u>
Total	<u>\$ 668,030,291</u>

**NOTE 8. 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 Assets. 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, 2009, facilities rental expenditures were \$3,319,903.

**NOTE 9. LIABILITIES**

*Current Liabilities.* The Department's General Fund total current liabilities during the fiscal year were \$6,699,424. Approximately 94% of the current liabilities are attributable to accounts payable and accrued payroll. The General Fund accounts payable of \$3,527,770 consists of goods or services received by the Department by June 30, 2009 but paid after June 30, 2009. The General Fund accrued payroll of \$2,776,345 consists of payroll expenditures incurred from June 13, 2009 through June 30, 2009 but paid after June 30, 2009.

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**NOTE 9. LIABILITIES (CONTINUED)**

The Department has an estimated potential loss of approximately \$100,000 regarding a pending case in which it has been estimated that there is a 75% chance of an unfavorable outcome. The Department had recorded the pending settlement as a long term liability and expenditure in the Statement of Net Assets and Statement of Net Activities.

*Compensated Absences.* Compensated absences for the year ended June 30, 2009 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences payable	\$ 2,063,937	4,711,325	4,337,196	2,438,066	2,438,066
Total long-term liabilities	\$ 2,063,937	4,711,325	4,337,196	2,438,066	2,438,066

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 10. 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, 2009 were as follows:

Reversions:

BFY 09 Reversion

Stale dated warrants	830
Expenditure reversions	403,199
Revenue reversions	<u>108,843</u>
Total BFY09 Reversions	512,872

Less Payments made in FY09	<u>(134,725)</u>
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Total due to State General Fund at June 30, 2009	<u>\$ 378,147</u>
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**NOTE 11. RESTRICTED NET ASSETS AND FUND BALANCE**

Restricted Net Assets and Unreserved-designated Fund Balance was created to restrict the use of resources from special appropriations and to restrict cash balance amounts that have been re-budgeted in subsequent years by the Department.

<b>Fund/Program</b>	<b>Laws</b>	<b>Amount</b>
<b>General Fund:</b>		
Oil & Natural Gas Database	Laws of 2008, Chapter 28, Section 7, \$500,000 through FY10	\$ 98,269
DB2 System	Laws of 2008, Chapter 3, Section 7, \$300,000 through FY10	50,670
MVD Imaging Equipment	Laws of 2008, Chapter 3, Section 7, \$1,000,000 through FY10	4,364
MVD Driver System	Laws of 2009, Chapter 124, Section 7, \$400,000 through FY10	288,112
MVD Point of Sale	Laws of 2008, Chapter 3, Section 7, \$2,453,000 through FY10	2,369,528
Managed Audit Program	Laws of 2009, Chapter 124, Section 5, \$467,500 through FY10	430,593
Gentax Upgrade	Laws of 2009, Chapter 124, Section 7, \$1,682,500 through FY10	1,682,500
Computer Network & Security	Laws of 2007, Chapter 28, Section 7, Item 6; \$2,000,000	
Deficiencies	extended through FY 10	<u>621,330</u>
<b>Total General Fund:</b>		<b>5,545,366</b>
<b>Capital Improvements Projects Fund 88500:</b>		
TRD Tax Policy Project	Laws of 2007, Chapter 42, Section 73	<u>6,462</u>
<b>Total Fund Balance - Reserved for Special Appropriations</b>		<b>\$ <u>5,551,828</u></b>
<b>Fund Balance - Reserved:</b>		
<b>General Fund:</b>		
Financial Responsibility Act	NMSA 1978, Section 66-5-201 and 66-6-23A(5)(e)	\$ 663,293
EDL - Enhanced Driver's License	NMSA 1978, Section 66-5-44, C	2,265,587
Delinquent Property Tax	NMSA 1978, Section 7-38-62	2,523,811
PIT Intercept Administration Fees	NMSA 1978, Section 7-2C-12	250,889
MVD Non-Reverting Revenues	Laws of 2009, Chapter 156, Section 1 through 7	264,106
Out of State DWI Verification	NMSA 1978, Section 66-5-44, B	631,264
Tax Identification Card Fund 99400	NMSA 1978, 7-15A-14	<u>1,548,395</u>
<b>Total General Fund Balance - Reserved for Subsequent Years' Expenditures</b>		<b>8,147,345</b>
TRIMS Capital Project Fund 08600	Laws of 1999, Chapter 10, Section I, Subsection D	73,284
Property Valuation Fund 34800 (Loans to	NMSA 1978, 7-35-3(B)	<u>1,511,981</u>
<b>Total Fund Balance - Reserved</b>		<b>\$ <u>9,732,610</u></b>

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**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](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 7.42% of their gross salary. The Department's 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, 2009, 2008 and 2007 were \$7,060,641, \$6,406,683 and \$5,842,540, respectively, equal to the amount of the required contribution 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



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

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

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

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

The 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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Department's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$539,434, \$490,499 and \$452,492, respectively, which equal the required contributions for each year.

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**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 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, 2009, 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.

*Pending or Threatened Litigation.* There are various lawsuits by taxpayers claiming refunds from various tax programs for taxes under protest totaling approximately \$186,412,494 for the fiscal year. In addition, there are various lawsuits by taxpayers claiming refunds from various tax programs where no specified dollar amount under protest has been identified. Management intends to contest all cases vigorously. Any liability would be paid for out of the Department's agency funds.

The Department may incur costs of \$100,000 pending a legal settlement. The Department has recorded the long-term liability and expenditure in the Statement of Net Assets and Statement of Net Activities.

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 being handled through the 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.

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**NOTE 16. JOINT POWERS AGREEMENTS / MEMORANDUMS OF  
UNDERSTANDING**

ONGARD Service Center

The Department participates in a Joint Powers Agreement (JPA) with the Commissioner of Public Lands and the Energy, Minerals and Natural Resources Department to operate the Oil and Natural Gas Administration and Revenue Database (ONGARD).

- Responsible Party: The Taxation and Revenue Department
- Time period: January 14, 2004 to indefinite
- FY09 Amount of Project: \$1,506,728
- Portion Applicable to NMTRD: \$1,004,028 State General Fund
- Audit Responsibility: NMTRD
- Revenue Reported: NMTRD

OHKAY Owingeh

The Department participates in a Joint Powers Agreement (JPA) with Ohkay Owingeh, a federally-recognized Indian tribe to facilitate the assessment and enforcement of taxes on gasoline and receipts from the sale of gasoline imposed by the State of New Mexico and the Tribe within their respective jurisdictions.

- Responsible Party: The Taxation and Revenue Department
- Time period: January 22, 2009 to indefinite
- FY09 Amount of Project: -0-
- Portion Applicable to NMTRD: -0-
- Audit Responsibility: NMTRD
- Revenue Reported: N/A

GSD Property Control Division

The Department participates in an MOU between NMTRD Motor Vehicle Division and GSD Property Control Division to provide project administration for the commercial vehicle requirements for the new Santa Fe MVD Santa Fe building project.

- Responsible Party: The General Services Department
- Time period: February 4, 2004 to indefinite
- Amount of Project: \$500,000
- Portion Applicable to NMTRD: \$500,000 State General Fund
- Audit Responsibility: NMGS
- Revenue Reported: NMGS

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**NOTE 16. JOINT POWERS AGREEMENTS / MEMORANDUMS OF  
UNDERSTANDING (CONTINUED)**

NM Institute of Mining and Technology Security Assessment

The Department participates in an MOU between NMTRD New Mexico Department of Information Technology (DoIT), and New Mexico Human Services Department (HS) and New Mexico Institute of Mining and Technology. New Mexico Institute of Mining and Technology will provide preventive and responsive information system and network security assessments to critical infrastructure entities.

- Responsible Party: NM DoIT
- Time period: November 6, 2009 to July 30, 2009
- Amount of Project: \$65,000
- Portion Applicable to NMTRD: \$0.00
- Audit Responsibility: NM DoIT
- Revenue Reported: NM Institute of Mining and Technology

NM Institute of Mining and Technology ONGARD

The Department participates in an MOU between and New Mexico Institute of Mining and Technology. New Mexico Institute of Mining and Technology will provide preventive and responsive information system and network security assessments to critical infrastructure entities identified by the ONGARD Service Center Director.

- Responsible Party: NMTRD
- Time period: March 5, 2009 to June 30, 2009
- Amount of Project: \$10,000
- Portion Applicable to NMTRD: \$10,000
- Audit Responsibility: NMTRD
- Revenue Reported: NM Institute of Mining and Technology

NM Institute of Mining and Technology Security Enhancement Services

The Department participates in an MOU with the New Mexico Institute of Mining and Technology. New Mexico Institute of Mining and Technology will provide security enhancement services to include secure network architectures design, assistance with network architecture implementation, and system hardening.

- Responsible Party: NMTRD
- Time period: September 25, 2009 to June 30, 2009
- Amount of Project: \$113,334.38
- Portion Applicable to NMTRD: \$113,334.38
- Audit Responsibility: NMTRD
- Revenue Reported: NM Institute of Mining and Technology

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**NOTE 16. JOINT POWERS AGREEMENTS / MEMORANDUMS OF  
UNDERSTANDING (CONTINUED)**

NM Institute of Mining and Technology Security Enhancement Services

The Department participates in an MOU with New Mexico Institute of Mining and Technology. New Mexico Institute of Mining and Technology will provide security enhancement services to include secure network architectures design, assistance with network architecture implementation, and system hardening.

- Responsible Party: NMTRD
- Time period: March 4, 2009 to August 30, 2009
- Amount of Project: \$37,700
- Portion Applicable to NMTRD: \$37,700
- Audit Responsibility: NMTRD
- Revenue Reported: NM Institute of Mining and Technology

UNM Forecasting Services

The Department participates in an MOU with the Department of Finance and Administration, the Legislative Finance Committee, the Department of Transportation, and the Regents of the University of New Mexico for the purchase of four long-term, quarterly forecasts.

- Responsible Party: NMTRD
- Time period: July 1, 2009 to June 30, 2009
- Amount of Project: \$99,607.97
- Portion Applicable to NMTRD: \$29,052
- Audit Responsibility: NMTRD
- Revenue Reported: UNM

Cooperative Funding for Office Lease

The Department participated in an MOU with seventeen State of NM executive branch state agencies to jointly fund the Lease for the Office of the Governor in Albuquerque.

- Responsible Party: NMTRD
- Time period: July 1, 2007 to March 31, 2009
- Amount of Project: \$232,720
- Portion Applicable to NMTRD: \$13,690
- Audit Responsibility: NMTRD
- Revenue Reported: Centurion

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**NOTE 16. JOINT POWERS AGREEMENTS / MEMORANDUMS OF  
UNDERSTANDING (CONTINUED)**

NMHSD Mail Processing

The Department participated in an MOU with NM Human Services Department to assist TRD's Revenue Processing Division in the insertion and mail processing of the New Mexico Taxpayer Rebate Checks, MVD registration renewal notices and tax/fee related documents.

- Responsible Party: NMTRD
- Time period: October 6, 2009 to March 12, 2009
- Amount of Project: \$81,663
- Portion Applicable to NMTRD: \$81,663
- Audit Responsibility: NMTRD
- Revenue Reported: NMHSD

Administrative Office of the Courts

The Department participated in an MOU with the Administrative Office of the Courts. The Taxation and Revenue Department make enhancements to its personal income tax address verification system, which will provide the ability to obtain county information based on zip codes cross referenced against USPS data.

- Responsible Party: NMTRD
- Time period: October 1, 2009 to December 31, 2009
- Amount of Project: \$5,000
- Portion Applicable to NMTRD: -0-
- Audit Responsibility: NMTRD
- Revenue Reported: NMTRD

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NOTE 17. REVENUES

General fund revenue reported for the year ended June 30, 2009, consisted of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Other State Funds:</b>			
Delinquent Property Tax	\$ 3,867,934	-	3,867,934
Workers Comp Assessment	643,823	-	643,823
Alcoholic Beverage Tax	57,097	-	57,097
Unclaimed Property	354,700	-	354,700
Sale of MVD Data	1,125,633	-	1,125,633
Motor Vehicle - Special Plates	62,504	-	62,504
Temporary Permits	295,370	-	295,370
Enhanced Drivers License (EDL)	1,818,235	-	1,818,235
Parental Responsibilities	89,200	-	89,200
Provisional License	222,916	-	222,916
Hazmat Fingerprinting	100,434	-	100,434
Financial Responsibilities	3,313,188	-	3,313,188
Motorcycle & Off Highway Registration Fee	236,335	-	236,335
Out of State DWI Verification Interlock	447,777	-	447,777
Weight Distance Tax Administrative Fees	1,309,920	-	1,309,920
Motor Vehicle Admin Fees	2,868,838	-	2,868,838
Sale Other Fixed Assets	10,000	-	10,000
State Land Office Transfers	502,700	-	502,700
PIT Intercept Admin Fees	125,927	-	125,927
Misc. Revenue - Program	6,420	-	6,420
<b>Total Other State Funds</b>	<b>17,458,951</b>	<b>-</b>	<b>17,458,951</b>
<b>Other Financing Sources:</b>			
Other Gifts and Grants	40,000	-	40,000
Interest Income	-	-	-
<b>Total Other Financing Sources</b>	<b>40,000</b>	<b>-</b>	<b>40,000</b>
<b>General Fund:</b>			
State General Fund Appropriations	71,630,300	-	71,630,300
Transfers to other state agencies	-	-	-
<b>Total General Fund</b>	<b>71,630,300</b>	<b>-</b>	<b>71,630,300</b>
<b>Total State Funds</b>	<b>89,129,251</b>	<b>-</b>	<b>89,129,251</b>
<b>Federal Funds</b>	<b>2,772,870</b>	<b>-</b>	<b>2,772,870</b>
<b>Total Revenues - GAAP</b>	<b>\$ 91,902,121</b>	<b>-</b>	<b>91,902,121</b>

## **SUPPLEMENTARY INFORMATION**



**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NON-MAJOR FUNDS  
Year Ended June 30, 2009**

*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, Article 38. This fund is not a budgeted fund.

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

Capital Improvement Projects Fund (88500) – This fund was created to provide funding for various capital improvement projects.

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

	<u>Property</u>	<u>Capital</u>	<u>Total</u>
<b>ASSETS</b>			
Interest in the State Treasurer General Fund			
Investment Pool	\$ 1,296,720	22,652	1,319,372
Receivables:			
Due from other state agencies	222	-	222
Loans to counties, net	223,791	-	223,791
	<hr/>		
<b>Total assets</b>	<b>\$ 1,520,733</b>	<b>22,652</b>	<b>1,543,385</b>
	<hr/>		
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	16,190	16,190
Other liabilities	-	-	-
Due to other state agencies	8,752	-	8,752
	<hr/>		
<b>Total liabilities</b>	<b>8,752</b>	<b>16,190</b>	<b>24,942</b>
<b>Fund Balances</b>			
Reserved for MVD offices renovation	-	6,462	6,462
Reserved for loans to counties	1,511,981	-	1,511,981
	<hr/>		
<b>Total fund balances</b>	<b>1,511,981</b>	<b>6,462</b>	<b>1,518,443</b>
	<hr/>		
<b>Total liabilities and fund balances</b>	<b>\$ 1,520,733</b>	<b>22,652</b>	<b>1,543,385</b>
	<hr/>		

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, 2009

	<u>Property</u>	<u>Capital</u>	<u>Total</u>
Revenues			
Miscellaneous revenue	\$ -	-	-
<b>Total revenues</b>	-	-	-
Expenditures			
Current expenditures:			
Contractual services	171	39,577	39,748
Operating costs	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	171	39,577	39,748
<b>Excess of revenues over expenditures</b>	(171)	(39,577)	(39,748)
Other Financing Sources			
Reversions		(134,725)	
Transfers to other state agencies	-	-	-
<b>Net other financing sources (uses)</b>	-	(134,725)	-
<b>Net change in fund balance</b>	(171)	(174,302)	(174,473)
Fund balance, June 30, 2008	1,512,152	180,764	1,692,916
<b>Fund balance, June 30, 2009</b>	<u>\$ 1,511,981</u>	<u>6,462</u>	<u>1,518,443</u>

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES - NON-MAJOR FUNDS -  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
Year Ended June 30, 2009

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget Positive (Negative)
Revenues				
State General Fund Appropriations	\$ -	-	-	-
<b>Total revenues</b>	-	-	-	-
Prior year cash budgeted	46,039	46,039		
	<u>\$ 46,039</u>	<u>46,039</u>		
Expenditures - current and capital outlay				
Contractual Services	\$ 46,039	46,039	39,577	6,462
Other financing uses - reversals	-	-	134,725	(134,725)
<b>Total expenditures</b>	<u>\$ 46,039</u>	<u>46,039</u>	<u>174,302</u>	<u>(128,263)</u>

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
FIDUCIARY FUND TYPES  
Year Ended June 30, 2009**

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 of the following taxes, tax acts, surtaxes, advance payments, surcharges or fees administered by the Department:

- 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, 2009**

- 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

Other tax acts administered by Taxation and Revenue Department that do not fall under the authority of the Tax Administration 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, 2009**

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 and withholding taxes.
- 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 and 71000) – 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.

## **SUPPLEMENTAL SCHEDULES**



STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
FIDUCIARY FUND TYPE - AGENCY FUNDS  
Year Ended June 30, 2009

	Collection Funds		
	CRS Suspense	Personal Income Tax Funds	Corporate Income Tax
<b>ASSETS</b>			
Interest in State General Fund Investment Pool	\$ 271,939,157	142,521,153	1,706,226
Cash on hand and in banks	-	-	-
Unclaimed property held for redemption	-	-	-
Receivables:			
Due from state general fund	70,966,917	56,936,512	50,105,661
Due from other state agencies	-	16,586,715	-
Due from taxpayers	436,932,464	26,218,528	18,622,473
Due from Intra-fund programs	-	12,120	-
Tax assessments:			
Amount considered uncollectible	440,057,980	130,123,922	81,854,212
Allowance for uncollectibles	(440,057,980)	(130,123,922)	(81,854,212)
<b>Total assets</b>	<b>\$ 779,838,538</b>	<b>242,275,028</b>	<b>70,434,360</b>
<b>LIABILITIES</b>			
Unidentified tax collections	\$ 21,198,559	19,234,928	4,335,048
Due to state general fund	455,131,057	166,341,186	15,993,650
Due to counties and municipalities	227,337,088	-	-
Due to other state agencies	4,752,557	-	-
Refunds due to taxpayers	70,966,917	56,698,914	50,105,662
Due to external parties	-	-	-
Due to Intra-fund programs	450,266	-	-
Other liabilities	2,094	-	-
Reserve for Litigated Assessments	-	-	-
Funds held in trust for others	-	-	-
<b>Total liabilities</b>	<b>\$ 779,838,538</b>	<b>242,275,028</b>	<b>70,434,360</b>

Collection Funds			Non-Collection	Eliminations	Total
TAA Suspense/ Other	Motor Vehicle	Oil and Gas	Other Funds		
\$ 69,395,164	16,837,517	94,358,851	9,316,683	-	606,074,751
-	11,047,709	-	-	-	11,047,709
-	-	-	7,977,422	-	7,977,422
1,287,411	2,318,210	39,764,635	-	-	221,379,346
-	-	38,138,017	-	-	54,724,732
67,741,268	17,647,844	126,755,244	-	-	693,917,821
438,146	-	20,197,538	-	(20,647,804)	-
80,750,767	21,894,817	4,412,940	35,376	-	759,130,014
(80,750,767)	(21,894,817)	(4,412,940)	(35,376)	-	(759,130,014)
\$ 138,861,989	47,851,280	319,214,285	17,294,105	(20,647,804)	1,595,121,781
47,838,509	6,173,347	3,878,360	584,000	-	103,242,751
25,038,431	9,246,492	100,046,259	13,537,892	-	785,334,967
5,386,170	-	20,193,420	-	-	252,916,678
54,143,245	29,635,787	70,407,158	-	-	158,938,747
5,020,743	1,729,877	99,465,520	3,160,213	-	287,147,846
1,327,698	922,346	-	-	-	2,250,044
-	-	20,197,538	-	(20,647,804)	-
-	143,431	-	-	-	145,525
107,193	-	5,026,030	-	-	5,133,223
-	-	-	12,000	-	12,000
\$ 138,861,989	47,851,280	319,214,285	17,294,105	(20,647,804)	1,595,121,781

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SUPPLEMENTAL SCHEDULE OF SPECIAL APPROPRIATIONS  
Year Ended June 30, 2009

Special Appropriation	Amount Appropriated	Amount Received to Date	Expenditures to Date	Unencumbered Balance	Amount Reverted
<b>General Fund:</b>					
Special appropriation to Taxation & Revenue Department for Tax Rebate, Laws of 2008, 2nd Special Session, Chapter 3, Section 2, through FY09	\$ 750,000	750,000	729,766	20,234	20,234
Special appropriation to Taxation & Revenue Department for the MVD Driver System, Laws of 2008, Chapter 124, Section 7, Item 3, through FY10	400,000	400,000	111,888	288,112	-
Special appropriation to Taxation & Revenue Department for MVD Point of Sale System, Laws of 2008, Chapter 3, Section 7, Item 9, through FY10	2,453,000	2,453,000	83,472	2,369,528	-
Special appropriation to Taxation & Revenue Department, to promot the Managed Audit Program, Laws of 2009, Chapter 124, Section 7, Item 2 through FY10	467,500	467,500	36,907	430,593	-
Special appropriation to Taxation & Revenue Department to upgrade Gentax and external data, Laws of 2009, Chapter 124, Section 7, Item 2 through FY11	1,682,500	1,682,500	-	1,682,500	-
Special appropriation to Taxation & Revenue Department to acquire equipment for centralized drivers license system, Laws of 2006, Chapter 109, Section 5, Subsection (13) through FY09	1,500,000	1,500,000	1,500,000	-	-
Special appropriation to Taxation & Revenue Department to address computer network and security deficiencies, Laws of 2006, Chapter 109, Section 7, Subsection (4) through FY10	2,000,000	2,000,000	1,378,670	621,330	-
Special appropriation to Taxation & Revenue Department to replenish Oil and Natural Gas Database, Laws of 2007, Chapter 28, Section 7 & Laws of 2008, Chapter 3, Section 7, through FY10	500,000	500,000	401,731	98,269	-
Special appropriation to Taxation & Revenue Department to convert integrated database system to DB2, Laws of 2008, Chapter 3, Section 7, Subsection (4) through FY10	300,000	300,000	249,330	50,670	-
Special appropriation to Taxation & Revenue Department to replace imaging equipment, kiosks and eye testing machines, Laws of 2008, Chapter 3, Section 7, Section (5) through FY10	1,000,000	1,000,000	995,636	4,364	-
<b>General Fund Total</b>	<b>11,053,000</b>	<b>11,053,000</b>	<b>5,487,400</b>	<b>5,565,600</b>	<b>20,234</b>
<b>Capital Improvement Projects fund:</b>					
Special appropriation through FY09	2,845,000	2,845,000	2,703,813	141,187	134,725
<b>Total Special Appropriations</b>	<b>\$ 13,898,000</b>	<b>13,898,000</b>	<b>8,191,214</b>	<b>5,706,787</b>	<b>154,959</b>

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SUPPLEMENTAL SCHEDULE OF INTER-AGENCY TRANSFERS  
Year Ended June 30, 2009

Account Transferred to:	Cash Account Transferred to	Account Transferred from:	Reason for Transfer	Cash Account Transferred from	Net Amount
<b>Department of Finance &amp; Administration /Board of Finance:</b>					
State Debt	80000-341	AD Valorem Production	1	71300-333	\$ 9,154,782
State Debt	80000-341	Copper Production	1	71400-333	200,349
State Debt	80000-341	AD Valorem Equipment Tax	1	71500-333	1,523,361
<b>Children, Youth and Families Department</b>					
CYFD-Children's Trust Fund	78000-690	Transportation and MVD Suspen	1	82500-333	23,600
<b>Department of Cultural Affairs:</b>					
OCA Capital Projects/Laws of 1992	69100-505	CRS TAA Suspense Fund	1	83200-333	233,554
Office of Cultural Affairs	69100-505	CRS TAA Suspense Fund	1	83200-333	3,487
Office of Cultural Affairs	69100-505	Taa Suspense Fund	1	83200-333	1,525
<b>Department of Education:</b>					
Substance Abuse Education	69100-505	CRS TAA Suspense Fund	1	81900-333	9,409
Education Department/Driving Safety Fees	57300-924	Transportation and MVD Suspen	1	82500-333	1,651,899
<b>Department of Environment</b>					
Tire Recycling Fund	02600-667	Transportation and MVD Suspen	1	82500-333	818,253
Water Conservation Fund (WCF)	56700-667	TAA Suspense Fund	1	82800-333	3,561,897
DOE Corrective Action Fund (PPL)	990000-667	TAA Suspense Fund	1	82800-333	18,437,261
<b>Department of Finance and Administration:</b>					
DFA Appropriations	85300-341	Restitution Fund	1	23600-333	2,322
DFA/General Fund/ CIT	85300-341	CIT TAA Suspense Fund	1	27900-333	192,486,125
DFA/General Fund/ PIT	85300-341	Personal Income Tax Suspense	1	64200-333	406,947,076
DFA Appropriations/Unclaimed Property	85300-341	Unclaimed Property Suspense	1	71000-333	13,037,892
Judicial Education Fund - General	58900-341	Transportation and MVD Suspen	1	82500-333	303,451
DFA/General Fund/Penalty Assessment	85300-341	Transportation and MVD Suspen	1	82500-333	7,665,524
DFA/General Fund/DWI Admin Hearing Fee	85300-341	Transportation and MVD Suspen	1	82500-333	155,710
DFA/General Fund/Check Pen	85300-341	Transportation and MVD Suspen	1	82500-333	3,765
DFA/General Fund/Vehicle Excise/Boat Reg.	85300-341	Transportation and MVD Suspen	1	82500-333	100,496,567
DFA/General Fund/Weight Distance	85300-341	Transportation and MVD Suspen	1	82500-333	651,155
Local Gov Enh 911	01700-341	TAA Suspense Fund	1	82800-333	12,549,191
DFA UNM Cancer Center/Lux	23300-341	TAA Suspense Fund	1	82800-333	799,745
Local DWI Grant Program	56000-341	TAA Suspense Fund	1	82800-333	17,943,023
DFA Appropriations(Gaming-GMO-25%)	85300-341	TAA Suspense Fund	1	82800-333	57,201,248
DFA Appropriations (Gaming-GMD-10%)	85300-341	TAA Suspense Fund	1	82800-333	12,005,277
DFA Appropriations/Comp BRT	85300-341	TAA Suspense Fund	1	82800-333	134,013
DFA Appropriations (Lux)	85300-341	TAA Suspense Fund	1	82800-333	32,913,027
DFA Appropriations (TRS)	85300-341	TAA Suspense Fund	1	82800-333	103,994
DFA Appropriations (TPT)	85300-341	TAA Suspense Fund	1	82800-333	6,221,300
DFA Appropriations (EST)	85300-341	TAA Suspense Fund	1	82800-333	75,354
DFA Appropriations (LIQ)	85300-341	TAA Suspense Fund	1	82800-333	25,837,358
DFA Appropriations (FID)	85300-341	TAA Suspense Fund	1	82800-333	13,579,491
DFA Appropriations (PRC)	85300-341	TAA Suspense Fund	1	82800-333	531,646
DFA Appropriations - Small Cities	85300-341	TAA Suspense Fund	1	82800-333	9,479,259
County Supported Medicaid Fund	02100-341	CRS TAA Suspense Fund	1	83200-333	17,405,212
DFA Appropriations(G/R) (G/R R&D) (G/R OOS)	85300-341	CRS TAA Suspense Fund	1	83200-333	1,833,743,325
DFA Appropriations (W/H)	85300-341	CRS TAA Suspense Fund	1	83200-333	497,457,607
DFA Appropriations (COMP)	85300-341	CRS TAA Suspense Fund	1	83200-333	69,812,765
DFA Appropriations (LV Surcharge)	85300-341	CRS TAA Suspense Fund	1	83200-333	6,500,356
DFA Appropriations/School	85300-341	Oil & Gas Suspense	1	83300-333	372,987,539
DFA Appropriations/Conservation	85300-341	Oil & Gas Suspense	1	83300-333	23,069,924
DFA Appropriations/Processors	85300-341	Oil & Gas Suspense	1	83300-333	43,839,118
Resource Coal	85300-341	Oil & Gas Suspense	1	83300-333	5,531,012
Resource Copper	85300-341	Oil & Gas Suspense	1	83300-333	2,711,547
Resource Potash	85300-341	Oil & Gas Suspense	1	83300-333	918,621
Resource Other	85300-341	Oil & Gas Suspense	1	83300-333	2,128,510
Hard Mineral-Conservation-General Fund	85300-342	Oil & Gas Suspense	1	83300-333	1,178,121
<b>Energy, Minerals &amp; Natural Resources Department:</b>					
EMNR/Forest Relief		Income Tax Suspense Fund	1	81900-333	19,791
EMNR/State Parks		Income Tax Suspense Fund	1	81900-333	13,383
EMNRD/Park & Recreation Fund	20000-521	Transportation and MVD Suspen	1	82500-333	554,957
Boat Suspense Fund	77300-521	Transportation and MVD Suspen	1	82500-333	534,282
Motor Boat Fuel Tax	30900-521	TAA Suspense Fund	1	82800-333	191,975
EMNR / St. Parks Education		TAA Suspense Fund	1	82800-333	33,339
EMNR-State Park and Recreation		CRS TAA Suspense Fund	1	83200-333	338,878
NM Youth Conservation Corps	32900-521	CRS TAA Suspense Fund	1	83200-333	2,587,831
EMNRD Capital Projects/1994	64600-521	CRS TAA Suspense Fund	1	83200-333	3,283,782
EMNRD - Oil and Gas Reclamation (OIL & GAS)	31100-521	Oil & Gas Suspense	1	83300-333	1,993,566
<b>Department of Game &amp; Fish:</b>					
Wild Life Plates		Income Tax Suspense Fund	1	81900-333	40,385
Game and Fish	30700-516	Transportation and MVD Suspen	1	82500-333	4,595
<b>Department of Health:</b>					
HSD Breast Cancer	06100-665	Income Tax Suspense Fund	1	81900-333	7,245
HSD Child Support	06100-665	Income Tax Suspense Fund	1	81900-333	2,747,110
HSD Restitution	06100-665	Income Tax Suspense Fund	1	81900-333	238,266
LTC/Traumatic Brain Injury	76800-624	Transportation and MVD Suspen	1	82500-333	788,010
Child Eyesight Fund	26100-665	Transportation and MVD Suspen	1	82500-333	47,453

Transfer Purpose: 1 - Transfer beneficiary's funds from fiduciary fund as provided by New Mexico Statutes

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SUPPLEMENTAL SCHEDULE OF INTER-AGENCY TRANSFERS (CONTINUED)  
Year Ended June 30, 2009

Account Transferred to:	Cash Account Transferred to	Account Transferred from:	Reason for Transfer	Cash Account Transferred from	Net Amount
Department of Labor					
Dept. of labor	33000-665	Income Tax Suspense Fund	1	81900-333	\$ 717,414
Department of Public Safety:					
DPS NMSP Retired (Lic Plate)	12800-790	Transportation and MVD Suspen	1	82500-333	1,110
Department of Tourism:					
Special Revenues/Beautification	80400-418	Transportation and MVD Suspen	1	82500-333	975,735
Rt. 66 Scenic By-Ways	03000-418	Transportation and MVD Suspen	1	82500-333	2,300
ATV Registration Fees	26200-418	Transportation and MVD Suspen	1	82500-333	781,391
General Services Department:					
ASD/Handicapped Phone Access	56500-350	TAA Suspense Fund	1	82800-333	3,560,873
Department of Transportation:					
Hwy/State Road Fund/Special Fuel	20100-805	Transportation and MVD Suspen	1	82500-333	115,792
Hwy/State Road Fund/Trip Tax	20100-805	Transportation and MVD Suspen	1	82500-333	5,775,718
Hwy/State Road Fund/Osow & Ton Mile	20100-805	Transportation and MVD Suspen	1	82500-333	4,539,489
Hwy/State Road Fund/Registration	20100-805	Transportation and MVD Suspen	1	82500-333	72,189,841
Hwy/State Road Fund/Weight Distance	20100-805	Transportation and MVD Suspen	1	82500-333	77,987,991
Hwy/State Road Fund/Driver's License	20100-805	Transportation and MVD Suspen	1	82500-333	4,211,813
Hwy/State Road Fund/Miscellaneous	20100-805	Transportation and MVD Suspen	1	82500-333	4,061,297
Highway Infrastructure Fund/ Tire Recycling	20200-805	Transportation and MVD Suspen	1	82500-333	1,603,874
Hwy/Local Gov. Rd Fund/ID Cards	20300-805	Transportation and MVD Suspen	1	82500-333	385,689
Hwy/Local Gov. Rd Fund/DWI Reinstatement	20300-805	Transportation and MVD Suspen	1	82500-333	743,500
Motorcycle Training Fund	20600-805	Transportation and MVD Suspen	1	82500-333	130,520
DWI Prevention & Education Fund	20700-805	Transportation and MVD Suspen	1	82500-333	457,902
Traffic Safety Education & Enforcement Fund	20800-805	Transportation and MVD Suspen	1	82500-333	473,280
Hwy/State Road Fund (Gas)	20100-805	TAA Suspense Fund	1	82800-333	108,159,168
Hwy/State Road Fund (SFS)	20100-805	TAA Suspense Fund	1	82800-333	85,541,062
Hwy/State Road Fund (Alternative Fuel)	20100-805	TAA Suspense Fund	1	82800-333	88,010
Hwy/Loc Gov. Rd Fund/Municipal Arterial (Gas)	20300-805	TAA Suspense Fund	1	82800-333	2,126,489
Hwy Local Govt Rd/PPL	20300-805	TAA Suspense Fund	1	82800-333	6,704,458
Hwy Local Govt Rd/SF	20300-805	TAA Suspense Fund	1	82800-333	10,483,488
Hwy/Aviation Board (Gas)	20500-805	TAA Suspense Fund	1	82800-333	383,722
Highway Infrastructure Funds	20200-805	CRS TAA Suspense Fund	1	83200-333	4,491,884
Local Governments Road Fund	20300-805	CRS TAA Suspense Fund	1	83200-333	1,636,906
Hwy/Aviation Board Jet Fuel	20300-805	CRS TAA Suspense Fund	1	83200-333	2,686,889
New Mexico Administrative Office of the Courts:					
Administrative Office of the Courts		Income Tax Suspense Fund	1	81900-333	217,725
Correction Fees	68800-218	Transportation and MVD Suspen	1	82500-333	2,696,720
Court Automation Fund	07800-218	Transportation and MVD Suspen	1	82500-333	1,577,813
Judicial Facilities Fee	53200-218	Transportation and MVD Suspen	1	82500-333	1,685,158
New Mexico Retiree Health:					
NM Retiree Health Care - Administration	38100-343	CRS TAA Suspense Fund	1	83200-333	14,770,936
Public Employees Retirement Association:					
PERA - Administration	60600-366	PIT TAA Suspense Fund	1	64200-333	2,400,000
State of the Secretary:					
Public Election Fund	81200-370	Unclaimed Property	1	71000-333	1,200,000
State Land Office					
Ongard /Oil & Gas Royalty	26400-539	Oil & Gas Suspense	1	83300-333	660,755
Office of the State Treasurer:					
Severance Oil and Gas	41000-394	Oil & Gas Suspense	1	83300-333	377,514,644
Severance Tax/Copper	41000-394	Oil & Gas Suspense	1	83300-333	480,436
Severance Tax/Potash	41000-394	Oil & Gas Suspense	1	83300-333	2,080,387
Severance Tax/Others	41000-394	Oil & Gas Suspense	1	83300-333	483,661
Severance Tax/Coal	41000-394	Oil & Gas Suspense	1	83300-333	18,705,629
Department of Veterans' Services					
New Mexico VSC/Armed Forces	06500-670	Income Tax Suspense Fund	1	81900-333	23,860
Veteran Services/ National Cemetery	12300-670	Income Tax Suspense Fund	1	81900-333	17,642
Workers Compensation Administration:					
Workers' Compensation Fund	98200-632	Workers' Compensation Fund	1	83100-333	11,482,655
				<b>TOTAL</b>	<b><u>\$4,674,467,022</u></b>

Transfer Purpose: 1 - Transfer beneficiary's funds from fiduciary fund as provided by New Mexico Statutes

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SUPPLEMENTAL SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance, June 30, 2009
<b>ASSETS</b>				
Interest in State Treasurer General				
Fund Investment Pool	\$ 829,295,289	10,388,377,319	10,611,802,150	605,870,458
Cash on hand and in banks	12,768,890	119,904,256	121,625,437	11,047,709
Certificates of deposit held by State Treasurer	-	7,977,429	-	7,977,429
Receivables:				
Due from state general fund	299,749,817	69,005,744	147,376,214	221,379,347
Due from other state agencies	40,325,653	16,721,060	2,321,981	54,724,732
Due from external parties	985	-	985	-
Due from taxpayers	1,057,541,820	828,665,084	1,192,084,789	694,122,115
Citations	20,397,699	1,497,118	21,894,817	-
Tax assessments:				
Allowance for uncollectibles	697,850,342	61,279,672	-	759,130,014
Amounts considered uncollectible	(718,974,967)	29,719,084	69,874,141	(759,130,014)
<b>Total assets</b>	<b>\$ 2,238,955,528</b>	<b>11,523,146,766</b>	<b>12,166,980,514</b>	<b>1,595,121,781</b>
<b>LIABILITIES</b>				
Unidentified tax collections	\$ 121,069,708	2,599,244,913	2,617,276,161	103,038,460
Due to state general fund	1,157,865,483	1,080,602,269	1,453,132,778	785,334,974
Due to counties and municipalities	288,416,509	253,279,978	288,779,807	252,916,680
Due to other state agencies	335,213,857	159,583,889	335,858,999	158,938,747
Due to other funds	796,586	8,560,730	9,357,316	-
Refunds due to taxpayers	313,393,541	79,011,015	105,257,756	287,146,800
Due to external parties	-	-	-	-
Other liabilities	4,869,845	373,657,773	375,819,525	2,708,093
Reserve for litigated assessments	17,324,000	5,763,555	18,061,527	5,026,028
Funds held in trust for others	6,000	6,000	-	12,000
<b>Total liabilities</b>	<b>\$ 2,238,955,528</b>	<b>4,559,710,122</b>	<b>5,203,543,869</b>	<b>1,595,121,781</b>

## **SINGLE AUDIT**

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

<u>Federal Agency/ Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Participating Expenditures</u>
U.S. Department of Interior			
Audits of Oil and Gas Leases	15.427		\$ 1,469,732
<b>Total U.S. Department of Interior</b>			1,469,732
U.S. Department of Transportation			
CDL Project and Administration	20.232		946,033
Border States Enforcement Grant	20.218		182,360
Prism Project	20.218		8,744
Federal/State Motor Fuel Tax Compliance Grant	20.240		15,803
<b>Total USDOT Direct Programs</b>			1,152,940
U.S. Department of Justice			
NMVTIS	16.580		50,000
<b>Total U.S. Department of Justice</b>			50,000
U. S. Department of Health and Human Services			
NM Organ Donor	93.134		100,198
<b>Total U.S. Department of Health and Human Services</b>			100,198
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,772,870</u>



**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009**

**NOTE 1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the State of New Mexico Taxation and Revenue Department (Department).

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Department's governmental fund financial statements.

**NOTE 3. REPORTING ENTITY**

For purposes of the supplementary schedule of expenditures of federal awards, the Department includes all of the funds of the Department as defined by GASB 14, The Financial Reporting Entity. The financial statements of the Department are intended to present the financial position and results of operations of only that portion of the funds of the State of New Mexico which are attributable to the transactions of the Department. Likewise, the schedule of expenditures of federal awards includes only that portion of federal awards expended by the Department.

The Department did not receive any Federal non-cash assistance in fiscal year 2009.

**Report on Internal Control Over Financial Reporting and  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With  
*Government Auditing Standards***

Mr. Rick Homans, Cabinet Secretary  
Honorable Bill Richardson, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund of the State of New Mexico, Taxation and Revenue Department (Department), as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements. We have also audited the financial statements of each of the Department's nonmajor governmental and fiduciary funds and the budgetary comparisons of the nonmajor governmental funds as presented as supplementary information, as of and for the year ended June 30, 2009 and have issued our report thereon dated December 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph, and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Mr. Rick Homans, Cabinet Secretary  
Honorable Bill Richardson, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying schedule of findings and questioned costs as items 08-02, 09-01, and 09-02.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.



Mr. Rick Homans, Cabinet Secretary  
Honorable Bill Richardson, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management of the Department, the State of New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams LLP*

Albuquerque, New Mexico  
December 14, 2009

**Report on Compliance With Requirements Applicable to  
Each Major Program and on Internal Control Over  
Compliance in Accordance With OMB Circular A-133**

Mr. Rick Homans, Cabinet Secretary  
Honorable Bill Richardson, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

Compliance

We have audited the compliance of the State of New Mexico Taxation and Revenue Department (Department), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

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. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal awards for the year ended June 30, 2009.

Mr. Rick Homans, Cabinet Secretary  
Honorable Bill Richardson, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

### Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purposes of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Department's internal control.



Mr. Rick Homans, Cabinet Secretary  
Honorable Bill Richardson, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

This report is intended solely for the information and use of management of the Department, the New Mexico State Legislature, the New Mexico State Auditor, the New Mexico Department of Finance and Administration, and the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams LLP*

Albuquerque, New Mexico  
December 14, 2009

**STATE OF NEW MEXICO**  
**TAXATION AND REVENUE DEPARTMENT**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**Year Ended June 30, 2009**

2006-09	Professional Services Contracts – Payments Made After Termination Date	Resolved
2007-01	Perpetual Inventory Records Not Maintained	Resolved
2007-04	Financial Audit Not Filed by Due Date	Resolved
2007-06	Personal Income Tax (PIT) Refunds Reconciliations Between GenTax and SHARE	Resolved
2007-07	Capital Asset Dispositions not Reported to State Auditor	Resolved
2008-01	Capital Asset Records not Adequately Maintained	Resolved
2008-02	Information Technology (IT) Internal Control Deficiencies	Partially Resolved & Included in finding 08-02
2008-03	Indirect Cost Rate Proposal Not Submitted	Resolved
2008-04	Tax Distributions Not Made Timely	Resolved



STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

A. SUMMARY OF AUDITORS' RESULTS

*Financial Statements*

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(s) identified that are not considered to be material weakness(es)?   X   Yes \_\_\_\_\_ None Reported

Non-compliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(s) identified that are not considered to be material weakness(es) \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
15.427	Mineral Management Services, 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   X   No

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**08-02 Information Technology – NMWebfile Application Findings**

**CONDITION**

The programmer for the NMWebfile application has full access to the production environment and is also responsible for all application program changes creating a segregation of duties issue. In addition, an application program change procedure is not in place for the development of the NMWebfile application.

**CRITERIA**

Best practices as stated in the Control Objectives for Information and related Technology (COBIT) created by the Information Systems Audit and Control Association specify that Organizations must implement a division of roles and responsibilities that reduces the possibility for a single individual to compromise a critical process. Make sure that personnel are performing only authorized duties relevant to their respective jobs and positions. (COBIT PO4.11)

Also, all changes, including emergency maintenance and patches, relating to infrastructure and applications within the production environment are formally managed in a controlled manner. Changes (including those to procedures, processes, system and service parameters) are logged, assessed and authorized prior to implementation and reviewed against planned outcomes following implementation. This assures mitigation of the risks of negatively impacting the stability or integrity of the production environment. (COBIT AI6)

**EFFECT**

The lack of segregation of duties and non-formalized application change management procedures for NMWebFile may allow the programmer to make either code changes or data changes that are not authorized and could be undetected.

**CAUSE**

TRD has not implemented proper segregation of duties around NMWebfile as the developer is responsible for both making application program changes to the production environment and performing the day-to-day changes necessary to maintain the NMWebfile system. In addition, TRD does not have a formal application program change process and does not obtain and document management approval for application changes or review of testing prior to implementation into the production environment.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**08-02 Information Technology – NMWebfile Application Findings (Continued)**

**RECOMMENDATION**

It is recommended that TRD establish a formal application change management process for NMWebfile which should at a minimum cover implementing and testing changes in a non-production environment, along with an approval process prior to deployment that ensures a non-developer has reviewed and approved the testing of the change. The change should then be migrated into the production environment by a person that does not have development responsibilities. Additional, a person without development responsibilities should be assigned to provide day-to-day support.

**TRD RESPONSE**

Although TRD does not have a formal written change management policy, we have implemented a change management policy that is currently in place for NMWebFile. This process includes requirements analysis with user acceptance, implementing and testing changes in a non-production environment, along with a formal approval process prior to deployment that ensures a non-developer has reviewed and approved the testing of the change. A separate bureau is responsible for moving changed code into the production environment. Development staff does not have write access to the production environment. A Help Desk person (without development responsibilities) is assigned to provide day-to-day application support and this was the case for the audit period.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**09-01 Information Technology – User Account and Identity Management**

**CONDITION**

Review of user access security to MVD, NMWebfile, and GenTax identified instances where new user accounts had not been authorized and user accounts remained active for terminated employees. Also, a regular review of user access security had not been performed during the audit period.

**CRITERIA**

Best practices as stated in the Control Objectives for Information and related Technology (COBIT) created by the Information Systems Audit and Control Association specify that Organization's address requesting, establishing, issuing, suspending, modifying and closing user accounts and related user privileges with a set of user account management procedures which should include an approval procedure outlining the data or system owner granting the access privileges. Management should perform regular reviews of all accounts and related privileges to ensure that access is in line with defined and documented business needs. (COBIT DS5.3 & DS5.4)

**EFFECT**

This lack of restricted access may allow TRD users to process transactions they are not authorized to perform and in some instances creates a separation of duties conflict.

**CAUSE**

TRD does not have a formalized procedure in place for granting and revoking user access security and does not conduct periodic access review.

**RECOMMENDATION**

It is recommended that TRD establish a formal process to request, approve and grant user access to key application. In addition, HR should provide timely notifications to ITD of all employee termination and user accounts should be disabled or removed upon receipt of the notification. Finally, it is recommended that TRD establish a formal review of user rights and permissions to key application and privileged network functions.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**09-01 Information Technology – User Account and Identity Management  
(Continued)**

**TRD RESPONSE**

The Department will enforce the formal process by which the supervisor or manager is responsible to perform various notifications on a checklist when an employee is hired and when an employee separates from the Department. As reinforcement, upon receipt of a Personnel Work Order indicating a termination, the administrator in Human Resources will send an email to the Security01 email address notifying of an employees termination with the Department. TRD has a formal process to request and approve access to key applications using our Security01 form and incorporated approvals. TRD is also planning to further automate this process through workflow of the approval process. TRD will establish a formal review of user rights and permissions to key applications on a periodic basis. TRD has already been reviewing privileged network functions and will continue to do so on a periodic basis.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**09-02 Internal Control Monitoring for Tax Systems**

**CONDITION**

TRD has a number of control activities to ensure the tax systems it operates produce accurate and reliable information. There are only limited activities to ensure that these controls operate as intended.

**CRITERIA**

Sound systems of internal control require the periodic monitoring of control activities to ensure that the controls are operating effectively.

**EFFECT**

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

**CAUSE**

TRD does not have a formalized process in place to review its system of internal controls over the distributions made by the tax systems and the allocation of the distributions to the beneficiaries.

**RECOMMENDATION**

It is recommended that TRD develop formal policies and procedures for periodic monitoring of the internal control activities over the tax systems' distributions to beneficiaries and the related allocations. Such monitoring might take the form of an internal audit function.

**TRD RESPONSE**

TRD agrees that any system of internal controls needs to be periodically monitored in order to assure that the controls are working and if they are not then they need to be revised and tested on a periodic basis. The TRD Internal Audit Section will add a review of Gentax Internal Controls to their schedule.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
EXIT CONFERENCE  
Year Ended June 30, 2009**

An exit conference was held with the State of New Mexico Taxation and Revenue Department (Department) on December 8, 2009. The conference was held at the State Capital in Santa Fe, New Mexico. In attendance were:

**FOR THE DEPARTMENT:**

Rick Homans, Cabinet Secretary  
Marilyn Hill, Deputy Secretary  
Wanda Helms, CPA, Director, Administrative Services Division  
Dorothy Lynch, Deputy Director, Administrative Services Division  
Frank Shaffer, CPA, Financial Distribution Bureau Chief  
Bersabe Rodriguez, Financial Services Bureau Chief  
Diane Rossbach, Financial Manager

**FOR MOSS ADAMS, LLC**

Larry Carmony, Partner  
Molly Griego, Supervisor