



**FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT  
AUDITORS**

**JUNE 30, 2011**

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

**Official Roster**

**Year Ended June 30, 2011**

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

## Report of Independent Auditors

Demesia Padilla, CPA, Cabinet Secretary  
Honorable Susana Martinez, 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, 2011, 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 including the budgetary comparison for the nonmajor governmental funds as presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, 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.

Demesia Padilla, CPA, Cabinet Secretary  
Honorable Susana Martinez, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

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 financial position of the entire State of New Mexico as of June 30, 2011, 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, 2011, 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, 2011, 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 November 17, 2011, 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.



Demesia Padilla, CPA, Cabinet Secretary  
Honorable Susana Martinez, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

The management's discussion and analysis on pages 5 through 23 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements, the combining and individual 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 17, 2011

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

The New Mexico Taxation and 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 \$27,494,948 (net assets).

The governmental net assets increased by \$2,540,306.

The total cost of all Department programs was \$81,970,936.

**Department Highlights**

**FY 2011 TRD Collections and Distributions**

**Net Collections:** TRD collected a total of \$7.1 billion in FY 2011. Combined reporting system taxes (gross receipts, withholding and compensating taxes) were the single largest category of collections at \$4.4 billion, or 62% of total collections. Mineral extraction taxes were next at \$985 million or 14%. Income taxes were \$712 million or 10%. Motor vehicle taxes and fees were \$346 million or 5% and other state funds were \$612 million or 9%.

**Net Distributions:** TRD distributed a total of \$7.6 billion in FY 2011. \$3.9 billion, or 51%, was distributed to the State General Fund. \$1.6 billion, or 22%, was distributed to local governments. \$284 million, or 4%, was distributed to the New Mexico Department of Transportation. \$1.8 billion, or 23%, was distributed to other state funds.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

Revenue Enhancement Efforts

The Department continued its initiative to enhance tax collection efforts in fiscal year 2011 (FY11). Due to budget cuts and the state of the economy, original projected results were not achieved for FY11. Total collections including denied refunds and credits totaled \$209.5M in FY11, compared to a total of \$205.4M in FY10.

The Amnesty Program, mandated in the 2010 Legislative Special Session, was fully implemented throughout FY11 and will be continuing through FY12. At the end of FY11, \$10.6M had been collected on Amnesty assessments of \$26.3M. Because taxpayers have 180 days to pay after being assessed, these figures will continue to increase during FY12. Although, it appears the Department is still above expectations, the full impact will not be recognized until the end of FY12.

The division continues to lose about 2.5 full time employees each month from attrition for a variety of reasons. These losses will continue to impact collections unless the division is able to fill these positions

Compliance Enforcement Program

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

In fiscal year 2011, there were eight criminal tax prosecution cases referred to the district attorney's offices. From fiscal year 2003 through the end of fiscal year 2011, TFID has successfully prosecuted fifty-five out of fifty-six tax fraud cases resulting in a 98% successful prosecution rate.

During fiscal year 2011, the TFID Internal Audit Bureau completed fifty-nine Internal Audits; forty-one were performed for the Motor Vehicle Division (MVD), twelve for the Audit and Compliance Division (ACD), two for the Administrative Services Division (ASD), two for the Tax Fraud Investigations Division (TFID), one for the Revenue Processing Division (RPD) and one for the Legal Services Bureau (LSB).

During fiscal year 2011, the Internal Investigations Bureau received thirty-one internal investigation referrals and/or investigation requests. Twenty-eight of those investigations were completed during fiscal year 2011. The twenty-eight completed investigations involved the following entities:

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

<u>Number of Investigations in FY 11</u>	<u>Division/Department</u>
22*	Motor Vehicle Division
3	Audit and Compliance Division
2**	Taxation and Revenue Department
<u>1</u>	Revenue Processing Division
<u>28</u>	Total

\* Includes eleven completed investigations involving multiple subjects who allegedly committed crimes associated with fraudulent foreign national driver's licenses.

\*\* Includes one investigation regarding identity theft on a tax return and one investigation involving the fabrication and use of counterfeit Taxation and Revenue Department warrants.

GenTax and E-Filing

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. The GenTax project team has several large projects completed, planned or being implemented. Successful FY11 project implementations included: implementation of the GenTax Collections and Bankruptcy upgrade project; implementation of the first phase of the new Fed/State XML enabled application to begin positioning the state for e-file modernization federal compliance; implementation of a new reconciliation process for RPD GenTax payments; implementation of the reconciliation of multiple years of B Warrants with DFA; ongoing implementation of Fiscal Agent Transition Project (Bank of America to Wells Fargo); implementation of all PIT and CIT aging warrants and sending to unclaimed property; re-engineering of Weight Distance suspension process (ROI based); implementation of TAP compliance project; first phase of implementation of mandatory e-filing for CRS and Weight Distance; complete re-work of 1099s; implementation of Tax Year 2009 and legislative changes as they relate to PIT, CIT, PTE, and FID tax returns; beginning of implementation of changes to Cigarette and CFT returns in preparation for e-filing functionality in FY11; and the implementation of new processes for Tax Fraud Tracking.

The GenTax project team has both new and existing projects being implemented in FY11. Some of these are: Implementation of phase two of the new Fed/State XML application; continuation of the aging warrant process in GenTax; continuation of the Fiscal Agent transition project; continuation of the mandatory e-filing project for CRS and Weight Distance; Weight Distance Zero Filer Automation project; GL File Automation project for PIT and CIT issued and cancelled warrants; Completion of Annual Tax Year Rollout Mapping and Documentation project; and planning for future FY11 projects for upgrades to the Refund module and Taxpayer Offset Program in GenTax.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

The GenTax /E-File project team project team has numerous projects planned or being implemented. FY11 accomplishments included: implementation of the ability to submit Amnesty Payments electronically; implementation of e-filing for Weight Distance E-Permits for 2010; implementation of PIT Net for tax year 2009; implementation of PIT-Net Lite for tax year 2009 for AARP and TAX HELP; and the redesign of CRS Net to include partial payments and amended returns. Planned tax programs and new processes for development in FY11 include the implementation of e-checks and credit card processing for MVD POS transactions through the TRD payment gateway; creation of a Generic Extract process to load e-file return data into GenTax; a Combined Fuel Tax E-Filing application; improving usability and color palette on existing E-file programs; and a Cigarette distributor monthly report E-Filing application. Ongoing efforts include creating data reports to help DPS and TRD staff reconcile transactions and provide better compliance.

Delinquent Property Accounts

The Property Tax Division, Delinquent Property Tax Bureau is responsible for the collection of real property taxes that have become delinquent for more than two years. During FY11 the Bureau resolved a total of 12,087 delinquent property accounts, either by field collections or through property tax sales. Total collections netted \$2,388,668 in penalty and interest, \$774,010 in State Cost and \$38,281 on Installment Agreements which totals to overall collections of \$3,200,960 (rounded), all of which funds the Property Tax Division.

Field collections resolved 11,333 accounts or 93.8% of the total resolved delinquent property accounts. The amount of penalty and interest collected through field collections was \$2,290,731 or 95.9% of the total penalty and interest collected. Field collections netted \$746,055 in State Cost or 96.4% of the total State Cost collected.

Installment Agreements are executed when delinquent taxpayers need time to meet their obligations. These payment contracts generally have a 36 month term. Penalty and interest collections from Installment Agreements totaled \$13,800. State Cost from Installment Agreements totaled \$175.

Accounts that are not resolved through field collections or installment agreements are scheduled for sale. There were 29 property tax sales conducted in FY 11. The number of accounts offered for sale was 1,561. Property Tax Sales resolved 754 accounts or 6.2% of the total resolved delinquent property accounts. The amount of penalty and interest collected through sales was \$84,136 or 3.5% of the total penalty and interest collected. Sale collections also netted \$27,780 in State Cost which equates to 3.6% of the total State Cost collected.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

The Property Tax Division's, Delinquent Property Tax Bureau increased the number of tax sales held to 29 in FY11. In FY11, there were multiple sales in some counties. We intend to hold one in each of New Mexico's 33 Counties in FY12 as well as multiple sales in individual counties as needed. The emphasis on sales has created a positive result. The Property Tax Division made roughly 7.0% of its revenue on sales in FY10. That figure decreased to 3.5% in FY11. The decrease in accounts that were put up for sale and accounts actually resolved by sale was roughly 50%. This is an indication that the taxpaying public is taking our sales effort seriously and curing their tax delinquencies before we are forced to sell properties.

Infrastructure / Networking (Desktop and Network)

The Infrastructure team has been working on a variety of projects that benefit the entire TRD.STATE.NM.US Domain. The domain authenticates approximately 1200 users using Active Directory (AD) and a matrix of Production, Development, Staging Server Environments as well as Desktops, Laptops and notebooks. The Santa Fe Campus (Lujan, Chino and Montoya) contain multiple divisions within the buildings that are supported with new and refurbished computers. This includes RPD rollout (40+ new machines w/ monitors, 35+ refurbished desktops), Tax Fraud division (12 Desktop Towers, 2 Laptops), ACD with multiple pieces of new equipment and the Montoya buildings many inter-department needs on the network.

The Desktop team has participated in multiple projects that include support for the MVD Division. These include the recent Field office moves in Santa Fe (MVD, CDL, and CVB), Las Cruces and ready for the next move in TorC. The MVD offices (86 Field Offices) also went under a new Xerox rollout. This project installed new Xerox machines that are multifunctional for each office, the new location in the Bank of The West (BOW) building, and in the Pichaco MVD location in Las Cruces for the Foreign National MVD initiative. This is a showcase of multiple talents that support a full matrix of technologies.

Internal projects have been the New Network Upgrade, Virtual Environments. The Network Upgrade reworked all firewalls, routers and edge switches and rebuilt with new Cisco networking equipment. The network and servers have been tested for any intrusion and vulnerability for penetrations that might be had. The Virtual Environment consists of 16 HP G6 & G7 blades in three enclosures serving approx. 50+ Virtual Servers and growing. Both of these projects have demonstrated the ability of the Network Team to keep current with technology and the goal of consolidation.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

Electronically Filed Tax Returns

The Revenue Processing Division (RPD) received approximately 882,679 Personal Income Tax (PIT) returns and 535,234 Combined Reporting System (CRS) returns (gross receipts tax) that were filed electronically. These returns amount to 83% of all incoming PIT returns and 45% of all CRS returns received by the Department.

In addition, RPD received and processed 125,484 PIT returns with a 2-D Bar code. These returns are paper returns that are mailed in, where data from the returns is electronically read from the 2 D bar code as the return is processed through the scanning equipment and the information is then uploaded into the system automatically without data entry. Approximately 18% - 25% of the electronically filed returns do not meet edit criteria and must be reviewed by the edit error staff.

The Department implemented Regulation 3.1.4.18-Electronic filing- the regulation is a phased approach mandating Combined Reporting System (CRS) and Weight Distance taxpayers to file electronically. The regulation also provides for exemptions and waivers for taxpayers that do not meet the requirements.

The Combined Fuel programs are required statutory to file returns utilizing our web based system or a bulk upload program.

RPD New Initiatives

RPD implemented the Native American Veterans Income Tax Settlement fund (NAVITS). To date, RPD received 1,176 claims for refunds and issued 666 refunds for a total of \$828,360.42. RPD has denied 460 claims and 50 are pending resolution.

Motor Vehicle

The MVD/ITD team has been working on numerous projects, with more in the planning phase. FY11 accomplishments includes: American Association of Motor Vehicle Administrators (AAMVA) Certification and implementation of the Railroad Violation Application, automation of the NADA (National Auto Dealers Association) vehicle value confirmation, completion of the Point of Sale Project, and the initiation and development of the new MVD Interactive Voice Response System. The MVD/ITD team also began work on the MVD Reengineering Project. In April, the agency ended the contract with the vendor and work was discontinued on the MVD reengineering project. In FY 11, the agency developed a Request for Information (RFI) that was published in FY12. Along with the publication of the RFI, the agency began a reevaluation of the vendors available to complete this project.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

Due to cancellation of the MVD Reengineering contract, the agency has started the task of completing the work required for the MVD CDLIS (Commercial Driver's License Issuance System) modernization project in house. This project will continue into FY12.

MVD Technology FY11

*New Driver/Vehicle System*

MVD's current system for transacting core business such as issuing driver licenses/identification cards, license plates and vehicle registrations is more than 30 years old. Actions are underway to select the best customer centric solution for a new MVD system.

*MVD Website*

In December 2009, MVD unveiled a totally new website with a focus on customer options and on-line services. Current on-line services included vehicle registration, appointments for motorcycle and vehicle road tests and 1<sup>st</sup> time foreign national driver licenses and IDs, check status of driver license, access to real time wait times at State MVD offices, fillable and printable forms, and some driver and vehicle record searches. The goal of the on-line services is to provide another option to customers and reduce volume and wait times at MVD field offices. Planned additions to on-line services include access to individual driving records, payment of citations, renewing driver licenses and IDs, and additional appointment options such as 1<sup>st</sup> time titles and driver licenses and IDs. The MVD web site won the 2010 National Government Digital Achievement Award for best in State to Public web sites.

MVD Technology FY12

*Kiosks*

The current kiosk solution is built on a software and hardware platform that is in dire need of replacement. Programming limitations offer only one self service option to the customer and backup inventory is down to zero. The percentage of working kiosks in the field could be as low as 40% but exact numbers are hard to assess due to a lack of maintenance staff. The kiosks project was initiated in 2003 and the technology associated with them has improved by leaps and bounds. MVD will procure a state of the art full suite kiosk solution to replace the current outmoded solution with one that has more rugged hardware to withstand years of heavy use but has a flexible software component core so upgrades and legislative changes are uploaded seamlessly from a centralized application server. Kiosks will literally take the customers out of the field offices by locating the kiosks in high traffic locations such as grocery stores, airports, municipal offices, or post offices. The procure process for kiosks has already begun with plans for them to be operational by the second quarter of 2012.



**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

*Document Management System*

Discussions have begun to start the procurement process to acquire a best in breed, scalable, document management system (DMS). This would serve dual purposes of replacing the Document Authentication System (DAS) component that MVD still requires while also helping to sunset the antiquated microfilm process. The ability to collect, store, index, and track documents that could be accessed enterprise wide through a web based interface would result in efficiencies in several departments. It would also greatly aid in escalations and satisfying legal archiving and access requirements. Integration collaboration tools would enhance the efficiency of multiple units that are microfilm or hard copy dependent. Many of these units still depend on mailed documents (example TFID from the field offices) which lengthens the approval/denial process and raises security and privacy concerns. Possible DMS solutions are being researched, and an RFP could be released in the first quarter of 2012.

*Interactive Voice Response (IVR)*

A cloud based IVR and ACD system went live in August of 2011 with the first phase consisting of vehicle registration status and renewal capabilities. Using best in class multi-site support with an integrated automatic call distributor, the new system has built in redundant capabilities and limitless capacity. Telecom has also been moved to a VOIP platform eliminating telecom costs and moving support internally instead of relying upon service levels maintained by DoIT. By the end of November 2011, most features planned for phase 1 will be operational including driver status, citation and reinstatement payments, boat registration renewals, and a vastly improved field office locator that recognizes all 552 New Mexico ZIP codes and returns multiple options to the customer including Private Retail Agents (PRAs). The system also collects the \$1.25 fee appropriately and processes all major credit cards. The new system has already received almost 200,000 calls and has collected almost \$500,000 in revenue with just registration renewals. All facets of the IVR will be operational by December of 2011, but the contract allows for consistent analysis of containment proficiency objectives allowing MVD to receive further upgrades to the system if it does not meet or beat specified key performance indicators.

*Process for Notifications*

MVD is working in partnership with ASD to decrease the overall cost of renewal notification and collection. The primary means of accomplishing this is to transition from a letter based format to a postcard style format. The decrease in postage costs alone should save thousands, but the benefits should extend to driving the customers to our self help channels thereby decreasing the overall cost to serve. Several meetings with the vendor, RR Donnelly have already taken place with acceptance from TRD and MVD on general design and content. Detailed requirements are being gathered and implementation could take place by April 2012.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

*Data Sales*

Data sales continue to surpass projections. MVD could see increased revenues if it proceeds with other possible data sales related projects. This could include expanding the information within the current application to attract more customers or developing new applications leveraging that data.

MVD Operations FY11

*Fast Track Service*

MVD has implemented "fast track service" in 13 of the 32 state operated field offices. Fast track services include express lanes for certain transactions, courtesy service for the elderly and disabled, and special LED signage in each field office. This service has reduced wait times and brought better efficiency to the offices. This fast track service is planned to expand to an additional 5 offices in 2011 & 2012.

*Private Retail Agents (Full Service Private MVDs)*

In 2010, private retail agents (MVD Express/MVD Specialists) contracts were procured and expanded in the counties of Santa Fe, Sandoval, Bernalillo, Valencia, and Doña Ana. The state went from 13 to 17 full-service private retail offices, expanding options for customers. In 2011, MVD is considering conducting another RFP for additional counties.

*Centennial Plate - Award for Best Plate*

The Automobile License Plate Collectors Association (ALPCA) chose our Centennial License Plate as the best new license plate in the country in 2010. The award was presented on May 16, 2011 in a special ceremony at the New Mexico History Museum in downtown Santa Fe.

*New SF Field Office*

Project completed March/April of 2011. Moved into new facility on April 15, 2011. Total capital allocated to project \$4.1 million (\$3.6 Capital outlay, \$500,000.00 Tax ID).

*POS Rollout completion*

MVD completed the rollout of a new Microsoft based point of sale (POS) application in December of 2010 that improved the ability of MVD to conduct transactions and correctly disburse the revenues collected. Integrating the front end of MVD's internal 2.0 application and Microsoft's Dynamic Retail Management software, MVD was able to minimize cost and retain functionality while simultaneously upgrading its ability to collect and distribute revenue. By also implementing modern retail hardware, MVD was

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

able to expand payment methods to credit cards in the field offices for the first time in its history. MVD continues to make incremental changes to improve the system and increase its up time.

MVD Customer Service FY11

*Mandated Course*

MVD management has mandated that each MVD employee complete a newly developed Customer Service Leadership training course. This includes the use of nametags for all MVD field staff and a script for how to answer telephones and greet customers. As of February 2011, 100% of MVD employees that were employed at that time completed the course.

*Contact Us*

The new MVD website provides for customers to contact MVD through email and inquire about any issue. This includes general comments, questions on processes, or help with a specific problem. The MVD customer service team receives approximately 300 emails per week through the contact us service. It is the goal of the MVD to respond within 24 business hours. This service has proven to be liked by the customers. This provides another option for customers who may not have time to go into a field office or call by telephone and is available 24 hours a day, 7 days a week.

*Customer Service Surveys*

A five question customer survey based upon the prior data acquired by Research and Polling, Inc. in 2009 will be integrated into the new MVD IVR system on November 28, 2011. The survey will be comprised of three clerk specific questions, one service type specific question, and an overall impression of MVD. This is being designed as a separate module within the new IVR so that it will eventually have its own unique 1800 number. The number will be made available on the receipts printed at field offices with code specific entries that can pinpoint the office and clerk that assisted that transaction. Using the results from Research and Polling as a baseline, the data will be archived and available in different formats with built in search and sort functionalities. As DRIVE MVD expands in breadth and scope, this data will be one of our key performance indicators moving forward.

*Mailing of Plates to Customers*

MVD is currently in the exploratory phase for implementing a central issuance fulfillment model for license plates that would streamline the process, resolve record inaccuracies, and decrease expenses. Working prototypes have already been secured as well as tentative pricing and verbal agreements by both vendors that would be involved with the project.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

Approximately 550,000 plates are distributed to MVD customers annually so the opportunity for recurring savings realized from the improved operational efficiencies is great.

Other MVD Initiatives

*Dealer Licensing Bureau (DLB): Temp tags via Vehicles Registration Suite (VRS)*

The VRS is currently implemented on the temp tag level with Dealerships and Title Service Companies (TSCs). The plan is to roll it out to the field offices and Private Retail Agents (PRAS) soon.

*Insurance: New system*

A Request For Procurement (RFP) was issued for a proven COTS (Commercial Off-The-Shelf) system for a Vehicle Insurance Tracking and Compliance Program and through the RFP process was awarded to PASCO d/b/a Validati out of Hudson, OH commencing October 1, 2011. Some slight programming milestones are still in the process of being worked out and are anticipated to be completed by November 30, 2011.

*Commercial Driver License (CDL): Commercial Driver License Information System (CDLIS) modernization & federal medical certification*

The Federal Medical Certification is very close to completion. However, it requires the completion of the 5.2 CDLIS upgrade to be placed into production. The CDLIS upgrade requires some prerequisite work on Driver License Number (DLN) survey and the 10-year history check. Then the biggest project for the completion is Name Expansion, which is a bit more complex. Projects are still anticipated for completion by January 31, 2011.

**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.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

**Government-wide Financial Statements.** The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government and consist of a statement of net 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 Fund, the Capital Project Fund, the Weight Distance Tax Permit Fund, the MVD Drive Fund, the Native American 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 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, 2011**

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 the 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

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

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, 2011 are \$27,494,948. 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 \$19,315,457 at the end of the fiscal year.

**The Department's Net Assets**

	2011	2010
Assets		
Current and other assets	\$ 28,860,474	31,343,263
Capital assets	<u>8,866,408</u>	<u>10,366,578</u>
<b>Total assets</b>	<u><b>37,726,882</b></u>	<u><b>41,709,841</b></u>
Liabilities		
Current liabilities	10,231,934	16,755,199
Long-term liabilities	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u><b>10,231,934</b></u>	<u><b>16,755,199</b></u>
Net Assets		
Invested in capital assets	8,866,409	10,366,578
Restricted	19,315,457	16,281,486
Unrestricted (deficit)	<u>(686,918)</u>	<u>(1,693,422)</u>
<b>Total net assets</b>	<u><b>\$ 27,494,948</b></u>	<u><b>24,954,642</b></u>

**Governmental Activities:** The table below summarizes the Department's activities for the fiscal years ended June 30, 2011 and 2010. Total change in net assets from the previous fiscal year was \$2,540,306.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

**The Department's Governmental Activities**

	2011	2010
Program expenses	\$ (84,468,185)	(91,128,513)
Program revenue	<u>2,497,249</u>	<u>1,964,970</u>
<b>Net program (expense) revenue</b>	<b><u>(81,970,936)</u></b>	<b><u>(89,163,543)</u></b>
General revenues	88,463,354	99,570,335
Transfers and reversions	<u>(3,952,112)</u>	<u>(10,924,829)</u>
<b>Net general revenues, transfers and reversions</b>	<b><u>84,511,242</u></b>	<b><u>88,645,506</u></b>
<b>Change in net assets</b>	<b>2,540,306</b>	<b>(518,037)</b>
Net assets, beginning, as revised for new fund	<u>24,954,642</u>	<u>24,472,679</u>
<b>Net assets, ending</b>	<b><u>\$ 27,494,948</u></b>	<b><u>24,954,642</u></b>

Revenues for the governmental activities totaled \$90,960,603 and \$101,535,307 in the fiscal years ended June 30, 2011 and 2010, respectively. The change is attributable to an increase in general fund appropriations plus additional revenue from administrative fees, MVD revenue, and special appropriation for Native American Fund.

The Department's total expenditures for government-type activities during the fiscal year were \$84,468,185. Approximately 67% 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 increased but remains consistent with that of the prior year.



**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

**Governmental Funds:** The General Fund of the Department is used to account for the Department's primary operations. Of the total fund balance of \$20,704,641, \$8,921,266 is legally committed for items funded with special appropriations received by the Department. An additional \$11,783,375 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 has been expended.

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 \$422,334 is legally committed for this purpose.

During FY11, capital asset activity included \$33,769 of capital outlay purchases for purchases of furniture and fixtures, \$100,264 for data processing equipment, and \$1,291,468 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 \$21,126,975.

**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.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

- Budget adjustment requests that increase or decrease other state funds based on actual revenues.

Changes between the original and final budgets were \$1,634,840 for the Operating Fund. The Operating Budget for Revenues classified as Other State Funds increased from \$17,294,200 to \$18,248,000 or \$953,800. This was a 5.5% increase from the original Operating Budget. Actual revenues collected, which are classified as Other State Funds, were \$19,907,991, or \$1,659,991 higher than the Operating Budget Amount. This represents a 9% increase over the budgeted amount.

Actual Federal grants revenue collected were \$1,747,792, which represents a 33.4% decrease over the budget amount. Forty-nine percent (49%) of all Federal grant revenue is attributable to the Office of Natural Resources Revenue (ONRR) formerly Minerals Management Service (MMS).

The \$1,634,840 difference between the original operating revenue budget and the final operating revenue budget included \$1,575,469 in prior year cash balance re-budgeted. Re-budgeted fund balance consisted of fund balance generated from special appropriations, MVD Non-reverting revenue, Enhanced Driver's License and Delinquent Property Tax funding.

Budget adjustments for the Operating Fund were 1.9% of the original budget. The increases were from Federal funds, Other State Funds, and re-budgeted fund 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 sale of MVD data, and the Weight Distance initiative 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.

**Capital Assets and Debt Administration**

At the end of fiscal year 2011, the Department has invested a total of \$28,460,459 in governmental-type activities in capital assets. This amount represents a net increase (including additions and deductions) of \$1,046,697 (3.8%) over last year's figure of \$27,413,762 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, 2011**

**The Department's Capital Assets**

	2011	2010
Furniture and fixtures	\$ 1,189,277	1,189,834
Software	17,508,245	16,216,777
Data processing equipment	6,064,815	6,303,692
Machinery and equipment	2,902,906	2,908,243
Tenant leasehold improvements	712,762	712,762
Vehicles	82,454	82,454
	<u>28,460,459</u>	<u>27,413,762</u>
Less accumulated depreciation	<u>19,594,051</u>	<u>17,047,184</u>
<b>Net total</b>	<u><u>\$ 8,866,408</u></u>	<u><u>10,366,578</u></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

The Department's operating budget for fiscal year 2012 is \$80,088,500 and includes 1,136.0 full time equivalents (FTE). The Department's FTE was also reduced by deleting 47 vacant positions. Due to the declining State General Fund revenue forecast the Department's operating budget has been significantly reduced from previous fiscal years. The decrease from FY11 is 2.5% primarily from the general fund appropriation.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2011**

The Department also received non-recurring funding of \$250,000 for the Native American Veterans' income tax settlement fund from the General Fund. In addition, one special appropriation was extended through FY13. The \$8,042,500 to replace the 30-year-old common business oriented language-based driver and vehicle systems funded with MVD cash balances and revenue.

As required by the Accountability in Government Act, fiscal year 2011 was the tenth 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 and 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, 2011

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Unrestricted cash on hand	\$ 21,943
Interest in the State Treasurer General Fund	
Investment Pool	
Unrestricted	23,656,595
Restricted for loans to counties	363,097
Receivables	
Due from federal government	215,881
Loans to counties, net	59,205
Other receivables, net	2,925
Due from external parties	2,743,302
Due from other entities	7,954
Prepaid expenses	19,358
Inventory of supplies	1,770,214
	<hr/>
<b>Total current assets</b>	28,860,474
Non-Current Assets	
Capital assets, net	8,866,408
	<hr/>
<b>Total assets</b>	\$ 37,726,882
	<hr/>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 2,988,615
Accrued payroll	1,852,314
Due to other state agencies	11,070
Due to State General Fund	2,578,715
Due to external parties	250,010
Other training liabilities	52,775
Compensated absences	2,268,680
Contingent liability	229,755
	<hr/>
<b>Total liabilities</b>	10,231,934
	<hr/>
Net Assets	
Invested in capital assets	8,866,408
Restricted for special appropriations	8,921,266
Restricted for loans to counties	422,334
Restricted for other purposes	9,971,857
Unrestricted net assets (deficit)	(686,917)
	<hr/>
<b>Total net assets</b>	\$ 27,494,948
	<hr/>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

	Program Support	Tax Administration Act	Motor Vehicle Program	Property Tax Program	Compliance Enforcement	Other Governmental Funds	Governmental Activities
Program Expenses	\$ 22,028,536	30,899,826	26,283,198	3,060,038	2,191,325	5,262	84,468,185
<b>Total program expenses</b>	22,028,536	30,899,826	26,283,198	3,060,038	2,191,325	5,262	84,468,185
Program Revenues							
Federal operating grants	-	1,214,160	1,283,089	-	-	-	2,497,249
<b>Total program revenues</b>	-	1,214,160	1,283,089	-	-	-	2,497,249
Net Program Expense	\$ (22,028,536)	(29,685,666)	(25,000,109)	(3,060,038)	(2,191,325)	(5,262)	(81,970,936)
General Revenues							
Other state funds:							
Delinquent Property Tax							3,796,610
Penalty and Interest							5,262
Bond Proceeds Appropriations							3,550,206
Weight Distance Administrative Fees							15,861,111
MVD Administrative Fees							3,401,561
Other Administrative Fees							
<b>Total general revenues</b>							26,614,750
Transfers and Reversions							
State General Fund appropriations							61,573,900
State General Fund special appropriations							250,000
Transfers to other state agencies							(1,330,000)
Other Gifts and Grants							3,000
Fund balance sources							21,704
Fund balance transfers							(43,408)
Reversions to State General Fund - FY11							(2,578,704)
<b>Total transfers and reversions</b>							57,896,492
Net General Revenues, Transfers and Reversions							84,511,242
<b>Change in net assets</b>							2,540,306
Net assets, beginning of fiscal year							24,954,642
<b>Net assets, end of fiscal year</b>							\$ 27,494,948

See Notes to Financial Statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2011

	Major Funds			
	General	TRIMS	Other	Total Governmental
<b>ASSETS</b>				
Interest in the State Treasurer General Fund				
Investment Pool	\$ 23,656,595	-	363,097	24,019,692
Cash on hand	21,943	-	-	21,943
Receivables				
Due from federal government	215,881	-	-	215,881
Loans to counties, net	-	-	59,205	59,205
Other receivables, net	2,925	-	-	2,925
Due from:				
Other external parties	2,743,302	-	-	2,743,302
Other entities	7,922	-	32	7,954
Inventory of supplies	1,770,214	-	-	1,770,214
Prepaid expenses	19,358	-	-	19,358
<b>Total assets</b>	<b>\$ 28,438,140</b>	<b>-</b>	<b>422,334</b>	<b>28,860,474</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 2,988,615	-	-	2,988,615
Accrued payroll	1,852,314	-	-	1,852,314
Due to external parties	250,010	-	-	250,010
Due to other state agencies	11,070	-	-	11,070
Due to State General Fund	2,578,715	-	-	2,578,715
Other liabilities	52,775	-	-	52,775
<b>Total liabilities</b>	<b>7,733,499</b>	<b>-</b>	<b>-</b>	<b>7,733,499</b>
Fund Balances				
Nonspendable				
Cash on hand	21,943	-	-	21,943
Inventory of supplies	1,770,214	-	-	1,770,214
Prepaid expenses	19,358	-	-	19,358
Restricted	6,983,040	-	-	6,983,040
Committed	11,910,086	-	422,334	12,332,420
<b>Total fund balances</b>	<b>20,704,641</b>	<b>-</b>	<b>422,334</b>	<b>21,126,975</b>
<b>Total liabilities and fund balances</b>	<b>\$ 28,438,140</b>	<b>-</b>	<b>422,334</b>	<b>28,860,474</b>

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, 2011

<b>Total Fund Balances - Governmental Funds</b> <b>(Governmental Fund Balance Sheet)</b>	\$ 21,126,975
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	28,460,459
Accumulated depreciation recorded in the Statement of Net Assets, but not recorded in the governmental funds	(19,594,051)
Contingent liabilities recorded in Statement of Net Assets, but not recorded in the governmental funds	(229,755)
Compensated absences recorded in the Statement of Net Assets, but not recorded in the governmental funds	(2,268,680)
<b>Net assets of governmental activities (Statement of Net Assets)</b>	<u><u>\$ 27,494,948</u></u>

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
June 30, 2011

	Major Funds			
	General	TRIMS	Other	Total Governmental
Revenues				
Other state funds	\$ 26,599,135	-	15,615	26,614,750
Federal funds	2,497,249	-	-	2,497,249
<b>Total revenues</b>	<b>29,096,384</b>	<b>-</b>	<b>15,615</b>	<b>29,111,999</b>
Expenditures				
Current				
Personal services and employee benefits	56,622,808	-	-	56,622,808
Contractual services	8,153,961	-	-	8,153,961
Other costs	17,084,198	-	5,262	17,089,460
Capital outlay	1,425,503	-	-	1,425,503
<b>Total expenditures</b>	<b>83,286,470</b>	<b>-</b>	<b>5,262</b>	<b>83,291,732</b>
Excess (Deficiency) of Revenues Over Expenditures	(54,190,086)	-	10,353	(54,179,733)
Other Financing Sources (Uses)				
State General Fund appropriations	61,823,900	-	-	61,823,900
Other Gifts and Grants	3,000	-	-	3,000
Fund balance sources	21,704	-	-	21,704
Fund balance transfers	(43,408)	-	-	(43,408)
Transfers to other state agencies	(1,330,000)	-	-	(1,330,000)
Reversions to State General Fund - FY11	(2,578,704)	-	-	(2,578,704)
<b>Total other financing sources (uses)</b>	<b>57,896,492</b>	<b>-</b>	<b>-</b>	<b>57,896,492</b>
<b>Net changes in fund balances</b>	<b>3,706,406</b>	<b>-</b>	<b>10,353</b>	<b>3,716,759</b>
Fund balances, June 30, 2010 as previously reported	16,559,959	-	850,257	17,410,216
Transfer of fund	438,276	-	(438,276)	-
Fund balances, June 30, 2010 as revised for new fund	16,998,235	-	411,981	17,410,216
<b>Fund balances, June 30, 2011</b>	<b>\$ 20,704,641</b>	<b>-</b>	<b>422,334</b>	<b>21,126,975</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, 2011**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>		
<b>(Statement of Revenues, Expenditures, and Changes in Fund Balances)</b>	<b>\$</b>	<b>3,716,759</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		1,425,501
Loss on disposal of capital assets not recorded as expenditures in the governmental funds		(14,061)
Depreciation expense recorded in the Statement of Activities but not recorded as expenditures in the governmental funds		(2,911,610)
Reduction in FY11 Contingent Liabilities		96,988
Net change in compensated absences recorded in the Statement of Activities as a liability but not recorded in the governmental funds		<u>226,729</u>
<b>Change in net assets of governmental activities</b>		
<b>(Statement of Activities)</b>	<b>\$</b>	<b><u>2,540,306</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, 2011

PROGRAM SUPPORT				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 20,023,400	19,373,800	19,373,800	-
Other state funds	1,293,300	1,280,600	1,308,188	27,588
<b>Total revenues</b>	<b>21,316,700</b>	<b>20,654,400</b>	<b>\$ 20,681,988</b>	<b>27,588</b>
Fund Balance Budgeted	-	-		
Total revenues and fund balance budgeted	<u>\$ 21,316,700</u>	<u>20,654,400</u>		
Expenditures				
Personal services/employee benefits \$	14,296,600	13,967,100	13,300,116	666,984
Contractual services	2,423,900	2,346,800	1,048,178	1,298,622
Other	4,596,200	4,340,500	4,340,500	-
	<u>\$ 21,316,700</u>	<u>20,654,400</u>	<u>18,688,794</u>	<u>1,965,606</u>

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, 2011

TAX ADMINISTRATION ACT				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 28,360,700	27,440,500	27,440,500	-
Other state funds	1,996,100	1,996,100	2,067,162	71,062
Federal funds	1,477,300	1,477,300	1,214,160	(263,140)
Other sources	-	21,704	21,704	-
<b>Total revenues</b>	<b>31,834,100</b>	<b>30,935,604</b>	<b>\$ 30,743,526</b>	<b>(192,078)</b>
Fund Balance Budgeted	-	-		
<b>Total revenues and fund balance budgeted</b>	<b>\$ 31,834,100</b>	<b>30,935,604</b>		
Expenditures				
Personal services/employee benefits	\$ 25,211,300	24,184,004	23,625,348	558,656
Contractual services	124,400	184,200	156,876	27,324
Other	6,498,400	6,567,400	6,187,571	379,829
	<b>\$ 31,834,100</b>	<b>30,935,604</b>	<b>29,969,795</b>	<b>965,809</b>

Omitted 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, 2011

MOTOR VEHICLE PROGRAM *				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 12,933,500	12,513,900	12,513,900	-
Other state funds	10,710,100	11,676,600	12,733,042	381,119
Federal funds	-	1,148,467	533,632	(212,272)
Other sources	-	-	3,000	-
<b>Total revenues</b>	<b>23,643,600</b>	<b>25,338,967</b>	<b>\$ 25,783,574</b>	<b>168,847</b>
Fund balance budgeted	135,700	517,700		
<b>Total revenues and fund balance budgeted</b>	<b>\$ 23,779,300</b>	<b>25,856,667</b>		
Expenditures				
Personal services/employee benefits	\$ 15,052,600	14,681,861	13,940,925	740,936
Contractual services	2,958,100	5,014,952	3,817,229	1,197,723
Other	5,768,600	6,159,854	5,948,520	211,334
Other financing uses	-	-	-	-
	<b>\$ 23,779,300</b>	<b>25,856,667</b>	<b>23,706,674</b>	<b>2,149,993</b>

\* Less SHARE Funds 99400 and 79800

See Notes to Financial Statements.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -  
OPERATING FUND 17200 (CONTINUED)  
Year Ended June 30, 2011

PROPERTY TAX PROGRAM				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ -	-	-	-
Other state funds	3,294,700	3,294,700	3,796,610	501,910
<b>Total revenues</b>	3,294,700	3,294,700	<u>\$ 3,796,610</u>	<u>501,910</u>
Fund balance budgeted	-	164,000		
<b>Total revenues and fund balance budgeted</b>	<u>\$ 3,294,700</u>	<u>3,458,700</u>		
Expenditures				
Personal services/employee benefits	\$ 2,639,900	2,639,900	2,419,780	220,120
Contractual services	81,600	98,600	73,401	25,199
Other	573,200	720,200	576,547	143,653
	<u>\$ 3,294,700</u>	<u>3,458,700</u>	<u>3,069,728</u>	<u>388,972</u>

*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, 2011

COMPLIANCE ENFORCEMENT				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds			2,990	2,990
State General Fund Appropriations	\$ 2,320,900	2,245,700	2,245,700	-
<b>Total revenues</b>	2,320,900	2,245,700	<u>\$ 2,248,690</u>	<u>2,990</u>
Fund balance budgeted	-	-		
<b>Total revenues and fund         balance budgeted</b>	<u>\$ 2,320,900</u>	<u>2,245,700</u>		
Expenditures				
Personal services/employee benefits	\$ 1,911,800	1,849,800	1,824,477	25,323
Contractual services	10,200	9,900	9,084	816
Other	398,900	386,000	370,872	15,128
	<u>\$ 2,320,900</u>	<u>2,245,700</u>	<u>2,204,433</u>	<u>41,267</u>

*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, 2011

Fund 17200 SPECIAL APPROPRIATIONS

Upgrade Gentax & external data -Z90702

PROGRAM SUPPORT

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Other Financial Sources	\$ -	-	-	-
<b>Total revenues</b>	-	-	-	-
Fund balance budgeted	464,377	464,377		
	<u>\$ 464,377</u>	<u>464,377</u>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-		
Contractual services	372,006	217,038	217,037	1
Other	92,371	247,339	245,895	1,444
Other Financing Uses	-	-	-	-
<b>Total expenditures</b>	<u>\$ 464,377</u>	<u>464,377</u>	<u>462,932</u>	<u>1,445</u>

Point of Sale - Z80709

PROGRAM SUPPORT

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Other Financial Sources	\$ -	-	-	-
<b>Total revenues</b>	-	-	-	-
Fund balance budgeted	89,000	422,258		
	<u>\$ 89,000</u>	<u>422,258</u>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	154,200	154,143	57
Contractual services		44,100	44,077	23
Other	89,000	223,958	216,166	7,792
Other Financing Uses	-	-	-	-
<b>Total expenditures</b>	<u>\$ 89,000</u>	<u>422,258</u>	<u>414,386</u>	<u>7,872</u>

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, 2011

Fund 17200 SPECIAL APPROPRIATIONS

Replace MVD Driver System - Z80705

PROGRAM SUPPORT

	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other Financial Sources	\$ -	-	-	-
<b>Total revenues</b>	-	-	-	-
Fund balance budgeted	3,009,989	3,688,787		
	<u>\$ 3,009,989</u>	<u>3,688,787</u>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	3,009,989	3,688,787	1,683,874	2,004,913
Other	-	-	-	-
Other Financing Uses	-	-	-	-
<b>Total expenditures</b>	<u>\$ 3,009,989</u>	<u>3,688,787</u>	<u>1,683,874</u>	<u>2,004,913</u>

Tax amnesty program - Z01021

TAX ADMINISTRATION ACT

	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other Financial Sources	\$ -	-	-	-
<b>Total revenues</b>	-	-	-	-
Fund balance budgeted	401,974	419,387		
	<u>\$ 401,974</u>	<u>419,387</u>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ 277,923	198,543	137,758	60,785
Contractual services	123,822	25,002	20,550	4,452
Other	229	195,842	168,211	27,631
Other Financing Uses	-	-	-	-
<b>Total expenditures</b>	<u>\$ 401,974</u>	<u>419,387</u>	<u>326,519</u>	<u>92,868</u>

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, 2011

TOTAL OPERATING FUND				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 63,638,500	61,573,900	61,573,900	-
Other state funds	17,294,200	18,248,000	19,907,992	1,659,992
Federal funds	1,477,300	2,625,767	1,747,792	(877,975)
Other sources	-	21,704	24,704	3,000
<b>Total revenues</b>	<b>82,410,000</b>	<b>82,469,371</b>	<b>\$ 83,254,388</b>	<b>785,017</b>
Fund balance budgeted	4,101,040	5,676,509		
<b>Total revenues and fund balance budgeted</b>	<b>\$ 86,511,040</b>	<b>88,145,880</b>		
Expenditures				
Personal services/employee benefits	\$ 59,390,123	57,675,408	55,402,547	2,272,861
Contractual services	9,104,017	11,629,379	7,070,303	4,559,076
Other	18,016,900	18,841,093	18,054,282	786,811
Other financing uses	-	-	-	-
	<b>\$ 86,511,040</b>	<b>88,145,880</b>	<b>80,527,132</b>	<b>7,618,748</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) -  
DRIVE MVD FUND 79800  
Year Ended June 30, 2011

MOTOR VEHICLE PROGRAM				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ -	11,000	109,135	98,135
Federal funds	-	2,483,282	749,457	(1,733,825)
<b>Total revenues</b>	-	2,494,282	<b>\$ 858,592</b>	<b>(1,635,690)</b>
Fund balance budgeted	-	725,500		
<b>Total revenues and fund balance budgeted</b>	<b>\$ -</b>	<b>3,219,782</b>		
Expenditures				
Personal services/employee benefits	\$ -	81,500	76,489	5,011
Contractual services	-	2,998,282	1,079,523	1,918,759
Other	-	140,000	40,244	99,756
	<b>\$ -</b>	<b>3,219,782</b>	<b>1,196,256</b>	<b>2,023,526</b>

FUND 798 Special Appropriation  
MVD Fix Z90703

PROGRAM SUPPORT				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ 3,359,149	3,359,149	3,031,802	-
<b>Total revenues</b>	<b>3,359,149</b>	<b>3,359,149</b>	<b>3,031,802</b>	<b>-</b>
Fund Balance Budgeted	3,487,529	3,487,529		
	<b>\$ 6,846,678</b>	<b>6,846,678</b>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	6,846,678	6,846,678	-	6,846,678
Other	-	-	-	-
Other Financing Uses	-	-	-	-
<b>Total expenditures</b>	<b>\$ 6,846,678</b>	<b>6,846,678</b>	<b>-</b>	<b>6,846,678</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) -  
NATIVE AMERICAN FUND 10690

TAX ADMINISTRATION ACT				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ -		-	-
Federal funds	-		-	-
<b>Total revenues</b>	-	-	<b>\$ -</b>	<b>-</b>
Fund balance budgeted	-	434,088		
<b>Total revenues and fund balance budgeted</b>	<b>\$ -</b>	<b>434,088</b>		
Expenditures				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	390,680	337,328	53,352
Other financing uses	-	43,408	43,408	
	<b>\$ -</b>	<b>434,088</b>	<b>380,736</b>	<b>53,352</b>

FUND 10690 Special Appropriations  
Native American PIT Settlement Z10509

TAX ADMINISTRATION ACT				
	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 250,000	250,000	250,000	-
<b>Total revenues</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>-</b>
Fund Balance Budgeted	-	-		
	<b>\$ 250,000</b>	<b>250,000</b>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	250,000	250,000	-	250,000
Other Financing Uses	-	-	-	-
<b>Total expenditures</b>	<b>\$ 250,000</b>	<b>250,000</b>	<b>-</b>	<b>250,000</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) -  
NATIVE AMERICAN FUND 10690

FUND 10690 Special Appropriations  
Native American PIT Settlement Z90106

TAX ADMINISTRATION ACT

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget Positive (Negative)
Revenues				
State General Fund Appropriations	\$ -	-	-	-
<b>Total revenues</b>	-	-	-	-
Fund Balance Budgeted	4,188	4,188		
	<u>\$ 4,188</u>	<u>4,188</u>		
Expenditures - current and capital outlay				
Personal services/employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	4,188	4,188	930	3,258
Other Financing Uses	-	-	-	-
<b>Total expenditures</b>	<u>\$ 4,188</u>	<u>4,188</u>	<u>930</u>	<u>3,258</u>

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, 2011

**MOTOR VEHICLE PROGRAM**

	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other state funds	\$ 1,688,400	3,018,400	3,550,203	531,803
<b>Total revenues</b>	1,688,400	3,018,400	<u>\$ 3,550,203</u>	<u>531,803</u>
Fund balance budgeted	-	-		
<b>Total revenues and fund     balance budgeted</b>	<u>\$ 1,688,400</u>	<u>3,018,400</u>		
Expenditures				
Personal services/employee benefits	\$ 1,144,100	1,285,100	1,143,772	141,328
Contractual services	-	45,400	4,133	41,267
Other	544,300	357,900	76,917	280,983
Other Financing Uses	-	1,330,000	1,330,000	-
	<u>\$ 1,688,400</u>	<u>3,018,400</u>	<u>2,554,822</u>	<u>463,578</u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO**  
**TAXATION AND REVENUE DEPARTMENT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**June 30, 2011**

	<u>2011</u>
<u>ASSETS</u>	
Interest in the State Treasurer General Fund Investment Pool	\$ 620,563,245
Cash on hand and in banks	2,839,647
Receivables:	
Due from state general fund	141,752,659
Due from other state agencies	31,755,658
Due from taxpayers	787,630,521
Citations	27,503,017
Other - stale dated warrants	3,672,725
Tax assessments:	882,458,828
Allowance for uncollected (Citations and Tax Assessments)	<u>(909,961,845)</u>
 Total assets	 <u><u>\$ 1,588,214,455</u></u>
 <u>LIABILITIES</u>	
Unidentified tax collections	\$ 102,015,115
Due to state general fund	771,873,384
Due to counties and municipalities	292,236,307
Due to other state agencies	226,727,338
Due to other funds	2,493,293
Refunds due to taxpayers	190,279,290
Due to external parties	4,574
Other liabilities - stale dated warrants	547,477
Reserved for litigated assessments	<u>2,037,677</u>
 Total liabilities	 <u><u>\$ 1,588,214,455</u></u>

*See Notes to Financial Statements.*



**STATE OF NEW MEXICO**  
**TAXATION AND REVENUE DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**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, Training Services 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, 2011**

**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, 2011**

**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 resources are available, it is the Department's policy to use restricted resources first. When expenditures are incurred for purposes, for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Department's policy to spend committed resources first.

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

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**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, 2011

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

The Department reports the following major governmental funds:

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

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

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

**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 and it was not budgeted in the current year. At the Department's election, this fund is included as a major fund as it has been in the past.

Capital Improvement Projects. This capital project fund accounts for various capital improvement projects. Due to lack of activity, it was not budgeted in the current year.

Additionally, the Department reports the following fund types:

**Special Revenue Fund.** 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.

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

**Fiduciary Funds.** Fiduciary funds account for assets held by the Department in a trustee capacity or as an agent for individuals, private organizations other government units and/or funds. The fiduciary fund type includes agency funds, which are custodial in nature and do not present results of operations. Agency funds are used to account for assets that the Department holds for others in an agency capacity. It is comprised of collection funds, which account for all activity of the tax programs administered by the Department, unclaimed property and fuel users/suppliers bonds. Unmatched money (money that cannot be matched to tax returns) over sixty days is remitted to the State General Fund per statute. These funds are subject to be refunded to the taxpayer or subject to being distributed to local governments once the proper tax return is identified and matched to the funds. The balance of the unmatched money sent to the State General Fund as of June 30, 2011 was \$96.8 million.

The Department has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Department 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  
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**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).

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

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



**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
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June 30, 2011**

**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 2011 shall revert to the [state] general fund by September 30, 2011, unless otherwise indicated in the General Appropriations Act of 2004 or otherwise provided by law.”

**STATE OF NEW MEXICO**  
**TAXATION AND REVENUE DEPARTMENT**  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

**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

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

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

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, 2011, are entirely insured or collateralized with securities held by the agent in the bank’s name.

As of June 30, 2011, the reconciled interest in the State Treasurer’s General Fund Investment Pool was \$644,582,937.

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 \$21,943 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, 2011.

**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 year end from information reported to the Department within the accrual period.

\$201,717,572 of the active tax assessments issued by the Department and listed below are under protest and/or subject to litigation.

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TAXATION AND REVENUE DEPARTMENT  
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June 30, 2011

**NOTE 4. RECEIVABLES (CONTINUED)**

At June 30, 2011, the Department's receivables, including the applicable allowances for uncollectable accounts are as follows:

	Governmental Funds		Fiduciary Funds
	General	Special Revenue	Agency
<b>Receivables:</b>			
Accounts receivable	\$ 19,983	-	-
Federal grants	215,881	-	-
County property valuation loans	-	299,205	-
Other Receivables – stale dated warrants	-	-	3,672,725
Citations	-	-	27,503,017
Tax assessments considered uncollectible	-	-	882,458,828
<b>Gross receivables</b>	<u>235,864</u>	<u>299,205</u>	<u>913,634,570</u>
less allowance for uncollectibles	<u>(17,058)</u>	<u>(240,000)</u>	<u>(909,961,845)</u>
<b>Total receivables, net</b>	<u>\$ 218,806</u>	<u>59,205</u>	<u>3,672,725</u>
<b>Due From:</b>			
Other funds	\$ 2,743,302	-	-
Taxpayers	-	-	787,630,521
State General Fund	-	-	141,752,659
Other Agencies	<u>7,954</u>	<u>-</u>	<u>31,755,658</u>
<b>Total Due From:</b>	<u>\$ 2,751,256</u>	<u>-</u>	<u>961,138,838</u>
<b>Write Offs:</b>			
Receivables written off to date	\$ -	-	-
Receivables written off in FY11	-	-	-
Receivables recovered in FY11	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Write Offs:</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>

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

Accounts Receivable

Receivables are recorded in connection with payroll employee overpayments, PERA buybacks and database access fee revenues. To date, an allowance of \$17,058 has been recorded for accounts where collection cannot be assured. In FY11, no receivable were determined to be uncollectible.

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

County Property Valuation Loans

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

Other Receivables – Stale Dated Warrants

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

Citations

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

Tax Assessments

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

Due From Other Funds:

The Department records due from other internal, fiduciary funds for revenues that are measurable and available as of June 30, 2011. The Department considers revenue to be available if they are collected within 60 days after the current fiscal year.

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**NOTE 4. RECEIVABLES (CONTINUED)**

Due From Taxpayers:

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

Due From State General Fund:

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

Due From Other Agencies:

The Department works with other agencies to determine outstanding revenues due at June 30, 2011.

Write Offs:

The Department's policy does not allow for write off's of outstanding receivables. For receivables where collection cannot be assured the Department will record and allowance for doubtful accounts.

Article IV Section 32 of the New Mexico Constitution provides:

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

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

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**TAXATION AND REVENUE DEPARTMENT**  
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**NOTE 4. RECEIVABLES (CONTINUED)**

Receivables – Fiduciary Funds Tax Assessments

At June 30, 2011, tax assessments and penalty citations issued and uncollected by the Fiduciary Fund Type were:

Compensating and withholding taxes	\$ 541,498,943
Personal income tax	175,314,606
Corporate income tax	80,162,181
Gasoline tax	30,650,175
Citations	26,037,907
Special fuel supplier	24,995,037
Cigarette tax	9,298,907
Petroleum products loading fee	5,501,937
Fiduciary income tax	1,152,284
Combined fuel tax	4,800,798
Tobacco products	2,387,151
Enhanced 911 tax	1,695,199
Restitution	802,254
Workers' Compensation Tax	717,666
Estate tax	24,799
Delinquent Property Taxes	733,872
Unclaimed property	35,376
Liquor excise tax	27,357
Water conservation fees	15,305
Daily bed surcharge	4,382
Telecommunications relay surcharge	2,738
Bingo and raffle tax	1,937
Gaming	1,717
Local liquor tax	1,278
Alternative fuel distributors	12,304
Railroad car tax	7,654
Weight distance citations	1,465,109
Oil and gas tax programs:	
ONGARD oil and gas (OGT)	<u>2,612,972</u>
Total receivables, fiduciary funds tax assessments	<u>\$ 909,961,845</u>

**STATE OF NEW MEXICO  
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June 30, 2011**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
<b>Governmental activities:</b>				
Capital assets being depreciated:				
Furniture and fixtures	\$ 1,189,834	33,769	(34,326)	1,189,277
Software	16,216,777	1,291,468	-	17,508,245
Data processing equipment	6,303,692	100,264	(339,141)	6,064,815
Machinery and equipment	2,908,243	-	(5,337)	2,902,906
Tenant leasehold improvements	712,762	-	-	712,762
Vehicles	<u>82,454</u>	<u>-</u>	<u>-</u>	<u>82,454</u>
Total capital assets being depreciated	27,413,762	1,425,501	(378,804)	28,460,459
Less accumulated depreciation for:				
Furniture and fixtures	(930,553)	(93,126)	20,016	(1,003,663)
Software	(9,449,571)	(1,653,605)	-	(11,103,176)
Data processing equipment	(4,245,904)	(774,414)	339,390	(4,680,928)
Machinery and equipment	(2,184,615)	(339,179)	5,337	(2,518,457)
Tenant leasehold improvements	(173,246)	(44,986)	-	(218,232)
Vehicles	<u>(63,295)</u>	<u>(6,300)</u>	<u>-</u>	<u>(69,595)</u>
Total accumulated depreciation	<u>(17,047,184)</u>	<u>(2,911,610)</u>	<u>364,743</u>	<u>(19,594,051)</u>
Capital assets, net	\$ <u>10,366,578</u>	<u>(1,486,109)</u>	<u>(14,061)</u>	<u>8,866,408</u>

Depreciation expense of \$2,911,610 was charged to the following programs:

Program Support	\$ 2,204,287
Tax Administration Act	457,395
Compliance Enforcement	4
Motor Vehicle Program	<u>249,924</u>
	<u>\$ 2,911,610</u>

Capital asset activity included \$1,425,501 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, 2011 and are comprised of the following balances:

<b>Fund</b>	<b>Fund Description</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
<b>Operating Funds:</b>			
17200	General Fund – Operations	\$ 2,029,545	250,010
79800	Drive MVD	290,794	-
10690	Native American	250,000	-
99400	Tax Identification Fund	<u>172,963</u>	<u>-</u>
<b>Total Operating Funds</b>		<u>2,743,302</u>	<u>250,010</u>
<b>Fiduciary Funds:</b>			
27900	Corporate Income Tax	66,989	-
64200	PIT (TAA) Suspense	-	66,989
68000	Hazmat Finger Printing Fee	24,125	13,060
68100	County & Municipal Gasoline	6,728,717	-
68200	County & Muni Recreation	589	-
68300	County & Municipal Cigarette	1,174	-
68400	Small Cities Assistance	1,609,902	-
70600	Motor Transportation Bond Fund	11,000	-
70900	Local Liquor Excise Tax	192,848	-
71000	Unclaimed Property	697,744	11,000
71300	Oil & Gas Ad Valorem Prod. Tax	38,651,766	-
71500	Ad Valorem Equipment Tax	8,487	-
82500	Transportation & MVD Suspense	-	1,683,372
82800	TAA Suspense Fund	-	6,933,479
83100	Workers' Compensation Fund	-	137,254
83200	CRS (TAA) Suspense	-	1,903,978
83000	Delinquent Property Tax	-	1,077,249
83300	Oil & Gas Suspense Fund	<u>-</u>	<u>38,660,253</u>
<b>Total Fiduciary Funds</b>		<u>47,993,341</u>	<u>50,486,634</u>
<b>Total Interfund Balances</b>		\$ <u>50,736,644</u>	<u>50,736,644</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	\$ 359,411,124
Hazmat Finger Printing	298,293
TAA Suspense / Other	33,046,585
Oil and Gas	<u>153,184,187</u>
Total	<u>\$ 545,940,189</u>
Deductions:	
CRS Suspense	\$ 359,411,124
Hazmat Finger Printing	298,293
TAA Suspense / Other	33,046,585
Oil and Gas	<u>153,184,187</u>
Total	<u>\$ 545,940,189</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, 2011, facilities rental expenditures were \$3,363,322.

**NOTE 9. LIABILITIES**

*Current Liabilities.* The Department's General Fund total current liabilities during the fiscal year were \$7,733,499. Approximately 63% of the current liabilities are attributable to accounts payable and accrued payroll. The General Fund accounts payable of \$2,988,615 consists of goods or services received by the Department by June 30, 2011 but paid after June 30, 2011. The General Fund accrued payroll of \$1,852,314 consists of payroll expenditures incurred from June 12, 2011 through June 30, 2011 but paid after June 30, 2011.

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**NOTE 9. LIABILITIES (CONTINUED)**

The Department has an estimated potential loss of \$229,755 regarding pending cases in which it has been estimated that there is a 75% chance of an unfavorable outcome. The Department has 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, 2011 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences payable	\$ 2,495,409	4,153,360	4,380,089	2,268,680	2,268,680
Total long-term liabilities	\$ 2,495,409	4,153,360	4,380,089	2,268,680	2,268,680

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, 2011 were as follows:

Reversions:

<u>FY 11 Reversion</u>	
State Land Office	\$ 8,326
Expenditure reversions	2,428,183
Revenue reversions	<u>142,195</u>
Total FY11 Reversions	2,578,704
Less Reversions Due State Land Office	(8,326)
Stale Dated Warrants	<u>8,336</u>
Total due to State General Fund at June 30, 2011	<u>\$ 2,578,715</u>

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**NOTE 11. 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 10.67% of their gross salary. The Department's is required to contribute 13.27% 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, 2011, 2010 and 2009 were \$5,923,066, \$6,292,188 and \$7,060,641, respectively, equal to the amount of the required contribution for each year.

**NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

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

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

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**NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

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. In the fiscal years ending June 30, 2012 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 12	1.834%	.917%
FY 13	2.000%	1.000%

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.

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**NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

The Department's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$649,808, \$535,225 and \$539,434, respectively, which equal the required contributions for each year.

**NOTE 13. 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 14. 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, 2011, 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 \$201,717,572 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.

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**NOTE 14. CONTINGENCIES (CONTINUED)**

The Department may incur costs of \$229,755 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.

**NOTE 15. 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
- FY11 Amount of Project: \$1,496,604
- Portion Applicable to NMTRD: \$997,704 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, 2010 to indefinite
- FY09 Amount of Project: -0-
- Portion Applicable to NMTRD: -0-
- Audit Responsibility: NMTRD
- Revenue Reported: N/A

**STATE OF NEW MEXICO  
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**NOTE 15. JOINT POWERS AGREEMENTS / MEMORANDUMS OF  
UNDERSTANDING (CONTINUED)**

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 27, 2009 to completion of project
- Amount of Project: \$500,000
- Portion Applicable to NMTRD: \$500,000 State General Fund
- Audit Responsibility: NMGSD
- Revenue Reported: NMGSD

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 perform secure network architectures implementation and assist with network migration.

- Responsible Party: NMTRD
- Time period: April 5, 2010 to June 30, 2011
- Amount of Project: \$42,650
- Portion Applicable to NMTRD: \$42,650
- Audit Responsibility: NMTRD
- Revenue Reported: NM Institute of Mining and Technology

City of Santa Fe

The Department participates in an MOU with the City of Santa Fe. The City of Santa Fe will allow TRD employees parking at the Santa Fe City Convention Center parking lot and metered parking using cash keys. TRD will pay the parking fees to the City of Santa Fe Parking Division for TRD employees that utilize the SFCCC parking garage and the purchase of cash key reloads.

- Responsible Party: NMTRD
- Time period: Expires June 30, 2012
- Amount of Project: Based on parking usage
- Portion Applicable to NMTRD: 100%
- Audit Responsibility: NMTRD
- Revenue Reported: City of Santa Fe



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**NOTE 15. JOINT POWERS AGREEMENTS / MEMORANDUMS OF  
UNDERSTANDING (CONTINUED)**

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: UNM
- Time period: July 1, 2010 to June 30, 2011
- Amount of Project: \$100,814
- Portion Applicable to NMTRD: \$29,848
- Audit Responsibility: NMTRD
- Revenue Reported: UNM

Bernalillo County Metropolitan Court

The Department participates in an MOU with the Bernalillo County Metropolitan Court, Central Parking Division to provide parking in the Metro Park Parking Structure for law enforcement officers and TRD Legal Staff attending DWI hearings as witnesses.

- Responsible Party: NMTRD
- Time period: July 6, 2011 to June 30, 2012
- Amount of Project: Based on hourly rate and amount of usage.
- Portion Applicable to NMTRD: 100% of cost incurred
- Audit Responsibility: NMTRD
- Revenue Reported: Bernalillo County Metropolitan Court, Central Parking Division

Department of Homeland Security

The NM Motor Vehicle Division participates in an MOU with the Department of Homeland Security, U.S. Citizenship and Immigration Services to establish the terms and conditions governing the participation of the Department to provide the specified benefit in the DHS-USCIS Systematic Alien Verification for Entitlements (SAVE) Program for the purpose of verifying citizenship and immigration status information of non-citizen and naturalized or derived U.S. citizen applicants applying for Drivers Licenses and Identification Cards. The Department of Homeland Security will provide an initial verification by SAVE to an on-line inquiry, additional verification procedures where applicable, and a response to a properly submitted Form G-845.

- Responsible Party: Department of Homeland Security
- Time period: February 15, 2011 indefinitely
- Amount of Project: Based on standard billing rates and amount of usage.
- Portion Applicable to NMTRD: 100% of cost incurred
- Audit Responsibility: NMTRD
- Revenue Reported: Department of Homeland Security

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**NOTE 15. JOINT POWERS AGREEMENTS / MEMORANDUMS OF  
UNDERSTANDING (CONTINUED)**

NM Regulation and Licensing Department

The Department participates in an MOU with the Regulation and Licensing Department (RLD) to facilitate the exchange of information from NM Regulation and Licensing Department to the Taxation and Revenue Department concerning certain licensees of occupational and professional licensing boards and commissions contained in databases maintained by Regulation and Licensing Department.

- Responsible Party: NMRLD
- Time period: October, 2010 indefinitely
- Amount of Project: \$0
- Portion Applicable to NMTRD: None
- Audit Responsibility: NMTRD
- Revenue Reported: N/A

NM Department of Health

The Department participates in an MOU with the NM Department of Health (DOH) to develop procedures and a methodology for interfacing to share information necessary for processing rural health care practitioner credits. NMSA 1978 Statute 7-2-18.22 creates an income tax credit for rural health care practitioners. To qualify for the tax credit, a practitioner must submit an application to the DOH, and the DOH must determine whether the practitioner qualifies for the credit and provide information to the TRD concerning those health care practitioners who are determined to be qualified for the credit.

- Responsible Party: NMTRD
- Time period: September, 2010 indefinitely
- Amount of Project: \$0
- Portion Applicable to NMTRD: None
- Audit Responsibility: NMTRD
- Revenue Reported: N/A

NM Secretary of State

The Department participates in an MOU with the NM Secretary of State (SOS) to facilitate the exchange of voter registration and uniform commercial code information from the Office of the Secretary of State to the Taxation and Revenue Department. On March 30, June 30, September 30, and December 30 of each year, SOS will provide voter registration and uniform commercial code information contained in the databases of SOS.

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**NOTE 15. JOINT POWERS AGREEMENTS / MEMORANDUMS OF  
UNDERSTANDING (CONTINUED)**

The information provided by SOS will be used to promote tax compliance.

- Responsible Party: NMSOS
- Time period: November, 2010 indefinitely
- Amount of Project: \$0
- Portion Applicable to NMTRD: None
- Audit Responsibility: NMTRD
- Revenue Reported: N/A

Central NM Community College

The Department's Motor Vehicle Division (MVD) participates in an MOU with Central NM Community College for third party testing of Commercial Driver License applicants in compliance with the provisions of the New Mexico Commercial Driver's License Act. MVD authorizes CNM to administer the commercial driver's license skills tests for driving a commercial vehicle and for related endorsements as required by Sec. 66-5-60, NMSA 1978.

- Responsible Party: NMCNM
- Time period: June 17, 2011 through July 1, 2012
- Amount of Project: \$0
- Portion Applicable to NMTRD: None
- Audit Responsibility: NMTRD
- Revenue Reported: N/A

NM Office of the Governor

The Department participates in an MOU by and between the Office of the Governor; The Human Services Department; The Public Defender Department; The Children Youth and Families Department; Aging & Long Term Services Department; State Fair Commission; Commission for the Blind; Workers' Compensation Administration; General Services Department; Department of Information Technology; Department of Public Safety - Motor Transportation Division; The Department of Health; The Regulation and Licensing Department; The Department of Cultural Affairs; The Department of Workforce Solutions; The Division of Vocational Rehabilitation; The Public Education Department; The Miners Colfax Medical Center; The Environment Department; The Corrections Department; The Department of Transportation; and the Department of Finance and Administration. The parties to this MOU are also parties to a Professional Services Contract entered into with Management Associates, Inc. to provide advice and assistance

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**NOTE 15. JOINT POWERS AGREEMENTS / MEMORANDUMS OF  
UNDERSTANDING (CONTINUED)**

in the State of NM preparation for collective bargaining negotiations and other labor issues.

- Responsible Party: Office of the Governor
- Time period: May 2011 indefinitely
- Amount of Project: \$43,870
- Portion Applicable to NMTRD: \$2,689.76
- Audit Responsibility: NMTRD
- Revenue Reported: N/A

NM Department of Public Safety

The Department participates in an MOU with the Department of Public Safety (DPS), Motor Transportation Police Division to increase the enforcement and collections of weight distance tax (WDT) and trip tax efforts by both the MTPD and TRD. DPS will hire temporary personnel to check weight distance tax and trip tax compliance of commercial vehicles entering the State.

- Responsible Party: NMCNM
- Time period: January, 2009 through June 30, 2011
- Amount of Project: \$250,000
- Portion Applicable to NMTRD: \$250,000
- Audit Responsibility: NMTRD
- Revenue Reported: NMDPS

**NOTE 16. GASB 54 RESTATEMENT**

GASB Statement No. 54 clarifies the existing governmental fund type definitions and provides clearer fund balance classifications are based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: nonspendable, restricted, committed, assigned, and unassigned. GASB Statement No. 54 was implemented in the current fiscal year. Details of the Department's fund balance classifications and policies are reflected in Note 17.

The governmental fund types used by the Department were evaluated based on the provisions of GASB Statement No. 54. The Native American Fund 10690 was determined to not meet the new fund type classification for special revenue funds. As a result, the fund was reclassified; therefore, a reclassification of \$438,276 was made to reduce the beginning fund balance of Other Funds and increase the beginning fund balance of the General Fund. This change had no impact on governmental activities as reported on the prior year Statement of Activities.

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
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**NOTE 17. GOVERNMENTAL FUND BALANCES - RESTRICTED AND COMMITTED**

The Department's fund balances represent: (1) Restricted Purposes which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches. A summary of the nature and purpose of these reserves by fund type at June 30, 2011, follows:

<b>Fund/Program</b>	<b>Laws</b>	<b>Committed Purposes</b>	<b>Restricted Purposes</b>
<b>General Fund:</b>			
Native American Settlement	Laws of 2009, Chapter 124, Section 5, \$1,000,000 does not revert	\$ 56,610	-
Native American Settlement	Laws of 2011, Chapter 179, Section 5, \$250,000 through FY12	250,000	-
Tax Amnesty Program	Laws of 2010 Special Session, Chapter 2, Section 2, \$500,000 through FY12	90,412	-
MVD Driver System	Laws of 2008, Chapter 3, Section 7, \$4,120,000 through FY12	2,004,913	-
Replace MVD System	Laws of 2008, Chapter 3, Section 7, \$2,453,000 through FY12	6,519,331	-
<b>Total General Fund:</b>		<u>8,921,266</u>	<u>-</u>
<b>Capital Improvements Projects Fund 88500:</b>			
TRD Tax Policy Project	Laws of 2007, Chapter 42, Section 73	-	-
<b>Total Fund Balance - Committed for Special Appropriations</b>		<u>\$ 8,921,266</u>	<u>-</u>
<b>Fund Balance - Reserved:</b>			
General Fund:			
AAMVA		\$ 3,000	
Financial Responsibility Act	NMSA 1978, Section 66-5-201 and 66-6-23A(5)(e)	-	812,763
EDL - Enhanced Driver's License	NMSA 1978, Section 66-5-44, C	-	1,789,078
Delinquent Property Tax	NMSA 1978, Section 7-38-62	-	3,003,579
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	350,165	495,467
Out of State DWI Verification	NMSA 1978, Section 66-5-44, B	-	631,264
Drive MVD Fund 79800		820,737	
Tax Identification Card Fund 99400	NMSA 1978, 7-15A-14	1,814,918	
<b>Total General Fund Balance - Restricted / Committed for Subsequent Years' Expenditures</b>		<u>2,988,820</u>	<u>6,983,040</u>
TRIMS Capital Project Fund 08600	Laws of 1999, Chapter 10, Section I, Subsection D	-	
Property Valuation Fund 34800 (Loans to Counties)	NMSA 1978, 7-35-3(B)	422,334	
<b>Total Fund Balance</b>		<u>\$ 12,332,420</u>	<u>\$ 6,983,040</u>

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
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**NOTE 18. REVENUES**

General fund revenue reported for the year ended June 30, 2011, consisted of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Other State Funds:</b>			
Delinquent Property Tax	\$ 3,796,610	-	3,796,610
Workers Comp Assessment	613,016	-	613,016
Alcoholic Beverage Tax	59,953	-	59,953
Unclaimed Property	359,800	-	359,800
Sale of MVD Data	5,127,150	-	5,127,150
Vehicle Registration Royalties	7,208	-	7,208
Motor Vehicle - Special Plates	107,467	-	107,467
Temporary Permits	205,190	-	205,190
Private Retail Agents	914,082	-	914,082
Enhanced Drivers License (EDL)	1,894,973	-	1,894,973
Parental Responsibilities	84,300	-	84,300
Provisional License	214,791	-	214,791
Hazmat Fingerprinting	153,424	-	153,424
Financial Responsibilities	3,458,304	-	3,458,304
Motorcycle & Off Highway Registration Fee	289,026	-	289,026
Out of State DWI Verification Interlock	465,855	-	465,855
Weight Distance Tax Administrative Fees	3,550,206	-	3,550,206
Motor Vehicle Admin Fees	2,950,690	-	2,950,690
STB Bonds for Capital Assets	-	5,262	5,262
State Land Office Transfers	546,100	-	546,100
Interest Income	-	10,353	10,353
Other Admin Fees (PIT & GRT)	1,774,800	-	1,774,800
Misc. Revenue - Program	26,190	-	26,190
<b>Total Other State Funds</b>	<b>26,599,135</b>	<b>15,615</b>	<b>26,614,750</b>
<b>Other Financing Sources:</b>			
Revenue to operate Native American Fund	21,704	-	21,704
Other Gifts and Grants	3,000	-	3,000
<b>Total Other Financing Sources</b>	<b>24,704</b>	<b>-</b>	<b>24,704</b>
<b>General Fund:</b>			
State General Fund Appropriations	61,823,900	-	61,823,900
Transfers to other state agencies	-	-	-
<b>Total General Fund</b>	<b>61,823,900</b>	<b>-</b>	<b>61,823,900</b>
<b>Total State Funds</b>	<b>88,447,739</b>	<b>15,615</b>	<b>88,463,354</b>
<b>Federal Funds</b>	<b>2,497,249</b>	<b>-</b>	<b>2,497,249</b>
<b>Total Revenues - GAAP</b>	<b>\$ 90,944,988</b>	<b>15,615</b>	<b>90,960,603</b>

## **SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
COMBINING BALANCE SHEET  
GENERAL FUNDS  
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	Operating	Weight Distance	Drive MVD	Native American	Total
<b>ASSETS</b>					
Interest in the State Treasurer General Fund					
Investment Pool	\$ 14,729,311	1,679,587	7,191,087	56,610	23,656,595
Cash on hand	21,943	-	-	-	21,943
Receivables:					-
Due from federal government	215,881	-	-	-	215,881
Loans to counties, net	-	-	-	-	-
Other receivables, net	2,925	-	-	-	2,925
Due from:	-	-	-	-	-
Other funds	2,029,545	172,964	290,793	250,000	2,743,302
Other entities	7,922	-	-	-	7,922
Inventory of supplies	1,770,214	-	-	-	1,770,214
Prepaid expenses	19,358	-	-	-	19,358
<b>Total assets</b>	<b>\$ 18,797,099</b>	<b>1,852,551</b>	<b>7,481,880</b>	<b>306,610</b>	<b>28,438,140</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,848,423	2,051	138,141	-	2,988,615
Accrued payroll	1,813,181	35,461	3,673	-	1,852,314
Due to external parties	250,010	-	-	-	250,010
Due to other state agencies	11,070	-	-	-	11,070
Due to State General Fund	2,578,594	121	-	-	2,578,715
Other Liabilities	52,775	-	-	-	52,775
<b>Total liabilities</b>	<b>7,554,053</b>	<b>37,633</b>	<b>141,814</b>	<b>-</b>	<b>7,733,499</b>
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Cash on hand	21,943	-	-	-	21,943
Inventory of supplies	1,770,214	-	-	-	1,770,214
Prepaid expenses	19,358	-	-	-	19,358
Restricted	6,983,040	-	-	-	6,983,040
Committed	2,448,491	1,814,918	7,340,066	306,610	11,910,085
<b>Total fund balances</b>	<b>11,243,046</b>	<b>1,814,918</b>	<b>7,340,066</b>	<b>306,610</b>	<b>20,704,641</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,797,099</b>	<b>1,852,551</b>	<b>7,481,880</b>	<b>306,610</b>	<b>28,438,140</b>



STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
GENERAL FUNDS  
Year Ended June 30, 2011

	<u>Operating</u>	<u>Weight Distance</u>	<u>Drive MVD</u>	<u>Native American</u>	<u>Total</u>
Revenues					
Other state funds	\$ 19,907,991	3,550,206	3,140,937	-	26,599,135
Federal funds	1,747,792	-	749,457	-	2,497,249
<b>Total revenues</b>	<b>21,655,783</b>	<b>3,550,206</b>	<b>3,890,394</b>	<b>-</b>	<b>29,096,384</b>
Expenditures					
Current expenditures:					
Personal services and employee benefits	55,402,547	1,143,772	76,489	-	56,622,808
Contractual services	7,070,305	4,133	1,079,523	-	8,153,961
Other costs	16,662,550	76,914	6,476	338,258	17,084,198
Capital outlay	1,391,734	-	33,769	-	1,425,503
<b>Total expenditures</b>	<b>80,527,136</b>	<b>1,224,819</b>	<b>1,196,257</b>	<b>338,258</b>	<b>83,286,470</b>
<b>Excess of revenues over expenditures</b>	<b>(58,871,353)</b>	<b>2,325,387</b>	<b>2,694,137</b>	<b>(338,258)</b>	<b>(54,190,086)</b>
Other Financing Sources (Uses)					
State General Fund appropriations	61,573,900	-	-	250,000	61,823,900
Other Gifts and Grants	3,000	-	-	-	3,000
Fund Balance Sources	21,704	-	-	-	21,704
Fund Balance Transfers	-	-	-	(43,408)	(43,408)
Transfers to other state agencies	-	(1,330,000)	-	-	(1,330,000)
Reversions to State General Fund - FY11	(2,578,704)	-	-	-	(2,578,704)
<b>Net other financing sources (uses)</b>	<b>59,019,900</b>	<b>(1,330,000)</b>	<b>-</b>	<b>206,592</b>	<b>57,896,492</b>
<b>Net change in fund balance</b>	<b>148,547</b>	<b>995,387</b>	<b>2,694,137</b>	<b>(131,666)</b>	<b>3,706,406</b>
Fund balance, June 30, 2010 as previously reported	11,094,499	819,531	4,645,929	-	16,559,959
Transfer of fund to General Fund	-	-	-	438,276	438,276
Fund balances, June 30, 2010 as revised	11,094,499	819,531	4,645,929	438,276	16,998,235
<b>Fund balance, June 30, 2011</b>	<b>\$ 11,243,046</b>	<b>1,814,918</b>	<b>7,340,066</b>	<b>306,610</b>	<b>20,704,641</b>

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NON-MAJOR FUNDS  
Year Ended June 30, 2011**

*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  
June 30, 2011

	Property	Capital	Total
<b>ASSETS</b>			
Interest in the State Treasurer General Fund			
Investment Pool	\$ 363,097	-	363,097
Receivables:			
Due from other state agencies	32	-	32
Loans to counties, net	59,205	-	59,205
<b>Total assets</b>	<b>\$ 422,334</b>	<b>-</b>	<b>422,334</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ -	-	-
Due to other state agencies	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balances			
Reserved for Native American Refunds	-	-	-
Reserved for loans to counties	422,334	-	422,334
<b>Total fund balances</b>	<b>422,334</b>	<b>-</b>	<b>422,334</b>
<b>Total liabilities and fund balances</b>	<b>\$ 422,334</b>	<b>-</b>	<b>422,334</b>

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, 2011

	<u>Property</u>	<u>Native American</u>	<u>Capital</u>	<u>Total</u>
Revenues				
Miscellaneous revenue	\$ 10,353	-	5,262	15,615
<b>Total revenues</b>	10,353	-	5,262	15,615
Expenditures				
Current expenditures:				
Operating costs	-	-	5,262	5,262
Capital outlay	-	-	-	-
<b>Total expenditures</b>	-	-	5,262	5,262
<b>Excess of revenues over expenditures</b>	-	-	-	10,353
Other Financing Sources				
Reversions	-	-	-	-
Transfers to other state agencies	-	-	-	-
<b>Net other financing sources (uses)</b>	-	-	-	-
<b>Net change in fund balance</b>	10,353	-	-	10,353
Fund balance, June 30, 2010 as previously reported	411,981	438,276	-	850,257
Reclassify Native American Fund to General Fund	-	(438,276)	-	(438,276)
Fund balances, June 30, 2010 as revised	422,334	-	-	422,334
<b>Fund balance, June 30, 2011</b>	<b>\$ 422,334</b>	<b>-</b>	<b>-</b>	<b>422,334</b>

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES - Capital Improvement Projects -885  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
Year Ended June 30, 2011

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Other State Funds	\$ 5,263	5,263	5,263	-
<b>Total revenues</b>	5,263	5,263	5,263	-
Prior year cash budgeted	-	-		
	\$ 5,263	5,263		
Expenditures - current and capital outlay				
Other	\$ 5,263	5,263	5,263	-
Other Financing Uses	-	-	-	-
<b>Total expenditures</b>	\$ 5,263	5,263	5,263	-

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
FIDUCIARY FUND TYPES  
Year Ended June 30, 2011**

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, 2011**

- 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, 2011**

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

Collections funds:

CRS Suspense Funds (Funds 70700 and 83200) – used for the taxes reported through the combined reporting system (CRS), which reports gross receipts taxes, compensating taxes, withholding taxes and leased vehicle surcharges.

Personal Income Tax Funds (Funds 23600, 64200, 81900 and 82900) – used for reporting personal income taxes.

Corporate Income Tax (Fund 27900) – used for reporting corporate income taxes, franchise taxes, and past-through entity annual withholding taxes.

TAA Suspense and Other Funds (Funds 68100, 68200, 68300, 68400, 70900, 82800, 83000 and 83100) – used for reporting gasoline taxes, special fuel taxes, alternative fuel taxes, petroleum products loading fees, water conservation fees, liquor taxes, cigarette taxes, tobacco products taxes, gaming taxes, fiduciary taxes, estate taxes, railroad car tax, worker's compensation fees, 911 emergency surcharges, telecommunications relay service surcharges and delinquent property taxes.

Motor Vehicle Funds (Funds 82500 and 68000) – used for reporting motor vehicle excise taxes, vehicle registrations, boat registrations and taxes, special fuel taxes paid through IFTA, weight distance taxes, commercial vehicle permits, and motor vehicle / driver penalties.

Oil and Gas Funds (Funds 23700, 23800, 23900, 71300, 71400, 71500 and 83300) – used for reporting taxes relating primarily to oil and gas, natural gas and other natural resources.

Non-Collection funds:

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



STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND TYPE - AGENCY FUNDS  
June 30, 2011

	Collection Funds						Non-Collection		Eliminations	June 30, 2011 Totals
	CRS Suspende	Personal Income Tax Funds	Corporate Income Tax	TAA Suspende / Other	Motor Vehicle	Oil & Gas	Other Funds			
<b>ASSETS</b>										
Interest in the State Treasurer General Fund Investment Pool	\$ 328,395,137	\$ 47,548,370	\$ 8,992,971	\$ 78,049,168	\$ 23,746,161	\$ 130,860,621	\$ 2,970,817	\$ -	\$ -	\$ 620,563,245
Cash on hand and in banks	-	-	-	-	2,839,647	-	-	-	-	2,839,647
Receivables:										
Counties, municipalities and fee agents	-	-	-	-	-	-	-	-	-	-
Due from state general fund	47,329,646	24,437,964	35,134,313	971,149	1,711,168	32,168,419	-	-	-	141,752,659
Due from other state agencies	-	-	-	-	10,873	31,744,785	-	-	-	31,755,658
Due from taxpayers	419,035,019	35,926,552	75,454,091	50,975,882	19,324,763	186,914,214	-	-	-	787,630,521
Due from Intra-fund programs	-	-	66,989	8,533,230	24,125	38,660,252	708,744	(47,993,340)	-	-
Citations	-	-	-	-	27,503,017	-	-	-	-	27,503,017
Other - state dated warrants	48,947	2,802,117	735,912	65,854	-	-	19,895	-	-	3,672,725
Tax assessments	-	-	-	-	-	-	-	-	-	-
Allowance for uncollected	541,498,942	176,116,860	80,162,181	82,032,496	-	2,612,973	35,376	-	-	882,458,828
Allowance for uncollectibles	(541,498,942)	(176,116,860)	(80,162,181)	(82,032,496)	(27,503,017)	(2,612,973)	(35,376)	-	-	(909,961,845)
Total assets	\$ 794,808,749	\$ 110,715,003	\$ 120,384,276	\$ 138,595,283	\$ 47,656,737	\$ 420,348,291	\$ 3,699,456	\$ (47,993,340)	\$ -	\$ 1,588,214,455
<b>LIABILITIES</b>										
Unidentified tax collections	\$ -	\$ 19,929,154	\$ 26,363,650	\$ 35,531,543	\$ 225,060	\$ 18,457,333	\$ 1,508,375	\$ -	\$ -	\$ 102,015,115
Due to state general fund	484,863,450	65,866,441	58,886,409	28,928,241	10,303,808	123,025,035	-	-	-	771,873,384
Due to counties and municipalities	243,167,360	-	-	9,570,209	3,189,259	36,309,479	-	-	-	292,236,307
Due to other state agencies	17,408,840	400,000	-	53,301,370	30,472,969	125,144,159	-	-	-	226,727,338
Due to external parties	294,076	-	-	526,910	1,672,307	-	-	-	-	2,493,293
Refunds due to taxpayers	47,329,646	24,437,964	35,134,313	2,806,087	1,711,168	76,714,280	2,145,832	-	-	190,279,290
Due to external parties	2,513	3,800	(96)	-	(1,643)	-	-	-	-	4,574
Due to Intra-fund programs	1,609,902	66,989	-	7,621,072	24,125	38,660,252	11,000	(47,993,340)	-	-
Other liabilities - state dated warrants	132,962	10,655	-	309,851	59,684	76	34,249	-	-	547,477
Reserve for Litigated Assessments	-	-	-	-	-	2,037,677	-	-	-	2,037,677
Total liabilities	\$ 794,808,749	\$ 110,715,003	\$ 120,384,276	\$ 138,595,283	\$ 47,656,737	\$ 420,348,291	\$ 3,699,456	\$ (47,993,340)	\$ -	\$ 1,588,214,455

See Notes to Financial Statements.

## **SUPPLEMENTAL SCHEDULES**

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SUPPLEMENTAL SCHEDULE OF SPECIAL APPROPRIATIONS  
Year Ended June 30, 2011

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 Native American Settlement, Laws of 2009, Chapter 124, Section 5, Item 6, Non-reverting	\$ 1,000,000	1,000,000	943,390	56,610	-
Special appropriation to Taxation & Revenue Department for Native American Settlement, Laws of 2011, Chapter 179, Section 5, Non-reverting	250,000	250,000	-	250,000	-
Special appropriation to Taxation & Revenue Department for the MVD Driver System, Laws of 2008, Chapter 3, Section 7, Item 5, through FY12	4,120,000	4,120,000	2,115,087	2,004,913	-
Special appropriation to Taxation & Revenue Department for MVD Point of Sale System, Laws of 2008, Chapter 3, Section 7, Item 9, through FY12	2,752,500	2,752,500	2,445,129	307,371	307,371
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	1,681,055	1,445	1,445
Special appropriation to Taxation & Revenue Department for tax amnesty program, Laws of 2010 Special Session, Chapter 2, Section 2, Item 3 through FY12	500,000	500,000	409,588	90,412	-
Special appropriation to Taxation & Revenue Department to replace MVD System, Laws of 2009, Chapter 124, Section 5, Item 6. Re-authorized Laws of 2011, Chapter 179, Section 7, Item 2 through FY13	8,042,500	6,519,331	-	6,519,331	-
Special appropriation to Taxation & Revenue Department to replace MVD System, Laws of 2010, Special Session Chapter 6, Section 7, Item 3 through FY12	8,300,000	-	-	-	-
<b>General Fund Total</b>	26,647,500	16,824,331	7,594,249	9,230,082	308,816
<b>Capital Improvement Projects fund:</b>					
Special appropriation through FY11	-	-	-	-	-
<b>Total Special Appropriations</b>	\$ 26,647,500	16,824,331	7,594,249	9,230,082	308,816

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

Fiscal Year Ended June 30, 2011

Account Transferred to:	Cash Account Transfer to:	Account Transferred from:	Reason for Transfer	Cash Account Transfer from:	Net Amount
<b>Children Youth and Families Department:</b>					
CYFD-Children's Trust Fund	78000-690	Transportation & MVD Suspense	1	82500-333	\$ 24,830
<b>Department of Cultural Affairs:</b>					
OCA Capital Projects/Laws of 1992	69100-505	CRS TAA Suspense Fund	1	83200-333	326,875
<b>Department of Education:</b>					
Driving Safety Fees	57300-924	Transportation & MVD Suspense	1	82500-333	1,568,429
<b>Department of Environment:</b>					
Tire Recycling Fund	02600-667	Transportation & MVD Suspense	1	82500-333	923,285
Water Conservation Fund (WCF)	56700-667	TAA Suspense Fund	1	82800-333	2,641,396
Corrective Action Fund (PPL)	99000-667	TAA Suspense Fund	1	82800-333	18,898,967
<b>Department of Finance and Administration:</b>					
DFA Appropriations - Restitution	85300-341	TRD Restitution Fund	1	23600-333	1,642
DFA Appropriations - CIT	85300-341	CIT TAA Suspense Fund	1	27900-333	236,893,255
DFA Appropriations - PIT	85300-341	PIT TAA Suspense Fund	1	64200-333	392,978,338
DFA Appropriations - Unclaimed Property	85300-341	Unclaimed Property Susp Fund	1	71000-333	18,352,252
SBOF - State Debt	80000-341	Oil & Gas Ad Valorem Prod Fund	1	71300-333	6,746,817
SBOF - State Debt	80000-341	Copper Production Tax Fund	1	71400-333	192,073
SBOF - State Debt	80000-341	Ad Valorem Equipment Tax Fund	1	71500-333	1,155,983
Juvenile Adjudication Fund	10780-341	Transportation & MVD Suspense	1	82500-333	137,990
Judicial Education Fund	58900-341	Transportation & MVD Suspense	1	82500-333	427,675
DFA Appropriations - MVC	85300-341	Transportation & MVD Suspense	1	82500-333	109,033,164
Enhanced 911 Fund	01700-341	TAA Suspense Fund	1	82800-333	13,171,399
Cancer Research & Treatment Center	23300-341	TAA Suspense Fund	1	82800-333	781,969
Local DWI Grant Fund	56000-341	TAA Suspense Fund	1	82800-333	18,327,803
DFA Appropriations - TAA	85300-341	TAA Suspense Fund	1	82800-333	209,589,602
DFA Appropriations - WKC	85300-341	Workmens' Compensation Fund	1	83100-333	162,116
County-supported Medicaid Fund	02100-341	CRS TAA Suspense Fund	1	83200-333	18,712,987
Small Counties Assistance Fund	73700-341	CRS TAA Suspense Fund	1	83200-333	3,434,840
DFA Appropriations - CRS TAA	85300-341	CRS TAA Suspense Fund	1	83200-333	2,489,358,477
DFA Appropriations - Oil & Gas	85300-341	Oil & Gas Accounting Suspense	1	83300-333	380,870,504
<b>Energy, Minerals &amp; Natural Resources Department:</b>					
EMNRD Parks & Recreation	20010-521	Transportation & MVD Suspense	1	82500-333	489,632
Boat Suspense Fund	77300-521	Transportation & MVD Suspense	1	82500-333	1,014,675
EMNRD - Parks & Recreation	20010-521	TAA Suspense Fund	1	82800-333	19,174
Motor Boat Fuel Tax Fund	30900-521	TAA Suspense Fund	1	82800-333	195,650
NM Youth Conservation Corps Fund	01400-522	CRS TAA Suspense Fund	1	83200-333	3,269,359
EMNRD Capital Projects/ 1994	64600-521	CRS TAA Suspense Fund	1	83200-333	4,576,503
OCD - Oil and Gas Reclamation	31100-521	Oil & Gas Accounting Suspense	1	83300-333	3,907,428
<b>Department of Game &amp; Fish:</b>					
Game Protection Fund - Bass Habitat Program	19800-516	Transportation & MVD Suspense	1	82500-333	2,380
Game Protection Fund - Wildlife Program	30700-516	Transportation & MVD Suspense	1	82500-333	4,510
<b>Department of Health:</b>					
DOH Breast Cancer Awareness	06100-665	Transportation & MVD Suspense	1	82500-333	11,945
Children's Eyesight Fund	26104-665	Transportation & MVD Suspense	1	82500-333	40,507
Brain Injury Services Fund	76800-624	Transportation & MVD Suspense	1	82500-333	746,405
Child Support Enforcement Fund	97800-630	Income Tax Suspense Fund	1	81900-333	2,223,577
<b>Department of Tourism:</b>					
National Scenic By-Ways Program	03000-418	Transportation & MVD Suspense	1	82500-333	3,600
Litter Control & Beautification Fund	26200-418	Transportation & MVD Suspense	1	82500-333	1,677,574
<b>General Services Department:</b>					
Handicapped Phone Access Fund	56500-350	TAA Suspense Fund	1	82800-333	4,150,284
<b>Department of Transportation:</b>					
State Road Fund Appropriations	20100-805	Transportation & MVD Suspense	1	82500-333	164,452,237
Recycling & Illegal Dumping Fund	20200-805	Transportation & MVD Suspense	1	82500-333	1,809,781
Local Government Road Fund	20300-805	Transportation & MVD Suspense	1	82500-333	998,678
Motorcycle Training Fund	20600-805	Transportation & MVD Suspense	1	82500-333	136,796
DOT DWI Prevention & Education Program	20700-805	Transportation & MVD Suspense	1	82500-333	499,878
Traffic Safety Education & Enforcement Fund	20800-805	Transportation & MVD Suspense	1	82500-333	448,324
Interlock Device Fund	82600-805	Transportation & MVD Suspense	1	82500-333	1,055,300
State Road Fund Appropriations	20100-805	TAA Suspense Fund	1	82800-333	203,465,835
Local Government Road Fund	20300-805	TAA Suspense Fund	1	82800-333	18,819,700

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

Fiscal Year Ended June 30, 2011

Account Transferred to:	Cash Account Transfer to:	Account Transferred from:	Reason for Transfer	Cash Account Transfer from:	Net Amount
State Aviation Fund	20500-805	TAA Suspense Fund	1	82800-333	390,945
Highway Infrastructure Fund	20200-805	CRS TAA Suspense Fund	1	83200-333	5,627,076
Local Government Road Fund	20300-805	CRS TAA Suspense Fund	1	83200-333	1,875,692
State Aviation Fund	20500-805	CRS TAA Suspense Fund	1	83200-333	5,626,876
<b>New Mexico Administrative Office of the Courts:</b>					
Jury & Witness Fee Fund	01200-218	Transportation & MVD Suspense	1	82500-333	689,945
Court Automation Fund	07800-218	Transportation & MVD Suspense	1	82500-333	1,493,658
Magistrate Court Operations Fund	11120-218	Transportation & MVD Suspense	1	82500-333	456,128
Court Facilities Fund	53200-218	Transportation & MVD Suspense	1	82500-333	1,680,032
Local Government Corrections Fund	68800-218	Transportation & MVD Suspense	1	82500-333	2,491,533
<b>New Mexico Retiree Health:</b>					
NM Retiree Health Care Fund	38100-343	CRS TAA Suspense Fund	1	83200-333	17,765,463
<b>Public Employees Retirement Association:</b>					
PERA - Administration	60600-366	PIT TAA Suspense Fund	1	64200-333	2,400,000
<b>State Land Office:</b>					
ONGARD/ Oil & Gas Royalty	26400-539	Oil & Gas Accounting Suspense	1	83300-333	398,749
<b>Secretary of the State:</b>					
Public Election Fund	81200-370	Unclaimed Property Susp Fund	1	71000-333	1,200,000
<b>Office of the State Treasurer:</b>					
Severance Bonding Fund	41000-394	Oil & Gas Accounting Suspense	1	83300-333	366,726,722
<b>Department of Veterans' Services:</b>					
New Mexico VSC/ Armed Forces	78400-670	Transportation & MVD Suspense	1	82500-333	56,044
<b>Workers' Compensation Administration:</b>					
Workers' Compensation Administration Fund	98200-632	Workers' Compensation Suspense Fund	1	83100-333	11,438,438
					<u>\$ 4,759,049,700</u>

**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  
AGENCY FUNDS  
June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>ASSETS</u>				
Interest in State General Fund Investment Pool	\$ 608,395,763	999,648,422	987,480,940	620,563,245
Cash on hand and in banks	2,639,835	3,059,359	2,859,547	2,839,647
Receivables:				
Counties, municipalities and fee agents	1,837,576	-	1,837,576	-
Due from state general fund	146,240,470	52,847,899	57,335,710	141,752,659
Due from other state agencies	28,693,935	31,744,785	28,683,062	31,755,658
Due from external parties	-	-	-	-
Due from taxpayers	707,606,506	916,552,174	836,528,159	787,630,521
Other receivables - stale dated warrants	-	3,683,600	10,875	3,672,725
Citations	25,270,225	27,503,017	25,270,225	27,503,017
Tax assessments:				
Amount considered uncollectible	840,365,665	586,343,731	544,250,568	882,458,828
Allowance for uncollectibles	(865,635,890)	49,858,021	5,532,066	(909,961,845)
Total assets	1,495,414,085	2,671,241,008	2,489,788,728	1,588,214,455
<u>LIABILITIES</u>				
Unidentified tax collections	\$ 153,378,691	3,189,053,402	3,240,416,978	102,015,115
Due to state general fund	691,542,585	907,502,656	827,171,857	771,873,384
Due to counties and municipalities	264,035,555	306,372,046	278,171,294	292,236,307
Due to other state agencies	181,687,641	252,096,460	207,056,763	226,727,338
Due to other funds	1,867,009	23,482,101	22,855,817	2,493,293
Refunds due to taxpayers	197,217,396	15,546,272	22,484,378	190,279,290
Due to external parties	12,251	18,067,016	18,074,693	4,574
Other liabilities - stale dated warrants	-	547,477	-	547,477
Reserve for Litigated Assessments	5,672,957	2,037,677	5,672,957	2,037,677
Funds held in trust for others	-	-	-	-
Total liabilities	\$ 1,495,414,085	4,714,705,107	4,621,904,737	1,588,214,455

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SUPPLEMENTAL SCHEDULE OF CASH ACCOUNTS  
June 30, 2011

Interest in the State Treasurer General Fund Investment Pool

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	\$ -	-	-
TRD - Operating Fund	Govt'l	17200 - 333	14,729,311	-	14,729,311
Property Valuation Fund	S R	34800 - 333	363,097	-	363,097
Native American Fund	S R	10690 - 333	56,610	-	56,610
Capital Improvement Project	Capital	88500 - 333	-	-	-
Drive MVD	Govt'l	79800 - 333	7,191,087	-	7,191,087
Weight Distance Tax Admin Fee	Govt'l	99400 - 333	1,679,587	-	1,679,587
<b>Total governmental funds</b>			<b>24,019,692</b>	<b>-</b>	<b>24,019,692</b>
<b>Fiduciary Funds:</b>					
TRD Restitution Fund	Fiduciary	23600 - 333	-	-	-
Oil and Gas - Ad Valorem Equip. Tax	Fiduciary	23900 - 333	-	-	-
CIT (TAA) Suspense	Fiduciary	27900 - 333	8,992,971	-	8,992,971
PIT (TAA) Suspense	Fiduciary	64200 - 333	45,071,796	-	45,071,796
Hazmat Finger Printing Fees	Fiduciary	68000 - 333	22,207	-	22,207
County and Municipal Gasoline	Fiduciary	68100 - 333	391,456	-	391,456
Small Cities Assistance	Fiduciary	68400 - 333	3,756,122	(1)	3,756,121
County and Municipal Cigarette	Fiduciary	68300 - 333	-	-	-
Local Liquor Tax Fund	Fiduciary	70900 - 333	63,022	-	63,022
Motor Transportation Cash Bond	Fiduciary	70600 - 333	110,000	-	110,000
Unclaimed Property Suspense	Fiduciary	71000 - 333	2,852,442	-	2,852,442
Oil and Gas - Ad Valorem Prod. Tax	Fiduciary	71300 - 333	76	-	76
Ad Valorem Equipment Tax	Fiduciary	71500 - 333	1,044	-	1,044
Income Tax Suspense	Fiduciary	81900 - 333	3,741,656	(1,265,082)	2,476,574
Transportation & MVD Suspense	Fiduciary	82500 - 333	23,723,956	(2)	23,723,954
Unidentified Remittance Account	Fiduciary	82700 - 333	8,375	-	8,375
TAA Suspense	Fiduciary	82800 - 333	69,701,033	-	69,701,033
Delinquency List Suspense	Fiduciary	83000 - 333	3,361,425	-	3,361,425
Worker's Compensation Fund	Fiduciary	83100 - 333	776,112	(1)	776,111
CRS TAA Suspense - TRIMS	Fiduciary	83200 - 333	327,173,139	1,221,998	328,395,137
Oil & Gas Accounting Suspense	Fiduciary	83300 - 333	130,859,501	-	130,859,501
<b>Total fiduciary funds</b>			<b>620,606,333</b>	<b>(43,088)</b>	<b>620,563,245</b>
<b>Total Interest in the State Treasurer General Fund Investment Pool</b>			<b>\$ 644,626,025</b>	<b>(43,088)</b>	<b>644,582,937</b>

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SUPPLEMENTAL SCHEDULE OF CASH AND INVESTMENT IN  
THE STATE TREASURER GENERAL FUND INVESTMENT POOL  
June 30, 2011**

**Cash in Banks**

As of June 30, 2011, reconciled motor vehicle field office cash in banks (checking accounts) totaled \$243,786 as follows:

<b>Name of Depository</b>	<b>Account Name</b>	<b>Balance per Financial Statements</b>	<b>Bank Balance</b>
First Community Bank (Las Vegas)	NM Taxation & Revenue Department	\$ 25,561	25,561
AmBank	State of NM Taxation & Revenue Department	13,708	13,708
Bank of Las Vegas	NM Taxation & Revenue Department	27,372	27,372
Centinel Bank	State of NM Taxation & Revenue Department	3,766	3,766
Citizen's Bank of Clovis	NM Taxation & Revenue Department	24,187	24,187
Farmers & Stockmens Bank (Clayton)	NM Taxation & Revenue Department	15,411	15,411
Farmers & Stockmens Bank (Clayton)	NM Taxation & Revenue Department	3,059	3,059
First National Bank of New Mexico	NM Taxation & Revenue Department	15,620	15,620
First National Bank (Alamogordo)	MVD Cloudcroft-15N	12,277	12,277
First State Bank (Socorro)	Taxation & Revenue Department	6,457	6,457
My Bank (Belen)	NM Taxation & Revenue Department	3,687	3,687
People's Bank	NM Taxation & Revenue Department	15,505	15,505
Western Bank (Lordsburg)	NM Taxation & Revenue Department	38,360	38,360
Western Bank (Lordsburg)	Motor Transportation Department	19,390	19,390
Western Commerce Bank (Carlsbad)	Tatum MVD	-	-
Western Commerce Bank (Carlsbad)	NM Taxation & Revenue Department - MVD	19,426	19,426
<b>Total cash per financial statements</b>		243,786	243,786
Deposits in transit from agents		2,595,861	2,595,861
Outstanding checks and adjustments		-	-
<b>Total cash in banks</b>		<u>\$ 2,839,647</u>	<u>2,839,647</u>

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.



## **SINGLE AUDIT**

STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

<b>Federal Agency/ Pass-Through Agency</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Identifying Number</b>	<b>Federal Participating Expenditures</b>
U.S. Department of Interior			
Audits of Oil and Gas Leases	15.427	-	\$ 1,214,160
<b>Total U.S. Department of Interior</b>			<u>1,214,160</u>
U.S. Department of Transportation			
CDL Project and Administration	20.232	-	645,899
Border States Enforcement Grant	20.218	-	35,681
Federal/State Motor Fuel Tax Compliance Grant	20.240	-	-
<b>Total USDOT Direct Programs</b>			<u>681,580</u>
U.S. Department of Health and Human Services			
NM Organ Donor	93.134	-	<u>1,944</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>1,944</u>
U.S. Department of Homeland Security			
Driver's Reengineering Project	97.089	-	<u>599,565</u>
<b>Total U.S. Department of Homeland Security</b>			<u>599,565</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 2,497,249</u></u>

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011**

**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 2 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 2011.

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

Demesia Padilla, CPA, Cabinet Secretary  
Honorable Susana Martinez, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the 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, 2011, which collectively comprise the Department's basic financial statements and have issued our report thereon dated November 17, 2011. We have also audited the financial statements of the Department's nonmajor governmental and fiduciary funds as presented as supplementary information as of and for the year ended June 30, 2011. 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

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Department's internal control over financing reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

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

Demesia Padilla, CPA, Cabinet Secretary  
Honorable Susana Martinez, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 08-02, 09-01, and 09-02. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### 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 is required to be reported under *Government Auditing Standards*.

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.

Demesia Padilla, CPA, Cabinet Secretary  
Honorable Susana Martinez, 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 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 17, 2011



**Report of Independent Auditors on Compliance With Requirements  
that Could Have a Direct and Material Affect on  
Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133**

Demesia Padilla, CPA, Cabinet Secretary  
Honorable Susana Martinez, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

Compliance

We have audited the State of New Mexico Taxation and Revenue Department's (Department) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Department's management. Our responsibility is to express an opinion on 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 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 of Department's compliance with those requirements.

Demesia Padilla, CPA, Cabinet Secretary  
Honorable Susana Martinez, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

In our opinion, the Department complied, in all material respects, with the requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 11-01.

#### Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and Department's grants applicable to federal programs. In planning and performing our audit, we considered Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

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



Demesia Padilla, CPA, Cabinet Secretary  
Honorable Susana Martinez, Governor  
Hector H. Balderas, New Mexico State Auditor  
Santa Fe, New Mexico

Our consideration of internal control over compliance 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 or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 11-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 17, 2011

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2011**

08-02	Information Technology – Customized Software and Change Management	Updated and included
09-01	Information Technology – User Account and Identity Management	Updated and included
09-02	Internal Control Monitoring for Tax Systems	Repeated

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued Unqualified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? ☐ Yes ☒ No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(s) identified that are not considered to be material weakness(es) ☒ Yes ☐ 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 ☐ No

**Identification of Major Program**

CFDA Number	Name of Federal Program or Cluster
20.232	CDL Project and Administration
97.089	Driver's Reengineering Project

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2011**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**08-02 Information Technology – Webfile and MVD/MVD2 Application Findings**

**CONDITION**

There are no formal system development and change management policies and procedures in place for system upgrades and system changes for Webfile and MVD/MVD2.

**CRITERIA**

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 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 formal change management procedures may allow the programmer to make either code changes or data changes that are not authorized and could be undetected. Implementation of undocumented and untested program changes into productions systems can lead to system stability and data integrity issues.

**CAUSE**

The Department does not have a formal change management policy in place for Webfile and MVD/MVD2. Although system changes are logged into a help desk system as service tickets, the actual system changes that were made to source code and/or configurations are not being documented in the service tickets. In addition, test procedures and test results for system changes are not being documented in the service tickets.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2011**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

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

**RECOMMENDATION**

We recommend the Department take additional steps to enforce its change management policy. System changes to critical financial systems should be documented as evidence that system changes are carefully designed and configured to ensure financial statement transactions and financial reports continue to be accurate and complete after MVD/MVD2 system changes are implemented. Also, test procedures should be developed and performed on system changes to ensure they operate as designed. These test procedures as well as the test results should be documented in the service tickets as evidence that system changes were tested prior to being promoted to the production environment.

**MANAGEMENT RESPONSE**

In Webfile we have commenced using Solution Request (SR) Manager from GenTax to document the change requests. In this SR Manager application we are documenting program and configuration changes. Additionally, we created a Share folder in the file server in order to store the internet check lists, test procedures and test results for future reference and review.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2011**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

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

**CONDITION**

Regular audits of user privileges in GenTax, WebFile, and MVD/MVD2 are not occurring. The user access management policy in place at New Mexico TRD is for bureau chiefs and field office managers to manage and maintain user access privileges for their direct personnel. Bureau chiefs and field office managers have been granted limited administrator privileges to add, maintain, and remove user access privileges to these financial systems for their area and office location. However, there is no periodic audit of user access privileges performed to ensure user access to these financial systems in their area and office location is current and appropriate based on individual job responsibilities. Also, regular audits of Active Directory user access account privileges are not occurring. Although Active Directory accounts are regularly audited for terminated employees, Active Directory accounts are not regularly audited for access permissions. As employee job roles and functions change over time, permissions may become obsolete or unnecessary and should be removed from user accounts.

**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**

The lack of standardized procedures for removing system access for terminated employees may allow unauthorized users to access sensitive or mission critical data. Also, it is possible that an employee could have too much access to certain sensitive areas if their job duties or roles change.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2011**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

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

**CAUSE**

The Department does not have a formalized procedure in place for granting and revoking user access security and does not conduct periodic access review. Likewise, there is a lack of notification from Human Resources when an employee has been terminated or changed roles within the Department.

**RECOMMENDATION**

It is recommended that the Department establish a formal review of user rights and permissions to key application and privileged network functions. It is important that these reviews are performed on a scheduled basis, at a minimum annually, to ensure terminated employees' access has been removed or disabled. The reviews also ensure that access privileges to these financial systems continue to be in alignment with individual user job responsibilities. In addition, regularly scheduled audits of Active Directory group memberships (while confirming group accesses) are a way to guard against employees having unnecessary accesses. Audits should be initiated from IT and performed by those who have the greatest understanding of employee roles. A collaborative effort between IT and the business units will produce the most accurate and timely information.

**MANAGEMENT RESPONSE**

GenTax has commenced through the field offices and Divisional Bureau Chief's a quarterly audit of GenTax users to ensure compliance with user level privileges and access to the system. The IT Bureau currently performs monthly reviews of IT user privileges to ensure proper access levels and permissions.

Webfile will commence an annual internal user access review and ask the Bureau Chiefs to review the user accounts to ensure terminated employees' access has been removed and access privileges to internet applications continue to be in alignment with individual user job responsibilities.

In Webfile, there are generic and/or shared user accounts that are created by the Bureau Chiefs or Unit Supervisors for the specific purpose of helping taxpayers file their returns or payments. These user accounts are being used every year or frequently. We cannot disable these accounts.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2011**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

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

**CONDITION**

The Department 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**

The Department 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**

We recommend that the Department 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.

**MANAGEMENT RESPONSE**

The Department acknowledges and concurs with this finding. The Department and the Internal Audit area continue to work to implement internal audits within severely constrained resources. The Department will elevate an internal audit over the tax systems' distributions to the recipients of those distributions and the related allocations.



**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2011**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

**11-01 Payroll Certifications (Control Deficiency and Non-Compliance)**

**Funding agency: U.S. Department of Transportation  
Title: CDL Project and Administration  
CFDA Number: 20.232**

**CONDITION**

During our testing of payroll disbursements, we noted that TRD does not prepare or maintain payroll certifications for employees who work on federal grants.

**CRITERIA**

According to OMB Cost Circular A-87 "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

**QUESTIONED COSTS**

None.

**EFFECT**

Failure to comply with federal cost circular requirements could result in a loss of funding.

**CAUSE**

TRD tracks time and effort for individuals that submit time sheet; however, the requirements of OMB Circular A-87 were not implemented.

**RECOMMENDATION**

We recommend that TRD review OMB Cost Circular A-87 and implement procedures to prepare and maintain payroll certifications semi-annually.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2011**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

**11-01 Payroll Certifications (Control Deficiency and Non-Compliance)**

**Funding agency: U.S. Department of Transportation**

**Title: CDL Project and Administration**

**CFDA Number: 20.232**

**MANAGEMENT RESPONSE**

TRD agrees that time and effort certifications were not prepared in FY11 for employees that worked solely on a single Federal award, and were paid 100 percent from the federal award. TRD has reviewed OMB Cost Circular A-87 and has communicated the certification requirements to Divisions and staff affected by the certification requirements. TRD will ensure that employees who are paid 100% from a federal program will certify semi-annually, that he/she worked solely on the program for the period covered by the certification. The certification will be signed the employee and by the Supervisor.

Employees who work under multiple grant programs or who work under multiple cost objectives will prepare time and effort reports monthly to coincide with pay periods. These time and effort reports will reflect an after the fact distribution of 100% of the actual time spent on each activity and will be signed by the employee and the supervisor.

**STATE OF NEW MEXICO  
TAXATION AND REVENUE DEPARTMENT  
EXIT CONFERENCE  
Year Ended June 30, 2011**

An exit conference was held with the State of New Mexico Taxation and Revenue Department (Department) on November 14, 2011. The conference was held at the Joseph M. Montoya Bldg. in Santa Fe, New Mexico. In attendance were:

**FOR THE DEPARTMENT:**

Demesia Padilla, Cabinet Secretary  
Bersabe Rodriguez, Financial Services Bureau Chief, Administrative Services Division  
Ron Cruz, Revenue Processing Division Deputy Director  
JoAnn Chavez, Financial Distributions Bureau Chief, Administrative Services Division  
Dorothy Lynch, Administrative Services Division Deputy Director  
David L. Robbins, Administrative Services Division Director, CFO  
Alvan Romero, Tax Fraud Investigations Division Director  
Michael O'Melia, Property Tax Division Deputy Director  
Cesario S. Quintana, Property Tax Division Director  
G. Saunders, Information Technology Division Director  
John Monforte, Deputy Secretary  
Paul Montoya, Motor Vehicle Division Deputy Director  
Alicia Ortiz, Motor Vehicle Division Deputy Director  
Terry Rister, Audit and Compliance Division Director  
David Fergeson, Audit and Compliance Division Deputy Director  
Nelson Goodin, Chief Legal Counsel

**FOR MOSS ADAMS LLP:**

Larry Carmony, Partner  
Molly Saiz, Supervisor