

NEW MEXICO
DEPARTMENT OF
TRANSPORTATION
Financial Statements
for the Year Ended
June 30, 2006,
and Independent
Auditors' Report



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NEW MEXICO DEPARTMENT OF TRANSPORTATION

Official Roster



Year Ended June 30, 2006

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INDEPENDENT AUDITORS' REPORT

Members of the Commission
New Mexico Department of Transportation and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Mexico Department of Transportation (Department) as of and for the year ended June 30, 2006, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds and the budget comparison for the enterprise fund presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2006, as listed in the table of contents. We also have audited the combined budget comparisons for the special revenue and debt service funds presented as required supplemental information. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the basic financial statements of the Department are intended to present the financial position, and changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2006, and the changes in its financial position and its cash flows, where applicable, 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 governmental activities, the business-type activities, each major fund, and the

Members of the Commission
New Mexico Department of Transportation and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor

aggregate remaining fund information of the Department as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof 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 non-major governmental fund of the Department as of June 30, 2006, and the respective changes in financial position thereof, and the budget comparisons for the enterprise 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 combined budget comparison referred to above presents fairly, in all material respects, the budget comparison of all the major and non-major special revenue funds and debt service funds of the Department for the year ended June 30, 2006, in conformity with accounting principles generally accepted in the United States of America. As discussed in Note 1 to the financial statements, the Department changed to the modified accrual basis for the encumbrances and the budgetary comparisons.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2006, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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 read in conjunction with this report in considering the results of our audit.

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

Myers + Company, LLC
December 11, 2006



As management of New Mexico Department of Transportation (Department), we offer the readers of the Department's financial statement this narrative overview and analysis of the financial activities of the Department for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in footnotes to the basic financial statements, which can be found on pages 28 through 78 of this audit report.

Financial Highlights

The Department's net assets declined by \$285,021,429, mainly due to depreciation expense of \$514,838,292. The net assets of the Department's governmental activities decreased by \$285,589,213 due to increases in contractual services, capital outlay and debt service expenditures related to GRIP Bond Projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of three components:

1) government-wide financial statements, 2) major governmental fund financial statements, and 3) notes to the financial statements. This report also contains other non-major combining and individual governmental fund statements and supplementary information, including the schedule of expenditures of Federal awards, in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to private sector business.

The Statement of Net Assets presents information on all of the Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the Department's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.



Government-Wide Financial Statements - continued

The Department's primary purpose is the construction and maintenance of the infrastructure of the State of New Mexico. Thus, in the government-wide financial statements, the primary function is public works.

The government-wide financial statements can be found on pages 20 through 22 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department are divided into two categories: governmental funds and proprietary fund.

➤ Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current resources and use of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheets and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department has 34 governmental funds. Governmental funds are reported as major funds in the accompanying financial statements if they meet both of the following criteria:

- ***Ten percent criterion.*** An individual governmental fund reports as least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund expenditures.



Fund Financial Statements - continued

- ***Five percent criterion.*** An individual governmental fund reports at least 5 percent of the total for both governmental *and enterprise* funds of any of the items for which it met the 10 percent criterion.

The Department's major governmental funds are the following:

State Road Fund – The state road fund was created by Section 67-3-65, NMSA 1978. The state road fund is the operating fund of the Department and is used to account for substantially all the Department's financial activities.

2004A GRIP Bond Project Fund – The bond project fund was created when the \$700,000,000 New Mexico State Transportation Subordinate Lien Revenue Bonds Series 2004A were issued through the New Mexico Finance Authority (NMFA) in May 2004. The funds from the sale of the Debentures were required to be deposited in a special account with the NMFA. Unspent proceeds are on deposit with the NMFA and recorded as due from other state agencies. The funds are used to finance State Transportation projects.

Local Government Road Fund – The local government road fund was created by Section 67-3-28.2, NMSA 1978. This fund is used to account for monies received for (1) cooperative agreements program for construction and improvement of public highways and streets, and public school parking lots; (2) a municipal arterial program for construction for reconstruction of highways and streets not on the state highway systems; (3) a school bus route program for maintaining, repairing, improving and paving school bus routes, and public school parking lots; and (4) a county arterial program for construction, reconstruction, improvement and maintenance of county roads. Funding is received from state excise taxes.

Debt Service Fund - 2001 CHAT – This fund was created when the \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001 A were issued in March 2001.

Debt Service Fund - 2004A GRIP – This fund was created when the \$700,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bond Series 2004A were issued through the New Mexico Finance Authority in 2004.



Fund Financial Statements - continued

Debt Service Fund - 2004B and C GRIP – This fund was created when the \$237,950,000 and \$200,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bonds Series 2004B and Series 2004C were issued through the New Mexico Finance Authority in May 2004.

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the two major funds. Data from the other 28 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report. See pages 84 through 91.

➤ **Enterprise Funds**

The Department has one type of proprietary fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Department uses its enterprise fund to account for the State Infrastructure Bank, since its purpose is to make loans for road projects.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the State Infrastructure Bank since it is considered to be a major fund of the Department.

The basic proprietary fund financial statements can be found on pages 27 through 29 and the cash flow statement is on page 30 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 82 of this report.



Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information including the Schedule of Severance Tax Bonds, Schedule of Special Appropriations, Schedule of Petty Cash Deposit Accounts, Schedule of State Road Fund User and Fuel Taxes, Schedule of Debt Service and Coverage Ratios and the Schedule of Expenditures of Federal Awards.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Department's financial position. At June 30, 2006, the Department's assets exceeded liabilities by \$6,379,176,856.

The largest portion of the Department's net assets reflect its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure) less any debt and unspent bond proceeds used to acquire those assets that are still outstanding. Although the Department's investment in its capital assets is reported net of related debt and unspent bond proceeds, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Department's Net Assets

As of June 30, 2006 and 2005, the Department has positive balances in two categories of net assets, both for the government fund financial statement as a whole, as well as for its separate categories - governmental and business-type activities. Table A-1 summarizes the Department's net assets for the fiscal years ended June 30, 2006 and 2005.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - continued



Government-Wide Financial Analysis - continued

Table A-1
The Department's Net Assets

		Governmental Activities		Business-Type Activities		Total	
		2006	2005	2006	2005	2006	2005
Current and other assets	\$	758,039,314	992,747,097	18,883,637	25,717,013	776,922,951	1,018,464,110
Capital assets and other		<u>7,232,952,905</u>	<u>7,319,984,025</u>	-	-	<u>7,232,952,905</u>	<u>7,319,984,025</u>
Total assets		7,990,992,219	8,312,731,122	18,883,637	25,717,013	8,009,875,856	8,338,448,135
Current liabilities		225,605,680	214,137,729	-	7,401,160	225,605,680	221,538,889
Long-term liabilities		<u>1,405,093,320</u>	<u>1,483,499,676</u>	-	-	<u>1,405,093,320</u>	<u>1,483,499,676</u>
Total liabilities		1,630,699,000	1,697,637,405	-	7,401,160	1,630,699,010	1,705,038,565
Net Assets:							
Invested in capital assets, net of related debt and unspent bond proceeds		5,756,153,765	5,998,598,694	-	-	5,756,153,765	5,998,598,694
Restricted		<u>601,139,454</u>	<u>616,495,023</u>	<u>18,883,637</u>	<u>18,315,853</u>	<u>18,883,637</u>	<u>634,810,876</u>
Total net assets	\$	<u>6,360,293,219</u>	<u>6,615,093,717</u>	<u>18,883,637</u>	<u>18,315,853</u>	<u>6,379,176,852</u>	<u>6,633,409,570</u>

Analysis of the Department's Operations: Table A-2 provides a summary of the Department's operations for the years ended June 30, 2006 and 2005. Governmental activities decreased the Department's net assets by \$285,589,213 in 2006 and by \$255,923,450 in 2005. Business-type activities increased the Department's net assets by \$567,784 in 2006 and \$312,969 in 2005 due to interest income earned during the year.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - continued

Government-Wide Financial Analysis - continued

Table A-2
Changes in the Department's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Capital grants	\$ 346,858,920	292,939,098	-	-	346,858,920	292,939,098
Operating grants	19,247,338	14,624,653	-	-	19,247,338	14,624,653
Charges for services	13,679,470	4,109,036	-	-	13,679,470	4,109,036
General revenues:						
Taxes	412,271,395	383,418,826	-	-	412,271,395	383,418,826
Interest income	27,191,910	13,052,347	567,784	312,969	27,759,694	13,365,316
Gain on disposal of assets	428,050	646,533	-	-	428,050	646,533
Total revenues	819,677,083	708,790,493	567,784	312,969	820,244,867	709,103,462
Expenses:						
Public works	507,163,867	375,622,936	-	-	507,163,867	375,622,936
Depreciation	514,838,292	502,651,435	-	-	514,838,292	502,651,435
Interest on long-term debt	75,087,737	77,615,938	-	-	75,087,737	77,615,938
Other	-	896,939	-	-	-	896,939
Total other expenses	1,097,089,896	956,787,248	-	-	1,097,089,896	956,787,248
Net revenues (loss) before transfers and reversions	(277,412,813)	(247,996,755)	567,784	312,969	(276,845,029)	(247,683,786)
Transfers and reversions	(8,176,400)	(7,926,695)	-	-	(8,176,400)	(7,926,695)
(Decrease) increase in net assets	(285,589,213)	(255,923,450)	567,784	312,969	285,021,429	(255,610,481)
Net assets, beginning of year	6,615,093,717	6,911,160,952	18,315,853	18,002,884	6,633,409,570	6,929,163,836
Adjustments	30,788,715	(40,143,785)	-	-	30,788,715	(40,143,785)
Net assets, end of year	\$ 6,360,293,219	6,615,093,717	18,883,637	18,315,853	6,379,176,856	6,633,409,570

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - continued

Government-Wide Financial Analysis - continued

The changes in net assets for the Department's major funds for 2006 are as follows:

State Road Fund	\$ (18,452,884)
2004 GRIP Bond Project Fund	(223,764,967)
Local Government Road Fund	2,169,853
2004B/C GRIP Debt Service	-
2001 CHAT Debt Service	410,079
2004A GRIP Debt service	<u>1,639,383</u>
Major funds, net change in assets	\$ <u>237,998,536</u>

Financial Analysis of the Government's Funds

Governmental Funds

The Department's governmental funds are designed to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, the Department's governmental funds reported combined ending fund balances of \$661,109,285, a decrease of \$229,589,491 from the prior year. Fund balance is reserved to indicate that it is not available for new spending because it has already been committed to provide for inventories, long term assets and prepaid items and other reserved items of \$601,139,454.

Budgetary Highlights

The Department budgets on a non-GAAP basis and not all funds are budgeted. See Exhibit 8 and Exhibit 11 for the Department's budget. The Department made revisions to the original approved budget by \$(54,138,044). Overall, these changes were caused by the following significant budget adjustments.

Increase in budget to replenish D-6's budget used for warranty work on U.S. 550	\$ 6,344,168
Increase in budget to increase cash balance and loan repayments	12,224,326
Increase in budget for Federal Highway Administrative allocation	116,738,710

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - continued

Budgetary Highlights - continued

Increase in budget to fund projected shortfall in personnel services and employee benefits, grants and services for Alcohol Countermeasure Project	\$ 6,863,973
Increase in budget to fund projected shortfall in personnel services and employee benefits	3,520,000
Increase in budget to fund projected shortfall in GRIP Road Project	<u>1,238,000</u>
	\$ <u>143,412,697</u>

Capital Assets Overview

The Department's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$7,180,782,368 (net of accumulated depreciation). This investment in capital assets includes land, right of way, buildings, equipment, improvement and the infrastructure.

Major Infrastructure Projects

The Department develops plans to build a transportation system that will better serve the State of New Mexico. Advanced and innovative strategies include building roads using a corridor approach, where an entire route between communities is built. By designing and constructing entire corridors, the Department has been able to realize efficiencies to benefit the state. The Department also employs innovative project development techniques, warranty agreements and highly advanced financing techniques to accomplish the objectives of the Major Investment Program.

Fiscal Year 2005-2006 Active Projects with a contract amount of \$10 million or more:

Sunland Park Drive Extension (phase II) for 1.320 km
I-10, MP 34.200 to MP 44.800 for 10.600 miles
US 54, MP 189.0 to 200.6, Vaughn to Duran for 11.610 Miles
I-25, 2.48 km North of Alameda Interchange to Tramway
I-40/Coors Interchange
I-40, Pennsylvania to Tramway MP 163.64 to MP 167.88
I-40, MP 169 to MP 174 for 4.602 miles
I-40, MP 180.08 to 182.74, Sedillo Hill for 4.360 km
NM 209, South of I-40 Interchange to NM 104/Maple Ave.
I-40, Newkirk Interchange-East MP 300 to Mp 308 for 8.570

Capital Assets Overview - continued

US 64, Widening Project Raton to Clayton for 10.601 Miles
 US 64, Raton to Clayton for 11.332 miles
 US 64, MP 411 to MP 422 for 10.930 miles
 1-40, MP 291 to MP 299 for 8.170 Miles
 1-40, Business Loop, Santa Rosa for 3.400 km
 US 84/285 North of Santa Fe from Opera House
 NM 14, 0.5 Miles North of Cerrillos to Lone Butte
 US 550, MP 18.231 to MP 23.301 for 8.190 km
 US 84/285, Santa Fe Relief Route to Santa Fe Opera
 1-40, MP 12 to 17, Gallup for 5.000 Miles
 US 491 and NM 602 for 3.100 miles
 US 70 D/B, MP 264.2 to MP 302.1, Ruidoso Downs to Riverside
 US 84/285 North of Santa Fe from Santa Fe Opera
 US 84/285, Santa Fe Relief Route to Santa Fe Opera

Equipment

For fiscal year 2006, the Equipment non-GAAP budget total was \$10.5 million. Of this budget, \$10.5 million was fully expended at June 30, 2006. Equipment purchased includes pickups, dump trucks, rollers, excavators, mowers, tractors, loaders, snowplows, brooms, dozers, motor graders, spreaders, millers, trailers, motor vehicles, etc. All items are approved during the legislative session prior to July of each fiscal year. The Department holds several sales and public auctions during the year to liquidate old and obsolete equipment to public and private entities.

Table A-3
Department's Capital Assets

	<u>2006</u>	<u>2005</u>
Land	\$ 5,063,076	5,064,678
Right of way	371,809,740	360,549,775
Infrastructure	15,110,054,777	15,069,367,358
Equipment and furniture	50,982,903	50,050,041
Buildings	37,589,491	36,706,531
Vehicles	165,716,344	159,575,253
Accumulated depreciation	<u>(98,560,433,963)</u>	<u>(8,361,329,611)</u>
Total	\$ <u>7,180,782,368</u>	<u>7,319,984,025</u>

Additional information on the Department's capital assets can be found in Note 9 of this report.

Debt Administration

The Department is authorized to issue bonds by authority of Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA)(1978), as amended. The focus of the Department's bond program is to accelerate transportation construction projects while maintaining strong debt service coverage ratios and minimizing the costs of borrowing.

At June 30, 2006, the Department had a total outstanding debt (bonds) of \$1,455,505,000. Outstanding bond debt is backed by the Department's state tax revenues and FHWA revenues.

Table A-4
Department's Outstanding Debt

	<u>2006</u>	<u>2005</u>
Bonds, net	\$ <u>1,455,505,000</u>	<u>1,536,635,000</u>

The Department is authorized to issue bonds by authority of Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA)(1978), as amended. The focus of the Department's bond program is to accelerate highway construction projects while maintaining strong debt service coverage ratios and minimizing the costs of borrowing.

At the end of June 30, 2006, the Department had a total outstanding debt including capitalized leases and bonds, of \$1,455,000. Outstanding bond debt is backed by the Department's state tax revenues and FHWA revenues.

The Department's total bond debt decreased by 5.28%, or \$81,130,000. Total outstanding bond debt at the end of the fiscal year was \$1,455,505,000, compared to \$1,536,635,000 at end of the 2005 fiscal year. Key factors affecting the department's twelve outstanding bond issues during the current fiscal year included bond principal repayments totaling \$81,130,000. The Department also made \$74,895,585 in interest payments during the fiscal year. The Department did not issue any new bonds during the current fiscal year. See Note 12 for a detail of all debt outstanding.

The Department did not pay any rebatable arbitrage to the Internal Revenue Service for any excess income earned on bond proceeds during the fiscal year, and did not have any remaining arbitrage liability at the end of the fiscal year.



Economic Factors and Revenue Forecasts

Economic and Demographic Characteristics

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1,819,046. In the 1990s, the State was the twelfth fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515,069. Over the same period of time, the national population grew 13.2 percent. Most of this population growth is occurring in or near the larger cities. There are three Metropolitan Statistical Areas (MSA) in the state. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is Dona Ana County; and the Santa Fe MSA includes Los Alamos and Santa Fe Counties. The fastest growing counties in the state are Torrance, Valencia, Sandoval, Lincoln, Luna and Dona Ana.

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing and mining. In 2002, the value of energy resources production (crude petroleum, natural gas and coal) was approximately \$6.5 billion. Total value of energy and other mineral production was \$7.8 billion. The mining industry employed about 14,000 New Mexicans in 2002. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The state's major transportation routes include Interstate-25, running north-south from El Paso, Texas through Las Cruces, Albuquerque, Santa Fe, Las Vegas and Raton, New Mexico toward Pueblo and Denver, Colorado. Major east-west routes, especially important to interstate commercial carrier traffic, include Interstate-10 from El Paso, Texas to Tucson and Phoenix, Arizona, and Interstate-40 from Amarillo, Texas through Tucumcari, Albuquerque and Gallup, New Mexico to Flagstaff, Arizona.

Revenue Forecasts and Budgets

Federal Revenue

FHWA Revenue: The amount of FHWA revenue (obligation authority) available to all states was limited in recent years as a result of Congress' failure to pass a transportation reauthorization bill, and to rely on continuing resolutions to provide FHWA funds. The amounts available to New Mexico were \$276 million in FY2005 and \$275 million in FY2006. In FY2006, the continuing resolution continued to limit the expenditure of FHWA funds through the year. However, a reauthorization bill was finally passed that increased funding for FY2006 and the subsequent four years. The reauthorization bill provides apportionment" or annual distribution amounts, but the real spending amount (the "obligation limitation") is determined by the appropriation levels in each year's federal budget bill.

Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

Federal Revenue - continued

FHWA Revenue - continued:

The Department projects FHWA aggregate authorization should increase over the four year period as follows: \$325 million in FY2005, \$333 million in FY 2006, \$350 million in FY 2007, \$365 million in FY 2008, and \$371 million in FY 2009.

Federal Transit and Traffic Safety Revenue: The six-year reauthorization of federal transportation funding to the states that was recently passed by Congress is entitled the "Safe, Accountable, Flexible, and Efficient Transportation Equity Act for the 21st Century – A Legacy for Users" (SAFETEA-LU). The reauthorization bill stresses the importance of safety innovations, including a new "Safe Routes to School Program" that promotes walking and riding bicycles to school. With this emphasis on safety, it is expected there will be increased federal revenue available to states for traffic safety and transit programs. The Department anticipates the total amount of funding from the Federal Transit Administration (FTA) and federal traffic safety (NHTSA) will increase from the \$13 million level in past years to \$20.1 million in FY 2007.

DOE Revenue: The Department of Energy will continue to provide New Mexico with approximately \$20 million per year through FY 2011 pursuant to an agreement in connection with the Waste Isolation Pilot Project in Carlsbad, New Mexico. The amount of this revenue budgeted for debt service was \$20.7 million in FY 2004, \$21.1 million in FY 2005, \$19.8 million in FY2006, \$15.7 million in FY 2007, and \$14.7 million in FY 08.

State Revenue

The budget estimate for state tax and fee revenue to the Department is prepared in July/August and December/January each year for the budget year ending 24 months (or 18 months) later.

In the past several years, gasoline tax revenue has come in very close to the budget forecast, with gains associated with tribal tax sharing agreements being offset by losses associated with higher gasoline retail prices and slight decreases in consumption. Diesel fuel tax revenue came in stronger than forecast, and reflected an invigorated trucking industry relative to the prior few years. Other truck taxes came in close to forecast, but reflected some degree of tax compliance problems, since one would expect those taxes to show the same strength shown in diesel fuel tax. Vehicle registration revenue has come in close to the forecast. Motor Carrier related taxes represent a significant contribution to the State Road Fund.



Economic Factors and Revenue Forecasts - continued**Revenue Forecasts and Budgets - continued****State Revenue - continued****Special Fuels Tax**

New Mexico's Special Fuels Tax is unit tax imposed on gallons used – an increase in price does not result in an increase in tax revenue. FY 06 was very strong for Special Fuels Tax revenue yielding 11% more than the amount collected in FY 05. The forecast for FY 08 is for \$103.4 million which amounts to an increase of 7.7% over the FY 07 budget. The relative strength of fuel tax revenues has significant impact on the Department of Transportation's overall revenue forecast.

The revenue forecast for the FY2007 proposed budget has assumed a continued healthy national economy, but with motor fuel retail prices settling at a new higher level. Compliance improvements in Trip Tax revenue associated with the new vehicle-specific weight-distance tax identification permit appear to have increased.

Background -- Trip Tax and the Weight-Distance Tax Identification Permit: The elimination of the \$6 fee associated with Weight-Distance Tax Identification Permits (tax qualification cards), pursuant to the settlement of *C.R. England v. New Mexico* resulted in a reported large increase in the number of tax qualification cards requested by the industry in 2003 and 2004, and probably explains the decrease in revenue associated with the higher Trip Tax rates administered at state ports-of-entry. Legislation passed during the 2003 Special Session of the Legislature required a return to issuing Weight Distance Tax Identification Permits to individual vehicles rather than issuing a single permit to each motor carrier company. The vehicle-specific tax identification permit (effective July 1, 2004, but not widespread until January 1, 2005) was expected to enhance tax compliance efforts and gradually augment Trip Tax revenue to some degree beginning in calendar year 2005. Beginning in March 2005, Trip Tax revenue began to increase dramatically.

Background -- Gasoline Tax and Tribal Tax Sharing Agreements: 2003 and 2004 legislation allowed the state to enter into "tax sharing agreements" with the two Native American Pueblos that were previously entitled to market a limited amount of state-tax-free gasoline outside reservation boundaries. Under the agreements, 40% of the tax collected on 30 million gallons of gasoline per year will be shared with each of the two Pueblos, in exchange for the Pueblos ceasing their sales activities outside reservation boundaries. The result of these agreements (entered into on January 1, 2004 and July 1, 2004) should be a small revenue gain for the state and significantly more predictable gasoline revenues.



Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

State Revenue - continued

The state permits gasoline to be sold at retail by registered Indian tribal distributors on Indian reservations free of State gasoline tax to the extent that the applicable Indian government imposes a similar tax (for its own benefit) on retail gasoline sales. The growth in tribal market share has out-paced the overall growth rate of gasoline in recent years as a result of competitive pricing, casino traffic, and development of new tribal travel centers. It is anticipated that the tribal market share will continue to grow, but at a decreasing rate over the next few years.

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:

Attn: Elias J. Martinez, M.B.A.
Financial Reporting Manager
New Mexico Department of Transportation
1120 Cerrillos Road
P.O. Box 1149
Santa Fe, New Mexico 87504-1149
(505) 827-5155

FINANCIAL STATEMENTS

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Net Assets

AS OF JUNE 30, 2006

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 2):			
Unrestricted	\$ 91,680,839	-	91,680,839
Restricted	511,288,266	10,765,589	522,053,855
Receivables:			
Tax receivable	48,508,742	-	48,508,742
Accounts receivable, net (Note 3)	2,265,342	-	2,265,342
Severance tax bond proceeds receivable (Note 4)	55,475,345	-	55,475,345
Interest receivable	2,506,733	75,801	2,582,534
Notes and loans receivable (Note 5)	27,672	8,042,247	8,069,919
U.S. Department of Transportation, net (Note 6)	25,100,543	-	25,100,543
Capitalized issuance costs	833,960	-	833,960
Inventories (Note 8)	12,514,297	-	12,514,297
Prepaid expense - warranty	3,189,034	-	3,189,034
Property held for resale, net	<u>4,648,541</u>	<u>-</u>	<u>4,648,541</u>
TOTAL CURRENT ASSETS	758,039,314	18,883,637	776,922,951
NON-CURRENT ASSETS:			
Capitalized issuance costs	9,721,205	-	9,721,205
Prepaid expense - warranty	42,449,332	-	42,449,332
Capital assets, net (Note 9)	<u>7,180,782,368</u>	<u>-</u>	<u>7,180,782,368</u>
TOTAL NON-CURRENT ASSETS	<u>7,232,952,905</u>	<u>-</u>	<u>7,232,952,905</u>
TOTAL ASSETS	\$ <u>7,990,992,219</u>	<u>18,883,637</u>	<u>8,009,875,856</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Net Assets - continued

AS OF JUNE 30, 2006

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable and contracts payable, including retainage of \$5,890,401	\$ 53,209,418	-	53,209,418
Due to other state agencies	-	-	-
Accrued payroll, taxes and withholdings	8,066,115	-	8,066,115
Accrued interest	3,120,649	-	3,120,649
Deferred revenue	21,689,504	-	21,689,504
Arbitrage rebate obligation (Note 21)	-	-	-
Other liabilities	105,019	-	105,019
Due to others - Severance Taxes	55,475,345	-	55,475,345
Current portion of long-term obligations (Note 12):			
Compensated absences	5,100,000	-	5,100,000
Debentures payable	75,295,000	-	75,295,000
Capitalized bond premium	4,276,465	-	4,276,465
TOTAL CURRENT LIABILITIES	226,337,515	-	226,337,515
LONG-TERM LIABILITIES:			
Arbitrage rebate obligation (Note 21)	-	-	-
Long-term obligations (Note 12):			
Compensated absences	731,835	-	731,835
Debentures payable	1,349,333,603	-	1,349,333,603
Capitalized bond premium	54,296,047	-	54,296,047
TOTAL LONG-TERM LIABILITIES	1,404,361,485	-	1,404,361,485
TOTAL LIABILITIES	\$ 1,630,699,000	-	1,630,699,000
NET ASSETS:			
Invested in capital assets, net of any related debt and unspent debt proceeds	\$ 5,756,153,765	-	5,756,153,765
Restricted for:			
Loans	-	18,883,637	18,883,637
Specific purposes	604,139,454	-	604,139,454
TOTAL NET ASSETS	\$ 6,360,293,219	18,883,637	6,379,176,856

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Activities

YEAR ENDED JUNE 30, 2006

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
PROGRAM EXPENSES:			
Public works - roads	\$ 505,448,532	-	505,448,532
Depreciation and amortization	514,838,292	-	514,838,292
Interest	<u>78,094,091</u>	<u>-</u>	<u>78,094,091</u>
TOTAL PROGRAM EXPENSES	1,098,380,915	-	1,098,380,915
PROGRAM REVENUES:			
Charges for services	14,552,417	-	14,552,417
Operating grants	19,247,338	-	19,247,338
Capital grants	<u>346,858,920</u>	<u>-</u>	<u>346,858,920</u>
TOTAL PROGRAM REVENUES	<u>380,658,675</u>	<u>-</u>	<u>380,658,675</u>
NET PROGRAM (EXPENSE) REVENUE	(717,722,240)	-	(717,722,240)
GENERAL REVENUES:			
User and fuel taxes	412,271,395	-	412,271,395
Interest income	27,191,910	567,784	27,759,694
Gain on disposal of assets	<u>428,050</u>	<u>-</u>	<u>428,050</u>
TOTAL GENERAL REVENUES (EXPENSES)	439,891,355	567,784	440,459,139
TRANSFERS:			
Transfers to other state agencies and local governments, net (Note 14)	<u>(8,176,400)</u>	<u>-</u>	<u>(8,176,400)</u>
TOTAL TRANSFERS	<u>(8,176,400)</u>	<u>-</u>	<u>(8,176,400)</u>
NET GENERAL REVENUES AND TRANSFERS	<u>431,714,955</u>	<u>567,784</u>	<u>432,282,739</u>
CHANGE IN NET ASSETS/OPERATING INCOME	(286,007,285)	567,784	(285,439,501)
NET ASSETS, BEGINNING OF FISCAL YEAR	6,615,093,717	18,315,853	6,633,409,570
Restatement (Note 22)	<u>31,206,787</u>	<u>-</u>	<u>31,206,787</u>
NET ASSETS, BEGINNING OF FISCAL YEAR	6,646,300,504	18,315,853	6,664,616,357
NET ASSETS, END OF FISCAL YEAR	\$ <u>6,360,293,219</u>	<u>18,883,637</u>	<u>6,379,176,856</u>

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2006

	Major Funds							
	State Road Fund	Bond Project Fund (2004A GRIP)	Local Government Road Fund	Debt Service (2001 CHAT)	Debt Service (2004A GRIP)	Debt Service (2004B/C GRIP)	Other Governmental Funds	Total Governmental Funds
ASSETS:								
Cash and cash equivalents (Note 2):								
Unrestricted	\$ 66,398,067	90	20,723,524	796,206	-	-	63,360,819	151,273,706
Restricted	36,299,373	415,396,026	-	-	-	-	-	451,695,399
Receivables:								
Taxes receivable	44,365,127	-	3,453,438	1,537	-	-	688,640	48,508,742
Accounts Receivable, net (Note 3)	2,066,226	198,377	-	-	-	-	739	2,265,342
Sovereign Tax Bond Proceeds Receivable (Note 4)	55,475,345	-	-	-	-	-	-	55,475,345
Interest Receivable	730,716	1,210,240	187,241	35,955	-	-	342,581	2,506,733
Notes and Loans Receivable (Note 5)	27,672	-	-	-	-	-	-	27,672
Due From:								
Due from Other Funds (Note 7)	107,491,437	-	-	-	-	-	23,780,346	131,271,783
U.S. Department of Transportation, net (Note 6)	23,183,713	-	-	-	-	-	1,916,830	25,100,543
Inventories (Note 8)	12,514,297	-	-	-	-	-	-	12,514,297
Prepaid Expense - NM44 Warranty	45,638,366	-	-	-	-	-	-	45,638,366
Property Held for Resale	4,648,366	-	-	-	-	-	-	4,648,366
TOTAL ASSETS	\$ 328,833,880	416,804,733	24,364,203	833,698	-	-	90,082,955	930,226,469
LIABILITIES AND FUND BALANCES:								
LIABILITIES:								
Accounts payable	\$ 38,380,909	11,398,650	967,681	-	-	-	2,462,178	53,209,418
Due to other funds (Note 7)	100,501,750	16,062,233	1,826,039	-	-	-	12,881,761	131,271,783
Deferred revenue	20,892,250	-	-	-	-	-	797,254	21,689,504
Due to others	55,475,345	-	-	-	-	-	-	55,475,345
Other accrued expenses	7,972,900	-	-	-	-	-	93,215	8,066,115
Other payables	-	105,012	-	-	-	-	-	105,012
TOTAL LIABILITIES	223,223,154	27,565,902	2,793,720	-	-	-	16,234,408	269,817,184
FUND BALANCES:								
Reserved for:								
Inventories	12,514,297	-	-	-	-	-	-	12,514,297
Prepaid expenses	45,638,366	-	-	-	-	-	-	45,638,366
Property Held for Resale	4,648,366	-	-	-	-	-	-	4,648,366
Unreserved-undesignated (Note 21)	-	-	-	-	-	-	-	-
Unreserved, reported in non-major:								
Special revenue funds	112,809,697	389,238,831	21,570,483	-	-	-	57,911,787	581,530,798
Capital projects funds	-	-	-	-	-	-	13,824,705	13,824,705
Debt service funds	-	-	-	833,698	-	-	2,119,055	2,952,753
TOTAL FUND BALANCES	175,610,726	389,238,831	21,570,483	833,698	-	-	73,855,547	661,109,285
TOTAL LIABILITIES AND FUND BALANCES	\$ 328,833,880	416,804,733	24,364,203	833,698	-	-	90,082,955	930,226,469

See Notes to Financial Statements.

Reconciliation of the Balance Sheet to the
Statement of Net Assets - Governmental Fund

YEAR ENDED JUNE 30, 2006

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

\$ 661,109,285

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

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

The cost of capital assets is:	\$	15,741,216,331
Accumulated depreciation is:		<u>(8,560,433,963)</u>

Total capital assets		7,180,782,368
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Long-term debt not recorded as liabilities in the governmental
funds, but recorded as long-term liabilities in the Statement of
Net Assets:

Debentures payable		(1,426,343,958)
Compensated absences		(5,831,835)
Amortization of deferred costs on refunding not recorded by the government funds		1,715,355

Accrued of interest on long-term obligations not recorded by the governmental funds until paid.		(3,120,649)
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Capitalized issuance costs not recorded in the governmental funds as an asset, net of amortization.		10,555,165
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Capitalized bond premiums not recorded in the governmental funds as a liability, net of amortization.		<u>(58,572,512)</u>
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Net assets of governmental activities (Statement of Net Assets)	\$	<u>6,360,293,219</u>
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NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds

YEAR ENDED JUNE 30, 2006

	State Road Fund	Bond Project Fund (2004A CRIP)	Local Government Road Fund	Debt Service (2001 CIAT)	Debt Service (2004A CRIP)	Debt Service (2004B)/C GRIP)	Other Governmental Funds	Total Governmental Funds
REVENUES:								
User and fuel taxes	\$ 346,475,663	-	22,084,495	-	-	-	3,711,237	412,271,395
U.S. Department of Transportation	282,673,825	-	-	-	-	-	12,495,295	295,169,120
U.S. Department of Energy	27,843,754	-	-	-	-	-	-	27,843,754
N.M. Department of Human Services	-	-	-	-	-	-	1,753,264	1,753,264
Miscellaneous	12,782,578	-	-	-	-	-	4,740	12,787,318
DWT Interlock Device	-	-	-	-	-	-	1,185,849	1,185,849
Interest Revenue	3,479,664	19,738,185	817,790	410,079	-	-	2,746,192	27,191,910
TOTAL REVENUES	713,255,484	19,738,185	22,902,285	410,079	-	-	21,896,577	778,202,610
EXPENDITURES								
Current:								
Operating costs	9,376,750	-	-	-	-	-	90,580	9,467,330
Personal services	90,872,933	-	-	-	-	-	746,303	91,619,236
Out-of-state travel	295,819	-	-	-	-	-	40,042	335,861
Grants and services	4,574,796	-	20,732,431	-	-	-	15,979,062	41,086,289
Travel	18,818,676	-	-	-	-	-	41,423	18,860,099
Maintenance and repairs	8,528,812	-	-	-	-	-	51,047	8,579,859
Supplies	30,978,829	-	-	-	-	-	46,980	31,025,809
Contractual services	253,971,643	4,576,967	-	-	-	-	3,255,984	261,804,594
Other costs	10,031,914	-	-	-	-	-	16,277	10,048,191
Employee benefits	42,180,064	-	-	-	-	-	257,149	42,437,213
Capital outlay	134,235,754	236,149,773	-	-	-	-	5,684,170	376,069,697
Debt service:								
Interest and other charges	3,202,984	-	-	7,098,398	36,216,759	16,309,336	15,281,093	78,098,570
Principal	-	-	-	14,875,000	-	27,940,000	38,315,000	81,130,000
TOTAL EXPENDITURES	606,866,974	240,726,740	20,732,431	21,963,398	36,216,759	44,249,336	79,805,110	1,050,560,748
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	106,388,510	(220,988,555)	2,169,854	(21,553,319)	(36,216,759)	(44,249,336)	(57,908,533)	(272,358,138)
OTHER FINANCING SOURCES (USES):								
Proceeds from long-term debt, net	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	-	-
Severance Tax Bond revenue	22,660,197	-	-	-	-	-	-	22,660,197
State General Fund revenue	19,247,338	-	-	-	-	-	-	19,247,338
Other use	-	-	-	-	-	-	-	-
Transfers in:	2,648,475	-	-	21,963,398	37,856,142	44,249,336	53,545,772	160,263,123
Transfers out	(170,258,516)	(2,776,412)	-	-	-	-	(2,771,806)	(160,263,123)
TOTAL OTHER FINANCING SOURCES (USES)	(125,702,506)	(2,776,412)	-	21,963,398	37,856,142	44,249,336	66,317,577	41,907,535
SPECIAL ITEM:								
Proceeds from Sale of Capital Assets	861,112	-	-	-	-	-	-	861,112
NET CHANGES IN FUND BALANCES	(18,452,884)	(223,764,967)	2,169,854	410,079	1,639,383	-	8,409,044	(229,589,491)
FUND BALANCES, June 30, 2005	158,666,205	619,392,742	17,680,376	423,619	(1,639,383)	-	65,028,409	859,491,968
RESTATEMENT (Note 22)	35,397,405	(6,328,944)	1,720,253	-	-	-	418,094	31,206,808
FUND BALANCES, June 30, 2005, Restated	194,063,610	613,063,798	19,400,629	423,619	(1,639,383)	-	65,446,503	890,698,776
FUND BALANCES, June 30, 2006	\$ 175,610,726	389,238,831	21,570,483	833,698	-	-	73,855,547	661,102,285

See Notes to Financial Statements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
to the Statements of Activities - Governmental Funds

YEAR ENDED JUNE 30, 2006

Net Changes in Fund Balances - Total Governmental Funds		
(Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$	(229,589,491)

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

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The increase in the liabilities for the fiscal year was:		(77,786)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital outlay	\$	376,069,697
Depreciation expense		(514,838,292)
Sale of fixed asset, net book value		<u>(433,062)</u>

Excess of depreciation expense over capital outlay		(139,201,657)
--	--	---------------

Repayment of debentures recorded as expenditures in the governmental funds, recorded as a reduction in long-term liabilities in the Statement of Net Assets.		81,130,000
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Deferred amount of debt recorded as a reduction of long-term liabilities in the Statement of Activities		(833,960)
---	--	-----------

Bond premiums recorded in the governmental funds as an other financing source, recorded as a liability in the Statement of Net Assets, net of amortization of \$58,572,512, recorded as a reduction of interest expense in the Statement of Activities.		4,276,465
---	--	-----------

Bond issuance costs recorded in the governmental funds as other costs, recorded as an asset in the Statement of Net Assets, net of amortization of \$10,555,165, recorded as an expense in the Statement of Activities.		(1,715,335)
---	--	-------------

Net change in accrual of long-term debt interest expense not recorded in the governmental funds until paid.		<u>4,479</u>
---	--	--------------

Change in net assets of governmental activities		
(Statement of Activities)	\$	<u>(286,007,285)</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Net Assets
Business-type Activities - Enterprise Fund



YEAR ENDED JUNE 30, 2006

State Infrastructure Bank

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 2):	\$	-
Unrestricted		10,765,589
Restricted		-
Receivables:		-
Tax receivable		-
Accounts receivable, net (Note 3)		-
Severance tax bond proceeds receivable (Note 4)		75,801
Interest receivable		8,042,247
Notes and loans receivable (Note 5)		-
U.S. Department of Transportation, net (Note 6)		-
Capitalized issuance costs		-
Inventories (Note 8)		-
Prepaid expense - warranty		-
Property held for resale, net		-
		<u>18,883,637</u>

TOTAL CURRENT ASSETS

NON-CURRENT ASSETS:

Capitalized issuance costs		-
Prepaid expense - warranty		-
Capital assets, net (Note 9)		-
		<u>-</u>

TOTAL NON-CURRENT ASSETS

TOTAL ASSETS

\$ 18,883,637

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Net Assets
Business-type Activities - Enterprise Fund - continued

YEAR ENDED JUNE 30, 2006

LIABILITIES

State Infrastructure Bank

CURRENT LIABILITIES:

Accounts payable and contracts payable	\$	-
Due to other state agencies		-
Accrued payroll, taxes and withholdings		-
Accrued interest		-
Deferred revenue		-
Arbitrage rebate obligation (Note 21)		-
Other liabilities		-
Due to others - Severance Taxes		-
Current portion of long-term obligations (Note 12):		-
Compensated absences		-
Debentures payable		-
Capitalized bond premium		-

TOTAL CURRENT LIABILITIES

-

LONG-TERM LIABILITIES:

Arbitrage rebate obligation (Note 21)		-
Long-term obligations (Note 12):		-
Compensated absences		-
Debentures payable		-
Capitalized bond premium		-

TOTAL LONG-TERM LIABILITIES

-

TOTAL LIABILITIES

\$ -

NET ASSETS:

Invested in capital assets, net of any related debt and unspent debt proceeds	\$	-
Restricted for:		
Loans		18,883,637
Specific purposes		-

TOTAL NET ASSETS

\$ 18,883,637

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Activities
Business-type Activities - Enterprise Fund**YEAR ENDED JUNE 30, 2006****State Infrastructure Bank****PROGRAM EXPENSES:**

Public works - roads	\$	-
Depreciation and amortization		-
Interest		-

TOTAL PROGRAM EXPENSES

-

PROGRAM REVENUES:

Charges for services	-
Operating grants	-
Capital grants	-

TOTAL PROGRAM REVENUES

-

NET PROGRAM (EXPENSE) REVENUE

-

GENERAL REVENUES:

User and fuel taxes	-
Interest income	567,784
Gain on disposal of assets	-

TOTAL GENERAL REVENUES (EXPENSES)

567,784

TRANSFERS:

Transfers to other state agencies and local governments, net (Note 14)	-
---	---

TOTAL TRANSFERS

-

NET GENERAL REVENUES AND TRANSFERS

567,784

CHANGE IN NET ASSETS/OPERATING INCOME

567,784

NET ASSETS, BEGINNING OF FISCAL YEAR

18,315,853

Restatement (Note 22)

-

NET ASSETS, BEGINNING OF FISCAL YEAR

18,315,853

NET ASSETS, END OF FISCAL YEAR

\$ 18,883,637

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Cash Flows
Business-type Activities - Enterprise Fund



YEAR ENDED JUNE 30, 2006

State Infrastructure Bank

Cash flows provided from operating activities:	
Interest income received	\$ 524,368
Cash flows used from financing activities:	
Loans issued	(7,401,160)
Loans repaid	<u>2,331,100</u>
Net decrease in cash and cash equivalents	(4,545,692)
Cash and cash equivalents at June 30, 2005	<u>15,311,281</u>
Cash and cash equivalents at June 20, 2006	\$ <u><u>10,765,589</u></u>
Reconciliation of operating income to net cash provided from operating activities:	
Operating income	\$ 567,784
Adjustment to reconcile operating income to net cash by operating activities:	
Increase in interest receivables	<u>(43,416)</u>
Cash flows provided by operating activities	\$ <u><u>524,368</u></u>

NATURE OF ORGANIZATION

The New Mexico Department of Transportation (Department), formerly known as the New Mexico State Highway and Transportation Department, within the State of New Mexico is responsible for planning, organizing and directing a comprehensive transportation network. The Department was created by the Constitution of New Mexico, Article V, Section 14; and Sections 67-3-1 through 67-3-70, New Mexico Statutes Annotated, 1978 Compilation. The Highway & Transportation Department Reorganization Bill (House Bill 210) created the Department as of July 1, 1987. Under this reorganization act, portions of the Transportation Department were merged into the Department to create the Department's Aviation and Transportation Divisions. On April 4, 2003, the Governor signed a bill changing the Department's name to the New Mexico Department of Transportation.

The governing body of the Department is a six person State Highway Commission. Commissioners are appointed by the Governor, with the advice and consent of the Senate, and each serves for staggered six-year terms.

Financial Reporting Entity

The accompanying financial statements of the Department include all funds and activities over which the Department has oversight responsibility. The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Governor appoints the Commission, the Commission has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. Effective July 1, 2003, GASB 39, *Determining Whether Certain Organizations are Component Units*, expands the criteria of component units. GASB 39 has no impact on the Department and the Department has no blended or discretely presented component units during the year ended June 30, 2006.

The Department, the New Mexico Finance Authority (NMFA) and the Federal Highway Administration (FHWA) established a State Infrastructure Bank (SIB) on September 30, 1997. The SIB is a revolving loan program accounted for as a business-type operation - enterprise fund and is administered by the Department to finance highway projects. The initial capitalization for the SIB came from the Highway Department's allotment of federal funds. The Department matched the federal funds based on the required matching percentage from state funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The 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.

◆ Government-Wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information of all of the non-fiduciary activities of the Department. The effect of material interfund activity has been removed from these government-wide statements. Governmental activities, primarily the construction and maintenance of the State's road system, which normally is supported by taxes and intergovernmental revenues, are reported separately from the business-type activities of the SIB, which to a significant extent acts as a business, loaning funds to other entities and charging interest on the loans. Operating income for the SIB is interest income. All other income, if any, would be non-operating income to the SIB.

◆ Basis of Presentation

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department function of building and maintaining the State's road system (public works). Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a department. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements for public works. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Department does not allocate general government expenses to other functions except for public works. When both restricted and unrestricted resources are available for use, the Department's policy is to first use restricted resources, then unrestricted resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Basis of Presentation - continued**

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, it is generally the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental funds are reported as major funds in the accompanying financial statements if they meet *both* of the following criteria:

- **Ten percent criterion.** An individual governmental fund reports at least ten percent of *any* of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.
- **Five percent criterion.** An individual governmental fund reports at least five percent of the total for both governmental and enterprise funds of any of the items for which it met the ten percent criterion.

The Department's major governmental funds are the following:

State Road Fund-CAS Fund No. 201 - The state road fund was created by Section 67-3-65, NMSA 1978. The state road fund is the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Section 67-3-59 NMSA establishes that this is a non-reverting fund. This is a special revenue fund.

Bonds Project Fund-2004A GRIP - The bonds project fund was created when the \$700,000,000 New Mexico State Transportation Senior Lien Revenue Bonds Series 2004A were issued through the New Mexico Finance Authority in May 2004. The funds from the sale of the Debentures were required to be deposited in a special account with the NMFA. Unspent proceeds are on deposit with the NMFA and recorded as due from other state agencies. The funds are used to finance transportation projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion. This is a special revenue fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Debt Service Fund - 2004A GRIP - This fund was created when the \$700,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bond Series 2004A were issued through the New Mexico Finance Authority in 2004. The fund does not receive state general fund appropriations that are subject to reversion.

Debt Service Fund - 2004B and C GRIP - This fund was created when the \$237,950,000 and \$200,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bonds Series 2004B and Series 2004C were issued through the New Mexico Finance Authority in May 2004. The fund does not receive state general fund appropriations that are subject to reversion.

Local Government Road Fund - The local government road fund was created by Section 67-3-28.2, NMSA 1978. This fund is used to account for monies received for (1) cooperative agreements program for construction and improvement of public highways and streets, and public school parking lots; (2) a municipal arterial program for construction for reconstruction of highways and streets not on the state highway systems; (3) a school bus route program for maintaining, repairing, improving and paving school bus routes, and public school parking lots; and (4) a county arterial program for construction, reconstruction, improvement and maintenance of county roads. Funding is received from state excise taxes. The fund does not receive state general fund appropriations that are subject to reversion. This is a special revenue fund.

Debt Service - 2001 CHAT Bonds - Created when the \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001A were issued in March 2001.

◆ **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

Business Type - Proprietary Fund - State Infrastructure Bank (SIB) Financial Statements - The financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

A proprietary fund has the option under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The SIB has elected to not apply FASB pronouncements issued after the applicable date.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested compensated absences are recorded as an expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2006, has been reported only in the government-wide financial statements.
- Interest and principal payments on general long-term obligations is recognized as expenditures when paid.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

The financial activities of the Department are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Department uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The measurement focus is on the flow of expendable financial resources, rather than on net income determination. The following are the governmental fund types used:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State Road Fund is the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Resources are generated primarily from user and fuel taxes and federal grants. Expenditures are incurred to build and improve the transportation system within the State of New Mexico. These funds do not receive state general fund appropriations that are subject to reversion.

Federal Planning and Development Fund - This fund is authorized by the Commission to account for the planning and administration of federal grant monies and state matching funds for mass transportation and railroad improvements. The fund does not receive state general fund appropriations that are subject to reversion.

Traffic Safety Fund (CAS Fund #208). This fund is authorized by the Commission to account for federal grant monies and state matching monies received for various traffic safety programs.

State Aviation Fund (CAS Fund #205). The State Aviation Fund was created by Section 64-1-15, NMSA 1978. This fund is used to account for planning, construction and maintenance of a system of airports, navigation aids and related facilities serving New Mexico. Financing is provided from all unrefunded taxes collected on the sale of motor fuel sold for use in aircraft.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued*****Special Revenue Funds - continued***

Motorcycle Training Fund (CAS Fund #206). The motorcycle training fund was created by Section 66-10-10, NMSA 1978. This fund is used to account for the operation of a motorcycle safety training program. Financing is provided from motorcycle registration fees and student training fees. All money in the motorcycle training fund in excess of amounts budgeted revert to the State Road Fund.

Driver Improvement Program Fund. The driver improvement program fund was created by Executive Order 87-20. This fund is used to account for the operation of a driver improvement program. Financing is provided from fees collected for drivers' manuals and admissions to driver training courses.

DWI Prevention and Education Fund (CAS Fund #207). The DWI prevention and education fund was created by Section 66-5-35, NMSA 1978. This fund is used to account for the operation of a DWI (Driving While Intoxicated) prevention and education program for elementary and secondary school students. Financing is provided from limited license and permit fees.

Bond Project Fund (1993 Bonds) (CAS Fund #394). The bond project fund was created due to the issuance of the December 1993 \$50,000,000 State of New Mexico Highway Debentures. The funds from the sale of all of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations held by the State Treasurer with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund (WIPP Bonds) (CAS Fund #789 and 004). The bond project fund was created due to the issuance of the December 1996 \$100,000,000 State of New Mexico Highway Debentures and the \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bonds Series 1998B issued in October 1998. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued*****Special Revenue Funds - continued***

Bond Project Fund (WIPP Bonds) (CAS Fund #789 and 004) - continued. year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund (1998 & 1999 CHAT) (CAS Fund #546). The bond project fund was created due to the issuance of the October 1998 \$105,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1998A and the \$100,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1999 issued in November 1999. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Also, proceeds can be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund (2000 CHAT) (CAS Fund #345). The bond project fund was created due to the issuance of the May 2000 \$201,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2000A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund (2001 CHAT) (CAS Fund #006). The bond project fund was created due to the issuance of the March 2001 \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****◆ Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued*****Special Revenue Funds - continued***

Bond Project Fund (2001 CHAT) (CAS Fund #006) - continued.

funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund (2002A CHAT) (CAS Fund #368). The bond project fund was created due to the issuance of the January 2002 \$95,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund (2002C HIF) (CAS Fund #361). The bond project fund was created due to the issuance of the May 2002 \$67,750,000 New Mexico State Highway Commission Infrastructure Fund Revenue Highway Bonds Series 2002C. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund (2002D CHAT) (CAS Fund #115). The bond project fund was created due to the issuance of the December 2002 \$16,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002D. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

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

Debt Service - 1993 Bonds (CAS Fund #261). Created when the \$50,000,000 State of New Mexico Highway Debentures Series were issued in 1993.

Debt Service - WIPP Bonds (CAS Fund #211, 677 and 972). Created when the \$100,000,000 New Mexico State Highway Commission Adjustable Tender Subordinate Lien Tax Revenue Highway Bonds were issued in December 1996 and subsequently refunded in January 2002, creating the 2002 WIPP Bonds and the \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bond Series 1998B, issued in October 1998.

Debt Service - 1998 CHAT Bonds (CAS Fund #548). Created when the \$105,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1998A were issued in October 1998.

Debt Service - 1998 NMFA Loan. Created when the \$100,230,000 loan agreement with the New Mexico Finance Authority was signed in October 1998.

Debt Service - 1999 CHAT Bonds (CAS Fund #434). Created when the \$100,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1999 were issued in November 1999.

Debt Service - 2000 CHAT Bonds (CAS Fund #432). Created when the \$201,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2000A were issued in May 2001.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued*****Debt Service Funds - continued***

Debt Service - 2001 NMFA Loan. Created when the \$18,535,000 loan agreement with the New Mexico Finance Authority was signed in March 2001.

Debt Service - 2002A CHAT Bonds (CAS Fund #547). Created when the \$95,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002A were issued in January 2002.

Debt Service - 2002B WIPP Bonds (CAS Fund #750). Created when the \$79,920,000 New Mexico State Highway Commission Lien Tax Revenue Bonds Series 2002B were issued in January 2002.

Debt Service - 2002C HIF Bonds (CAS Fund #363). Created when the \$67,750,000 New Mexico State Highway Commission Infrastructure Fund Revenue Bonds Series 2002C were issued in May 2002.

Debt Service - 2002D CHAT Bonds (CAS Fund #187). Created when the \$16,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002D were issued in December 2002.

Capital Projects Fund - The Capital Projects Fund is used to account for the purchase or construction of facilities used in the operation of the Department. As it is a non-major fund, it is shown in the accompanying financial statements. Appropriations are received on a reimbursement basis as expenditures occur; therefore, only budgetary reversions are made when applicable.

All governmental funds are accounted for using the modified accrual basis of accounting. The funds' revenues are recognized in the period in which they become susceptible to accrual (i.e., when they are both measurable and available to pay liabilities in the current period).

"Available" is defined as collectible within the current period or soon enough thereafter within 60 days after year-end to be used to pay liabilities of the current period. Intergovernmental revenues, including Federal allotments and grants, are recorded in accordance with their legal or contractual requirements if collected in the current period or if collectibility is assured subsequent to year-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

end. Grant revenues are collected in advance of the period intended to finance expenditures. If the eligibility requirements are not met, they are recorded as deferred revenues. Interest income is recorded when earned. Bond proceeds are recognized at the time the bonds are sold. Principal and interest payments are recorded in the debt service fund when these disbursements are made or when resources have been provided for debt service payments due early in a subsequent fiscal year. All other revenues are not susceptible to accrual.

◆ Budgets and Budgetary Accounting

The state legislature makes annual appropriations to the Department. Legal compliance is monitored through the establishment of an annual budget for the Special Revenue Fund type and multi-year budgets for Severance Tax multi-year capital projects, General Fund multi-year capital projects, and the capital projects funds using the modified accrual budget basis of accounting and a financial control system which permits a budget-to-actual expenditure comparison. The Debt Service Fund expenditures for principal and interest and the State Infrastructure Bank expenditures for loans funded are included in the Road Betterments Division budget of the State Road Fund.

Expenditures may not legally exceed appropriations for each division's budget at the expenditure classification level.

Amendments to the budget require approval by the budget division of the Department of Finance and Administration (DFA). Unencumbered annual budget appropriations lapse at year-end. Appropriations of the proceeds of severance tax bonds are subject to the limitations contained in the law that authorized the appropriation.

◆ Interfund and Interagency Transactions

Transfers which, because of budgetary or legal restrictions, must be expended by funds other than the fund initially receiving the revenue, are recorded as operating transfers in (out) under the other financing sources (uses) category (Notes 10 and 14) in the governmental fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Restricted Cash and Cash Equivalents**

The funds deposited in the debt service funds are restricted to pay future principal and interest payments due under the \$105,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 1998A (CHAT Bonds); the \$100,000,000 Subordinate Lien Tax Revenue Highway Bonds, Series 1998B (WIPP Bonds); the \$100,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 1999 (CHAT Bonds); the \$201,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2000A (CHAT Bonds); the \$198,800,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2001A (CHAT Bonds); the \$95,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002A (CHAT Bonds); the \$79,920,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002B (WIPP Bonds); the \$67,750,000 Highway Infrastructure Fund Revenue Highway Bonds, Series 2002C (HIF Bonds); and the \$16,000,000 Senior Subordinate Tax Revenue Highway Bonds, Series 2002D (CHAT Bonds). The remaining balance of the proceeds from the sale of the debentures, bonds and the NMFA loan are also classified as restricted cash because of the limited use of these funds. Proceeds of the various bond issues are also invested through the State Treasurer's Office in securities repurchase agreements with financial institutions and a money market mutual fund that invests in U.S. Treasury securities. Cash received from the Department of Energy (for the WIPP Project fund) in advance of incurring the eligible expenditures is also reflected as restricted cash because the cash can only be used on specified road projects. Cash held in the State Infrastructure Bank is restricted for use in funding loans (Note 2).

◆ Taxes Receivable

Taxes receivable represent the amounts due from the New Mexico Taxation and Revenue Department for the Department's June 30 fiscal year user and fuel taxes that are received by the Department after year-end. Accordingly, no allowance for uncollectible amounts is necessary.

◆ Accounts Receivable

Accounts receivable consists of amounts due from various entities: individuals and other state and local agencies located within the State of New Mexico for the sale of maps, brochures and other materials; federal excise taxes; and for other services performed by the Department. The Department provides an allowance for uncollectible accounts. The allowance is based on estimated collectible balances using an analysis of an aging of outstanding accounts and historical collection experience. The Department does not require collateral on these accounts receivable (Note 3).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Severance Tax Bonds Proceeds Receivable**

The State of New Mexico Legislature has authorized the State Board of Finance to issue and sell revenue bonds that are to be retired using future taxes levied against the extractive industries in the state. The proceeds from bonds sold are appropriated to the Department to be used for specific programs and are recorded as revenues by the Department. Expenditures incurred by the Department for such programs are reimbursable from the State Board of Finance. The severance tax bonds proceeds receivable represents the amounts due and available from the State Board of Finance as of year-end (Note 4).

◆ Notes and Loans Receivable

Notes receivable represent:

- Funds advanced to various state and local agencies to promote van-pooling activities within the state. The Federal Highway Administration (FHWA) provides matching funds (90%) for the purchase of vehicles by various nonprofit van pooling organizations.
- The funds advanced to such organizations are payable to the Department and are designated for future vehicle purchases.
- Notes issued to individuals displaced by purchases of right of way properties. The funds loaned to such individuals are provided in part by FHWA funds per FHWA guidelines.

Loans receivable represent:

- Loans to other governmental entities made by the State Infrastructure Bank. Loans are stated at their principal amount. Interest on loans is accrued based on the daily principal balance outstanding, except when a loan has been past due for 90 days. All loans are to governmental entities and secured by certain pledged revenues. The loans are being repaid in accordance with their loan agreements. Management's evaluation of the loan portfolio has determined that no allowance for uncollectible loans is required at June 30, 2006. There are no loans past due for more than 90 days as of the end of the fiscal year which require placement on non-accrual status (Note 5).



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Due From the U.S. Department of Transportation**

Due from the U.S. Department of Transportation represents amounts billed and unbilled in accordance with the various grant agreements. The “billed” portion represents contract expenditures incurred and billed by the Department. The “unbilled” portion represents expenditures included in accounts payable that will be billed when paid by the Department. The “excess project costs” represents costs actually incurred on a project in excess of approved amounts. The Department provides for an allowance for uncollectible accounts in excess of project costs classification. The allowance is based on an analysis of amounts that are reasonably assured of collection (Note 6).

◆ Due From/To Other Funds

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

◆ Inventory

Inventory is valued at cost using the first-in, first-out method. Special Revenue Fund inventory consists of materials used in the Department’s operations.

The inventory costs are recorded as expenditures when consumed rather than when purchased. Reported inventories are equally offset by the fund balance reserve, which indicates that it does not constitute “available spendable resources” (Note 8) even though they are a component of current assets.

◆ Prepaid Expense - Warranty

The warranty represents the no-fault portion of \$32,490,080 being amortized over 20 years that will meet performance criteria. The remaining \$13,148,286 of the warranty that represents the no-fault warranty that the structures will meet performance criteria is being amortized over 11 ½ years.

◆ Property Held for Resale

Property held for resale represents excess land acquired through condemnation and is recorded at its estimated fair value. The Department’s management estimated the fair value based upon recent sales of similar type assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Capital Assets**

Capital assets, which include property, plant, equipment, software in the equipment category, and infrastructure assets (which is normally immovable and of value only to the state, such as roads, streets, tunnels and similar infrastructure items), are reported in the governmental activities columns in the government-wide financial statements. The Department has no internally developed software that requires capitalization. As a result of House Bill 1074, effective date June 17, 2005, the State's capitalization policy threshold was changed from \$1,000 to \$5,000, requiring agencies to capitalize acquisitions greater than \$5,000. Assets purchased prior to June 17, 2005 were not removed and will continue to be depreciated. Purchased and constructed capital assets are valued at historical or estimated historical cost. The Department has not capitalized any construction period interest expense. Donated capital assets are recorded at their estimated fair value at the date of donation.

- The Department records as capital assets the specific roads, tunnels and other infrastructure it owns or over which it has primary responsibility for maintenance. According to GASB, if the Department has the primary responsibility for the asset's maintenance, then the capital asset would be recorded on its books.
- An estimated historical cost of the entire infrastructure on the Department's government-wide financial statements was determined as of June 2001. The Department calculated the replacement cost as of June 30, 2001 for its entire infrastructure and then deflated the cost by use of a construction price level index maintained by the Federal Highway Administration. Accumulated depreciation at June 30, 2001 was calculated based on the estimated historical cost of the infrastructure, estimated use of the assets and using a 25 to 30-year life of the infrastructure. Current year activity is shown in Note 9 to the financial statements.
- The Department follows the depreciation method to record infrastructure assets. This method requires the Department to allocate the cost of infrastructure assets over their useful lives as depreciation expense. Another allowable methodology is to use the modified approach to record infrastructure. Under this process, the Department does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. If this method was used, it would require the Department to: 1) commit to maintaining and preserving the assets at or above a condition level established by the Department, 2) maintain an inventory of the assets and perform periodic assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. The Department elected to use the depreciation method as it determined it could not meet



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

◆ Capital Assets – continued

- the condition to maintain the infrastructure at a predetermined condition level due to an anticipated lack of future funding for maintenance.
- The Department records its other capital assets (buildings and machinery and equipment) at historical cost and depreciates the assets over their estimated useful lives. Capital assets acquired in the current year in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Department are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and right-of-way land. Generally, estimated useful lives are as follows:

Machinery and Equipment	7 - 14 years
Buildings and Other Improvements	40 years
Infrastructure	25 - 30 years

◆ Deferred Revenue

Deferred revenue occurs when the Department receives funds before the corresponding expense or expenditure has been incurred, or all of the eligibility requirements have been met. The Department has received funds in advance of work done from the Department of Energy (DOE) for road projects and other costs relating to the Waste Isolation Pilot Plant (WIPP). The Department has received pass-through federal funds in advance of work done from the New Mexico Department of Human Services for the temporary assistance of needy families. Revenue is recognized when eligible expenditures are incurred for these projects and programs and all eligibility requirements are met.

◆ Compensated Absences

The Department accounts for the accumulated vacation and sick leave on the accrual basis in accordance with GASB 16. Accrued vacation up to 240 hours is recorded in the Statement of Net Assets at 100% of the employee's hourly wage. In addition, accrued sick leave over 600 up to 720 hours less the amount classified as current is recorded in the Statement of Net Assets at 50% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour. The accrual for



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

◆ *Compensated Absences - continued*

compensated absences is calculated at pay rates in effect at June 30, 2006, and include direct and incremental salary related payments, such as the employees' share of social security taxes.

◆ *Long-Term Obligations*

Premiums, Discounts and Issuance Costs - In the government-wide financial statements, long-term debt and other long-term obligations are presented in the columns for governmental and business-type activities. The same is presented in the proprietary fund financial statements. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized straight line over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and also amortized straight line over the term of the related debt.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

Arbitrage Rebate Liability - Any arbitrage rebate is recorded as a liability when it is determined to be owed to the Internal Revenue Service.

◆ *Net Assets*

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investments in Capital Assets - is intended to reflect the portion of net assets which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Assets - are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or granting agency) limitation on their use. When there is an option, the Department spends restricted resources first.

Unrestricted Assets - are all other net assets that do not meet the definition of "restricted assets" or "investments in capital assets".



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Encumbrances**

With the Laws of 2004, Chapter 114, "General Appropriations" establishing the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico, there are no encumbrances outstanding at year-end with the exception of the Capital Projects Fund. Encumbrances outstanding in this fund at year-end are reported as reservations of fund balance on the balance sheets (in the fund financial statement) and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

It is necessary to include the budgetary basis consistent with the Department's legally adopted budget as presented in the required supplementary information. Unused and excess encumbrances are adjusted in the year it is determined the funds will not be spent.

◆ Reservations

Reservations of fund balance are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Encumbrances - This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the Department but not completed as of the close of the fiscal year.

Reserved for Inventory - This reserve was created to represent the portion of fund balance that is not available for expenditures because the Department expects to use the resources within the next budgetary period.

◆ Designated Fund Balance

The Department established a designation for projects to be funded by the Capital Projects Fund that have not been started in the governmental fund financial statements.

◆ Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**◆ Eliminations**

Total columns in the governmental fund financial statements are captioned "Total (Governmental Funds)" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operation or changes in financial position of the Department as a whole in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation in the governmental fund financial statements. Due from/to other funds and interfund transfers have been eliminated in the government-wide financial statements.

2. CASH AND CASH EQUIVALENTS

Cash funds, other than petty cash, are deposited by the Department into its accounts with the State Treasurer, which are pooled and invested by the State Treasurer. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Money of the Department may be deposited with the State Treasurer for a short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico, or any political subdivision of the State and other investments allowed by state law. Petty cash funds are deposited with various financial institutions and are fully insured. Some of the cash held by the trustee for the NMFA loan proceeds is also invested in a money market mutual fund that invests in short-term U.S. Treasury securities. The reconciled balances at June 30, 2006, are as follows:

	<u>CAS Account Number</u>	<u>Amount</u>
Unrestricted:		
Road Fund - General	201	\$ 66,393,157
Local Government Fund	203	20,723,524
Aviation Fund	205	625,844
Motorcycle Training Fund	206	78,661
DWI Prevention Fund	207	573,762
Traffic Safety	208	3,284,326
Driver Improvement Program Fund	N/A	1,475
Bond Project Fund		<u>90</u>
		\$ <u>91,680,839</u>

2. CASH AND CASH EQUIVALENTS - continued

	<u>CAS Account Number</u>	<u>Amount</u>
Restricted:		
Road Fund (relates to WIPP bond projects and various other road projects)	431	36,299,193
Bond Project Fund (1993 Bonds)	394	1,460,095
Bond Project Fund (1999 CHAT Bonds)	430	219,157
Bond Project Fund (2000 CHAT Bonds)	345	4,527
Bond Project Fund (2001 CHAT Bonds)	006	9,343,403
Bond Project Fund (2002A CHAT Bonds)	368	139,960
Bond Project Fund (2002C HIF Bonds)	361	1,164,997
Bond Project Fund (2002D CHAT Bonds)	115	670,506
Bond Project Fund (2004A GRIP Bonds)	N/A	415,396,116
Bond Project Fund (2004 B/C GRIP Bonds)	N/A	43,782,628
Debt Service Fund (1998 CHAT Bonds)	548	143,308
Debt Service Fund (1999 CHAT Bonds)	434	401,572
Debt Service Fund (2000 CHAT Bonds)	432	594,534
Debt Service Fund (2001A CHAT Bonds)	007	796,206
Debt Service Fund (2002A CHAT Bonds)	547	333,987
Debt Service Fund (2002B WIPP Bonds)	750	359,201
Debt Service Fund (2002C HIF Bonds)	363	81,027
Debt Service Fund (2002D CHAT Bonds)	187	15,237
Debt Service Fund (WIPP Bonds)	N/A	82,612
State Infrastructure Bank	893	10,765,589
		\$ <u>522,053,855</u>

State law requires that repurchase agreements be secured by collateral with a market value greater than 102% of the value of the agreement. The securities are held by a third party in the Department's name. The fair value of the repurchase agreement approximates the cost at June 30, 2006.

GASB 31, which requires the Department to record investments with a maturity greater than one year at the time of their purchase at fair value, does not have any effect on the Department.

3. ACCOUNTS RECEIVABLE

The aging of accounts receivable as of June 30, 2006, is as follows:

Number of Days Outstanding

0 - 30	\$ 1,845,170
31 - 60	4,926
61 - 120	496
Beyond 120	<u>2,237,000</u>
	4,087,592
Allowance for uncollectible accounts	<u>(1,822,250)</u>
	\$ <u>2,265,342</u>

The allowance for uncollectible accounts has been established from experience based on the records of the respective activities.

4. SEVERANCE TAX BOND PROCEEDS RECEIVABLE

Severance tax bonds proceeds receivable as of June 30, 2006, appropriated to the Department, were held by the State Board of Finance to reimburse expenditures incurred by the Department. The activity of this account is as follows:

Balance, beginning of year	\$ 44,379,303
Sale and reauthorization of severance tax bonds	19,530,882
Funding from the State Board of Finance	(7,615,903)
Reversion to the State Board of Finance	<u>(818,437)</u>
Balance, end of year	\$ <u>55,475,345</u>

The funding for the year ended June 30, 2006 was received under the Laws of 1998, Chapter 118; Laws of 1998, Chapter 7; Laws of 1999, Chapter 2; Laws of 2000, Chapter 23 and Laws of 2002, Chapter 110, for projects completed.

5. NOTES AND LOANS RECEIVABLE

Notes receivable as of June 30, 2006 consist of the following:

A note receivable from a private entity, non-interest bearing, in accordance with federal statutes, collateralized by various property.	\$ <u>27,672</u>
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Loans receivable funded by the SIB consist of the following:

City of Albuquerque, including interest at 1.5%, due during the 2008 federal fiscal year, secured by federal highway revenue.	\$ 641,087
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County of Bernalillo, including interest at 1.5%, due during the 2008 federal fiscal year, secured by federal highway revenue.	<u>7,401,160</u>
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	\$ <u>8,042,247</u>
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6. DUE FROM U.S. DEPARTMENT OF TRANSPORTATION

Due from U.S. Department of Transportation (USDOT) consists of the following at June 30, 2006:

Agency

Federal Highway Administration	\$ 23,183,713
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Other USDOT Agencies	<u>1,916,830</u>
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Total USDOT	\$ <u>25,100,543</u>
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Subsequent to June 30, 2006, the Federal Highway Administration unbilled portion was billed and the amounts were collected by the Department. Management felt that the entire balance outstanding at year end was collectable and, therefore, no allowance was established at June 30, 2006.

7. DUE FROM AND DUE TO OTHER FUNDS

The following are short-term amounts (due within one year) owed between funds and are classified as Due From/To Other Funds:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Special Revenue Funds:		
State Road Fund	\$ 107,491,437	(100,501,750)
Local Government Road Fund	-	(1,826,039)
Federal Planning and Development Fund	-	(726,308)
State Aviation Fund	1,340,226	(174,177)
Federal Traffic Safety Fund	3,423,860	(4,149,734)
Driver Improvement Program Fund	289,504	-
DWI Prevention and Education Fund	-	(31,533)
Capital Improvements Projects	13,835,328	-
Bond Project Fund (1993 Bonds)	-	(37,804)
WIPP Debt Service Funds	13,829	-
Bond Project Fund (1998 & 1999 CHAT)	3,088,612	(1,224,580)
Bond Project Fund (2000 CHAT)	1,788,987	(3,650,144)
Bond Project Fund (2001 CHAT)	-	(899,327)
Bond Project Fund (2002A CHAT)	-	(1,988,154)
Bond Project Fund (2004A GRIP)	<u>-</u>	<u>(16,062,233)</u>
Total Special Revenue Funds	\$ <u>131,271,783</u>	<u>(131,271,783)</u>

Due from/to other fund amounts occur for the following reasons:

- The State Road Fund pays expenditures on behalf of other funds.
- Grant and other funds are recorded in the State Road Fund and then transferred to the appropriate funds.

8. INVENTORY

Inventory as of June 30, 2006 consists of the following:

Highway maintenance materials stockpiled	\$ 7,610,494
Repair parts and expendable supplies	4,176,347
Fuel, oil and lubricants	<u>727,456</u>
	\$ <u>12,514,297</u>

9. CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance June 30, 2006</u>
Non-depreciable assets:				
Land	\$ 5,064,678	158,415	(160,017)	5,063,076
Right of way	360,549,775	11,259,965	-	371,809,740
Depreciable assets:				
Infrastructure	15,069,367,358	349,159,210	(308,471,791)	15,110,054,777
Equipment and furniture	50,050,041	2,654,786	(1,721,924)	50,982,903
Vehicles	159,575,253	11,828,196	(5,687,105)	165,716,344
Buildings	<u>36,706,531</u>	<u>1,009,125</u>	<u>(126,165)</u>	<u>37,589,491</u>
Total	15,681,313,636	376,069,697	(316,167,002)	15,741,216,331
Less accumulated depreciation:				
Infrastructure	(8,200,214,936)	(499,028,410)	308,471,791	(8,390,771,555)
Equipment and furniture	(33,879,955)	(3,075,763)	1,615,515	(35,340,203)
Vehicles	(105,612,347)	(11,587,356)	5,629,706	(111,569,997)
Buildings	<u>(21,622,373)</u>	<u>(1,146,763)</u>	<u>16,928</u>	<u>(22,752,208)</u>
Total accumulated depreciation	<u>(8,361,329,611)</u>	<u>(514,838,292)</u>	<u>315,733,940</u>	<u>(8,560,433,963)</u>
Net total	\$ <u>7,319,984,025</u>	<u>(138,768,595)</u>	<u>(433,062)</u>	<u>7,180,782,368</u>

Current year depreciation expense was \$514,838,292. There were no software costs to capitalize as of year-end.

10. OPERATING TRANSFERS

The following is a summary of interfund transfers (in)/out in the governmental fund financial statements for the year ended June 30, 2006:

		<u>Major</u>		<u>Non-Major</u>
	<u>State Road Fund</u>	<u>Debt Service Funds</u>	<u>Special Revenue Funds</u>	
(1)	\$ (170,258,516)	104,068,876	-	66,189,640
(2)	<u>2,648,475</u>	<u>-</u>	<u>(2,776,412)</u>	<u>127,937</u>
	\$ <u>(167,610,041)</u>	<u>104,068,876</u>	<u>(2,776,412)</u>	<u>66,317,577</u>

- (1) The transfer from the State Road fund to the following debt service funds for the debt repayments required by the State of New Mexico Highway Debentures.
- (2) The transfer of federal revenue received in the State Road Fund for Federal Planning and Development.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2006:

Governmental Activities	Balance at June 30, 2005	Increase	Decrease	Balance at June 30, 2006	Amounts Due Within One Year
1998 WIPP Bonds	\$ 37,220,000	-	(2,785,000)	34,435,000	-
1998 CHAT Bonds	21,960,000	-	-	21,960,000	-
1999 CHAT Bonds	38,585,000	-	(8,920,000)	29,665,000	9,385,000
2000 CHAT Bonds	65,515,000	-	(11,700,000)	53,815,000	12,340,000
2001 CHAT Bonds	138,690,000	-	(14,875,000)	123,815,000	16,730,000
2002A CHAT Bonds	51,880,000	-	(7,180,000)	44,700,000	7,540,000
2002B WIPP Bonds	33,815,000	-	(7,730,000)	26,085,000	8,115,000
2002C HIF Bonds	32,945,000	-	-	32,945,000	-
2002D CHAT Bonds	5,770,000	-	-	5,770,000	1,200,000
2004A CRIP Bonds	700,000,000	-	-	700,000,000	-
2004B CRIP Bonds	210,255,000	-	(27,940,000)	182,315,000	19,985,000
2004C CRIP Bonds	200,000,000	-	-	200,000,000	-
Deferred amount on refunding	(32,591,752)	-	1,715,355	(30,876,397)	-
Compensated absences payable	<u>5,754,049</u>	<u>5,079,296</u>	<u>(5,001,510)</u>	<u>5,831,835</u>	<u>5,100,000</u>
Total obligations	1,509,797,297	<u>5,079,296</u>	<u>(84,416,155)</u>	1,430,460,438	<u>80,395,000</u>
Less current portion	<u>84,870,132</u>			<u>80,395,000</u>	
Net long-term obligations	\$ <u>1,424,927,165</u>			<u>1,350,065,438</u>	

The State Road Fund is used to liquidate other long-term liabilities, such as compensated absences and capital leases. The Department is authorized to issue bonds from time to time, payable from the proceeds of the collection of gasoline excise taxes, motor vehicle registration fees, and other fees that are required by law to be paid into the State Road Fund and not otherwise pledged solely to the payment of outstanding bonds and debentures. The total aggregate outstanding bonds issued are in accordance with the authorizing legislation for the bonds and other debt with the approval of the State Board of Finance, which includes Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA) (1978), as amended; and the Supplemental Public Securities Act constituting Sections 6-15-8 through 6-14-11 of the NMSA (1978), as amended.

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$105,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 1998A and \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bonds Series 1998B in October 1998. The net proceeds to the Department were \$108,979,050 for the Series 1998A Bonds and \$103,753,450 for the Series 1998B Bonds. The cost of issuance for the Series 1998A and Series 1998B Bonds was \$773,588 and \$767,380, respectively. The Bonds are special limited obligations of the Department, payable solely by a pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes and vehicle transaction taxes and fees that are required to be paid into the State Road Fund. The Series 1998A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature. The Series 1998B Bonds (1998 WIPP Bonds) were issued by the Department for roads relating to the Waste Isolation Pilot Project (WIPP) in the State of New Mexico.

Principal of the Series 1998A Bonds (CHAT) is payable on June 15. The interest is payable semi-annually on June 15 and December 15 through the year 2010.

The Department's future scheduled annual requirements to amortize the Series 1998A Bonds (CHAT), including interest payments of \$3,953,169 based on interest rates that range from 4.5% to 5.125%, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 1998A CHAT:			
2007	\$ -	1,125,450	1,125,450
2008	-	1,125,450	1,125,450
2009	10,705,000	1,125,450	11,830,450
2010	<u>11,255,000</u>	<u>576,819</u>	<u>11,831,819</u>
Total	\$ <u>21,960,000</u>	<u>3,953,169</u>	<u>25,913,169</u>

11. LONG-TERM OBLIGATIONS - continued

Principal of the Series 1998 Bonds (WIPP) is payable on June 15. The interest is payable semi-annually on June 15 and December 15 through the year 2011.

The Department's future scheduled annual requirements to amortize the Series 1998B Bonds (1998 WIPP Bonds), including interest payments of \$7,116,238 based on interest rates that range from 3.8% to 5.125%, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 1998 WIPP:			
2007	\$ -	1,751,613	1,715,613
2008	-	1,751,612	1,715,612
2009	10,545,000	1,751,613	12,296,613
2010	11,460,000	1,224,362	12,684,362
2011	<u>12,430,000</u>	<u>637,038</u>	<u>13,067,038</u>
Total	\$ <u>34,435,000</u>	<u>7,116,238</u>	<u>41,551,238</u>

On October 2, 1998, the Department borrowed \$100,230,000 from the New Mexico Finance Authority (NMFA). The NMFA had issued \$100,230,000 of NMFA Federal Highway Grant Anticipation Revenue Bonds to fund the loan. The Department's obligation under the loan agreement is to repay the loan from certain federal funds payable to the Department from the Federal Highway Administration. If insufficient federal revenues are received, the Department will use good faith efforts to seek additional revenues that are otherwise not obligated and are legally available to repay the loan. After all loan payments and other payments due on any future obligations secured by these federal funds are made, any remaining federal funds received will be deposited into the State Road Fund.

Eligible federal funds that can be used for debt repayment are not available for approximately two years after the date of the loan. Accordingly, \$8,468,451 of the loan proceeds were recorded to the debt service fund to pay future debt service.

The Department was also responsible for the NMFA issuance costs and must annually pay the NMFA two basis points on the outstanding principal balance every September 1. Total issue costs were \$2,144,423 net of \$1,656,807 of the premium received from the sale of the NMFA bonds.

11. LONG-TERM OBLIGATIONS - continued

Principal of the loan was paid in May 2004 with funds provided from the issuance of the Series 2004B and 2004C NMFA State Transportation Refunding Revenue Bonds.

The Department issued \$100,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 1999 in November 1999. The gross proceeds to the Department were \$101,161,999, and the cost of issuance including underwriting fees was approximately \$791,000. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes and motor vehicle registration fees that are required to be paid into the State Road Fund. The Series 1999 Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 4.75% to 5.75% per annum, is payable semi-annually on June 15 and December 15 through the year 2009.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$3,362,406, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 1999 CHAT:			
2007	\$ 9,385,000	1,622,406	11,007,406
2008	9,870,000	1,141,425	11,011,425
2009	<u>10,410,000</u>	<u>598,575</u>	<u>11,008,575</u>
Total	\$ <u>29,665,000</u>	<u>3,362,406</u>	<u>33,027,406</u>

The Department issued \$201,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2000A in May 2000. The gross proceeds to the Department were \$206,023,307, and the cost of issuance including underwriting fees was approximately \$1,392,000. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes and motor vehicle registration fees that are required to be paid into the State Road Fund. The Series 2000 Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

11. LONG-TERM OBLIGATIONS - continued

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 5.5% to 6.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2010.

The Department's future scheduled annual requirements to amortize the bonds, including interest payments of \$11,011,500, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2000A CHAT:			
2007	\$ 12,340,000	3,781,875	16,121,875
2008	13,060,000	3,138,375	16,198,375
2009	13,810,000	2,420,650	16,230,650
2010	<u>14,605,000</u>	<u>1,670,600</u>	<u>16,275,600</u>
Total	\$ <u>53,815,000</u>	<u>11,011,500</u>	<u>64,826,500</u>

The Department issued \$198,800,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2001A, in November 2001. The gross proceeds to the Department were \$209,050,033, including \$10,250,033 of an original issue premium. The cost of issuance including underwriting fees was approximately \$1,343,586. The bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2001A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the Bonds is payable annually each June 15. Interest, with rates ranging from 4.3% to 5.25% per annum, is payable semi-annually on June 15 and December 15 through the year 2013.

11. LONG-TERM OBLIGATIONS - continued

The Department's future scheduled annual requirements to amortize the bonds, including interest payments of \$27,321,613 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2001A CHAT:			
2007	\$ 16,730,000	6,344,648	23,074,648
2008	17,685,000	5,508,147	23,193,147
2009	14,630,000	4,623,898	19,253,898
2010	9,545,000	3,892,397	13,437,397
2011	20,645,000	3,415,148	24,060,148
2012 - 2013	<u>44,580,000</u>	<u>3,537,375</u>	<u>48,117,375</u>
Total	\$ <u>123,815,000</u>	<u>27,321,613</u>	<u>151,136,613</u>

On March 14, 2001, the Department borrowed \$18,535,000 from the New Mexico Finance Authority (NMFA). The NMFA had issued \$18,535,000 of NMFA Federal Highway Grant Anticipation Revenue Bonds to fund the loan. The Department's obligation under the loan agreement is to repay the loan from certain federal funds payable to the Department from the Federal Highway Administration. If insufficient federal revenues are received, the Department will use good faith efforts to seek additional revenues that are otherwise not obligated and are legally available to repay the loan. After all loan payments and other payments due on any future obligations secured by these federal funds are made, any remaining federal funds received will be deposited into the State Road Fund.

The Department was also responsible for the NMFA issuance costs and must annually pay the NMFA two basis points on the outstanding principal balance every September 1. Total issue costs were \$467,998 and there was a premium of \$704,443 from the sale of the NMFA bonds.

Principal of the loan was paid in May 2004 with funds provided from the issuance of the Series 2004B and 2004C NMFA State Transportation Refunding Revenue Bonds.

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$95,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 2002A in January 2002. The gross proceeds including accrued interest to the Department were \$98,361,534, including \$3,913,043 of an original premium. The cost of issuance including underwriting fees was \$592,819. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees and, to the extent authorized, to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid in the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 5.0% to 5.5% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$10,969,950, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002A CHAT:			
2007	\$ 7,540,000	2,378,100	9,918,100
2008	7,935,000	1,982,250	9,917,250
2009	-	1,585,500	1,585,500
2010	8,750,000	1,585,500	10,335,500
2011	-	1,126,125	1,126,125
2012 - 2014	<u>20,475,000</u>	<u>2,312,475</u>	<u>22,787,475</u>
Total	\$ <u>44,700,000</u>	<u>10,969,950</u>	<u>55,669,950</u>

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$79,920,000 of the New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bonds, Series 2002B, in January 2002. The gross proceeds including accrued interest to the Department were \$82,007,147 including \$2,670,686 of an original issue premium. The cost of issuance including underwriter fees was \$614,561. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002B Bonds (WIPP Bonds) were issued to provide funds to refund the 1996 WIPP Bonds on the date of delivery of the Bonds, and to pay all costs incident thereto and to the issuance of the Bonds, including, without limitation, costs of issuance.

Principal of the bonds is payable on June 15. Interest at a rate of 5% per annum is payable semi-annually on June 15 and December 15 through the year 2010.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$3,147,250, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002B WIPP:			
2007	\$ 8,115,000	1,304,250	9,419,250
2008	8,525,000	898,500	9,423,500
2009	-	472,250	472,250
2010	<u>9,445,000</u>	<u>472,250</u>	<u>9,917,250</u>
Total	\$ <u>26,085,000</u>	<u>3,147,250</u>	<u>29,232,250</u>

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$67,750,000 of the New Mexico State Highway Infrastructure Fund Revenue Highway Bonds (additionally secured by a Senior Subordinate Lien on Certain State Road Fund Revenues), Series 2002C, in May 2002. The gross proceeds including accrued interest to the Department were \$69,809,036 including \$2,499,411 of an original issue premium. The cost of issuance including underwriter fees was \$440,375. The bonds are special limited obligations of the State Highway Commission, payable from and secured by a senior pledge of proceeds of the collection of leased vehicle gross receipts tax revenues and tire recycling fees, in each case that are required by law to be paid into the Highway Infrastructure Fund and interest on such amounts in the Highway Infrastructure Fund. The Bonds are additionally payable from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002C Bonds (HIF Bonds) were issued to funds projects identified by the Department and the Legislature.

Principal of the Bonds is payable on June 15. Interest, with rates ranging from 3.25% to 5.375% per annum, is payable semi-annually on June 15 and December 15 through the year 2017.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$14,156,816, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002C HIF:			
2007	\$ -	1,709,524	1,709,524
2008	-	1,709,524	1,709,524
2009	3,000,000	1,709,524	4,709,524
2010	2,000,000	1,559,524	3,559,524
2011	-	1,459,524	1,459,524
2012 - 2016	21,770,000	5,684,634	27,454,634
2017	<u>6,175,000</u>	<u>324,562</u>	<u>6,499,562</u>
Total	\$ <u>32,945,000</u>	<u>14,156,816</u>	<u>47,101,816</u>

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$16,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002D, in December 2002. The gross proceeds to the Department were \$16,572,740 including \$699,498 of an original issue premium. The cost of issuance including underwriter fees was \$126,758. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002D Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable as follows on June 15. Interest, with rates ranging from 3.9% to 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirement to amortize the Bonds including interest payments of \$1,285,175 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002D CHAT:			
2007	\$ 1,200,000	254,825	1,454,825
2008	-	194,825	194,825
2009	-	194,825	194,825
2010	1,360,000	194,825	1,554,825
2011	-	126,825	126,825
2012 - 2014	<u>3,210,000</u>	<u>319,050</u>	<u>3,529,050</u>
	\$ <u>5,770,000</u>	<u>1,285,175</u>	<u>7,055,175</u>

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$700,000,000 through the New Mexico Finance Authority's (NMFA) State Transportation Revenue Bonds (Senior Lien), Series 2004A, in May 2004. The gross proceeds to the Department were \$738,787,815, including \$43,556,815 of an original issue premium. The cost of issuance including underwriter fees was \$6,368,367. The Bonds are special limited obligations of the Department, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and that the Department has determined to be necessary or desirable.

The Department is responsible for the NMFA issuance costs and must annually pay the NMFA 25 basis points on the outstanding principal balance. Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 3.8% to 5.25% per annum, is payable semi-annually on June 15 and December 15 through the year 2024.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$470,711,167, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2004A GRIP:			
2007	\$ -	36,216,759	36,216,759
2008	-	36,216,759	36,216,759
2009	-	36,216,759	36,216,759
2010	-	36,216,759	36,216,759
2011	-	36,216,759	36,216,759
2012 - 2016	145,710,000	175,972,147	321,682,147
2017 - 2021	413,155,000	103,548,387	516,703,387
2022 - 2024	<u>141,135,000</u>	<u>10,106,838</u>	<u>151,241,838</u>
	\$ <u>700,000,000</u>	<u>470,711,167</u>	<u>1,170,711,167</u>

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$237,950,000 and \$200,000,000 of bonds through the New Mexico Finance Authority's (NMFA) State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B and Series 2004C, in May 2004. The gross proceeds to the Department for both issuances were \$451,069,205, including \$16,347,187 of an original issue premium. The cost of issuance including underwriter fees was \$4,228,696. Following is the detail of the Series 2004B and Series 2004C bonds issued.

The \$237,950,000 Series 2004B Bonds are special limited obligations of the Department, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding bonds of the NMFA and the Commission.

Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 2.0% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$46,700,365, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2004B GRIP:			
2007	\$ 19,985,000	8,804,615	28,789,615
2008	13,170,000	7,938,265	21,108,265
2009	10,735,000	7,347,765	18,082,765
2010	9,230,000	6,879,385	16,109,385
2011	36,275,000	6,421,085	42,696,085
2012 - 2014	<u>92,920,000</u>	<u>9,309,250</u>	<u>102,229,250</u>
Total	\$ <u>182,315,000</u>	<u>46,700,365</u>	<u>229,015,365</u>

11. LONG-TERM OBLIGATIONS - continued

The Series 2004C Bonds are special limited obligations of the Department payable, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the Highway Infrastructure Fund. The lien on the bonds on such revenues is subordinate to the lien thereon securing other bonds issued concurrently with the 2004C bonds or which may hereafter be used through the NMFA. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding debt.

Refunding

NMFA, on behalf of the Department, used the 2004B and 2004C Bonds to advance refund certain older debt issues of the Department, and the New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 2001 and New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 1999. The net proceeds of \$408,855,872 plus an additional \$7,285,997 were used to purchase U.S. Governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt is considered to be defeased and the liability for those bonds has been removed from long-term obligations. The bonds outstanding of \$363,490,000 were considered defeased as of June 30, 2006.

The deferred amount on the refunding of \$30,876,397 recorded as a reduction of the Department's long-term obligation is the difference between the reacquisition price (funds required to refund the old debt including call provisions) and the net carrying amount of the old debt including unamortized old bond issuance costs. The deferred amount on the refunding is recorded to the government-wide financial statements and is required to be amortized as additional interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The Department is responsible for the issuance costs and must annually pay the 25 basis points on the outstanding principal balance, which will be \$500,000 a year through 2022 and \$339,063 during 2023. Principal of the bonds is payable on June 15, with interest payable semi-annually on June 15 and December 15 through the year 2023. Interest is based on interest rate swap agreements as disclosed below.

11. LONG-TERM OBLIGATIONS - continued

Interest Rate Swaps

State Transportation Revenue Bonds, Series 2006

Objective of the Swaps. In April of 2004, the New Mexico Finance Authority (the "Authority") entered into two (2) forward starting swaps with two (2) counterparties to hedge against future interest rates. The intention of the swaps was to take advantage of the current historically low interest rate environment for Bonds to be issued in 2006. The Bonds are to be issued by the Authority to fund part of the Governor Richardson's Investment Partnership (GRIP), which is a \$1.6 billion statewide transportation expansion and infrastructure improvement project. In addition to the forward start, the swaps have a knock-out option from settlement to maturity. The intention of the option was to reduce the synthetic fixed rate. The Authority typically has between \$175 million and \$200 million in cash which will act as a natural hedge if the swap is knocked-out.

Terms. The swaps were entered into with J.P Morgan Chase Bank (JP) and UBS AG (UBS). The swaps will be effective on December 15, 2006, maturing on December 15, 2026. On the trade date, JP was rated AA- by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies (S&P), and Aa2 by Moody's Investor's Service, Inc. (Moody's), and UBS was rated AA+ S&P and Aa2 Moody's. Both swaps were priced at a fixed rate of 5.072% based on an amortizing national schedule with a combined \$220,000,000 initial amount. Under the swaps, the Authority pays 5.072% and receives BMA. The incorporated knock-out option was priced with a 7% barrier, effective from settlement to maturity and based on an "American" option exercise schedule. The option premium is equal to 0.34% per annum, resulting in a net fixed rate of 4.732%. Thus, the counterparty paid to have the option (but not the obligation) to terminate the swap should the 180 day average of the BMA index move above the barrier. The bonds' variable-rate coupons are not based on an index but on market conditions.

Fair Value. As of June 30, 2006, the swaps had a negative fair value of \$6,818,902 without the option. The options had a negative value of \$12,823,336 in isolation of the swaps, thus the swaps including the options had a total negative value of \$19,642,238. Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

11. LONG-TERM OBLIGATIONS - continued**State Transportation Revenue Bonds, Series 2006 - continued**

Credit Risk. As of June 30, 2006 the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on counterparty ratings as set forth in the CSA. Goldman, Lehman, and RBC was rated AAA/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's respectively as of June 30, 2006.

Termination Risk. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's respectively. The swap also includes an additional termination event related to non-issuance of the associated bonds. That is, the swap may be terminated if the related bonds are not issued on the effective date. Should the counterparties exercise the option to terminate the swap per the knock-out option, the Authority would become subject to variable rate risk on the outstanding bonds. However, historically the BMA index has yet to reset above the barrier set forth in the swap agreement. In addition, the Authority has substantial cash reserves which will mitigate this risk by generating variable rate income. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

\$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2 and C-3

Objective of the Swap. In April of 2004, the Authority entered into three (3) swaps with three (3) counterparties to synthetically refund outstanding bonds, which provided the Authority with present value savings of \$11,524,206.49 or 3.02% of the refunded bonds. The swap structure was used as a means to increase the Authority's savings, when compared against fixed-rate bonds at the time of issuance. In addition, through this structure, the Authority was able to release several restrictive covenants as set forth by the old indenture, thus providing future flexibility. The intention of the swap was to effectively change the Authority's interest rate on the bonds to a fixed rate.

11. LONG-TERM OBLIGATIONS - continued**\$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2 and C-3 - continued**

Terms. The swaps were executed with Goldman Sachs Mitsui Marine Derivative (Goldman), Lehman Brothers Derivative Products Inc. (Lehman) and Royal Bank of Canada (RBC) at respective initial amortizing notional amounts of \$50,000,000, \$50,000,000 and \$100,000,000. The counterparties were, at the trade date, rated AA+/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's respectively. All three swaps commenced on May 20, 2004 and will mature on June 15, 2024. Under the swaps, the Authority pays a fixed rate of 3.934% and received a variable rate computed as the BMA index until June 15, 2006, on which date the variable interest rate received switched to 68% of the one month London Interbank Offered Rate ("LIBOR") until maturity. The bonds' variable-rate coupons are not based on an index but on market conditions.

Fair Value. As of June 30, 2006, the Lehman swap and Goldman swap each had a fair value of \$62,922, while the RBC swap had a fair value of \$125,844. The total fair value on all the swaps was \$251,688. Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value on the swaps was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit Risk. As of June 30, 2006 the Authority is exposed to credit risk in an amount equal to the positive fair value for each of the swaps. To mitigate credit risk, the counterparties are required to post collateral based upon the agreed upon collateral threshold levels per the Credit Support Annex (CSA) which are adjusted based on counterparty ratings as set forth in the CSA. Goldman, Lehman, and RBC was rated AAA/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's respectively as of June 30, 2006.

11. LONG-TERM OBLIGATIONS - continued**\$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2 and C-3 - continued**

Basis Risk. As of June 15, 2006, the Authority is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and the 68% of one month LIBOR rate received on the swap. The Authority is also exposed to tax risk, a form of basis risk, where the Authority is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rates causes the rate paid on the outstanding bonds to be greater than the 68% of LIBOR received on the swap. The effect of the difference in basis is indicated by the difference between the intended synthetic rate (3.934%) and the synthetic rate as of June 30, 2006 (4.197%). The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the swaps. As of June 30, 2006, the rate on the bonds was 3.89%, whereas 68% of one month LIBOR was 3.627%.

Termination Risk. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. Furthermore, the swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's respectively. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Swap Payments and Associated Debt: As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2007	\$ -	7,780,000	614,000	8,394,000
2008	-	7,780,000	614,000	8,394,000
2009	-	7,780,000	614,000	8,394,000
2010	-	7,780,000	614,000	8,394,000
2011	-	7,780,000	614,000	8,394,000
2012 - 2016	-	38,900,000	3,070,000	41,970,000
2017 - 2021	-	38,900,000	3,070,000	41,970,000
2022 - 2024	200,000,000	20,511,645	1,618,785	222,130,430
	<u>\$ 200,000,000</u>	<u>137,211,645</u>	<u>10,828,785</u>	<u>348,040,430</u>

11. LONG-TERM OBLIGATIONS - continued**Capital Leases**

The Department has in the past entered into several lease agreements as lessee for financing the acquisition of computer equipment. During 2005, the Department took advantage of the lease buy-out clauses in the lease agreements. As a result, the Department has eliminated all capital leases as of June 30, 2005. These lease agreements qualified as capital leases for accounting purposes and, therefore, had been recorded at the present value of the future minimum lease payments as of the inception date. The capital leases had interest rates that range from 10% to 19%. A total of \$1,023,499 was paid during the 2006 fiscal year for capital lease obligations, and was recorded as debt service expense in the State Road Fund. No computer equipment was acquired through capital leases during the 2006 fiscal year.

There are no future minimum lease obligations to report as of June 30, 2006.

Total future principal and interest obligation repayments are as follows:

<u>Year Ended June 30,</u>		<u>Bonds and Loans</u>
2007	\$	148,457,065
2008		139,718,132
2009		139,749,809
2010		139,790,421
2011		126,620,504
2012 - 2016		565,139,931
2017 - 2021		562,542,949
2022 - 2024		<u>372,313,327</u>
Total	\$	<u>2,194,332,138</u>

An obligation amounting to \$5,831,835 at June 30, 2006, has been recorded to the government-wide financial statements representing the Department's commitment for accrued vacation, sick leave and other compensated absences.

12. RETIREMENT AND HEALTH PLANS (STATE PERA)**◆ PERA 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, 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. A copy of that report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

◆ Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Department is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Department are established 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, 2006, 2005 and 2004 were \$15,199,631, \$18,165,681, and \$12,192,028, respectively, equal to the amount of the required contribution for each year.

13. RETIREE HEALTH CARE/POST EMPLOYMENT BENEFITS

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have been retired from certain public service in New Mexico. The New Mexico Retiree Health Care Department (NMRHCA) is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

13. RETIREE HEALTH CARE/POST EMPLOYMENT BENEFITS - continued

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 Retiree Health Care Act on the person's behalf; unless that person retires before the employer's NMRHCA effective date, in which event the time period for required employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement, or (2) retirees defined by the Act who retired prior to July 1, 1990, and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional \$5 if eligible participant retired prior to the employer's NMRHCA effective date, or is a former legislator, and made no contributions to the plan. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including terminations of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post-employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107.

For the fiscal year ended June 30, 2006, the Department remitted \$1,146,926 in employer contributions and \$573,463 in employee contributions to the Retiree Health Care Authority.

14. TRANSFERS TO/FROM OTHER STATE AGENCIES AND LOCAL GOVERNMENTS

The following is a summary of interagency cash transfers as a result of the 2004 General Appropriations Act for an employee assistance assessment to the General Services Department, for collective bargaining to the Department of Finance and Administration, and for an office lease to the Taxation and Revenue Department. The transfer to Department of Public Safety is a result of an appropriation for the motor transportation division from the State Road Fund.

14. TRANSFERS TO/FROM OTHER STATE AGENCIES AND LOCAL GOVERNMENTS - continued

	<u>Agency Number</u>	<u>Operating Transfers Out</u>
Transfers to Other Agencies:		
Department of Public Safety	01-790	\$ <u>8,176,400</u>

15. COOPERATIVE AND JOINT POWERS AGREEMENTS

The State Legislature and the State Highway Commission have approved certain agreements between the Department and various counties, municipalities and other agencies to construct or improve public highways, school grounds, parking areas, and for the purpose of litter control. The Department's funding responsibility varies from zero to 100%. None of these cooperative and joint power agreements have created legally separate organizations that need to be included as component units or joint ventures in the Department's financial statements.

JOINT POWER AGREEMENTS			
Contract Number	Contractor	Description	Expended 2006
J00706	Department of Tourism	Implement a statewide public awareness litter campaign to educate and inform New Mexicans about litter.	-
J00707	Zuni Pueblo	A pedestrian travel demand study for Black Rock Community.	83,000
J00708	Navajo Nation	Road improvements and a maintenance yard at the Bread Springs Chapter of Navajo Nation in McKinley County.	100,000
J00709	Department of Cultural Affairs	Provide FY 2006 – 2010 Consultant Design Program to maintain an inventory of cultural properties in the State of New Mexico.	25,000
J00710	Santa Ana Pueblo	Provide roadside drainage for the Pueblo/cn L3016.	200,000
J00711	Department of Cultural Affairs, Historic Preservation Division	Provide FY 2006 – 2010 Consultant Design Program for the review of cultural resource documents pertinent to the completion of proposed highway construction project in New Mexico.	50,000
J00713	Pueblo of Zuni	Install two traffic school flashing units on State Road 53 Priority (2) BIA Route 301 North Zuni High School.	21,306
J00714	Pueblo of Laguna	Provide for the design and improvement of the Exit 108 Interchange on Interstate Highway 40 and BIA Road L22 on the Pueblo of Laguna Indian Reservation. Escrow agreement between Pueblo of Laguna, NMDOT and Wells Fargo Bank is the escrow agent.	-

**16. RISK MANAGEMENT**

The Department is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the agency carries insurance (Workers' Compensation, Unemployment Compensation, Employee Liability and Transportation Property), with the State of New Mexico Risk Management Division (RMD) of the General Services Department. There are no pending or known threatened legal proceedings involving material matters to which the Department is party.

17. FEDERAL HIGHWAY ADMINISTRATION (FHWA) AUTHORIZATIONS

The FHWA annually allocates funds to the State of New Mexico, which are available for various federally-sponsored projects. The authorizations expire within two to five years from date of authorization.

In order to obtain funding commitments from FHWA for such allotments, projects must be submitted to and be approved by the FHWA. As of June 30, 2006, the amount of authorizations granted to the State of New Mexico that had not been converted to commitments because FHWA did not award sufficient obligation authority to the Department was \$73,000,000.

18. LITIGATION

The Department is subject to various legal proceedings, claims and liabilities, including right-of-way condemnation proceedings, contractor claims and employee claims, which arise in the ordinary course of the Department's operations. There are various contractor lawsuits and claims against the Department for various reasons. The Department contests these claims and if a likelihood of a loss is probable, the Department accrues the loss in the accompanying financial statements. 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.

19. OPERATING LEASE COMMITMENT

The Department leases certain equipment and premises under numerous operating leases. Leases are subject to future appropriation and as such are cancelable by the Department at the end of a fiscal year. Rental expense for the year ended June 30, 2006, was \$1,506,252.

19. OPERATING LEASE COMMITMENT - continued

The future minimum lease payments under operating leases as of June 30, 2006 are approximately as follows:

Years ending June 30:	<u>Lease Amounts</u>
2007	\$ 554,980
2008	441,660
2009	321,000
2010	-
2011	-
2012 and thereafter	-
	<u>\$ 1,317,640</u>

20. COMMITMENTS AND CONTINGENCIES

◆ **Arbitrage Rebate Obligation**

As of June 30, 2006, the Department has paid all arbitrage rebates due to the Internal Revenue Service (IRS) on the excess interest income earned on the 1999 CHAT and 2000 CHAT bond proceeds.

◆ **Grant Revenue**

The Department participates in numerous federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Department has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2006 may be impaired. In the opinion of the Department, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

◆ **Warranty Claim**

The Department has filed a notice of deficiency regarding New Mexico 44 (now U.S. 550) under the design and construction warranty provided by the contractor. The Department has not specified a dollar amount of the cost of the repairs or replacement attributable to its claim made under the warranty. Accordingly, no amount for the claim receivable is accrued for in the June 30, 2006 financial statements.

21. UNRESERVED, UNDESIGNATED FUND BALANCE (DEFICIT)

The unreserved, undesignated fund balance (deficit) is the component of fund balance that represents the portion of the encumbrances that have not been billed to the applicable funding source.

22. PRIOR PERIOD ADJUSTMENT

The following errors in the State Road Fund were corrected as of June 30, 2005. Had these error(s) not been made, the change in fund balance for the year ended June 30, 2005 would have been \$29,068,461 greater for this fund.

	<u>State Road Fund</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 158,666,205
ADJUSTMENTS:	
To correct invalid Due to Other Funds balance that should have been Due from Other Funds	12,657,888
To correct tax revenue and receivable to reflect proper month of revenue and additional month of receivable (June 2006)	24,803,601
To record tax revenue reimbursement to Taxation and Revenue for overpayment	<u>(2,064,084)</u>
TOTAL ADJUSTMENTS	35,397,405
FUND BALANCE, BEGINNING OF YEAR, ADJUSTED	\$ <u>194,063,610</u>

The following errors in the Local Government Road Fund were corrected as of June 30, 2005. Had these error(s) not been made, the change in fund balance for the year ended June 30, 2005 would have been \$1,720,524 greater for this fund.

	<u>Local Government Road Fund</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 17,680,376
ADJUSTMENT:	
To correct tax revenue and receivable to reflect proper month of revenue and additional month of receivable (June 2006)	<u>1,720,253</u>
FUND BALANCE, BEGINNING OF YEAR, ADJUSTED	\$ <u>19,400,629</u>

22. PRIOR PERIOD ADJUSTMENT - continued

The following errors in the 2004A GRIP Fund were corrected as of June 30, 2005. Had these error(s) not been made, the change in fund balance for the year ended June 30, 2005 would have been \$6,328,944 lower for this fund.

	<u>2004A GRIP</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 619,332,742
ADJUSTMENTS:	
To post liability as of June 30, 2005	<u>(6,328,944)</u>
TOTAL ADJUSTMENTS	(6,328,944)
FUND BALANCE, BEGINNING OF YEAR, ADJUSTED	\$ <u>613,003,798</u>

The following errors in the non-major special revenue funds were corrected as of June 30, 2005. Had these error(s) not been made, the change in fund balance for the year ended June 30, 2005 would have been \$418,094 greater for these funds.

	<u>Non-major Special Revenue Funds</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 65,028,409
ADJUSTMENT:	
To correct tax revenue and receivable to reflect proper month of revenue and additional month of receivable (June 2006)	<u>418,094</u>
FUND BALANCE, BEGINNING OF YEAR, ADJUSTED	\$ <u>65,446,503</u>

23. SUBSEQUENT EVENTS

The Department issued \$450 million in new bonds for highway reconstruction and infrastructure improvement projects under Governor Richardson's Investment Partnership (GRIP). The 20-year bonds carry annual interest rates between 4.15 percent and 4.987 percent. The bonds sold at a premium of \$12.5 million.

**24. BUDGET TO GAAP RECONCILIATION – STATE INFRASTRUCTURE BANK**

Budgetary basis revenues	\$	460,073
Adjustments and accruals:		
Interest receivable		75,801
Notes and loans receivable		<u>31,910</u>
GAAP basis revenues	\$	<u><u>567,784</u></u>

SUPPLEMENTARY INFORMATION

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet - By Fund Type -
Non-major Governmental Funds

AS OF JUNE 30, 2006

	Special Revenue Funds								
	Traffic Safety Fund (CAS Fund #208)	State Aviation Fund (CAS Fund #205)	Motorcycle Training Fund (CAS Fund #206)	Driver Improvement Program Fund	DWI Prevention and Education Fund (CAS Fund #207)	Bond Project Fund (1993 Bonds) (CAS Fund #394)	Bond Project Fund (WIPP Bonds)	Bond Project Fund (1998 & 1999 CHAT)	Bond Project Fund (2000 CHAT)
ASSETS:									
Cash and cash equivalents:									
Unrestricted	\$ 3,284,326	625,844	78,661	1,475	573,762	1,460,095	-	219,157	4,527
Restricted	-	-	-	-	-	-	-	-	-
Receivables:									
Taxes receivable, net	298,179	333,236	9,874	23,163	23,088	-	-	-	-
Due from other funds	3,423,860	1,340,226	-	289,504	-	-	-	3,088,612	1,788,987
Receivable from other governments	1,157,159	-	-	-	-	-	-	-	-
Interest receivable	21,782	-	1,053	-	-	9,947	293	1,542	31
Other receivables	739	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 8,186,045	2,299,306	89,588	314,142	596,850	1,470,042	293	3,309,311	1,793,545
LIABILITIES AND FUND BALANCES:									
LIABILITIES:									
Accounts payable	\$ 1,010,959	10,037	-	-	55,396	-	19,477	-	32,300
Due to other funds	4,149,734	174,177	-	-	31,533	37,804	-	1,224,580	3,650,144
Deferred revenue	48,873	-	-	-	-	-	-	-	-
Other accrued expenses	24,937	30,624	-	-	-	-	-	-	-
TOTAL LIABILITIES	5,234,503	214,838	-	-	86,929	37,804	19,477	1,224,580	3,682,444
FUND BALANCES:									
Unreserved, reported in non-major:									
Special revenue funds	2,951,542	2,084,468	89,588	314,142	509,921	1,432,238	(19,184)	2,084,731	(1,888,899)
Capital projects funds	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-
Permanent Endowment Fund	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	2,951,542	2,084,468	89,588	314,142	509,921	1,432,238	(19,184)	2,084,731	(1,888,899)
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,186,045	2,299,306	89,588	314,142	596,850	1,470,042	293	3,309,311	1,793,545

See Notes to Financial Statements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet - By Fund Type -
Non-major Governmental Funds - continued

AS OF JUNE 30, 2006

	Special Revenue Funds						Capital Project Funds		
	Bond Project Fund (2001 CHAT)	Bond Project Fund (2002A CHAT)	Bond Project Fund (2002C HIF)	Bond Project Fund (2002D CHAT)	Bond Project Fund (2004 B/C GRIP)	Federal Planning and Development Fund	Total Special Revenue Funds	Capital Project Improvements Fund	Total Capital Project Funds
ASSETS:									
Cash and cash equivalents:									
Unrestricted	\$ 9,343,403	139,960	1,164,997	670,506	43,782,628	-	61,349,341	-	-
Restricted	-	-	-	-	-	-	-	-	-
Receivables:									
Taxes receivable, net	-	-	-	-	-	-	687,540	-	-
Due from other funds	-	-	-	-	-	-	9,931,189	13,835,328	13,835,328
Receivable from other governments	-	-	-	-	-	759,671	1,916,830	-	-
Interest receivable	66,890	985	9,199	32,111	106,100	-	249,933	-	-
Other receivables	-	-	-	-	-	-	739	-	-
TOTAL ASSETS	\$ 9,410,293	140,945	1,174,196	702,617	43,888,728	759,671	74,135,572	13,835,328	13,835,328
LIABILITIES AND FUND BALANCES:									
LIABILITIES:									
Accounts payable	\$ 294,396	3,036	50,533	944,095	-	31,326	2,451,555	10,623	10,623
Due to other funds	899,327	1,988,154	-	-	-	726,308	12,881,761	-	-
Deferred revenue	-	-	-	-	748,381	-	797,254	-	-
Other accrued expenses	-	-	-	-	-	37,654	93,215	-	-
TOTAL LIABILITIES	1,193,723	1,991,190	50,533	944,095	748,381	795,288	16,223,785	10,623	10,623
FUND BALANCES:									
Unreserved, reported in non-major:									
Special revenue funds	8,216,570	(1,850,245)	1,123,662	(241,477)	43,140,347	(35,617)	57,911,787	-	-
Capital projects funds	-	-	-	-	-	-	-	13,824,705	13,824,705
Debt service funds	-	-	-	-	-	-	-	-	-
Permanent Endowment Fund	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	8,216,570	(1,850,245)	1,123,663	(241,478)	43,140,347	(35,617)	57,911,787	13,824,705	13,824,705
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,410,293	140,945	1,174,196	702,617	43,888,728	759,671	74,135,572	13,835,328	13,835,328

See Notes to Financial Statements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet - By Fund Type -
Non-major Governmental Funds - continued

AS OF JUNE 30, 2006

	Debt Service Funds							
	Debt Service (1993 Bonds)	Debt Service (WIPP Bonds)	Debt Service (1998 CHAT)	Debt Service (1998 NMFA Loan)	Debt Service (1999 CHAT)	Debt Service (2000 CHAT)	Debt Service (2001 NMFA Loan)	Debt Service (2002A CHAT)
ASSETS:								
Cash and cash equivalents:								
Unrestricted	\$ -	82,612	143,308	-	401,572	594,534	-	333,987
Restricted	-	-	-	-	-	-	-	-
Receivables:								
Taxes receivable, net	100	93	-	-	-	-	-	652
Due from other funds	-	13,829	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	-	-	-
Interest receivable	328	7,671	2,691	-	19,350	26,513	-	16,676
Other receivables	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 428</u>	<u>104,205</u>	<u>145,999</u>	<u>-</u>	<u>420,922</u>	<u>621,047</u>	<u>-</u>	<u>351,315</u>
LIABILITIES AND FUND BALANCES:								
LIABILITIES:								
Accounts payable	\$ -	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
FUND BALANCES:								
Unreserved, reported in non-major:								
Special revenue funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-
Debt service funds	428	104,205	145,999	-	420,922	621,047	-	351,315
Permanent Endowment Fund	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>428</u>	<u>104,205</u>	<u>145,999</u>	<u>-</u>	<u>420,922</u>	<u>621,047</u>	<u>-</u>	<u>351,315</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 428</u>	<u>104,205</u>	<u>145,999</u>	<u>-</u>	<u>420,922</u>	<u>621,047</u>	<u>-</u>	<u>351,315</u>

See Notes to Financial Statements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet - By Fund Type -
Non-major Governmental Funds - continued

AS OF JUNE 30, 2006

	Debt Service Funds				
	Debt Service (2002B WIPP)	Debt Service (2002C HIF)	Debt Service (2002D CHAT)	Total Debt Service Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents:					
Unrestricted	\$ 359,201	81,027	15,237	2,011,478	63,360,819
Restricted	-	-	-	-	-
Receivables:					
Taxes receivable, net	-	255	-	1,100	688,640
Due from other funds	-	-	-	13,829	23,780,346
Receivable from other governments	-	-	-	-	1,916,830
Interest receivable	17,426	1,664	329	92,648	342,581
Other receivables	-	-	-	-	739
TOTAL ASSETS	\$ 376,627	82,946	15,566	2,119,055	90,089,955
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ -	-	-	-	2,462,178
Due to other funds	-	-	-	-	12,881,761
Deferred revenue	-	-	-	-	797,254
Other accrued expenses	-	-	-	-	93,215
TOTAL LIABILITIES	-	-	-	-	16,234,408
FUND BALANCES:					
Unreserved, reported in non-major:					
Special revenue funds	-	-	-	-	57,911,787
Capital projects funds	-	-	-	-	13,824,705
Debt service funds	376,627	82,946	15,566	2,119,055	2,119,055
Permanent Endowment Fund	-	-	-	-	-
TOTAL FUND BALANCES	376,627	82,946	15,566	2,119,055	73,855,547
TOTAL LIABILITIES AND FUND BALANCES	\$ 376,627	82,946	15,566	2,119,055	90,089,955

See Notes to Financial Statements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - By Fund Type - Non-major Governmental Funds

AS OF JUNE 30, 2006

	Special Revenue Funds									
	Traffic Safety Fund (CAS Fund #208)	State Aviation Fund (CAS Fund #205)	Motorcycle Training Fund (CAS Fund #206)	Driver Improvement Program Fund	DWI Prevention and Education Fund (CAS Fund #207)	Bond Project Fund (1993 Bonds) (CAS Fund #394)	Bond Project Fund (WIIP Bonds)	Bond Project Fund (1998 & 1999 CHAT)	Bond Project Fund (2000 CHAT)	Bond Project Fund (2001 CHAT)
REVENUES:										
User and fuel taxes	\$ 1,257,145	1,978,889	86,424	184,393	204,386	-	-	-	-	-
U.S. Department of Transportation	6,482,214	885,097	-	-	-	-	-	-	-	-
N.M. Department of Human Services	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	4,740	-	-	-	-	-	-	-	-
DWI Interlock Device	1,185,849	-	-	-	-	-	-	-	-	-
Interest Revenue	92,191	-	4,615	-	-	48,864	1,240	7,594	157	316,388
TOTAL REVENUES	9,017,399	2,868,726	91,039	184,393	204,386	48,864	1,240	7,594	157	316,388
EXPENDITURES:										
Current:										
Operating costs	17,816	63,659	-	-	-	-	-	-	-	-
Personal services	225,945	375,649	-	-	-	-	-	-	-	-
Out-of-state travel	23,239	15,721	-	-	-	-	-	-	-	-
Grants and services	8,102,919	666,997	100,001	162,835	65,062	-	-	-	-	-
Travel	2,462	36,195	-	-	-	-	-	-	-	-
Maintenance and repairs	-	51,047	-	-	-	-	-	-	-	-
Supplies	20,710	21,944	-	-	-	-	-	-	-	-
Contractual services	-	519,883	-	-	-	-	-	-	1,735,753	-
Other Costs	-	16,277	-	-	-	-	-	-	-	-
Employee Benefits	94,901	121,871	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	414,979
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	8,487,992	1,889,243	100,001	162,835	65,062	-	-	-	1,735,753	414,979
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	529,407	979,483	(8,962)	21,558	139,324	48,864	1,240	7,594	(1,735,596)	(98,591)
OTHER FINANCING SOURCES (USES):										
Transfers in:	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	14,674	-	12,821	(36,192)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	14,674	-	12,821	(36,192)	-	-	-
NET CHANGES IN FUND BALANCES	529,407	979,483	(8,962)	36,232	139,324	61,685	(34,959)	7,594	(1,735,596)	(98,591)
FUND BALANCES, June 30, 2005	2,319,756	809,270	98,550	257,210	370,597	1,370,553	15,775	2,077,137	(153,303)	8,315,161
RESTATEMENT (NOTE 2)	102,379	295,715	-	20,000	-	-	-	-	-	-
FUND BALANCES, June 30, 2006	2,422,135	1,104,985	98,550	277,210	370,597	1,370,553	15,775	2,077,137	(153,303)	8,315,161
FUND BALANCES, June 30, 2006	\$ 2,251,532	2,084,468	89,588	313,442	509,921	1,382,238	(12,184)	2,084,731	(1,888,822)	8,216,570

See Notes to Financial Statements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - By Fund Type - Non-major Governmental Funds - continued

AS OF JUNE 30, 2006

	Special Revenue Funds					Capital Project Funds	
	Bond Project Fund (2002A CHAT)	Bond Project Fund (2002C IHF)	Bond Project Fund (2002D CHAT)	Bond Project Fund (2004 B/C CHRP)	Federal Planning and Development Fund	Total Special Revenue Funds	Total Capital Project Funds
REVENUES:							
User and fuel taxes	-	-	-	-	-	3,711,237	-
U.S. Department of Transportation	-	-	-	-	5,127,984	12,495,295	-
N.M. Department of Human Services	-	-	-	-	1,753,264	1,753,264	-
Miscellaneous	-	-	-	-	-	4,740	-
DWI Interlock Device	-	-	-	-	-	1,185,849	-
Interest Revenue	4,849	45,870	174,374	1,021,917	-	1,718,059	-
TOTAL REVENUES	4,849	45,870	174,374	1,021,917	6,881,248	20,868,444	-
EXPENDITURES:							
Current							
Operating costs	-	-	-	-	9,105	90,580	-
Personal services	-	-	-	-	144,709	746,303	-
Out-of-state travel	-	-	-	-	1,082	40,042	-
Grants and services	-	-	-	-	6,881,248	15,979,062	-
Travel	-	-	-	-	2,766	41,423	-
Maintenance and repairs	-	-	-	-	-	51,047	-
Supplies	-	-	-	-	4,326	46,980	-
Contractual services	-	-	-	-	348	2,255,984	1,000,000
Other Costs	-	-	-	-	-	16,277	-
Employee Benefits	-	-	-	-	40,377	257,149	-
Capital outlay	1,128,893	64,976	4,075,322	-	-	5,684,170	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,128,893	64,976	4,075,322	-	7,083,961	25,209,017	1,000,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,124,044)	(19,106)	(3,900,948)	1,021,917	(202,713)	(4,340,573)	(1,000,000)
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	-	-	304	304	-
Transfers out	-	-	-	944,033	(63,141)	872,188	12,000,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	944,033	(62,837)	872,492	12,000,000
NET CHANGES IN FUND BALANCES	(1,124,044)	(19,106)	(3,900,948)	1,965,950	(265,550)	(3,468,081)	11,000,000
FUND BALANCES, June 30, 2005	(726,201)	1,142,769	3,659,470	41,174,327	229,933	60,961,774	2,824,705
RESTATEMENT (NOTE 22)	-	-	-	-	-	418,094	-
FUND BALANCES, June 30, 2006	(726,201)	1,142,769	3,659,470	41,174,327	229,933	61,379,868	2,824,705
FUND BALANCES, June 30, 2006	\$ (1,850,245)	1,123,663	(241,478)	43,140,347	(35,617)	57,911,787	13,824,705

See Notes to Financial Statements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - By Fund Type - Non-major Governmental Funds - continued

AS OF JUNE 30, 2006

	Debt Service Funds								
	Debt Service (1993 Bonds)	Debt Service (WHPP Bonds)	Debt Service (1998 CHAT)	Debt Service (1998 NMFA Loan)	Debt Service (1999 CHAT)	Debt Service (2000 CHAT)	Debt Service (2001 NMFA Loan)	Debt Service (2002A CHAT)	Debt Service (2002B WHPP)
REVENUES:									
User and fuel taxes	\$ -	-	-	-	-	-	-	-	-
U.S. Department of Transportation	-	-	-	-	-	-	-	-	-
N.M. Department of Human Services	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
DWI Interlock Device	-	-	-	-	-	-	-	-	-
Interest Revenue	1,730	83,513	17,163	-	220,311	301,899	-	189,365	190,893
TOTAL REVENUES	1,730	83,513	17,163	-	220,311	301,899	-	189,365	190,893
EXPENDITURES:									
Current:									
Operating costs	-	-	-	-	-	-	-	-	-
Personal services	-	-	-	-	-	-	-	-	-
Out-of-state travel	-	-	-	-	-	-	-	-	-
Grants and services	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	-	-	-
Other Costs	-	-	-	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	-	2,785,000	-	-	8,920,000	11,700,000	-	7,180,000	7,730,000
Interest and other charges	-	1,890,863	1,125,450	-	2,090,706	3,781,875	-	2,737,100	1,620,750
TOTAL EXPENDITURES	-	4,675,863	1,125,450	-	11,010,706	15,481,875	-	9,917,100	9,420,750
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,730	(4,592,350)	(1,108,287)	-	(10,790,395)	(15,179,976)	-	(9,727,735)	(9,229,857)
OTHER FINANCING SOURCES (USES):									
Transfers in	(50,625)	4,675,863	1,125,450	-	11,010,706	15,481,875	-	9,917,100	9,420,750
Transfers out	-	(100,383)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(50,625)	4,575,480	1,125,450	-	11,010,706	15,481,875	-	9,917,100	9,420,750
NET CHANGES IN FUND BALANCES	(48,895)	(16,870)	17,163	-	220,311	301,899	-	189,365	190,893
FUND BALANCES, June 30, 2005	49,323	121,075	128,836	-	200,611	319,148	-	161,950	185,734
RESTATEMENT (NOTE 2)	-	-	-	-	-	-	-	-	-
FUND BALANCES, June 30, 2006	49,323	121,075	128,836	-	200,611	319,148	-	161,950	185,734
FUND BALANCES, June 30, 2006	\$ 428	104,205	145,929	-	420,922	621,047	-	351,315	376,627

See Notes to Financial Statements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - By Fund Type - Non-major Governmental Funds - continued

AS OF JUNE 30, 2006

	Debt Service Funds			Total-Other Governmental Funds
	Debt Service (2002C HHF)	Debt Service (2002D CHAT)	Total Debt Service Funds	
REVENUES				
Use and fuel taxes	\$ -	-	-	3,711,237
U.S. Department of Transportation	-	-	-	12,495,295
N.M. Department of Human Services	-	-	-	1,753,264
Miscellaneous	-	-	-	4,740
DWI Interlock Device	-	-	-	1,185,849
Interest Revenue	20,129	3,130	1,028,133	2,746,192
TOTAL REVENUES	20,129	3,130	1,028,133	21,896,577
EXPENDITURES				
Current:				
Operating costs	-	-	-	90,580
Personal services	-	-	-	746,303
Out-of-state travel	-	-	-	40,042
Grants and services	-	-	-	15,979,062
Travel	-	-	-	41,423
Maintenance and repairs	-	-	-	51,047
Supplies	-	-	-	46,980
Contractual services	-	-	-	3,255,984
Other Costs	-	-	-	16,277
Employee Benefits	-	-	-	257,149
Capital outlay	-	-	-	5,684,170
Debt service:				
Principal	-	-	38,315,000	38,315,000
Interest and other charges	1,709,524	254,825	15,281,093	15,281,093
TOTAL EXPENDITURES	1,709,524	254,825	54,624,226	79,805,110
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,689,395)	(251,695)	(52,567,960)	(57,908,533)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,709,524	254,825	53,545,468	53,545,772
Transfers out	-	-	(100,383)	12,771,805
TOTAL OTHER FINANCING SOURCES (USES)	1,709,524	254,825	53,445,085	66,317,577
NET CHANGES IN FUND BALANCES	20,129	3,130	877,125	8,409,044
FUND BALANCES, June 30, 2005	62,817	12,436	1,241,930	65,028,409
RESTATEMENT (NOTE 22)	-	-	-	418,094
FUND BALANCES, June 30, 2006	62,817	12,436	1,241,930	65,446,503
FUND BALANCES, June 30, 2006	\$ 82,946	15,566	2,119,055	73,855,547

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures - Capital Project Fund -
Budget and Actual

AS OF JUNE 30, 2006

CAPITAL PROJECTS FUND								
	Budgeted Amounts		Current Year Expenditures	Life-to-Date Outstanding Encumbrances	Total Actual	Prior Year Actual	Total Expenditures	Variance From Final Budget - Over (Under)
	Original	Final						
Expenditures for 2004 multi-year projects Capital outlay	\$ 2,000,000	2,000,000	-	-	-	1,804,124	1,804,124	195,876
Expenditures for 2001 multi-year projects Capital outlay	2,238,000	2,197,574	-	-	-	17,350	17,350	2,180,224
Expenditures for 2000 multi-year projects Capital outlay	2,094,300	2,828,452	-	2,129	2,129	185,364	187,493	2,640,959
Expenditures for 2006 multi-year projects Capital outlay	15,250,000	15,250,000	1,000,000	1,911,978	<u>2,911,978</u>	-	2,911,978	12,338,022
Total expenditures					\$ <u>2,914,107</u>			

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures -
Budget and Actual

YEAR ENDED JUNE 30, 2006

STATE INFRASTRUCTURE BANK					
		Budgeted Amounts		Actual Amounts	Variance
		Original	Final	(Budgetary Basis)	Over (Under)
REVENUES:					
Interest	\$	-	-	460,073	460,073
TOTAL REVENUES		-	-	460,073	460,073
REBUDGETED CASH		15,311,281	15,311,281	15,311,281	-
TOTAL BUDGETED REVENUES	\$	15,311,281	15,311,281	15,771,354	460,073
EXPENDITURES:					
Contractual services	\$	12,224,326	12,224,326	-	12,224,326
TOTAL BUDGETED EXPENDITURES	\$	12,224,326	12,224,326	-	12,224,326

REQUIRED SUPPLEMENTARY INFORMATION

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Combined Schedule of Revenues and Expenditures -
Special Revenue and Debt Service Fund Types -
Budget and Actual**

YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE AND DEBT SERVICE FUNDS			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	Over (Under)
REVENUES:				
Federal funds	\$ 315,491,700	440,796,383	324,766,138	(116,030,245)
Other state funds	407,278,300	436,413,842	63,825,274	(372,588,568)
State General Fund	<u>706,000</u>	<u>706,000</u>	<u>431,518,733</u>	<u>430,812,733</u>
TOTAL REVENUES	<u>723,476,000</u>	<u>877,916,225</u>	<u>820,110,145</u>	<u>(57,806,080)</u>
PRIOR YEAR ENCUMBRANCE				
CARRY FORWARD	<u>228,086,494</u>			
	\$ <u>951,562,494</u>			

This schedule contains budget to actual data on all major and nonmajor Special Revenue and Debt Service Funds of the Department.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combined Schedule of Revenues and Expenditures -
Special Revenue and Debt Service Fund Types -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Current Year	Life-to-Date	Total	Prior	Total	Variance
	Original	Final	Expenditures	Outstanding	Actual	Year	Expenditures	Over (Under)
				Encumbrances		Actual		
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ 723,476,000	1,106,002,719	1,039,227,741	66,774,978	1,106,002,719	-	1,106,002,719	-
Multi-year Budgets - Special Revenue Funds:								
Expenditures for 2006 multi-year projects:								
Severance tax -								
Contractual services	1,921,000	14,890,000	723,232	13,516,768	14,240,000	-	14,240,000	650,000
General fund -								
Contractual services	-	16,072,810	1,755,181	13,070,243	14,825,424	-	14,825,424	1,247,386
Total expenditures for 2006								
multi-year budgeted projects	1,921,000	30,962,810	2,478,413	26,587,011	29,065,424	-	29,065,424	1,897,386
Expenditures for 2005 multi-year projects:								
Severance tax -								
Contractual services	19,111,750	23,764,750	2,266,585	14,494,334	16,760,919	-	16,760,919	7,003,831
General fund -								
Contractual services	10,743,657	11,791,221	2,240,810	9,172,159	11,412,969	-	11,412,969	378,252
Total expenditures for 2005								
multi-year budgeted projects	29,855,407	35,555,971	4,507,395	23,666,493	28,173,888	-	28,173,888	7,382,083
Expenditures for 2004 multi-year projects:								
Severance tax -								
Contractual services	7,961,349	7,665,349	1,575,683	4,247,456	5,823,139	1,595,988	7,419,127	246,222
General fund -								
Contractual services	10,451,228	10,403,665	632,996	4,169,701	4,802,697	2,034,445	6,837,142	3,566,523
Total expenditures for 2004								
multi-year budgeted projects	18,412,577	18,069,014	2,208,679	8,417,157	10,625,836	3,630,433	14,256,269	3,812,745

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combined Schedule of Revenues and Expenditures -
Special Revenue and Debt Service Fund Types -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Current Year	Life-to-Date	Total	Prior	Total	Variance
	Original	Final	Expenditures	Outstanding	Actual	Year	Expenditures	Over (Under)
				Encumbrances		Actual		
Expenditures for 2003 multi-year projects:								
Severance tax -								
Contractual services	\$ 2,342,100	9,262,100	1,263,965	2,631,322	3,895,287	5,170,759	9,066,046	196,054
Total expenditures for 2003								
multi-year budgeted projects	2,342,100	9,262,100	1,263,965	2,631,322	3,895,287	5,170,759	9,066,046	196,054
Expenditures for 2002 multi-year projects:								
Severance tax -								
Contractual services	347,500	345,469	176,900	9,797	186,697	158,771	345,468	1
Total expenditures for 2002								
multi-year budgeted projects	347,500	345,469	176,900	9,797	186,697	158,771	345,468	1
Expenditures for 2001 multi-year projects:								
Severance tax -								
Contractual services	6,910,784	6,848,528	528,567	602,610	1,131,177	5,563,165	6,694,342	154,186
General fund -								
Contractual services	2,577,500	2,542,129	169,088	289,398	458,486	1,948,068	2,406,554	135,575
Total expenditures for 2001								
multi-year budgeted projects	9,488,284	9,390,657	697,655	892,008	1,589,663	7,511,233	9,100,896	289,761
Expenditures for 2000 multi-year projects:								
Severance tax -								
Contractual services	5,677,682	5,478,958	-	-	-	5,213,907	5,213,907	265,051
Total expenditures for 2000								
multi-year budgeted projects	5,677,682	5,478,958	-	-	-	5,213,907	5,213,907	265,051

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combined Schedule of Revenues and Expenditures -
Special Revenue and Debt Service Fund Types -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Current Year Expenditures	Life-to-Date Outstanding Encumbrances	Total Actual	Prior Year Actual	Total Expenditures	Variance Over (Under)
	Original	Final						
Expenditures for 1999 multi-year projects:								
Severance tax -								
Contractual services	\$ 8,985,435	7,964,561	-	-	-	7,946,543	7,946,543	18,018
Total expenditures for 1999								
multi-year budgeted projects	\$ 8,985,435	7,964,561	-	-	-	7,946,543	7,946,543	18,018
TOTAL ANNUAL AND MULTI-YEAR BUDGETED EXPENDITURES			\$ 1,050,560,748		1,179,539,514			

SUPPLEMENTAL SCHEDULES

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Severance Tax Bonds

AS OF JUNE 30, 2006

Chapter	Laws	Bonds Appropriated	Bonds Sold	Amounts AIPP	Funds Reauthorized	Funds Reverted	Bond Balance After Reauthorization	Amount Received	Expended To Date	Balance Available
148	1994	\$ 50,000	50,000	-	-	-	50,000	49,950	49,950	50
2	1999	5,880,821	4,719,721	-	-	(441,694)	4,278,027	4,225,479	4,225,479	52,548
23	2000	7,138,284	7,138,284	-	-	(316,117)	6,822,167	6,655,896	6,655,895	166,272
23	2001	55,000	55,000	-	-	(8,678)	46,322	45,203	45,203	1,119
110	2002	9,491,910	9,491,910	-	-	(953)	9,490,957	6,722,258	6,762,258	2,728,699
429	2003	7,632,100	7,632,100	(1,250)	-	(51,495)	7,579,355	4,464,870	4,755,519	2,823,836
126	2004	23,518,750	23,518,750	-	-	-	23,518,750	8,677,092	9,629,597	13,889,153
347	2005	14,107,000	14,107,000	-	-	-	14,107,000	481,169	723,232	13,383,768
111	2006	<u>22,429,900</u>	<u>22,429,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,429,900</u>	<u>-</u>	<u>-</u>	<u>22,429,900</u>
		\$ <u>90,303,765</u>	<u>89,142,665</u>	<u>(1,250)</u>	<u>-</u>	<u>(818,937)</u>	<u>88,322,478</u>	<u>31,321,917</u>	<u>32,847,133</u>	<u>55,475,345</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Special Appropriations

AS OF JUNE 30, 2006

	Appropriation Amount	Expenditures Inception to 6/30/2006	Encumbrance Balance as of 6/30/2006	Reappropriation Amount	Reversion Amount	Balance as of 6/30/2006
<u>Special Revenue Funds</u>						
Laws of 1991, Chapter 10	\$ 250,000	-	-	-	-	250,000
* Laws of 1994, State House Memorial 110	11,505,000	9,386,782	-	-	2,118,218	-
* Laws of 1994, Senate Memorial 130	11,278,000	9,179,460	-	-	2,098,540	-
Laws of 2000, Chapter 23	2,577,500	2,117,156	289,398	-	35,370	135,576
Laws of 2003, Chapter 385	975,500	407,460	550,000	-	-	18,040
Laws of 2003, Chapter 429	4,631,200	659,981	3,619,701	-	47,563	303,955
Laws of 2004, Chapter 126	4,830,728	925,134	3,627,343	-	-	278,251
Laws of 2004, Chapter 126	<u>5,812,930</u>	<u>315,676</u>	<u>5,397,253</u>	<u>-</u>	<u>-</u>	<u>100,001</u>
	41,860,858	22,991,649	13,483,695	-	4,299,691	1,085,823
<u>Capital Projects Funds</u>						
Laws of 1999, Chapter 2	2,943,000	2,820,052	2,129	-	114,548	6,270
Laws of 2004, Chapter 126	<u>2,000,000</u>	<u>1,804,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,876</u>
	<u>4,943,000</u>	<u>4,624,176</u>	<u>2,129</u>	<u>-</u>	<u>114,548</u>	<u>202,146</u>
Total all fund types	\$ <u>46,803,858</u>	<u>27,615,825</u>	<u>13,485,824</u>	<u>-</u>	<u>4,414,239</u>	<u>1,287,969</u>

* Note: State House and Senate Memorials are directions on how appropriated monies should be spent. They are not laws.

◆ ***Special Revenue Fund***

Under the Laws of 1991, Chapter 10, the Department was directed to expend \$250,000 from the State Road Fund to conduct a study of financing options and evaluation of environmental issues relating to a proposed rapid rail system.

Under the Laws of 1994, House Memorial 110 and Senate Memorial 130, the Department was directed to expend \$11,505,000 and \$11,278,000, respectively, from the State Road Fund for certain infrastructure improvements.

Under the Laws of 2000, Chapter 23, the Department was directed to expend \$975,000 from the State Road Fund to conduct a study of financing options and evaluation of environmental issues relating to a proposed rapid rail system.

Under the Laws of 2003, Chapter 385, the Department was appropriated \$975,800 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2008 fiscal year will revert to the State General Fund.

Under the Laws of 2003, Chapter 429, the Department was appropriated \$4,631,200 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2008 fiscal year will revert to the State General Fund.

◆ ***Capital Projects Fund***

Under the Laws of 1999, Chapter 2, the Department was appropriated \$2,043,000 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2003 fiscal year was reverted to the State Road Fund. Under the laws of 2004, Chapter 126, the appropriation end date was extended for one capital project that totaled \$712,000 through the end of the 2009 fiscal year. Any unexpended or unencumbered balance remaining at the end of the 2009 fiscal year for this project will revert to the State Road Fund.

Under the Laws of 2003, Chapter 429, the Department was appropriated \$4,500,000 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2008 fiscal year will revert to the State Road Fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Individual Bank Accounts

AS OF JUNE 30, 2006

Account Title	CAS Number	Reconciled Balance	Bank Balance
<i>Cash on Deposit with State Treasurer:</i>			
Road Fund - General	201	\$ 62,149,109	96,103,299
Road Fund - Payroll	788	294,229	342,842
Highway Department - WIPP Project	431	30,262,627	30,262,627
Rubberized Asphalt	820	1,921,035	1,921,035
Highway Infrastructure Fund	202	6,036,746	6,036,746
Local Government Fund	203	20,723,524	20,723,524
Traffic Safety	208	2,098,477	2,098,377
Aviation Fund	205	626,606	626,606
Motorcycle Training Fund	206	78,661	78,661
DWI Prevention Fund	207	573,762	573,762
DWI Interlock Fund	896	1,185,849	1,185,849
CHAT-2001A Bond Project-Hyway	006	9,343,403	9,357,194
1993 Bond Projects	394	1,460,095	1,460,095
State Infrastructure Bank	893	10,765,589	10,766,044
1999 CHAT Bond Projects	430	219,157	219,157
1998A CHAT Debt Service	548	126,596	126,596
1999 CHAT Debt Service	434	122,855	122,855
2000A CHAT Bond Projects	345	4,527	4,527
2000A CHAT Debt Service	432	182,476	182,476
2001A CHAT Debt Service	007	231,021	231,021
2002A CHAT Bond Projects	368	139,960	139,960
Cash Debt Service-CHAT-2002A	547	74,724	74,724
Cash Debt Service-WIPP-2002B	750	99,174	99,174
2002C HIF Bond Projects	361	1,165,800	1,164,997
Cash Debt Service-HIF-2002C	363	55,641	55,641
Cash-Bond Proj.-CHAT-2002D	115	670,506	670,506
Cash-Debt Service-CHAT-2002D	187	<u>11,453</u>	<u>11,453</u>
<i>Total Cash on Deposit with State Treasurer</i>		150,623,602	\$ <u><u>184,639,748</u></u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Individual Bank Accounts - continued

AS OF JUNE 30, 2006

Account Title	Reconciled Balance
<i>NMFA Loan Proceeds in money market mutual funds</i>	
NMFA Loan Proceeds in money market mutual funds	\$ 463,107,992
<i>Petty Cash Checking Accounts:</i>	
Petty Cash Funds:	
District 1	500
District 2	500
District 3	500
District 4	500
District 5	500
District 6	500
General Office (Santa Fe)	<u>100</u>
<i>Total Petty Cash Checking Accounts</i>	<u>3,100</u>
<i>Total Cash</i>	613,734,694
<i>Less Unrestricted</i>	<u>91,680,839</u>
<i>Restricted</i>	\$ <u>522,053,855</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of
State Road Fund User and Fuel Taxes

YEAR ENDED JUNE 30, 2006

Gasoline Excise Taxes	\$ 109,723,481
Motor Vehicle Registration Fees	71,469,931
Special Fuel Excise Taxes	97,126,880
Vehicle Transaction Fees	1,609,762
Drivers License Fees	3,943,990
Oversize/Overweight Permit Fees	4,387,102
Public Regulation Commission	3,676,516
Trip (Mileage) Tax	8,576,084
Weight/Distance Taxes	76,452,805
Leased Vehicle Gross Receipts Taxes	5,143,492
Tire Recycling Fees	<u>1,733,999</u>
Subtotal Pledged Revenues	383,844,042
Miscellaneous Fees	<u>2,631,621</u>
	\$ <u>386,475,663</u>

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AS OF JUNE 30, 2006

	<u>1998B-WIPP</u>	<u>1998-CHAT</u>	<u>1999-CHAT</u>	<u>2000-CHAT</u>	<u>2001-CHAT</u>
Gasoline Excise Taxes	\$ 109,723,481	109,723,481	109,723,481	109,723,481	109,723,481
Motor Vehicle Registration Fees	71,469,931	71,469,931	71,469,931	71,469,931	71,469,931
Special Fuel Excise Taxes	97,126,880	97,126,880	97,126,880	97,126,880	97,126,880
Vehicle Transaction Fees	1,609,762	1,609,762	1,609,762	1,609,762	1,609,762
Driver's License Fees	3,943,990	3,943,990	3,943,990	3,943,990	3,943,990
Oversize/Oversight Permit Fees	4,387,102	4,387,102	4,387,102	4,387,102	4,387,102
Public Regulation Commission Fees	3,676,516	3,676,516	3,676,516	3,676,516	3,676,516
Trip (Mileage) Tax	8,576,084	8,576,084	8,576,084	8,576,084	8,576,084
Weight/Distance Taxes	76,452,805	76,452,805	76,452,805	76,452,805	76,452,805
Leased Vehicle Gross Receipts Taxes	-	-	-	-	-
Tire Recycling Fees	-	-	-	-	-
FHWA Revenues	-	-	-	-	-
SUBTOTAL	376,966,551	376,966,551	376,966,551	376,966,551	376,966,551
Interest on Cash Balances*	<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>
TOTAL PLEDGED REVENUES RECEIVED	\$ <u>378,205,075</u>	<u>378,205,075</u>	<u>378,205,075</u>	<u>378,205,075</u>	<u>378,205,075</u>
	<u>1998B-WIPP</u>	<u>1998-CHAT</u>	<u>1999-CHAT</u>	<u>2000-CHAT</u>	<u>2001-CHAT</u>
Debt Service Principal Expenditures	\$ 2,785,000	-	8,920,000	11,700,000	14,785,000
Debt Service Interest Expenditures	<u>1,890,862</u>	<u>1,125,450</u>	<u>2,090,706</u>	<u>4,391,825</u>	<u>7,088,398</u>
TOTAL DEBT SERVICE	<u>4,675,862</u>	<u>1,125,450</u>	<u>11,010,706</u>	<u>16,091,825</u>	<u>21,873,398</u>
DEBT SERVICE COVERAGE	<u>80.88</u>	<u>336.05</u>	<u>34.35</u>	<u>23.50</u>	<u>17.29</u>

*NOTE: In addition to state road fund revenues, pledged revenues on 2004C GRIP include FHWA revenues, tire recycling fees, leased vehicle gross receipts tax, and interest earned in the HIF fund.

Supplemental Schedule of Debt Service and Coverage

<u>2002A-CHAT</u>	<u>2002C-HIF</u>	<u>2002B-WIPP</u>	<u>2002D-CHAT</u>	<u>2004A-CRIP</u>	<u>2004B-CRIP</u>	<u>2004C-CRIP</u>
109,723,481	109,723,481	109,723,481	109,723,481	109,723,481	109,723,481	109,723,481
71,469,931	71,469,931	71,469,931	71,469,931	71,469,931	71,469,931	71,469,931
97,126,880	97,126,880	97,126,880	97,126,880	97,126,880	97,126,880	97,126,880
1,609,762	1,609,762	1,609,762	1,609,762	1,609,762	1,609,762	1,609,762
3,943,990	3,943,990	3,943,990	3,943,990	3,943,990	3,943,990	3,943,990
4,387,102	4,387,102	4,387,102	4,387,102	4,387,102	4,387,102	4,387,102
3,676,516	3,676,516	3,676,516	3,676,516	3,676,516	3,676,516	3,676,516
8,576,084	8,576,084	8,576,084	8,576,084	8,576,084	8,576,084	8,576,084
76,452,805	76,452,805	76,452,805	76,452,805	76,452,805	76,452,805	76,452,805
-	5,143,492	-	-	5,143,492	5,143,492	5,143,492
-	1,733,999	-	-	1,733,999	1,733,999	1,733,999
-	-	-	-	-	-	<u>292,847,438</u>
376,966,551	383,844,042	376,966,551	376,966,551	383,844,042	383,844,042	676,691,480
<u>1,238,524</u>	<u>124,100</u>	<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>
<u>378,205,075</u>	<u>383,968,142</u>	<u>378,205,075</u>	<u>378,205,075</u>	<u>385,082,566</u>	<u>385,082,566</u>	<u>677,930,004</u>
<u>2002A-CHAT</u>	<u>2002-HIF</u>	<u>2002B-WIPP</u>	<u>2002D-CHAT</u>	<u>2004A-CRIP</u>	<u>2004B-CRIP</u>	<u>2004C-CRIP</u>
7,180,000	-	7,730,000	-	-	27,940,000	-
<u>2,737,100</u>	<u>1,709,524</u>	<u>1,690,750</u>	<u>254,825</u>	<u>36,216,759</u>	<u>10,038,865</u>	<u>7,868,000</u>
<u>9,917,100</u>	<u>1,709,524</u>	<u>9,420,750</u>	<u>254,825</u>	<u>36,216,759</u>	<u>37,978,865</u>	<u>7,868,000</u>
<u>38.14</u>	<u>224.61</u>	<u>40.15</u>	<u>1,484.18</u>	<u>10.63</u>	<u>10.14</u>	<u>86.16</u>

SINGLE AUDIT

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Expenditures of Federal Awards

YEAR ENDED JUNE 30, 2006

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
<u>Direct Assistance Programs:</u>		
U.S. Department of Energy:		
Waste Isolation Pilot Plant 2004	81.106	\$ <u>27,843,754</u>
Total U.S. Department of Energy		27,843,754
U.S. Department of Transportation:		
Federal Highway Administration highway research, planning and construction (FHWA):		
FHWA Secondary	20.205	107,110,517
FHWA Primary	20.205	73,841,478
FHWA Interstate	20.205	43,731,904
FHWA Urban	20.205	11,242,888
FHWA Other	20.205	<u>43,567,377</u>
		279,494,164
National Highway Traffic Safety Administration (NHTSA):		
Highway Safety Grant	20.600	3,915,027
Fatal Accident Reporting System	20.600	60,257
Occupant Protection Program	20.602	526,771
Safety Incentive Grant for Use of Seatbelts	20.604	363,809
Seatbelt Improvement - Discretionary Innovative	20.604	170,565
Section 164 Transfer Funds	20.608	<u>4,625,176</u>
		9,661,605

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Expenditures of Federal Awards - continued



YEAR ENDED JUNE 30, 2006

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
<u>Direct Assistance Programs</u> - continued:		
U.S. Department of Transportation - continued:		
Federal Aviation Division:		
State Planning	20.106	\$ 885,097
Federal Transit Administration (FTA):		
Capital Program Grants and Loans	20.500	1,052,867
Metropolitan and State Planning	20.505	183,124
Rural Public Transportation Program	20.509	3,311,164
Specialized Transportation Program	20.513	<u>581,099</u>
		<u>5,128,254</u>
Total U.S. Department of Transportation		<u>295,169,120</u>
Total Direct Assistance Programs		323,012,874
Pass-Through Programs:		
U.S. Department of Health Granted to the New Mexico		
Department of Human Services		
Health Resources and Services Administration:		
Temporary Assistance for Needy Families	93.558	<u>1,753,264</u>
Total Pass-Through Programs		<u>1,753,264</u>
Total Federal Financial Assistance		\$ <u>324,766,138</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Supplemental Schedule of Expenditures of Federal Awards

◆ *General*

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

◆ *Basis of Accounting*

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

Federal grant revenues collected in advance of the period they are intended to finance expenditures are recorded as deferred revenues, except for the amounts for the State Infrastructure Bank, which are recorded as contributions when they are received. The Department did not receive non-cash assistance from federal sources during the current year.

◆ *Reconciliation of Federal Awards*

Statement of Revenues, Expenditures and Changes in Fund Balances

U.S. Department of Transportation	\$ 295,169,120
U.S. Department of Energy	27,843,754
NM Department of Human Services	<u>1,753,138</u>
Supplemental Schedule of Expenditures, of Federal Awards	\$ <u>324,766,138</u>



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

Members of the Commission
New Mexico Department of Transportation and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor

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We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico Department of Transportation (Department) as of and for the year ended June 30, 2006, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds presented as supplementary information in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2006, as listed in the table of contents, and have issued our report thereon dated December 11, 2006. We also have audited the combined budget comparisons for the special revenue and debt service funds presented as required supplemental information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the Department's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all

Members of the Commission
New Mexico Department of Transportation and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor

reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. We noted other findings involving internal control over financial reporting which are described in the accompanying audit findings as 06-1, 05-2, 05-3, 05-4 and 05-6.

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 instances of immaterial noncompliance and other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 06-1, 05-2, 05-3, 05-4 and 05-6.

This report is intended solely for the information and use of the Commissioners, the Department, the Office of the State Auditor and 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.

Meyners + Company, LLC
December 11, 2006

**REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Members of the Commission
New Mexico Department of Transportation and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor



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Compliance

We have audited the compliance of the State of New Mexico Department of Transportation (Department), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. 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 the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Members of the Commission
New Mexico Department of Transportation and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Commissioners, the Department, the Office of the State Auditor, and federal award agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mayhew + Company, LLC
December 11, 2006

YEAR ENDED JUNE 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Department of Transportation (Department).
2. One reportable condition relating to the audit of financial statements of the Department was identified, and is not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the Department were disclosed during the audit.
4. There were no reportable conditions in the internal control over major programs disclosed by the Department.
5. There were no audit findings that the auditor is required to report under 510(a) of Circular A-133.
6. The auditors' report on compliance for the major federal award programs for the Department expresses an unqualified opinion.
7. The programs tested as the major programs included:

Program	CFDA #
Federal Highway Administration Programs (FHWA)	20.205
Waste Isolation Plant 2004	81.106

8. The threshold for distinguishing Types A and B programs was \$3,000,000.
9. The Department is considered a low risk auditee.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

06-1 INVENTORY RECONCILIATIONS

Condition: During our test work of inventories for the General Office and Districts, we noted the following:

- There were unresolved variances at year end, identified in the inventory reconciliations for the General Office District 1, District 4, and District 5.

Criteria: Per Section 6-5-2, NMSA 1978, the General Office and Districts must maintain timely and accurate inventory and accounting records that record in detail each item in the inventory, the number of units, cost, date received, and vendor for each purchase. At the end of each fiscal year, inventory of materials and supplies on hand should be counted and reconciled with inventory records of goods on hand. When significant shortages or overages are found, the New Mexico Department of Transportation shall determine the cause(s) and augment internal controls as necessary to control and minimize any future occurrences.

Cause: Lack of sufficient management oversight and proper training of staff to identify and correct variances.

Effect: Significant inventories reported at year end could be inaccurate and non-compliant with Generally Accepted Accounting Principles.

Recommendation: *We recommend that the Department review its inventory reconciliation process and strengthen the internal control process.*

Management's Response: The Capital Assets unit will continue to work with the districts in identifying and resolving all inventory reconciliation variances. The district business managers and the district engineers will be notified on any unresolved variances. Training will be coordinated by the Capital Assets unit to ensure that all district staff are knowledgeable and familiar with the Department's Model Accounting practices and all applicable policy and procedures pertaining to the Department's inventory assets.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

05-2 PERSONNEL AND PAYROLL (REPEATED AND MODIFIED)

Condition: During our payroll disbursements test work, we noted the following:

- Three out of forty personnel files did not contain a PERA form.

Criteria: Personnel files must contain complete and current information on employees per State Personnel Act (10-9-1 to 10-9-25 NMSA 1978) and Internal Revenue Service (IRS) Publication 15.

Cause: Lack of sufficient management oversight.

Effect: The Department may not be able to support payroll transactions.

Recommendation: We recommend that the NMDOT put procedures in place to ensure the completeness of personnel files as required.

Management's Response: *The Department continues to make progress in this area and procedures will be strengthened to ensure completeness of personnel files.*

**05-3 GRIP POSTING ERRORS (REPEATED AND MODIFIED),
REPORTABLE CONDITION**

Condition: During our audit, we noted the following posting errors that were corrected as audit entries:

- Activity for trustee accounts was not posted accurately.
- Cash accounts held at trustee were not reconciled during the course of the year.

Criteria: Accounting transactions should be properly recorded to the correct fund and general ledger account. All accounting transactions must be recorded to ensure completeness of the accounting records.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued****05-3 GRIP POSTING ERRORS (REPEATED AND MODIFIED),
REPORTABLE CONDITION - continued**

Cause: Insufficient resources allocated to the review process.

Effect: The Department's general ledger was misstated as follows:

- Cash held at trustee was overstated.
- Investment fees were not recorded, and were therefore understated.
- Gains and losses were not recorded, and were therefore understated.
- Transfers between trustee accounts were not recorded.
- Interest receivable was not recorded at year end. As a result, revenue was understated.

Recommendation: The Department should implement improvements in the review function to ensure transactions are being properly recorded to the correct fund and general ledger account.

Management's Response: *Staff turnover during FY 06 in the Bond Unit and Accounting Services Manager position were some of the underlying factors contributing towards this finding. The Department, upon being notified of this finding, immediately took efforts to work with the auditors on providing enhanced information and has already taken measures to enhance and strengthen processes in the posting and review functions. The Department will review the feasibility of obtaining services from an Independent Public Accounting firm with Investment Accounting expertise to consult with Department staff, to ensure that all transactions are posted accurately and in accordance with all applicable rules and regulations, and that monthly reviews and reconciliations are performed timely and accurately to detect any potential problems.*

05-4 LACK OF SEGREGATION OF DUTIES (REPEATED)

Condition: The Department's Financial Management Information System (FMIS) administrator and the FMIS Contractor are assigned both system and program analyst responsibilities. Also, the program analysts have access to FMIS applications in live operation and thus have access to live data. The duties performed by the IT personnel are not rotated.

Criteria: There should be a separation of duties between program analysts and the system administrator. Programmers should work in a test environment and be denied access to live applications and data. Duties of the IT personnel should be rotated periodically to enhance controls over the IT function.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

05-4 LACK OF SEGREGATION OF DUTIES (REPEATED) - continued

Cause: Lack of sufficient staff to provide for segregation.

Effect: The Department and the contractor, FMIS system administrators/programmers, are able to grant themselves the authority needed to the production environment. This could result in accidental or intentional modifications to the application software or live data.

Without rotation, data could be improperly modified and such changes could go unnoticed. Additionally, without rotation, it becomes difficult to maintain efficient operations when there is employee turnover.

Recommendation: We recommend the Information Systems Bureau obtain sufficient staffing to allow proper segregation of duties between system administration and programming duties; programmers should not be allowed to work in production environments; and duties should be rotated.

Management's Response: The Department, along with all state agencies, has changed financial and accounting software; this should not be a finding next year as the Department of Finance and Administration is responsible for software maintenance on the new system (SHARE).

05-6 DISASTER RECOVERY PLAN (REPEATED)

Condition: The Department's Disaster Recovery Plan contains references to a "Hot Site" which has not yet been established. There are no written procedures in place for the following IT functions:

- Preventing the testing of new or revised applications on live data files.
- Development of new applications, as well as modifications of existing applications.
- Formal testing to check the functioning of new applications.
- Day-to-day required functions, such as backing up the system and performing maintenance on user groups.
- Job descriptions and duties of administrators.

Criteria: Details in a Disaster Recovery Plan are necessary to ensure continued operation of mission critical systems in the event of a disaster.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

05-6 DISASTER RECOVERY PLAN (REPEATED) - continued

Cause: The “Hot Site” referenced in the Department’s Disaster Recovery Plan is in the process of being established. IT functions/procedures are “understood” but not written.

Effect: Faced with a major disaster, the Department may be unable to continue its mission critical functions. In cases of administrator turnover, necessary IT procedures may be foregone.

Recommendation: We recommend that the Department continue to take the necessary steps to ensure the plan to establish a “Hot Site” is completed. We recommend that the Department develop written documentation for the IT functions as noted above.

Management’s Response: The Department has worked hard on resolving this finding, and testing is underway to establish a “hot site” that we will utilize in case of a data disaster. The Department is establishing the Southern design facility in Las Cruces to be that hot site. We have upgraded the communication line at that facility to a DS3, purchased the same hardware that exists at the General office and have purchased software that mirrors data files and databases to allow recovery of critical systems. The Department’s goal is to perform a test of the software by the first quarter of 2007.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Summary Schedule of Prior Year Audit Findings



-
- | | |
|------|--|
| 05-1 | Receipts -- Cleared |
| 05-2 | Personnel and Payroll -- Repeated and Modified |
| 05-3 | General Ledger Posting Errors -- Repeated and Modified |
| 05-4 | Lack of Segregation of Duties -- Repeated |
| 05-5 | Improper or Incorrect User Access -- Cleared |
| 05-6 | Disaster Recovery Plan -- Repeated |



An exit conference was held with the Department on December 13, 2006. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO DEPARTMENT OF TRANSPORTATION

Arthur Cottlieb, Deputy Inspector General
Elias Martinez, Finance Manager
Gary Giron, Deputy Secretary of the Office of Business Support
David Schutz, Commissioner
Larry Viarreal, Finance Bureau Director
Tom Church, Chief of Staff, Office of the Secretary

MEYNNERS + COMPANY, LLC

Brandon Hill Haines, CPA, CFE, Assurance Principal
Janet Pacheco-Morton, CPA, CGFM, Manager
Jesse Muniz, Senior

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the Independent Auditor.

**NEW MEXICO
DEPARTMENT OF
TRANSPORTATION
Financial Statements
for the Year Ended
June 30, 2007,
and Independent
Auditors' Report**

NEW MEXICO DEPARTMENT OF TRANSPORTATION



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NEW MEXICO DEPARTMENT OF TRANSPORTATION

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NEW MEXICO DEPARTMENT OF TRANSPORTATION

Official Roster

Year Ended June 30, 2007

Commission

Johnny Cope
David Schutz
Gregory T. Ortiz
John Hummer
Jim Franken
Norman Assed

Chairperson
Vice-Chairperson
Secretary
Member
Member
Member

Hobbs
Santa Fe
Pueblo of Acoma
Las Cruces
Las Vegas
Albuquerque

Administrative Officer

Rhonda G. Faught, P.E.
Gary Giron

Cabinet Secretary
Deputy Secretary

INDEPENDENT AUDITORS' REPORT

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Mexico Department of Transportation (Department) as of and for the year ended June 30, 2007, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds and the budget comparison for the enterprise fund presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2007, as listed in the table of contents. We also have audited the combined budget comparisons for the special revenue and debt service funds presented as required supplemental information. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the basic financial statements of the Department are intended to present the financial position, and changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

MEYNEERS + COMPANY, LLC

Certified Public Accountants/Consultants to Business



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Mr. Hector H. Balderas
New Mexico State Auditor

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof 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 non-major governmental fund of the Department as of June 30, 2007, and the respective changes in financial position thereof, and the budget comparisons for the enterprise 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 combined budget comparison referred to above presents fairly, in all material respects, the budget comparison of all the major and non-major special revenue funds and debt service funds of the Department for the year ended June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 26 to the financial statements, the June 30, 2007 financial statements have been restated and reissued to correct a misstatement.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2009, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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 read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 made for the purpose of forming opinions on the basic financial statements and the combining and individual financial statements and the budgetary comparisons of the Department. The accompanying schedule of expenditures of

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Also, the schedules listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Department. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mayneiro + Company, LLC

September 2, 2008, except for Note 26, as to which the date is September 3, 2009

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007

As management of New Mexico Department of Transportation (Department), we offer the readers of the Department's financial statement this narrative overview and analysis of the financial activities of the Department for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in footnotes to the basic financial statements, which can be found on pages 32 through 94 of this audit report.

Financial Highlights

The Department's net assets declined by \$263,581,617, mainly due to depreciation and amortization expense of \$523,085,599. The net assets of the Department's governmental activities decreased by \$264,199,311 due to increases in contractual services, capital outlay and debt service expenditures related to GRIP Bond Projects.

Overview of the Financial Statements

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to private sector business.

The Statement of Net Assets presents information on all of the Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the Department's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The Department's primary purpose is the construction and maintenance of the infrastructure of the State of New Mexico. Thus, in the government-wide financial statements, the primary function is public works.

The government-wide financial statements can be found on pages 21 through 23 of this report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Overview of the Financial Statements - continued

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department are divided into two categories: governmental funds and proprietary fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current resources and use of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheets and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department has 34 governmental funds. Governmental funds are reported as major funds in the accompanying financial statements if they meet both of the following criteria:

- **Ten percent criterion.** An individual governmental fund reports as least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund expenditures.
- **Five percent criterion.** An individual governmental fund reports at least 5 percent of the total for both governmental and enterprise funds of any of the items for which it met the 10 percent criterion.

The Department's major governmental funds are the following:

State Road Fund – The state road fund was created by Section 67-3-65, NMSA 1978. The state road fund is the operating fund of the Department and is used to account for substantially all the Department's financial activities.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Overview of the Financial Statements - continued

Fund Financial Statements - continued

2004A GRIP Bond Project Fund – The bond project fund was created when the \$700,000,000 New Mexico State Transportation Subordinate Lien Revenue Bonds Series 2004A were issued through the New Mexico Finance Authority (NMFA) in May 2004. The funds from the sale of the Debentures were required to be deposited in a special account with the NMFA. Unspent proceeds are on deposit with the NMFA and recorded as due from other state agencies. The funds are used to finance State Transportation projects.

Debt Service Fund - 2004A GRIP – This fund was created when the \$700,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bond Series 2004A were issued through the New Mexico Finance Authority in 2004.

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the two major funds. Data from the other 28 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report. See pages 105 through 118.

Enterprise Funds

The Department has one type of proprietary fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Department uses its enterprise fund to account for the State Infrastructure Bank, since its purpose is to make loans for road projects.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the State Infrastructure Bank since it is considered to be a major fund of the Department.

The basic proprietary fund financial statements can be found on pages 28 through 30 and the cash flows statement is on page 31 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 through 99 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information including the Schedule of Severance Tax Bonds, Schedule of Special Appropriations, Schedule of Petty Cash Deposit Accounts, Schedule of State Road Fund User and Fuel Taxes, Schedule of Debt Service and Coverage Ratios and the Schedule of Expenditures of Federal Awards.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Department's financial position. At June 30, 2007, the Department's assets exceeded liabilities by \$6,099,426,853.

The largest portion of the Department's net assets reflect its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure) less any debt and unspent bond proceeds used to acquire those assets that are still outstanding. Although the Department's investment in its capital assets is reported net of related debt and unspent bond proceeds, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

As of June 30, 2007 and 2006, the Department has positive balances in two categories of net assets, both for the government fund financial statement as a whole, as well as for its separate categories - governmental and business-type activities. Table A-1 summarizes the Department's net assets for the fiscal years ended June 30, 2007 and 2006.

Table A-1
The Department's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other assets	\$ 1,106,018,138	758,039,314	19,617,041	18,883,637	1,125,506,398	776,922,951
Capital assets and other	<u>7,073,498,383</u>	<u>7,232,952,905</u>	<u>-</u>	<u>-</u>	<u>7,073,498,383</u>	<u>7,232,952,905</u>
Total assets	8,179,516,521	7,990,992,219	19,617,041	18,883,637	8,198,946,321	8,009,875,856
Liabilities:						
Current liabilities	286,611,162	225,605,680	115,710	-	286,726,872	225,605,680
Long-term liabilities	<u>1,793,478,506</u>	<u>1,405,093,320</u>	<u>-</u>	<u>-</u>	<u>1,793,478,506</u>	<u>1,405,093,320</u>
Total liabilities	2,080,089,668	1,630,699,000	-	-	2,080,205,378	1,630,699,000
Net assets:						
Invested in capital assets, net of related debt and unspent bond proceeds	5,153,462,227	5,756,153,765	-	-	5,153,462,227	5,756,153,765
Restricted	<u>945,964,626</u>	<u>604,139,454</u>	<u>19,617,041</u>	<u>18,883,637</u>	<u>965,278,716</u>	<u>623,023,091</u>
Total net assets	\$ 6,099,426,853	6,360,293,219	19,617,041	18,883,637	6,118,740,943	6,379,176,856

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Government-wide Financial Analysis – continued

Changes in Net Assets

Table A-2 provides a summary of the Department's operations for the years ended June 30, 2007 and 2006. Governmental activities decreased the Department's net assets by \$264,012,070 in 2007 and by \$285,589,213 in 2006. Business-type activities increased the Department's net assets by \$617,694 in 2007 and by \$567,784 in 2006 due to interest income earned during the year.

Table A-2
Changes in the Department's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Capital grants	\$ 312,260,388	346,858,920	-	-	312,260,388	346,858,920
Operating grants	120,765,052	19,247,338	-	-	120,765,052	19,247,338
Charges for services	14,762,893	13,679,470	-	-	14,762,893	13,679,470
General revenues:						
Taxes	426,792,376	412,271,395	-	-	426,792,376	412,271,395
Interest income	47,432,110	27,191,910	617,694	567,784	47,862,563	27,759,694
Gain (loss) on disposal of assets	(34,518)	428,050	-	-	(34,518)	428,050
Total revenues	921,978,301	819,677,083	617,694	567,784	922,408,754	820,244,867
Expenses:						
Public works	554,165,527	507,163,867	-	-	554,165,527	507,163,867
Depreciation & amortization	523,085,599	514,838,292	-	-	523,085,599	514,838,292
Interest on long-term debt	98,952,245	75,087,737	-	-	98,952,245	75,087,737
Other	-	-	-	-	-	-
Total other expenses	1,176,203,371	1,097,089,896	-	-	1,176,203,371	1,097,089,896
Net revenues (loss) before transfers and reversions	(254,225,070)	(277,412,813)	617,694	567,784	(253,794,617)	(276,845,029)
Transfers and reversions	(9,787,000)	(8,176,400)	-	-	(9,787,000)	(8,176,400)
(Decrease) increase in net assets	(264,012,070)	(285,589,213)	617,694	567,784	(263,581,617)	(285,021,429)
Net assets, beginning of year	6,360,293,219	6,615,093,717	18,883,637	18,315,853	6,379,176,856	6,633,409,570
Adjustments	3,145,704	30,788,715	-	-	3,145,704	30,788,715
Net assets, end of year	\$ 6,099,426,853	6,360,293,219	19,501,331	18,883,637	6,118,740,943	6,379,176,856

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Government-wide Financial Analysis - continued

The changes in net assets for the Department's major funds for 2007 are as follows:

State Road Fund	\$ 24,519,840
2004 GRIP Bond Project Fund	(210,494,181)
2004A GRIP Debt service	<u>1,339,176</u>
Major funds, net change in assets	\$ <u>(184,635,165)</u>

Financial Analysis of the Government's Funds

Governmental Funds

The Department's governmental funds are designed to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2007 fiscal year, the Department's governmental funds reported combined ending fund balances of \$901,616,719, an increase of \$239,706,671 from the prior year. Fund balance is reserved to indicate that it is not available for new spending because it has already been committed to provide for inventories, long term assets and prepaid items and other reserved items of \$67,584,446.

Budgetary Highlights

The Department budgets on a Budgetary-GAAP basis and not all funds are budgeted. See Exhibit 8 and Exhibit 11 for the Department's budget. The Department made revisions to the original approved budget by \$78,738,587. Overall, these changes were caused by the following significant budget adjustments.

Increase in budget to replenish D-6's budget used for warranty work on U.S. 550	\$ 1,737,452
Increase in budget to increase cash balance and loan repayments	14,545,000
Increase in budget for Federal Highway Administrative allocation	1,011,632
Increase in budget to fund projected shortfall in personnel services and employee benefits, grants and services for Alcohol Countermeasure Project	5,021,286
Increase in budget to fund transit and rail	7,751,797
Increase in budget to fund State Infrastructure Bank	1,660,000
Loans budget for salaries and benefit needs	3,117,579
Increase for software upgrade	765,000

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Financial Analysis of the Government's Funds - continued

Budgetary Highlights - continued

Increase in budget to fund projected shortfall in personnel services and employee benefits	\$ 11,900,000
Increase in Local Government Road Fund	3,828,841
Increase in budget to fund projected shortfall in GRIP Road Project	<u>27,400,000</u>
	\$ <u>78,738,587</u>

Capital Assets Overview

The Department's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$7,022,216,987 (net of accumulated depreciation). This investment in capital assets includes land, right of way, buildings, equipment, improvement and the infrastructure.

Major Infrastructure Projects

The Department develops plans to build a transportation system that will better serve the State of New Mexico. Advanced and innovative strategies include building roads using a corridor approach, where an entire route between communities is built. By designing and constructing entire corridors, the Department has been able to realize efficiencies to benefit the state. The Department also employs innovative project development techniques, warranty agreements and highly advanced financing techniques to accomplish the objectives of the Major Investment Program.

Fiscal Year 2006-2007 Active Projects with a contract amount of \$10 million or more:

Sunland Park Drive Extension (phase II) for 1.320 km
I-10, MP 34.200 to MP 44.800 for 10.600 miles
US 54, MP 189.0 to 200.6, Vaughn to Duran for 11.610 Miles
I-25, 2.48 km North of Alameda Interchange to Tramway
I-40/Coors Interchange
I-40, Pennsylvania to Tramway MP 163.64 to MP 167.88
I-40, MP 169 to MP 174 for 4.602 miles
I-40, MP 180.08 to 182.74, Sedillo Hill for 4.360 km
NM 209, South of I-40 Interchange to NM 104/Maple Ave.
I-40, Newkirk Interchange-East MP 300 to Mp 308 for 8.570
US 64, Widening Project Raton to Clayton for 10.601 Miles

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Capital Assets Overview - continued

Major Infrastructure Projects - continued

US 64, Raton to Clayton for 11.332 miles
 US 64, MP 411 to MP 422 for 10.930 miles
 1-40, MP 291 to MP 299 for 8.170 Miles
 1-40, Business Loop, Santa Rosa for 3.400 km
 US 84/285 North of Santa Fe from Opera House
 NM 14, 0.5 Miles North of Cerrillos to Lone Butte
 US 550, MP 18.231 to MP 23.301 for 8.190 km
 US 84/285, Santa Fe Relief Route to Santa Fe Opera
 1-40, MP 12 to 17, Gallup for 5.000 Miles
 US 491 and NM 602 for 3.100 miles
 US 70 D/B, MP 264.2 to MP 302.1, Ruidoso Downs to Riverside
 US 84/285 North of Santa Fe from Santa Fe Opera
 US 84/285, Santa Fe Relief Route to Santa Fe Opera

Equipment

For fiscal year 2007, the Equipment Budgetary-GAAP budget total was \$1,501,000 million. Of this budget, \$877,100 million was fully expended at June 30, 2007. Equipment purchased includes pickups, dump trucks, rollers, excavators, mowers, tractors, loaders, snowplows, brooms, dozers, motor graders, spreaders, millers, trailers, motor vehicles, etc. All items are approved during the legislative session prior to July of each fiscal year. The Department holds several sales and public auctions during the year to liquidate old and obsolete equipment to public and private entities.

Table A-3
Department's Capital Assets

	<u>2007</u>	<u>2006</u>
Land	\$ 4,979,663	5,063,076
Right of way	373,318,194	371,809,740
Infrastructure	15,031,104,263	15,110,054,777
Equipment and furniture	30,933,278	50,982,903
Buildings	38,463,834	37,589,491
Vehicles	179,456,262	165,716,344
Accumulated depreciation	<u>(8,636,038,507)</u>	<u>(8,560,433,963)</u>
Total	\$ <u>7,022,216,987</u>	<u>7,180,782,368</u>

Additional information on the Department's capital assets can be found in Note 9 of this report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Debt Administration

The Department is authorized to issue bonds by authority of Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA)(1978), as amended. The focus of the Department's bond program is to accelerate transportation construction projects while maintaining strong debt service coverage ratios and minimizing the costs of borrowing.

At June 30, 2007, the Department had a total outstanding debt (bonds) of \$1,832,645,000. Outstanding bond debt is backed by the Department's state tax revenues and FHWA revenues.

Table A-4
Department's Outstanding Debt

	<u>2007</u>	<u>2006</u>
Bonds, net	\$ <u>1,832,645,000</u>	<u>1,455,505,000</u>

The Department's total bond debt increased by 25.9%, or \$377,140,000. Total outstanding bond debt at the end of the fiscal year was \$1,832,645,000, compared to \$1,455,505,000 at the end of the 2006 fiscal year. Key factors affecting the Department's outstanding bonds during the current fiscal year included bond principal repayments totaling \$83,345,000, including the partial redemption of two outstanding bond series through the issuance of refunding bonds totaling \$10,085,000, and the issuance of four new money bond series totaling \$460,485,000. See Note 11 for a detail of all outstanding bonds.

The Department did not pay any arbitrage to the Internal Revenue Service for any excess income earned on bond proceeds during the fiscal year, and did not have any arbitrage liability at the end of the fiscal year.

The New Mexico Finance Authority (NMFA) issued a total of \$460,485,000 in new money and refunding bonds on behalf of the Department during fiscal 2007. The Series 2006A of new money bonds totaling \$150,000,000 were issued in September of 2006. The Series 2006B of new money bonds totaling \$30,000,000 and refunding bonds totaling \$10,085,000 were issued in September of 2006, the Series 2006C of new money bonds totaling \$220,000,000 were issued in September of 2006 and the Series 2006D of taxable new money bonds totaling \$50,400,000 were issued in September of 2006. The following is a detail of the bonds issued:

The NMFA State Transportation Revenue Bonds (Senior Lien) Series 2006A in the amount of \$150,000,000 were issued in September 2006 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2006A Bonds are being issued by the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for certain transportation projects authorized by the State Legislature. Those projects are part

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Debt Administration - continued

of Governor Richardson's Investment Partnership (GRIP) plan to upgrade and improve highways throughout the State and to develop a broad-based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The NMFA State Transportation Revenue and Refunding Bonds (Subordinate Lien) Series 2006B in the amount of \$40,085,000 were issued in September 2006 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2006B Bonds are being issued by the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for certain transportation projects authorized by the State Legislature and to provide funds to refund and restructure certain outstanding bonds of the Department. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad-based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The NMFA Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien) Series 2006C in the amount of \$220,000,000 were issued in September 2006 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2006C Bonds are being issued by the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for certain transportation projects authorized by the State Legislature. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The NMFA Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien) Series 2006D (Taxable) in the amount of \$50,400,000 were issued in September 2006 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2006D Bonds are being issued by the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for an escrow agreement required to be maintained by the Department pursuant to a Joint Use Agreement between the Department and the BNSF Railway Company.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Economic Factors and Revenue Forecasts

Economic and Demographic Characteristics

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1,819,046. In the 1990s, the State was the twelfth fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515,069. Over the same period of time, the national population grew 13.2 percent. **Most of this population growth is occurring in or near the larger cities.** There are four Metropolitan Statistical Areas (MSA) in the state. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is Dona Ana County; the Santa Fe MSA is Santa Fe County, and the Farmington MSA is San Juan County. The fastest growing counties in the state are Sandoval, Dona Ana, Bernalillo and Santa Fe.

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing and mining. In 2006, the value of energy resources production (crude petroleum, natural gas and coal) was approximately \$15.6 billion. Total value of energy and other mineral production was \$17.0 billion. The mining industry employed about 19,400 New Mexicans in 2007. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The state's major transportation routes include Interstate-25, running north-south from El Paso, Texas through Las Cruces, Albuquerque, Santa Fe, Las Vegas and Raton, New Mexico toward Pueblo and Denver, Colorado. Major east-west routes, especially important to interstate commercial carrier traffic, include Interstate-10 from El Paso, Texas to Tucson and Phoenix, Arizona, and Interstate-40 from Amarillo, Texas through Tucumcari, Albuquerque and Gallup, New Mexico to Flagstaff, Arizona.

Revenue Forecasts and Budgets

Federal Revenue:

FHWA Revenue. The amount of FHWA revenue (obligation authority) available to all states has slightly increased as a result of the passage of the new 5 year transportation reauthorization bill entitled "SAFETEA-LU" in 2005. The amounts of "obligation limitation" available to New Mexico are \$287.5 million in FY2005, \$292.8 million in FY2006, and \$271.1 million in FY2007. This compares to previous amounts of \$278.9 million in FY2002, \$263.2 million in FY2003, and \$243.5 million in FY2004. The reauthorization bill provides "apportionment" amounts, but the real spending amount (the "obligation limitation") is determined by the appropriation levels in each year's federal budget bill.

As of November 2007, the Department projects FHWA "obligation authority" should increase over the next two years as follows: \$302.1 million in FY2008 and \$305.4 million in FY2009.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

Federal Revenue - continued

Federal Transit and Traffic Safety Revenue: The five-year reauthorization of federal transportation funding to the states that was recently passed by Congress is entitled the "Safe, Accountable, Flexible, and Efficient Transportation Equity Act for the 21st Century – A Legacy for Users" (SAFETEA-LU). The reauthorization bill stresses the importance of safety innovations, including a new "Safe Routes to School Program" that promotes walking and riding bicycles to school. With this emphasis on safety, it is expected there will be increased federal revenue available to states for traffic safety and transit programs. The Department anticipates the total amount of funding from the Federal Transit Administration (FTA) and federal traffic safety (NHTSA) increased from the \$13 million level in past years to \$27.8 million in FY2007.

DOE Revenue: The Department of Energy will continue to provide New Mexico with more than \$20 million per year through FY2011 pursuant to an agreement in connection with the Waste Isolation Pilot Project in Carlsbad, New Mexico. The amount of this revenue budgeted for debt service was \$20.7 million in FY2004, \$21.1 million in FY2005, \$19.8 million in FY2006, and \$14.7 million in FY2007.

State Revenue:

Revenues for the New Mexico Department of Transportation over the long term (20 years) are characterized as being steady and growing at rates associated with the Consumer Price Index (CPI). There have been periods of stronger and slower, even declining, rates of growth. From fiscal years 1988 to 2000, the average annual compound growth rate was 3.7% and from 2003 to 2007 it was 7.9%. In fiscal year 2001, there was a contraction and then a slowdown due to economic recession that lasted three years.

In the fall of 2003, a special session of the New Mexico Legislature was held and transportation rates and fees were raised on special fuels (primarily diesel), weight/distance trucking rates and motor vehicle registration fees. The basis of these increases was to provide \$40 million annually for the debt service on GRIP, a large, multi-year road construction program. The increases were designed also to add \$20 million for road maintenance. These rate/fee increases, along with strong economy, added almost \$100 million annually (36%) from FY 2003 to FY 2007 to the State Road Fund.

State Revenue Forecasts – Major Revenue Sources

The budget estimate for state tax and fee revenue is prepared in July/August and December/January for each year for the budget year ending 24 months (or 18 months) later. Each fiscal year's revenue estimate is assessed six times: twice before the year begins, twice during the fiscal year and twice after the end, with the final numbers being the actual audit.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

State Revenue Forecasts – Major Revenue Sources - continued

In fiscal years 2004 through 2007, state revenues from gasoline, special fuels, weight/distance and vehicle registrations grew by \$15.9, \$40.7, \$22.9 and \$18.7 million each year, respectively. These four revenue sources constitute 94% of the state road fund. These revenues were consistent with the forecasts for the periods and did add the expected \$60 million for GRIP and maintenance. Strong economic trends, particularly in the trucking industry, also helped to provide for strength in revenue growth. Due to the size and importance of each of these four sources, a look at each individually helps to provide a more complete picture of the Department's revenues.

Gasoline tax is the largest of State's revenue sources, providing \$114.6 million in revenue in FY 2007. This tax is 17 cents per gallon of gasoline sold, with about three-fourths going to the state road fund and the remainder going primarily to municipalities and counties. It is the one major tax that was not increased during the special session of 2003. Historically, gasoline gallons sold increased until 1995, plateaued from 1995 to 1999, and decreased to 2001, when they plateaued again. The peak years were 1995 to 1999, with 1998 providing \$117.9 million. When increases, slowing and plateaus are discussed in conjunction with gasoline revenues, it should be noted that they are not very large changes.

Of much interest and frequent query is how the gasoline usage (gallons) is fairing in light of prices and economic slowdown. While being watched carefully, there appears to be some, but not significant, slowing through December 2007. FY 2008 is running \$2.9 million or 4.5% below budget. Trends in national vehicle miles traveled have been flat or slightly declining since 2005, and New Mexico has shown a similar pattern.

Special fuels is the second largest of the state's revenue sources, providing \$97.0 million in FY 2007. The tax per gallon was raised from 18 to 21 cents per gallon effective FY 2005. Of the 21 cents, the Department receives 19 cents, with the remainder going to local governments. With the increase, special fuels has grown by \$22.5 million, or 30%, from FY 2004 to ,FY 2007. Special fuels, over time, has been a strongly growing revenue with an average annual compound growth rate of 5.25% from 1988 to 2007. FY 2008 is projected to be another strong year, coming in at \$105.5 million. And, while this revenue is being closely watched for softness due to economic slowdown, currently there appears to be little evidence of such a change.

Weight/Distance tax is charged on trucks over 26,000 pounds and varies by load carried and distance traveled in New Mexico. It is the third largest revenue producer, with \$88.4 million in revenue in FY 2007. Its rates, too, were raised in the fall 2003 special session. From FY 2007, an additional \$36.8 million, or 71% in revenue has been received. (It should be noted that a large increase occurred in 2007 because of an accounting time period change, providing for an extra month of revenue.) FY 2008 is forecast to be about \$80.5 million.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

State Revenue Forecasts – Major Revenue Sources - continued

Motor vehicle registration fees are the fourth largest revenue at \$73.5 million. These fees were raised also and have represented an increase of \$20.5 million, or 39%, from FY 2004 to FY 2007. The fees are based on three weight classes for passenger vehicles and 14 weight classes for trucks and commercial carriers. The annual registration fees for trucks over 26,000 pounds are low because those vehicles are subject to the weight/distance taxes above. The long term average annual compound rate of growth has been 4.5%, including the rate increases. With the 2003 increases now in the system, revenues have flattened out and are projected to be \$73.3 million in FY 2008.

State Revenue Forecasts - Procedure Changes Impact

Two revenue sources have been impacted negatively by recent federal procedure rulings and legislation. One is the trip tax and the other is New Mexico Public Regulation Commission common carrier registration fees. Trip tax was charged on trucks in lieu of the weight/distance for those trucks/companies not registered for weight/distance. What was called a cab card and carried in each truck was used for weight/distance registration identification. New federal regulations now prevent states from requiring the showing of the cards. Trip tax, which rose to \$8.6 million in FY 2006 and provided revenues of \$7.6 million in FY 2007, is projected and on-track to provide \$4 million in revenue in FY 2008.

The New Mexico Public Regulation Commission used to collect common carrier registration fees. Because of efforts by the trucking industry to centralize registrations (because so many trucks are on the road and prorating registrations in so many states), a new centralized system and procedures were passed into law in the fall of 2006. In FY 2006, the Department received \$3.7 million in revenue. Under the new national system, the total fees across the country were capped at \$100 million and then apportioned such that the maximum New Mexico can now receive is \$3.2 million once the system is in place and up and running, which currently it is not. The budgeted \$3.6 million for FY 2007 came in at \$377,000 and FY 2008 is expected to come in at about \$1 million.

Background - Gasoline Tax and Tribal Tax Sharing Agreements

2003 and 2004 legislation allowed the state to enter into "tax sharing agreements" with the two Native American Pueblos that were previously entitled to market a limited amount of state-tax-free gasoline outside reservation boundaries. Under the agreements, 40% of the tax collected on 30 million gallons of gasoline per year will be shared with each of the two Pueblos, in exchange for the Pueblos ceasing their sales activities outside reservation boundaries. The result of these agreements (entered into on January 1, 2004 and July 1, 2004) should be a small revenue gain for the state and significantly more predictable gasoline revenues.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2007 - continued

Background - Gasoline Tax and Tribal Tax Sharing Agreements - continued

Economic Factors and Revenue Forecasts - continued

The state permits gasoline to be sold at retail by registered Indian tribal distributors on Indian reservations free of State gasoline tax to the extent that the applicable Indian government imposes a similar tax (for its own benefit) on retail gasoline sales. The growth in tribal market share has out-paced the overall growth rate of gasoline in recent years as a result of competitive pricing, casino traffic, and development of new tribal travel centers. It is anticipated that the tribal market share will continue to grow, but at a decreasing rate over the next few years.

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:

Attn: Accounting Services Director
New Mexico Department of Transportation
1120 Cerrillos Road
P.O. Box 1149
Santa Fe, New Mexico 87504-1149
(505) 827-5108

FINANCIAL STATEMENTS

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Net Assets

AS OF JUNE 30, 2007

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents (Note 2):			
Unrestricted	\$ 79,766,025	-	79,766,025
Restricted	745,745,410	12,497,624	758,243,034
Receivables:			
Tax receivable	87,815,026	-	87,815,026
Accounts receivable, net (Note 3)	2,330,307	-	2,330,307
Severance tax bond proceeds receivable (Note 4)	64,405,183	-	64,405,183
Interest receivable	1,779,102	396,253	2,175,355
Notes and loans receivable (Note 5)	24,715	6,723,164	6,747,879
U.S. Department of Transportation, net (Note 6)	51,230,519	-	51,230,519
Other State Agencies	43,589,642	-	43,589,642
Capitalized issuance costs	886,352	-	886,352
Capitalized Bond Discounts	121,713	-	121,713
Inventories (Note 8)	13,948,317	-	13,948,317
Prepaid expense - warranty	3,189,034	-	3,189,034
Property held for resale, net	<u>11,186,793</u>	<u>-</u>	<u>11,186,793</u>
TOTAL CURRENT ASSETS	1,106,018,138	19,617,041	1,125,635,179
NON-CURRENT ASSETS:			
Capitalized issuance costs	9,830,255	-	9,830,255
Capitalized Bond Discounts	2,190,839	-	2,190,839
Prepaid expense - warranty	39,260,302	-	39,260,302
Capital assets, net (Note 9)	<u>7,022,216,987</u>	<u>-</u>	<u>7,022,216,987</u>
TOTAL NON-CURRENT ASSETS	<u>7,073,498,383</u>	<u>-</u>	<u>7,073,498,383</u>
TOTAL ASSETS	\$ <u>8,179,516,521</u>	<u>19,617,041</u>	<u>8,199,133,562</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Net Assets - continued

AS OF JUNE 30, 2007

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable and contracts payable, including retainage of \$2,598,816	\$ 90,407,856	-	90,407,856
Due to other state agencies	6,279,134	115,710	6,394,844
Accrued payroll, taxes and withholdings	5,704,480	-	5,704,480
Accrued interest	3,504,001	-	3,504,001
Deferred revenue	35,477,883	-	35,477,883
Arbitrage rebate obligation (Note 20)	-	-	-
Other liabilities	7,579,338	-	7,579,338
Due to others - Severance Taxes	55,080,047	-	55,080,047
Current portion of long-term obligations:			
Compensated (Note 11)	5,202,000	-	5,202,000
Debentures payable (Note 11)	72,470,000	-	72,470,000
Capitalized bond premium	<u>4,906,423</u>	<u>-</u>	<u>4,906,423</u>
TOTAL CURRENT LIABILITIES	286,611,162	115,710	286,726,872
LONG-TERM LIABILITIES:			
Arbitrage rebate obligation (Note 20)	-	-	-
Long-term obligations:			
Compensated absences (Note 11)	1,419,408	-	1,419,408
Debentures payable (Note 11)	1,730,700,273	-	1,730,700,273
Capitalized bond premium	<u>61,358,825</u>	<u>-</u>	<u>61,358,825</u>
TOTAL LONG-TERM LIABILITIES	<u>1,793,478,506</u>	<u>-</u>	<u>1,793,478,506</u>
TOTAL LIABILITIES	\$ <u>2,080,089,668</u>	<u>115,710</u>	<u>2,080,205,378</u>
NET ASSETS:			
Invested in capital assets, net of any related debt and unspent debt proceeds	\$ 5,153,462,227	-	5,153,462,227
Restricted for:			
Loans	-	19,501,331	19,501,331
Specific purposes	<u>945,964,626</u>	<u>-</u>	<u>945,964,626</u>
TOTAL NET ASSETS	\$ <u>6,099,426,853</u>	<u>19,501,331</u>	<u>6,118,928,184</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Activities

YEAR ENDED JUNE 30, 2007

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
PROGRAM EXPENSES:			
Public works - roads	\$ 554,165,527	-	554,165,527
Depreciation and amortization	523,085,599	-	523,085,599
Interest	<u>98,952,245</u>	<u>-</u>	<u>98,952,245</u>
TOTAL PROGRAM EXPENSES	1,176,203,371	-	1,176,203,371
PROGRAM REVENUES:			
Charges for services	14,762,893	-	14,762,893
Operating grants	120,765,052	-	120,765,052
Capital grants	<u>312,260,388</u>	<u>-</u>	<u>312,260,388</u>
TOTAL PROGRAM REVENUES	<u>447,788,333</u>	<u>-</u>	<u>447,788,333</u>
NET PROGRAM (EXPENSE) REVENUE	(728,415,038)	-	(728,415,038)
GENERAL REVENUES:			
User and fuel taxes	426,792,376	-	426,792,376
Interest income	47,432,110	617,694	48,049,804
Gain on disposal of assets	<u>(34,518)</u>	<u>-</u>	<u>(34,518)</u>
TOTAL GENERAL REVENUES (EXPENSES)	474,189,968	617,694	474,807,662
TRANSFERS:			
Transfers to other state agencies and local governments, net (Note 14)	<u>(9,787,000)</u>	<u>-</u>	<u>(9,787,000)</u>
TOTAL TRANSFERS	<u>(9,787,000)</u>	<u>-</u>	<u>(9,787,000)</u>
NET GENERAL REVENUES AND TRANSFERS	<u>464,402,968</u>	<u>617,694</u>	<u>465,020,662</u>
CHANGE IN NET ASSETS/OPERATING INCOME	(264,012,070)	617,694	(263,394,376)
NET ASSETS, BEGINNING OF FISCAL YEAR	6,360,293,219	18,883,637	6,379,176,856
RESTATEMENT (Note 22)	<u>3,145,704</u>	<u>-</u>	<u>3,145,704</u>
NET ASSETS, BEGINNING OF FISCAL YEAR	<u>6,363,438,923</u>	<u>18,883,637</u>	<u>6,382,322,560</u>
NET ASSETS, END OF FISCAL YEAR	\$ <u>6,099,426,853</u>	<u>19,501,331</u>	<u>6,118,928,184</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2007

	Major Funds				
	State Road Fund	Bond Project Fund (2004A GRIP)	Debt Service (2004A GRIP)	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents (Note 2):					
Unrestricted	\$ 50,295,696	-	-	29,470,329	79,766,025
Restricted	38,944,285	204,148,043	1,300,808	501,352,274	745,745,410
Receivables:					
Taxes receivable	82,641,660	-	-	5,173,366	87,815,026
Accounts receivable, net (Note 3)	1,107,462	-	-	1,222,845	2,330,307
Severance Tax Bond proceeds receivable (Note 4)	64,405,183	-	-	-	64,405,183
Interest receivable	859,712	321,977	38,368	559,045	1,779,102
Notes and loans receivable (Note 5)	24,715	-	-	-	24,715
Due from:					
Other State agencies (Note 6)	43,345,800	-	-	243,842	43,589,642
Due from other funds (Note 7)	142,448,402	10,444,965	-	23,802,746	176,696,113
U.S. Department of Transportation, net (Note 6)	43,511,981	-	-	7,718,538	51,230,519
Inventories (Note 8)	13,948,317	-	-	-	13,948,317
Prepaid expense - NM44 Warranty	42,449,336	-	-	-	42,449,336
Property held for resale	11,186,793	-	-	-	11,186,793
TOTAL ASSETS	\$ 535,169,342	214,914,985	1,339,176	569,542,985	1,320,966,488
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 58,475,707	17,683,564	-	14,248,585	90,407,856
Due to other funds (Note 7)	135,437,909	16,062,233	-	25,195,971	176,696,113
Payable to other governments	24,139	-	-	6,254,995	6,279,134
Deferred revenue	75,464,409	-	-	2,009,612	77,474,021
Due to others	55,080,047	-	-	-	55,080,047
Other accrued expenses	5,631,789	-	-	72,691	5,704,480
Other payables	4,924,776	2,424,538	-	230,024	7,579,338
TOTAL LIABILITIES	335,038,776	36,170,335	-	48,011,878	419,220,989
FUND BALANCES:					
Reserved for:					
Inventories	13,948,317	-	-	-	13,948,317
Encumbrances	-	-	-	-	-
Prepaid expenses	42,449,336	-	-	-	42,449,336
Debt service	-	-	-	-	-
Property held for resale	11,186,793	-	-	-	11,186,793
Unreserved-undesignated (Note 21)	132,546,120	389,238,831	1,339,176	-	523,124,127
Unreserved, reported in non-major:					
Special revenue funds	-	(210,494,181)	-	462,433,871	251,939,690
Capital projects funds	-	-	-	10,130,319	10,130,319
Debt service funds	-	-	-	48,266,917	48,266,917
TOTAL FUND BALANCES	200,130,566	178,744,650	1,339,176	521,531,107	901,745,499
TOTAL LIABILITIES AND FUND BALANCES	\$ 535,169,342	214,914,985	1,339,176	569,542,985	1,320,966,488

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets**

YEAR ENDED JUNE 30, 2007

Total Fund Balances - Governmental Funds		
(Governmental Fund Balance Sheet)	\$	901,745,499

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

Amounts recorded as deferred revenue in the governmental funds that were not received within the period of availability - 60 days after year end; recorded as revenue in the Statement of Activities:	41,996,138
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

The cost of capital assets is	\$ 15,658,255,494
Accumulated depreciation is	<u>(8,636,038,507)</u>
 Total capital assets	 7,022,216,987

Long-term debt not recorded as liabilities in the governmental funds, but recorded as long-term liabilities in the Statement of Net Assets:

Debentures payable	(1,804,902,138)
Compensated absences	(6,621,408)
Amortization of deferred costs on refunding not recorded by the government funds	1,731,865

Accrued of interest on long-term obligations not recorded by the governmental funds until paid.	(3,504,001)
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Capitalized issuance costs not recorded in the governmental funds as an asset, net of amortization.	10,716,607
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Bond discounts	2,312,552
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Capitalized bond premiums not recorded in the governmental funds as a liability, net of amortization.	<u>(66,265,248)</u>
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Net assets of governmental activities (Statement of Net Assets)	\$	<u>6,099,426,853</u>
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NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds**

YEAR ENDED JUNE 30, 2007

	<u>State Road Fund</u>	<u>Bond Project Fund (2004A GRIP)</u>	<u>Debt Service (2004A GRIP)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
User and fuel taxes	\$ 400,452,644	-	-	26,339,732	426,792,376
U.S. Department of Transportation	231,318,046	-	-	31,797,641	263,115,687
U.S. Department of Energy	8,796,432	-	-	-	8,796,432
Licenses and permits	-	-	-	443,938	443,938
Charges for services	11,304,479	-	-	1,366,607	12,671,086
Interest Revenue	<u>2,442,247</u>	<u>14,463,283</u>	<u>409,914</u>	<u>30,116,666</u>	<u>47,432,110</u>
TOTAL REVENUES	654,313,848	14,463,283	409,914	90,064,584	759,251,629
EXPENDITURES:					
Current:					
Operating costs	9,030,285	-	-	71,157	9,101,442
Personal services	97,026,611	-	-	260,551	97,287,162
Out-of-state travel	298,444	-	-	33,083	331,527
Grants and services	2,498,069	-	-	55,297,735	57,795,804
Travel	21,574,802	-	-	243,016	21,817,818
Maintenance and repairs	8,013,099	-	-	68,863	8,081,962
Supplies	33,259,322	-	-	39,027	33,298,349
Contractual services	266,653,590	-	-	1,936,946	268,590,536
Other costs	7,998,905	-	1,750,000	1,672	9,750,577
Employee benefits	47,222,530	-	-	98,673	47,321,203
Capital outlay	86,761,571	224,735,948	-	52,878,771	364,376,290
Debt service:					
Interest and other charges	-	-	36,216,759	62,351,708	98,568,467
Principal	-	-	-	83,345,000	83,345,000
Debt refunding costs	-	-	-	330,195	330,195
Debt issuance cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,047,792</u>	<u>1,047,792</u>
TOTAL EXPENDITURES	<u>580,337,228</u>	<u>224,735,948</u>	<u>37,266,759</u>	<u>258,004,189</u>	<u>1,101,044,124</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	73,976,620	(210,272,665)	(37,556,845)	(167,939,605)	(341,792,495)
OTHER FINANCING SOURCES (USES):					
Proceeds from long-term debt, net	-	-	-	460,485,000	460,485,000
Severance Tax Bond revenue	24,255,000	-	-	-	24,255,000
State General Fund revenue	96,510,052	-	-	-	96,510,052
Bond Premiums	-	-	-	12,599,159	12,599,159
Bond Discounts	-	-	-	(2,434,265)	(2,434,265)
Transfers	<u>(170,221,832)</u>	<u>(221,516)</u>	<u>38,896,021</u>	<u>121,760,327</u>	<u>(9,787,000)</u>
(USES)	<u>(49,456,780)</u>	<u>(221,516)</u>	<u>38,896,021</u>	<u>592,410,221</u>	<u>581,627,246</u>
NET CHANGES IN FUND BALANCES	24,519,840	(210,494,181)	1,339,176	424,470,616	239,835,451
FUND BALANCES, June 30, 2006	175,610,726	389,238,831	-	96,259,728	661,109,285
RESTATEMENT (Note 22)	<u>-</u>	<u>-</u>	<u>-</u>	<u>800,763</u>	<u>800,763</u>
FUND BALANCES, June 30, 2006, Restated	<u>175,610,726</u>	<u>389,238,831</u>	<u>-</u>	<u>97,060,491</u>	<u>661,910,048</u>
FUND BALANCES, June 30, 2007	\$ <u>200,130,566</u>	<u>178,744,650</u>	<u>1,339,176</u>	<u>521,531,107</u>	<u>901,745,499</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
to the Statements of Activities**

YEAR ENDED JUNE 30, 2007

Net Changes in Fund Balances - Total Governmental Funds	\$	239,835,451
(Statement of Revenues, Expenditures, and Changes in Fund Balances)		

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

Amounts recorded as deferred revenue in the governmental funds that were not received within the period of availability - 60 days after year end; recorded as revenue in the Statement of Activities:	41,996,138
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In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The increase in the liabilities for the fiscal year was	(789,573)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital outlay	\$ 364,376,290
Depreciation expense	(525,252,094)
Sale of fixed asset, net book value	<u>(34,518)</u>

Excess of depreciation expense over capital outlay	(160,910,322)
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Repayment of debentures recorded as expenditures in the governmental funds, recorded as a reduction in long-term liabilities in the Statement of Net Assets.	83,345,000
--	------------

Deferred amount of debt recorded as a reduction of long-term liabilities in the Statement of Activities	(886,352)
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Bond premiums recorded in the governmental funds as an other financing source, recorded as a liability in the Statement of Net Assets, net of amortization of \$65,270,802, recorded as a reduction of interest expense in the Statement of Activities.	4,906,423
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Governmental Funds report bond proceeds as an other financing source, \$460,485,000 recorded as a liability in the Statement of Net Assets, and associated premium/discounts of \$8,786,907.	(469,271,907)
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Bond Issuance Costs	(121,713)
---------------------	-----------

Bond issuance costs recorded in the governmental funds as other costs, recorded as an asset in the Statement of Net Assets, net of amortization of \$10,866,843, recorded as an expense in the Statement of Activities.	(1,731,865)
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Net change in accrual of long-term debt interest expense not recorded in the governmental funds until paid.	(383,352)
---	-----------

Rounding	<u>2</u>
----------	----------

Change in net assets of governmental activities	\$	<u>(264,012,070)</u>
(Statement of Activities)		

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Net Assets
Business-type Activities - Enterprise Fund

YEAR ENDED JUNE 30, 2007

State Infrastructure Bank

ASSETS:

CURRENT ASSETS:

Cash and cash equivalents (Note 2):

Unrestricted \$ 12,497,624

Restricted -

Receivables:

Tax receivable -

Accounts receivable, net (Note 3) -

Severance tax bond proceeds receivable (Note 4) -

Interest receivable 396,253

Notes and loans receivable (Note 5) 6,723,164

U.S. Department of Transportation, net (Note 6) -

Capitalized issuance costs -

Inventories (Note 8) -

Prepaid expense - warranty -

Property held for resale, net -

TOTAL CURRENT ASSETS 19,617,041

NON-CURRENT ASSETS:

Capitalized issuance costs -

Prepaid expense - warranty -

Capital assets, net (Note 9) -

TOTAL NON-CURRENT ASSETS -

TOTAL ASSETS \$ 19,617,041

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Statement of Net Assets
Business-type Activities - Enterprise Fund - continued**

YEAR ENDED JUNE 30, 2007

LIABILITIES:	<u>State Infrastructure Bank</u>
CURRENT LIABILITIES:	
Accounts payable and contracts payable	\$ -
Due to other state agencies	115,710
Accrued payroll, taxes and withholdings	-
Accrued interest	-
Deferred revenue	-
Arbitrage rebate obligation (Note 21)	-
Other liabilities	-
Due to others - Severance Taxes	-
Current portion of long-term obligations (Note 12):	
Compensated absences	-
Debentures payable	-
Capitalized bond premium	<u>-</u>
TOTAL CURRENT LIABILITIES	115,710
LONG-TERM LIABILITIES:	
Arbitrage rebate obligation (Note 20)	-
Long-term obligations (Note 11):	
Compensated absences	-
Debentures payable	-
Capitalized bond premium	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>-</u>
TOTAL LIABILITIES	\$ <u>115,710</u>
NET ASSETS:	
Invested in capital assets, net of any related debt and unspent debt proceeds	\$ -
Restricted for:	
Loans	19,501,331
Specific purposes	<u>-</u>
TOTAL NET ASSETS	\$ <u>19,501,331</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Statement of Activities
Business-type Activities - Enterprise Fund**

YEAR ENDED JUNE 30, 2007

	<u>State Infrastructure Bank</u>
PROGRAM EXPENSES:	
Public works - roads	\$ -
Depreciation and amortization	-
Interest	<u>-</u>
TOTAL PROGRAM EXPENSES	-
PROGRAM REVENUES:	
Charges for services	-
Operating grants	-
Capital grants	<u>-</u>
TOTAL PROGRAM REVENUES	<u>-</u>
NET PROGRAM (EXPENSE) REVENUE	-
GENERAL REVENUES:	
User and fuel taxes	-
Interest income	617,694
Gain on disposal of assets	<u>-</u>
TOTAL GENERAL REVENUES (EXPENSES)	617,694
TRANSFERS:	
Transfers to other state agencies and local governments, net (Note 14)	<u>-</u>
TOTAL TRANSFERS	<u>-</u>
NET GENERAL REVENUES AND TRANSFERS	<u>617,694</u>
CHANGE IN NET ASSETS/OPERATING INCOME	617,694
NET ASSETS, BEGINNING OF FISCAL YEAR	18,883,637
RESTATEMENT (Note 22)	<u>-</u>
NET ASSETS, BEGINNING OF FISCAL YEAR	<u>18,883,637</u>
NET ASSETS, END OF FISCAL YEAR	\$ <u>19,501,331</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Statement of Cash Flows
Business-type Activities - Enterprise Fund**

YEAR ENDED JUNE 30, 2007

	<u>State Infrastructure Bank</u>
Cash flows provided from operating activities:	
Interest income received	\$ 412,952
Cash flows used from financing activities:	
Loans issued	(886,598)
Loans repaid	<u>2,205,681</u>
Net decrease in cash and cash equivalents	1,732,035
Cash and cash equivalents at June 30, 2006	<u>10,765,589</u>
Cash and cash equivalents at June 20, 2007	\$ <u><u>12,497,624</u></u>
Reconciliation of operating income to net cash provided from operating activities:	
Operating income	\$ 617,694
Adjustment to reconcile operating income to net cash by operating activities:	
Increase in interest receivables	(320,452)
Increase in due to other agencies	<u>115,710</u>
Cash flows provided by operating activities	\$ <u><u>412,952</u></u>

NATURE OF ORGANIZATION

The New Mexico Department of Transportation (Department), formerly known as the New Mexico State Highway and Transportation Department, within the State of New Mexico is responsible for planning, organizing and directing a comprehensive transportation network. The Department was created by the Constitution of New Mexico, Article V, Section 14; and Sections 67-3-1 through 67-3-70, New Mexico Statutes Annotated, 1978 Compilation. The Highway & Transportation Department Reorganization Bill (House Bill 210) created the Department as of July 1, 1987. Under this reorganization act, portions of the Transportation Department were merged into the Department to create the Department's Aviation and Transportation Divisions. On April 4, 2003, the Governor signed a bill changing the Department's name to the New Mexico Department of Transportation.

The governing body of the Department is a six person State Highway Commission. Commissioners are appointed by the Governor, with the advice and consent of the Senate, and each serves for staggered six-year terms.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The 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.

- **Financial Reporting Entity**

The accompanying financial statements of the Department include all funds and activities over which the Department has oversight responsibility. The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Governor appoints the Commission, the Commission has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. Effective July 1, 2003, GASB 39, *Determining Whether Certain Organizations are Component Units*, expands the criteria of component units. GASB 39 has no impact on the Department and the Department has no blended or discretely presented component units during the year ended June 30, 2007.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Financial Reporting Entity - continued**

The Department, the New Mexico Finance Authority (NMFA) and the Federal Highway Administration (FHWA) established a State Infrastructure Bank (SIB) on September 30, 1997. The SIB is a revolving loan program accounted for as a business-type operation - enterprise fund and is administered by the Department to finance highway projects. The initial capitalization for the SIB came from the Highway Department's allotment of federal funds. The Department matched the federal funds based on the required matching percentage from state funds.

- **Government-wide and Fund Financial Statements**

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information of all of the non-fiduciary activities of the Department. The effect of material interfund activity has been removed from these government-wide statements. Governmental activities, primarily the construction and maintenance of the State's road system, which normally is supported by taxes and intergovernmental revenues, are reported separately from the business-type activities of the SIB, which to a significant extent acts as a business, loaning funds to other entities and charging interest on the loans. Operating income for the SIB is interest income. All other income, if any, would be non-operating income to the SIB.

- **Basis of Presentation**

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department function of building and maintaining the State's road system (public works). Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a department. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements for public works. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Department does not allocate general government expenses to other functions except for public works. When both restricted and unrestricted resources are available for use, the Department's policy is to first use restricted resources, then unrestricted resources.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation (legally enforceable). Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, it is generally the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Basis of Presentation - continued**

Governmental funds are reported as major funds in the accompanying financial statements if they meet **both** of the following criteria:

Ten percent criterion. An individual governmental fund reports at least ten percent of *any* of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.

Five percent criterion. An individual governmental fund reports at least five percent of the total for both governmental and enterprise funds of any of the items for which it met the ten percent criterion.

The Department's major governmental funds are the following:

State Road Fund-Fund No. 20100. The state road fund was created by Section 67-3-65, NMSA 1978. The state road fund is the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Section 67-3-59 NMSA establishes that this is a non-reverting fund. This is a special revenue fund.

Bonds Project Fund-2004A GRIP. The bonds project fund was created when the \$700,000,000 New Mexico State Transportation Senior Lien Revenue Bonds Series 2004A were issued through the New Mexico Finance Authority in May 2004. The funds from the sale of the Debentures were required to be deposited in a special account with the NMFA. Unspent proceeds are on deposit with the NMFA and recorded as due from other state agencies. The funds are used to finance transportation projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion. This is a special revenue fund.

• Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Business Type - Proprietary Fund - State Infrastructure Bank (SIB) Financial Statements. The financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

A proprietary fund has the option under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The SIB has elected to not apply FASB pronouncements issued after the applicable date.

Governmental Fund Financial Statements. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested compensated absences are recorded as an expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2007, has been reported only in the government-wide financial statements.
- Interest and principal payments on general long-term obligations is recognized as expenditures when paid.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.

The financial activities of the Department are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Department uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The measurement focus is on the flow of expendable financial resources, rather than on net income determination.

The following are the governmental fund types used:

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State Road Fund is the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Resources are generated primarily from user and fuel taxes and federal grants. Expenditures are incurred to build and improve the transportation system within the State of New Mexico. These funds do not receive state general fund appropriations that are subject to reversion.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Special Revenue Funds – continued

Local Government Road Fund (Fund #20300). The local government road fund was created by Section 67-3-28.2, NMSA 1978. This fund is used to account for monies received for (1) cooperative agreements program for construction and improvement of public highways and streets, and public school parking lots; (2) a municipal arterial program for construction for reconstruction of highways and streets not on the state highway systems; (3) a school bus route program for maintaining, repairing, improving and paving school bus routes, and public school parking lots; and (4) a county arterial program for construction, reconstruction, improvement and maintenance of county roads. Funding is received from state excise taxes. The fund does not receive state general fund appropriations that are subject to reversion. This is a special revenue fund.

Federal Planning and Development Fund (Fund #10030). This fund is authorized by the Commission to account for the planning and administration of federal grant monies and state matching funds for mass transportation and railroad improvements. The Highway Safety Act of 1966, as amended, 23 U.S.C. 401 Et. Seq. and 23 U.S.C. 410, authorizes the establishment of this fund. The fund does not receive state general fund appropriations that are subject to reversion.

Traffic Safety Fund (Fund #20800). This fund is authorized by the Commission to account for federal grant monies and state matching monies received for various traffic safety programs.

State Aviation Fund (Fund #20500). The State Aviation Fund was created by Section 64-1-15, NMSA 1978. This fund is used to account for planning, construction and maintenance of a system of airports, navigation aids and related facilities serving New Mexico. Financing is provided from all unrefunded taxes collected on the sale of motor fuel sold for use in aircraft.

Motorcycle Training Fund (Fund #20600). The motorcycle training fund was created by Section 66-10-10, NMSA 1978. This fund is used to account for the operation of a motorcycle safety training program. Financing is provided from motorcycle registration fees and student training fees. All money in the motorcycle training fund in excess of amounts budgeted revert to the State Road Fund.

Driver Improvement Program Fund (Fund #10020). The driver improvement program fund was created by Executive Order 87-20. This fund is used to account for the operation of a driver improvement program. Financing is provided from fees collected for drivers' manuals and admissions to driver training courses. This is a non-reverting fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Special Revenue Funds – continued

DWI Prevention and Education Fund (Fund #20700). The DWI prevention and education fund was created by Section 66-5-35, NMSA 1978. This fund is used to account for the operation of a DWI (Driving While Intoxicated) prevention and education program for elementary and secondary school students. Financing is provided from limited license and permit fees. This is a non-reverting fund.

Bond Project Fund (1993 Bonds) (Fund #39400). The bond project fund was created due to the issuance of the December 1993 \$50,000,000 State of New Mexico Highway Debentures. The funds from the sale of all of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations held by the State Treasurer with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund (WIPP Bonds) (Fund #78900 and 00400). The bond project fund was created due to the issuance of the December 1996 \$100,000,000 State of New Mexico Highway Debentures and the \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bonds Series 1998B issued in October 1998. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund (1998 & 1999 CHAT) (Fund #54600). The bond project fund was created due to the issuance of the October 1998 \$105,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1998A and the \$100,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1999 issued in November 1999. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Also, proceeds can be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued****Special Revenue Funds – continued**

Bond Project Fund (2000 CHAT) (Fund #34500). The bond project fund was created due to the issuance of the May 2000 \$201,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2000A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund (2001 CHAT) (Fund #00600). The bond project fund was created due to the issuance of the March 2001 \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund (2002A CHAT) (Fund #36800). The bond project fund was created due to the issuance of the January 2002 \$95,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund (2002C HIF) (Fund #36100). The bond project fund was created due to the issuance of the May 2002 \$67,750,000 New Mexico State Highway Commission Infrastructure Fund Revenue Highway Bonds Series 2002C. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Special Revenue Funds - continued

Bond Project Fund (2002D CHAT) (Fund #11500). The bond project fund was created due to the issuance of the December 2002 \$16,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002D. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds.

Bond Project Fund 2006A (Fund #10210) – The bond project fund was created due to the issuance of the September 2006 \$150,000,000 Revenue Bonds Series 2006A. The 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has deemed necessary or desirable as part of the GRIP transportation projects.

Bond Project Fund 2006B (Fund #10230) – The bond project fund was created due to the issuance of the September 2006 \$39,005,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission.

Bond Project Fund 2006C (Fund #10250) - The bond project fund was created due to the issuance of the September 2006 \$220,000,000 of State Transportation, Series 2006C Revenue Bonds. The series 2006C Bonds were issued as adjustable rate securities and were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects.

Bond Project Fund 2006D (Fund #10270) - The bond project fund was created due to the issuance of the September 2006 \$50,680,000 of State Transportation, Series 2006D Revenue Bonds. The series 2006D Bonds were issued to provide funds for an escrow account required to be maintained by the Department pursuant to a Joint Use Agreement between the Department and the BNSF Railway Company.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

Debt Service - 1993 Bonds (Fund #26100). Created when the \$50,000,000 State of New Mexico Highway Debentures Series were issued in 1993.

Debt Service - WIPP Bonds (Fund #21100, 67700 and 97200). Created when the \$100,000,000 New Mexico State Highway Commission Adjustable Tender Subordinate Lien Tax Revenue Highway Bonds were issued in December 1996 and subsequently refunded in January 2002, creating the 2002 WIPP Bonds and the \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bond Series 1998B, issued in October 1998.

Debt Service - 1998 CHAT Bonds (Fund #54800). Created when the \$105,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1998A were issued in October 1998.

Debt Service - 1998 NMFA Loan. Created when the \$100,230,000 loan agreement with the New Mexico Finance Authority was signed in October 1998.

Debt Service - 1999 CHAT Bonds (Fund #43400). Created when the \$100,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1999 were issued in November 1999.

Debt Service - 2000 CHAT Bonds (Fund #43200). Created when the \$201,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2000A were issued in May 2001.

Debt Service - 2002A CHAT Bonds (Fund #54700). Created when the \$95,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002A were issued in January 2002.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Debt Service Funds - continued

Debt Service - 2002B WIPP Bonds (Fund #75000). Created when the \$79,920,000 New Mexico State Highway Commission Lien Tax Revenue Bonds Series 2002B were issued in January 2002.

Debt Service - 2002C HIF Bonds (Fund #36300). Created when the \$67,750,000 New Mexico State Highway Commission Infrastructure Fund Revenue Bonds Series 2002C were issued in May 2002.

Debt Service - 2002D CHAT Bonds (Fund #18700). Created when the \$16,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002D were issued in December 2002.

Debt Service - 2001 CHAT Bonds. Created when the \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001A were issued in March 2001.

Debt Service Fund - 2004A GRIP. This fund was created when the \$700,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bond Series 2004A were issued through the New Mexico Finance Authority in 2004. The fund does not receive state general fund appropriations that are subject to reversion.

Debt Service Fund - 2004B and C GRIP. This fund was created when the \$237,950,000 and \$200,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bonds Series 2004B and Series 2004C were issued through the New Mexico Finance Authority in May 2004. The fund does not receive state general fund appropriations that are subject to reversion.

Debt Service Fund – 2006A. The fund was created when the \$150,000,000 New Mexico State Highway Commission Revenue Bonds Series 2006A were issued in September 2006 to account for debt service payments. The fund does not receive state general fund appropriations that are subject to reversion.

Debt Service Fund – 2006B. The fund was created when the \$40,085,000 New Mexico State Highway Commission Revenue Bonds Series 2006B were issued in September 2006 to account for debt service payments. The fund does not receive state general fund appropriations that are subject to reversion.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Debt Service Funds - continued

Debt Service Fund – 2006C. The fund was created when the \$220,000,000 New Mexico State Highway Commission Revenue Bonds Series 2006C were issued in September 2006 to account for debt service payments.. The fund does not receive state general fund appropriations that are subject to reversion.

Debt Service Fund – 2006D. The fund was created when the \$50,400,000 New Mexico State Highway Commission Revenue Bonds Series 2006D were issued in September 2006 to account for debt service payments. The fund does not receive state general fund appropriations that are subject to reversion.

Capital Project Improvements Fund. The Capital Project Improvements Fund is used to account for the purchase or construction of facilities used in the operation of the Department. As it is a non-major fund, it is shown in the accompanying financial statements. Appropriations are received on a reimbursement basis as expenditures occur; therefore, only budgetary reversions are made when applicable.

All governmental funds are accounted for using the modified accrual basis of accounting. The funds' revenues are recognized in the period in which they become susceptible to accrual (i.e., when they are both measurable and available to pay liabilities in the current period). "Available" is defined as collectible within the current period or soon enough thereafter within 60 days after year-end to be used to pay liabilities of the current period. Intergovernmental revenues, including Federal allotments and grants, are recorded in accordance with their legal or contractual requirements if collected in the current period or if collectibility is assured subsequent to year- end. Grant revenues are collected in advance of the period intended to finance expenditures. If the eligibility requirements are not met, they are recorded as deferred revenues. Interest income is recorded when earned. Bond proceeds are recognized at the time the bonds are sold. Principal and interest payments are recorded in the debt service fund when these disbursements are made or when resources have been provided for debt service payments due early in a subsequent fiscal year. All other revenues are not susceptible to accrual.

- **Budgets and Budgetary Accounting**

The state legislature makes annual appropriations to the Department. Legal compliance is monitored through the establishment of an annual budget for the Special Revenue Fund type and multi-year budgets for Severance Tax multi-year capital projects, General Fund multi-year capital projects, and the capital projects funds using the modified accrual budget basis of accounting and a financial control system which permits a budget-to-actual expenditure comparison. The Debt

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Budgets and Budgetary Accounting - continued**

Service Fund expenditures for principal and interest and the State Infrastructure Bank expenditures for loans funded are included in the Road Betterments Division budget of the State Road Fund.

Expenditures may not legally exceed appropriations for each division's budget at the expenditure classification level.

Amendments to the budget require approval by the budget division of the Department of Finance and Administration (DFA). Unencumbered annual budget appropriations lapse at year-end. Appropriations of the proceeds of severance tax bonds are subject to the limitations contained in the law that authorized the appropriation.

- **Interfund and Interagency Transactions**

Transfers which, because of budgetary or legal restrictions, must be expended by funds other than the fund initially receiving the revenue, are recorded as operating transfers in (out) under the other financing sources (uses) category (Notes 10 and 14) in the governmental fund financial statements.

- **Restricted Cash and Cash Equivalents**

The funds deposited in the debt service funds are restricted to pay future principal and interest payments due under the \$105,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 1998A (CHAT Bonds); the \$100,000,000 Subordinate Lien Tax Revenue Highway Bonds, Series 1998B (WIPP Bonds); the \$100,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 1999 (CHAT Bonds); the \$201,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2000A (CHAT Bonds); the \$198,800,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2001A (CHAT Bonds); the \$95,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002A (CHAT Bonds); the \$79,920,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002B (WIPP Bonds); the \$67,750,000 Highway Infrastructure Fund Revenue Highway Bonds, Series 2002C (HIF Bonds); and the \$16,000,000 Senior Subordinate Tax Revenue Highway Bonds, Series 2002D (CHAT Bonds). The remaining balance of the proceeds from the sale of the debentures, bonds and the NMFA loan are also classified as restricted cash because of the limited use of these funds. Proceeds of the various bond issues are also invested through the State Treasurer's Office in securities repurchase agreements with financial institutions and a money market mutual fund that invests in U.S. Treasury securities. Cash received from the Department of Energy (for the WIPP Project fund) in advance of incurring the eligible expenditures is also reflected as restricted cash because the cash can only be used on specified road projects. Cash held in the State Infrastructure Bank is restricted for use in funding loans (Note 2).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Taxes Receivable**

Taxes receivable represent the amounts due from the New Mexico Taxation and Revenue Department for the Department's June 30 fiscal year user and fuel taxes that are received by the Department after year-end. Accordingly, no allowance for uncollectible amounts is necessary. The revenue related to taxes is recorded when the underlying transaction occurs.

• Accounts Receivable

Accounts receivable consists of amounts due from various entities: individuals and other state and local agencies located within the State of New Mexico for the sale of maps, brochures and other materials; federal excise taxes; and for other services performed by the Department. The Department provides an allowance for uncollectible accounts. The allowance is based on estimated collectible balances using an analysis of an aging of outstanding accounts and historical collection experience. The Department does not require collateral on these accounts receivable (Note 3).

• Severance Tax Bonds Proceeds Receivable

The State of New Mexico Legislature has authorized the State Board of Finance to issue and sell revenue bonds that are to be retired using future taxes levied against the extractive industries in the state. The proceeds from bonds sold are appropriated to the Department to be used for specific programs and are recorded as revenues by the Department. Expenditures incurred by the Department for such programs are reimbursable from the State Board of Finance. The severance tax bonds proceeds receivable represents the amounts due and available from the State Board of Finance as of year-end (Note 4).

• Notes and Loans Receivable

Notes receivable represent:

- Funds advanced to various state and local agencies to promote van-pooling activities within the state. The Federal Highway Administration (FHWA) provides matching funds (90%) for the purchase of vehicles by various nonprofit van pooling organizations.
- The funds advanced to such organizations are payable to the Department and are designated for future vehicle purchases.
- Notes issued to individuals displaced by purchases of right of way properties. The funds loaned to such individuals are provided in part by FHWA funds per FHWA guidelines.

Loans receivable represent:

- Loans to other governmental entities made by the State Infrastructure Bank. Loans are stated at their principal amount. Interest on loans is accrued based on the daily principal balance outstanding, except when a loan has been past due for 90 days. All loans are to governmental entities and secured by certain pledged revenues. The loans are being repaid in accordance with

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Notes and Loans Receivable - continued**

their loan agreements. Management's evaluation of the loan portfolio has determined that no allowance for uncollectible loans is required at June 30, 2007. There are no loans past due for more than 90 days as of the end of the fiscal year which require placement on non-accrual status (Note 5).

• Due From the U.S. Department of Transportation

Due from the U.S. Department of Transportation represents amounts billed and unbilled in accordance with the various grant agreements. The "billed" portion represents contract expenditures incurred and billed by the Department. The "unbilled" portion represents expenditures included in accounts payable that will be billed when paid by the Department. The "excess project costs" represents costs actually incurred on a project in excess of approved amounts. The Department provides for an allowance for uncollectible accounts in excess of project costs classification. The allowance is based on an analysis of amounts that are reasonably assured of collection (Note 6).

• Due From/To Other Funds

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

• Inventory

Inventory is valued at cost using the first-in, first-out method. Special Revenue Fund inventory consists of materials used in the Department's operations.

The inventory costs are recorded as expenditures when consumed rather than when purchased. Reported inventories are equally offset by the fund balance reserve, which indicates that it does not constitute "available spendable resources" (Note 8) even though they are a component of current assets.

• Prepaid Expense - Warranty

The warranty represents the no-fault portion of \$32,490,080 being amortized over 20 years that will meet performance criteria. The remaining \$13,148,286 of the warranty that represents the no-fault warranty that the structures will meet performance criteria is being amortized over 11 ½ years.

• Property Held for Resale

Property held for resale represents excess land acquired through condemnation and is recorded at its estimated fair value. The Department's management estimated the fair value based upon recent sales of similar type assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Capital Assets**

Capital assets, which include property, plant, equipment, software in the equipment category, and infrastructure assets (which is normally immovable and of value only to the state, such as roads, streets, tunnels and similar infrastructure items), are reported in the governmental activities columns in the government-wide financial statements. The Department has no internally developed software that requires capitalization. As a result of House Bill 1074, effective date June 17, 2005, the State's capitalization policy threshold was changed from \$1,000 to \$5,000, requiring agencies to capitalize acquisitions greater than \$5,000. Assets purchased prior to June 17, 2005 were not removed and will continue to be depreciated. Purchased and constructed capital assets are valued at historical or estimated historical cost. The Department has not capitalized any construction period interest expense. Donated capital assets are recorded at their estimated fair value at the date of donation.

- The Department records as capital assets the specific roads, tunnels and other infrastructure it owns or over which it has primary responsibility for maintenance. According to GASB, if the Department has the primary responsibility for the asset's maintenance, then the capital asset would be recorded on its books.
- An estimated historical cost of the entire infrastructure on the Department's government-wide financial statements was determined as of June 2001. The Department calculated the replacement cost as of June 30, 2001 for its entire infrastructure and then deflated the cost by use of a construction price level index maintained by the Federal Highway Administration. Accumulated depreciation at June 30, 2001 was calculated based on the estimated historical cost of the infrastructure, estimated use of the assets and using a 25 to 30-year life of the infrastructure. Current year activity is shown in Note 9 to the financial statements.
- The Department follows the depreciation method to record infrastructure assets. This method requires the Department to allocate the cost of infrastructure assets over their useful lives as depreciation expense. Another allowable methodology is to use the modified approach to record infrastructure. Under this process, the Department does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. If this method was used, it would require the Department to: 1) commit to maintaining and preserving the assets at or above a condition level established by the Department, 2) maintain an inventory of the assets and perform periodic assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. The Department elected to use the depreciation method as it determined it could not meet the condition to maintain the infrastructure at a predetermined condition level due to an anticipated lack of future funding for maintenance.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Capital Assets – continued

- The Department records its other capital assets (buildings and machinery and equipment) at historical cost and depreciates the assets over their estimated useful lives. Capital assets acquired in the current year in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Department are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and right-of-way land. Generally, estimated useful lives are as follows:

Machinery and Equipment	7 - 14 years
Buildings and Other Improvements	40 years
Infrastructure	25 - 30 years

• Deferred Revenue

Deferred revenue occurs when the Department receives funds before the corresponding expense or expenditure has been incurred, or all of the eligibility requirements have been met. The Department has received funds in advance of work done from the Department of Energy (DOE) for road projects and other costs relating to the Waste Isolation Pilot Plant (WIPP). The Department has received pass-through federal funds in advance of work done from the New Mexico Department of Human Services for the temporary assistance of needy families. Revenue is recognized when eligible expenditures are incurred for these projects and programs and all eligibility requirements are met.

• Compensated Absences

The Department accounts for the accumulated vacation and sick leave on the accrual basis in accordance with GASB 16. Accrued vacation up to 240 hours is recorded in the Statement of Net Assets at 100% of the employee's hourly wage. In addition, accrued sick leave over 600 up to 720 hours less the amount classified as current is recorded in the Statement of Net Assets at 50% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour. The accrual for compensated absences is calculated at pay rates in effect at June 30, 2006, and includes direct and incremental salary related payments, such as the employees' share of social security taxes.

• Long-Term Obligations

Premiums, Discounts and Issuance Costs - In the government-wide financial statements, long-term debt and other long-term obligations are presented in the columns for governmental and business-type activities. The same is presented in the proprietary fund financial statements. Bond

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Long-Term Obligations - continued**

and note premiums and discounts, as well as issuance costs, are deferred and amortized straight line over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and also amortized straight line over the term of the related debt.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

Arbitrage Rebate Liability - Any arbitrage rebate is recorded as a liability when it is determined to be owed to the Internal Revenue Service.

• Net Assets

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investments in Capital Assets - is intended to reflect the portion of net assets which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Assets - are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or granting agency) limitation on their use. When there is an option, the Department spends restricted resources first.

Unrestricted Assets - are all other net assets that do not meet the definition of "restricted assets" or "investments in capital assets".

• Encumbrances

With the Laws of 2004, Chapter 114, "General Appropriations" establishing the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico, there are no encumbrances outstanding at year-end with the exception of the Capital Projects Fund. Encumbrances outstanding in this fund at year-end are reported as reservations of fund balance on the balance sheets (in the fund financial statement) and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

It is necessary to include the budgetary basis consistent with the Department's legally adopted budget as presented in the required supplementary information. Unused and excess encumbrances are adjusted in the year it is determined the funds will not be spent.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Reservations**

Reservations of fund balance are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Encumbrances. This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the Department but not completed as of the close of the fiscal year.

Reserved for Inventory. This reserve was created to represent the portion of fund balance that is not available for expenditures because the Department expects to use the resources within the next budgetary period.

- **Designated Fund Balance**

The Department established a designation for projects to be funded by the Capital Projects Fund that have not been started in the governmental fund financial statements.

- **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- **Eliminations**

Total columns in the governmental fund financial statements are captioned "Total (Governmental Funds)" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operation or changes in financial position of the Department as a whole in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation in the governmental fund financial statements. Due from/to other funds and interfund transfers have been eliminated in the government-wide financial statements.

2. CASH AND CASH EQUIVALENTS

Cash funds, other than petty cash, are deposited by the Department into its accounts with the State Treasurer, which are pooled and invested by the State Treasurer. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Money of the

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

2. CASH AND CASH EQUIVALENTS - continued

Department may be deposited with the State Treasurer for a short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico, or any political subdivision of the State and other investments allowed by state law. Petty cash funds are deposited with various financial institutions and are fully insured. Some of the cash held by the trustee for the NMFA loan proceeds is also invested in a money market mutual fund that invests in short-term U.S. Treasury securities. The reconciled balances at June 30, 2007, are as follows:

	SHARE Account Number	Amount
Unrestricted:		
Road Fund	20100	\$ 48,181,976
Local Government Fund	20300	22,231,718
Aviation Fund	20500	4,009,653
Motorcycle Training Fund	20600	84,670
DWI Prevention Fund	20700	732,963
Traffic Safety	82600, 20800	7,431,227
Driver Improvement Program Fund	10020	147,873
Capital Project Improvements	10050	(2,578,049)
Federal Planning and Development	10030	(2,838,771)
		\$ <u>77,403,260</u>
Restricted:		
Road Fund (relates to WIPP bond projects and various other road projects)	43100	\$ 38,944,285
Bond Project Fund (1993 Bonds)	39400	1,506,143
Bond Project Fund (1999 CHAT Bonds)	43000	226,119
Bond Project Fund (2000 CHAT Bonds)	34500	4,670
Bond Project Fund (2001 CHAT Bonds)	00600	9,424,830
Bond Project Fund (2002A CHAT Bonds)	36800	144,406
Bond Project Fund (2002C HIF Bonds)	36100	1,203,019
Bond Project Fund (2002D CHAT Bonds)	11500	719,587
Bond Project Fund (2004A GRIP Bonds)	10230	(13,377,319)
Bond Project Fund (2006B GRIP Bonds)	10250	(2,115,852)
Bond Project Fund (2004A GRIP Bonds)	20400	18,539,014
Debt Service Fund (1998 CHAT Bonds)	54800	130,618
Debt Service Fund (1999 CHAT Bonds)	43400	126,759
Debt Service Fund (2000 CHAT Bonds)	43200	188,274

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

2. CASH AND CASH EQUIVALENTS - continued

	SHARE Account Number		Amount
Debt Service Fund (2001A CHAT Bonds)	00700	\$	232,648
Debt Service Fund (2002A CHAT Bonds)	54700		77,098
Debt Service Fund (2002B WIPP Bonds)	75000		102,325
Debt Service Fund (2002C HIF Bonds)	36300		57,409
Debt Service Fund (2002D CHAT Bonds)	18700		11,817
State Infrastructure Bank	89300		<u>12,497,624</u>
			<u>68,643,474</u>
Total State Treasurer Accounts		\$	<u>146,046,734</u>
Other authorized bank accounts – Wells Fargo Bank		\$	<u>249,045</u>

State law requires that repurchase agreements be secured by collateral with a market value greater than 102% of the value of the agreement. The securities are held by a third party in the Department's name. The fair value of the repurchase agreement approximates the cost at June 30, 2007.

Bond proceeds are invested in money market mutual funds at the Bank of Albuquerque	\$	<u>691,710,680</u>
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Money market funds are managed by New Mexico Finance Authority (fiscal agent) and held by State Treasurer authorized bank accounts at Bank of Albuquerque as trustee and paying agent for Department. The sources of funds are bond proceeds and other debt service requirements. These funds are invested in short-term money market accounts that invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, the Department will not be able to recover the value of its collateral securities that are in the possession of an outside party. All are fully collateralized and the collateral is held in the Department's name.

Credit Risk. The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government.

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer. The Department is not susceptible to concentration of credit risk.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

2. CASH AND CASH EQUIVALENTS - continued

Interest Rate Risk. Interest rate risk is the risk that interest rate fluctuations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the value of securities held in a collateral portfolio will decline if market interest rates rise. In this event, the financial institution is required to provide additional collateral necessary to comply with New Mexico State Statute. Therefore, funds are not susceptible to interest rate risk as they are all fully collateralized.

3. ACCOUNTS RECEIVABLE

The aging of accounts receivable as of June 30, 2007, is as follows:

Number of Days Outstanding

0 - 30	\$ -
31 - 60	385
61 - 120	1,107,041
Beyond 120	<u>1,588,638</u>
	2,696,064
Allowance for uncollectible accounts	<u>1,595,959</u>
	\$ <u><u>1,100,105</u></u>

The Department considers the following accounts receivable to be fully collectible:

Midregion Council of Governments	\$ 1,211,417
Other	<u>18,785</u>
	\$ <u><u>1,230,202</u></u>
Total accounts receivable, net at June 30, 2007	\$ <u><u>2,330,307</u></u>

The allowance for uncollectible accounts has been established from experience based on the records of the respective activities.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

4. SEVERANCE TAX BOND PROCEEDS RECEIVABLE

Severance tax bonds proceeds receivable as of June 30, 2007, appropriated to the Department, were held by the State Board of Finance to reimburse expenditures incurred by the Department. The activity of this account is as follows:

Balance, beginning of year	\$ 55,475,345
Sale and reauthorization of severance tax bonds	54,654,257
Funding from the State Board of Finance	(44,905,482)
Reversion to the State Board of Finance	<u>(818,937)</u>
Balance, end of year	\$ <u>64,405,183</u>

The funding for the year ended June 30, 2007 was received under the Laws of 1994, Chapter 148; Laws of 1999, Chapter 2; Laws of 2000, Chapter 23 and Laws of 2002, Chapter 110; Laws of 2003, Chapter 110 and 429; Laws of 2005, Chapter 347; and Laws of 2006, Chapter 347 and 111 for projects completed.

5. BUSINESS-TYPE ACTIVITIES NOTES AND LOANS RECEIVABLE

Notes receivable as of June 30, 2007 consist of the following:

A note receivable from a private entity, non-interest bearing, in accordance with federal statutes, collateralized by various property.	\$ <u>24,715</u>
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Loans receivable funded by the SIB consist of the following:

City of Albuquerque, including interest at 1.5%, due during the 2008 federal fiscal year, secured by federal highway revenue.	\$ 641,087
City of Rio Rancho, including interest at 1.5%, due during the 2008 federal fiscal year, secured by federal highway revenue.	495,695
County of Bernalillo, including interest at 1.5%, due during the 2008 federal fiscal year, secured by federal highway revenue.	<u>5,586,382</u>
	\$ <u>6,723,164</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

6. DUE FROM OTHERS

- **U.S. Department of Transportation**

Due from U.S. Department of Transportation (USDOT) consists of the following at June 30, 2007:

Agency

Federal Highway Administration	\$	43,511,981
Other USDOT Agencies		<u>7,718,538</u>
Total USDOT	\$	<u>51,230,519</u>

Subsequent to June 30, 2007, the Federal Highway Administration unbilled portion of \$43,511,981 was billed and a portion of the amounts were collected by the Department.

- **Other State Agencies**

Due from other state agencies consists of the following at June 30, 2007:

Agency

New Mexico State General Fund (85400)	\$	43,345,800	General Appropriations
New Mexico State Treasurer's Office (80100)		<u>243,842</u>	Interest
Total	\$	<u>43,589,642</u>	

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

7. DUE FROM AND DUE TO OTHER FUNDS

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

- (1) The State Road Fund pays expenditures on behalf of other funds.
- (2) Grant and other funds are recorded in the State Road Fund and then transferred to the appropriate funds.

The Department expects to liquidate these balances within one year.

Interfund receivables and payables as of June 30, 2007 consist of the following:

	<u>Fund Number</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Special Revenue Funds:			
Federal Traffic Safety Fund	10010	\$ 3,431,364	4,150,413
Driver Improvement Program Fund	10020	289,504	-
Federal Mass Transit Fund	10030	14,860	741,168
State Road Fund	20100	142,448,402	135,437,909
Local Government Road Fund	20300	-	1,826,039
Bond GRIP Project Fund - GRIP 2004A	20400	10,444,965	16,062,233
State Aviation Fund	20500	1,340,226	174,703
DWI Prevention & Education Fund	20700	-	31,533
Bond Project Fund - CHAT 2000A	34500	1,788,987	3,682,444
Bond Project Fund - CHAT 2002A	36800	-	2,020,148
Bond Project Fund -1993 Bonds	39400	-	37,804
Bond Project Fund - CHAT 1999A	43000	3,088,612	1,224,580
Bond Project Fund - CHAT 2001A	60000	-	899,327
Bond Project Fund - GRIP 2006C	10250	<u>-</u>	<u>10,397,188</u>
Total Special Revenue Funds		162,846,920	176,685,489
Debt Service Funds:			
Debt Service Fund - WIPP 1998	97200	13,829	-
Debt Service Fund - CHAT 2001A	70000	<u>-</u>	<u>-</u>
Total Debt Service Funds		13,829	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

7. DUE FROM AND DUE TO OTHER FUNDS - continued

	<u>Fund Number</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Capital Projects Funds:			
Capital Projects Fund	10050	\$ <u>13,835,364</u>	<u>10,624</u>
Total Capital Projects Funds		<u>13,835,364</u>	<u>10,624</u>
Total interfund receivables and payables		\$ <u>176,696,113</u>	<u>176,696,113</u>

8. INVENTORY

Inventory as of June 30, 2007, consists of the following:

Highway maintenance materials stockpiled	\$ 7,661,305
Repair parts and expendable supplies	5,390,071
Fuel, oil and lubricants	<u>896,941</u>
	\$ <u>13,948,317</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

9. CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Adjustments</u>	<u>Adjusted Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Non-depreciable assets:						
Land	\$ 5,063,076	(83,413)	4,979,663	-	-	4,979,663
Right of way	371,809,740	-	371,809,740	1,508,454	-	373,318,194
Depreciable assets:						
Infrastructure	15,110,054,777	-	15,110,054,777	349,075,576	(428,026,090)	15,031,104,263
Equipment and furniture	50,982,903	(21,802,993)	29,179,910	1,877,995	(124,627)	30,933,278
Vehicles	165,716,344	6,754,946	172,471,290	11,042,053	(4,057,081)	179,456,262
Buildings	<u>37,589,491</u>	<u>2,131</u>	<u>37,591,622</u>	<u>872,212</u>	<u>-</u>	<u>38,463,834</u>
Total	15,741,216,331	(15,129,329)	15,726,087,002	364,376,290	(432,207,798)	15,658,255,494
Less accumulated depreciation:						
Infrastructure	(8,390,771,555)	-	(8,390,771,555)	(511,998,815)	428,026,090	(8,474,744,280)
Equipment and furniture	(35,340,203)	13,744,268	(21,595,935)	(1,955,870)	113,241	(23,438,564)
Vehicles	(111,569,997)	3,587,134	(107,982,863)	(10,643,019)	4,033,949	(114,591,933)
Buildings	<u>(22,752,208)</u>	<u>142,868</u>	<u>(22,609,340)</u>	<u>(654,390)</u>	<u>-</u>	<u>(23,263,730)</u>
Total accumulated depreciation	<u>(8,560,433,963)</u>	<u>17,474,270</u>	<u>(8,542,959,693)</u>	<u>(525,252,094)</u>	<u>432,173,280</u>	<u>(8,636,038,507)</u>
Net total	\$ <u>7,180,782,368</u>	<u>2,344,941</u>	<u>7,183,127,309</u>	<u>(160,875,804)</u>	<u>(34,518)</u>	<u>7,022,216,987</u>

Current year depreciation expense for Public Works was \$525,252,094. There were no software costs to capitalize as of year-end.

10. OPERATING TRANSFERS

	(Fund 20100)	(Fund 20400)	(Fund 10080)	(Fund 10090)	(Fund 18700)	(Fund 75000)
	State Road Fund	Bond Project Fund 2004A GRIP	Bond Grip Debt Service Grip 2004A	Bond Grip Debt Service 2004B&C	Debt Service Fund- CHAT-2002D	Debt Service Fund- WIPP-2002B
(1)	\$ (157,964,184)	-	36,216,759	35,060,086	1,454,825	9,419,250
(2)	(2,045,000)	-	1,750,000	-	-	-
(3)	(425,648)	-	-	-	-	-
(4)	-	-	-	-	-	-
(5)	-	-	-	-	-	-
(6)	-	476,130	-	-	-	-
(7)	-	-	336,720	(336,720)	-	-
Total	(160,434,832)	<u>476,130</u>	<u>38,303,479</u>	<u>34,723,366</u>	<u>1,454,825</u>	<u>9,419,250</u>
(8)	<u>(9,787,000)</u>					
	\$ <u>(170,221,832)</u>					

- (1) The transfer from the State Road fund to the above debt service funds are for the debt repayments required by the State of New Mexico Highway Debentures.
- (2) To transfer from the State Road fund to the above debt service funds to cover Trustee Fees.
- (3) The transfer from the State Road fund to the above debt service funds are for the debt repayments required by the State of New Mexico Highway Debentures.
- (4) Transfer interest earnings from one account to another.
- (5) Transfer interest earnings from one account to another.
- (6) Transfer interest earnings from one account to another.
- (7) Transfer interest earnings from one account to another.
- (8) Transfer out to Department of Public Safety.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

(Fund 43400)	(Fund 43200)	(Fund 700)	(Fund 54700)	(Fund 10240)	(Fund 10220)	(Fund 10260)
Debt Service Fund- CHAT-1999	Debt Service Fund- CHAT-2000A	Debt Service Fund- CHAT-2001A	Debt Service Fund- CHAT-2002A	Bond GRIP Debt Service Fund-2006B	Bond GRIP Debt Service Fund-2006A	Bond GRIP Debt Service Fund-2006C
12,219,906	15,478,375	23,074,648	9,918,100	3,518,344	4,901,856	7,192,363
-	-	-	-	49,167	245,833	-
-	-	-	-	-	-	360,256
-	-	-	-	-	(64,324)	(104,992)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>12,219,906</u>	<u>15,478,375</u>	<u>23,074,648</u>	<u>9,918,100</u>	<u>3,567,511</u>	<u>5,083,365</u>	<u>7,447,627</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

10. OPERATING TRANSFERS - continued

	(Fund 10270)	(Fund 10280)	(Fund 36300)	(Fund 54800)	(Fund 97200)	(Fund 10230)
	Bond GRIP Project Fund - 2006D	Bond GRIP Debt Service Fund-2006D	Debt Service Fund - HIF - 2002C	Debt Service- CHAT- 1998A Bonds	Debt Service Fund- WIPP 1998	Bond Project Fund 2006B
(1)	\$ -	638,336	1,709,524	5,110,200	1,751,613	(9,700,000)
(2)	-	-	-	-	-	-
(3)	-	65,392	-	-	-	-
(4)	-	169,316	-	-	-	-
(5)	(1,355,351)	1,355,351	-	-	-	-
(6)	(476,131)	-	-	-	-	-
(7)	-	-	-	-	-	-
Total	\$ <u>(1,831,482)</u>	<u>2,228,395</u>	<u>1,709,524</u>	<u>5,110,200</u>	<u>1,751,613</u>	<u>(9,700,000)</u>

(8)

- (1) The transfer from the State Road fund to the above debt service funds are for the debt repayments required by the State of New Mexico Highway Debentures.
- (2) To transfer from the State Road fund to the above debt service funds to cover Trustee Fees.
- (3) The transfer from the State Road fund to the above debt service funds are for the debt repayments required by the State of New Mexico Highway Debentures.
- (4) Transfer interest earnings from one account to another.
- (5) Transfer interest earnings from one account to another.
- (6) Transfer interest earnings from one account to another.
- (7) Transfer interest earnings from one account to another.
- (8) Transfer out to Department of Public Safety.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2007:

Governmental Activities	Balance at June 30, 2006	Increase	Decrease	Balance at June 30, 2007	Amounts Due Within One Year
1998 WIPP Bonds	\$ 34,435,000	-	-	34,435,000	-
1998 CHAT Bonds	21,960,000	-	(4,200,000)	17,760,000	-
1999 CHAT Bonds	29,665,000	-	(10,885,000)	18,780,000	9,870,000
2000 CHAT Bonds	53,815,000	-	(12,340,000)	41,475,000	13,060,000
2001 CHAT Bonds	123,815,000	-	(16,730,000)	107,085,000	17,685,000
2002A CHAT Bonds	44,700,000	-	(7,540,000)	37,160,000	7,935,000
2002B WIPP Bonds	26,085,000	-	(8,115,000)	17,970,000	8,525,000
2002C HIF Bonds	32,945,000	-	-	32,945,000	-
2002D CHAT Bonds	5,770,000	-	(1,200,000)	4,570,000	-
2004A GRIP Bonds	700,000,000	-	-	700,000,000	-
2004B GRIP Bonds	182,315,000	-	(19,985,000)	162,330,000	13,170,000
2004C GRIP Bonds	200,000,000	-	-	200,000,000	-
2006A GRIP Bonds	-	150,000,000	-	150,000,000	-
2006B GRIP Bonds	-	40,085,000	(2,350,000)	37,735,000	2,225,000
2006C GRIP Bonds	-	220,000,000	-	220,000,000	-
2006D GRIP Bonds	-	50,400,000	-	50,400,000	-
Deferred amount on refunding	(30,876,397)	(330,195)	1,731,865	(29,474,727)	-
Compensated absences payable	<u>5,831,835</u>	<u>8,295,371</u>	<u>(7,505,798)</u>	<u>6,621,408</u>	<u>5,202,000</u>
Total obligations	1,430,460,438	\$ <u>468,450,176</u>	<u>(89,918,933)</u>	1,809,791,681	<u>77,672,000</u>
Less current portion	<u>80,395,000</u>			<u>77,672,000</u>	
Net long-term obligations	\$ <u>1,350,065,438</u>			<u>1,732,119,681</u>	

The State Road Fund is used to liquidate other long-term liabilities, such as compensated absences and capital leases. The Department is authorized to issue bonds from time to time, payable from the proceeds of the collection of gasoline excise taxes, motor vehicle registration fees, and other fees that are required by law to be paid into the State Road Fund and not otherwise pledged solely to the payment of outstanding bonds and debentures. The total aggregate outstanding bonds issued are in accordance with the authorizing legislation for the bonds and other debt with the approval of the State Board of Finance, which includes Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA) (1978), as amended; and the Supplemental Public Securities Act constituting Sections 6-15-8 through 6-14-11 of the NMSA (1978), as amended.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$105,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 1998A and \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bonds Series 1998B in October 1998. The net proceeds to the Department were \$108,979,050 for the Series 1998A Bonds and \$103,753,450 for the Series 1998B Bonds, including \$3,979,050 and \$3,753,450, respectively, of original bond issue premium. The cost of issuance for the Series 1998A and Series 1998B Bonds was \$773,588 and \$767,380, respectively. The Bonds are special limited obligations of the Department, payable solely by a pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes and vehicle transaction taxes and fees that are required to be paid into the State Road Fund. The Series 1998A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature. The Series 1998B Bonds (1998 WIPP Bonds) were issued by the Department for roads relating to the Waste Isolation Pilot Project (WIPP) in the State of New Mexico.

Principal of the Series 1998A Bonds (CHAT) is payable on June 15. The Department refunded \$4,200,000 of the bonds during the fiscal year. The interest is payable semi-annually on June 15 and December 15 through the year 2010.

The Department's future scheduled annual requirements to amortize the Series 1998A Bonds (CHAT), including interest payments of \$2,827,719 based on interest rates that range from 4.5% to 5.125%, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 1998A CHAT:			
2008	\$ -	1,125,450	1,125,450
2009	10,705,000	1,125,450	11,830,450
2010	<u>7,055,000</u>	<u>576,819</u>	<u>7,631,819</u>
Total	\$ <u>17,760,000</u>	<u>2,827,719</u>	<u>20,587,719</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

Principal of the Series 1998 Bonds (WIPP) is payable on June 15. The interest is payable semi-annually on June 15 and December 15 through the year 2011.

The Department's future scheduled annual requirements to amortize the Series 1998B Bonds (1998 WIPP Bonds), including interest payments of \$5,364,625 based on interest rates that range from 3.8% to 5.125%, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 1998 WIPP:			
2008	\$ -	1,751,612	1,751,612
2009	10,545,000	1,751,613	12,296,613
2010	11,460,000	1,224,362	12,684,362
2011	<u>12,430,000</u>	<u>637,038</u>	<u>13,067,038</u>
Total	\$ <u>34,435,000</u>	<u>5,364,625</u>	<u>39,799,625</u>

On October 2, 1998, the Department borrowed \$100,230,000 from the New Mexico Finance Authority (NMFA). The NMFA had issued \$100,230,000 of NMFA Federal Highway Grant Anticipation Revenue Bonds to fund the loan. The Department's obligation under the loan agreement is to repay the loan from certain federal funds payable to the Department from the Federal Highway Administration. If insufficient federal revenues are received, the Department will use good faith efforts to seek additional revenues that are otherwise not obligated and are legally available to repay the loan. After all loan payments and other payments due on any future obligations secured by these federal funds are made, any remaining federal funds received will be deposited into the State Road Fund.

Eligible federal funds that can be used for debt repayment are not available for approximately two years after the date of the loan. Accordingly, \$8,468,451 of the loan proceeds were recorded to the debt service fund to pay future debt service.

The Department was also responsible for the NMFA issuance costs and must annually pay the NMFA two basis points on the outstanding principal balance every September 1. Total issue costs were \$2,144,423 net of \$1,656,807 of the premium received from the sale of the NMFA bonds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

Principal of the loan was paid in May 2004 with funds provided from the issuance of the Series 2004B and 2004C NMFA State Transportation Refunding Revenue Bonds.

The Department issued \$100,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 1999 in November 1999. The gross proceeds to the Department were \$101,161,999, including \$1,161,999 of an original issue premium. The cost of issuance including underwriting fees was approximately \$791,000. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes and motor vehicle registration fees that are required to be paid into the State Road Fund. The Series 1999 Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 4.75% to 5.75% per annum, is payable semi-annually on June 15 and December 15 through the year 2009. The Department refunded \$5,500,000 during the fiscal year using proceeds.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$1,740,000, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 1999 CHAT:			
2008	\$ 9,870,000	1,141,425	11,011,425
2009	<u>8,910,000</u>	<u>598,575</u>	<u>9,508,575</u>
Total	\$ <u>18,780,000</u>	<u>1,740,000</u>	<u>20,520,000</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$201,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2000A in May 2000. The gross proceeds to the Department were \$206,023,307, including \$5,023,307 of an original issue premium. The cost of issuance including underwriting fees was approximately \$1,392,000. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes and motor vehicle registration fees that are required to be paid into the State Road Fund. The Series 2000 Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 5.5% to 6.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2010.

The Department's future scheduled annual requirements to amortize the bonds, including interest payments of \$7,229,625, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2000A CHAT:			
2008	\$ 13,060,000	3,138,375	16,198,375
2009	13,810,000	2,420,650	16,230,650
2010	<u>14,605,000</u>	<u>1,670,600</u>	<u>16,275,600</u>
Total	\$ <u>41,475,000</u>	<u>7,229,625</u>	<u>48,704,625</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$198,800,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2001A, in November 2001. The gross proceeds to the Department were \$209,050,033, including \$10,250,033 of an original issue premium. The cost of issuance including underwriting fees was approximately \$1,343,586. The bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2001A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the Bonds is payable annually each June 15. Interest, with rates ranging from 4.3% to 5.25% per annum, is payable semi-annually on June 15 and December 15 through the year 2013.

The Department's future scheduled annual requirements to amortize the bonds, including interest payments of \$20,976,965 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2001A CHAT:			
2008	\$ 17,685,000	5,508,147	23,193,147
2009	14,630,000	4,623,898	19,253,898
2010	9,545,000	3,892,397	13,437,397
2011	20,645,000	3,415,148	24,060,148
2012 - 2013	<u>44,580,000</u>	<u>3,537,375</u>	<u>48,117,375</u>
Total	\$ <u>107,085,000</u>	<u>20,976,965</u>	<u>128,061,965</u>

On March 14, 2001, the Department borrowed \$18,535,000 from the New Mexico Finance Authority (NMFA). The NMFA had issued \$18,535,000 of NMFA Federal Highway Grant Anticipation Revenue Bonds to fund the loan. The Department's obligation under the loan agreement is to repay the loan from certain federal funds payable to the Department from the Federal Highway Administration. If insufficient federal revenues are received, the Department will use good faith efforts to seek additional revenues that are otherwise not obligated and are legally available to repay the loan. After all loan payments and other payments due on any future obligations secured by these federal funds are made, any remaining federal funds received will be deposited into the State Road Fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department was also responsible for the NMFA issuance costs and must annually pay the NMFA two basis points on the outstanding principal balance every September 1. Total issue costs were \$467,998 and there was a premium of \$704,443 from the sale of the NMFA bonds.

Principal of the loan was paid in May 2004 with funds provided from the issuance of the Series 2004B and 2004C NMFA State Transportation Refunding Revenue Bonds.

The Department issued \$95,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 2002A in January 2002. The gross proceeds including accrued interest to the Department were \$98,361,534, including \$3,913,043 of an original premium. The cost of issuance including underwriting fees was \$592,819. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees and, to the extent authorized, to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid in the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 5.0% to 5.5% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$8,591,850, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002A CHAT:			
2008	\$ 7,935,000	1,982,250	9,917,250
2009	-	1,585,500	1,585,500
2010	8,750,000	1,585,500	10,335,500
2011	-	1,126,125	1,126,125
2012 - 2014	<u>20,475,000</u>	<u>2,312,475</u>	<u>22,787,475</u>
Total	\$ <u>37,160,000</u>	<u>8,591,850</u>	<u>45,751,850</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$79,920,000 of the New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bonds, Series 2002B, in January 2002. The gross proceeds including accrued interest to the Department were \$82,007,147 including \$2,670,686 of an original issue premium. The cost of issuance including underwriter fees was \$614,561. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002B Bonds (WIPP Bonds) were issued to provide funds to refund the 1996 WIPP Bonds on the date of delivery of the Bonds, and to pay all costs incident thereto and to the issuance of the Bonds, including, without limitation, costs of issuance.

Principal of the bonds is payable on June 15. Interest at a rate of 5% per annum is payable semi-annually on June 15 and December 15 through the year 2010.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$1,843,000, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002B WIPP:			
2008	\$ 8,525,000	898,500	9,423,500
2009	-	472,250	472,250
2010	<u>9,445,000</u>	<u>472,250</u>	<u>9,917,250</u>
Total	\$ <u>17,970,000</u>	<u>1,843,000</u>	<u>19,813,000</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$67,750,000 of the New Mexico State Highway Infrastructure Fund Revenue Highway Bonds (additionally secured by a Senior Subordinate Lien on Certain State Road Fund Revenues), Series 2002C, in May 2002. The gross proceeds including accrued interest to the Department were \$69,809,036 including \$2,499,411 of an original issue premium. The cost of issuance including underwriter fees was \$440,375. The bonds are special limited obligations of the State Highway Commission, payable from and secured by a senior pledge of proceeds of the collection of leased vehicle gross receipts tax revenues and tire recycling fees, in each case that are required by law to be paid into the Highway Infrastructure Fund and interest on such amounts in the Highway Infrastructure Fund. The Bonds are additionally payable from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002C Bonds (HIF Bonds) were issued to funds projects identified by the Department and the Legislature.

Principal of the Bonds is payable on June 15. Interest, with rates ranging from 3.25% to 5.375% per annum, is payable semi-annually on June 15 and December 15 through the year 2017.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$12,447,292, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002C HIF:			
2008	\$ -	1,709,524	1,709,524
2009	3,000,000	1,709,524	4,709,524
2010	2,000,000	1,559,524	3,559,524
2011	-	1,459,524	1,459,524
2012 - 2016	21,770,000	5,684,634	27,454,634
2017	<u>6,175,000</u>	<u>324,562</u>	<u>6,499,562</u>
Total	\$ <u>32,945,000</u>	<u>12,447,292</u>	<u>45,392,292</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$16,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002D, in December 2002. The gross proceeds to the Department were \$16,572,740 including \$699,498 of an original issue premium. The cost of issuance including underwriter fees was \$126,758. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002D Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable as follows on June 15. Interest, with rates ranging from 3.9% to 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds including interest payments of \$1,030,350 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002D CHAT:			
2008	\$ -	194,825	194,825
2009	-	194,825	194,825
2010	1,360,000	194,825	1,554,825
2011	-	126,825	126,825
2012 - 2014	<u>3,210,000</u>	<u>319,050</u>	<u>3,529,050</u>
	\$ <u>4,570,000</u>	<u>1,030,350</u>	<u>5,600,350</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$700,000,000 through the New Mexico Finance Authority's (NMFA) State Transportation Revenue Bonds (Senior Lien), Series 2004A, in May 2004. The gross proceeds to the Department were \$738,787,815, including \$43,556,815 of an original issue premium. The cost of issuance including underwriter fees was \$6,368,367. The Bonds are special limited obligations of the Department, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and that the Department has determined to be necessary or desirable.

The Department is responsible for the NMFA issuance costs and must annually pay the NMFA 25 basis points on the outstanding principal balance. Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 3.8% to 5.25% per annum, is payable semi-annually on June 15 and December 15 through the year 2024.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$434,494,408, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2004A GRIP:			
2008	\$ -	36,216,759	36,216,759
2009	-	36,216,759	36,216,759
2010	-	36,216,759	36,216,759
2011	-	36,216,759	36,216,759
2012 - 2016	145,710,000	175,972,147	321,682,147
2017 - 2021	413,155,000	103,548,387	516,703,387
2022 - 2024	<u>141,135,000</u>	<u>10,106,838</u>	<u>151,241,838</u>
	\$ <u>700,000,000</u>	<u>434,494,408</u>	<u>1,134,494,408</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$237,950,000 and \$200,000,000 of bonds through the New Mexico Finance Authority's (NMFA) State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B and Series 2004C, in May 2004. The gross proceeds to the Department for both issuances were \$451,069,205, including \$16,347,187 of an original issue premium. The cost of issuance including underwriter fees was \$4,228,696. Following is the detail of the Series 2004B and Series 2004C bonds issued.

The \$237,950,000 Series 2004B Bonds are special limited obligations of the Department, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding bonds of the NMFA and the Commission.

Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 2.0% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$37,895,750, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2004B GRIP:			
2008	\$ 13,170,000	7,938,265	21,108,265
2009	10,735,000	7,347,765	18,082,765
2010	9,230,000	6,879,385	16,109,385
2011	36,275,000	6,421,085	42,696,085
2012 - 2014	<u>92,920,000</u>	<u>9,309,250</u>	<u>102,229,250</u>
Total	\$ <u>162,330,000</u>	<u>37,895,750</u>	<u>200,225,750</u>

The Series 2004C Bonds are special limited obligations of the Department payable, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the Highway Infrastructure Fund. The lien on the bonds on such revenues is subordinate to the lien thereon securing other bonds issued concurrently with the 2004C bonds or which may hereafter be used through the NMFA. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding debt.

11. LONG-TERM OBLIGATIONS - continued

- **Refunding**

NMFA, on behalf of the Department, used the 2004B and 2004C Bonds to advance refund certain older debt issues of the Department, and the New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 2001 and New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 1999. The net proceeds of \$408,855,872 plus an additional \$7,285,997 were used to purchase U.S. Governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt is considered to be defeased and the liability for those bonds has been removed from long-term obligations. The bonds outstanding of \$363,490,000 were considered defeased as of June 30, 2007.

The deferred amount on the refunding of \$29,474,727 recorded as a reduction of the Department's long-term obligation is the difference between the reacquisition price (funds required to refund the old debt including call provisions) and the net carrying amount of the old debt including unamortized old bond issuance costs. The deferred amount on the refunding is recorded to the government-wide financial statements and is required to be amortized as additional interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The Department is responsible for the issuance costs and must annually pay the 25 basis points on the outstanding principal balance, which will be \$500,000 a year through 2022 and \$339,063 during 2023. Principal of the bonds is payable on June 15, with interest payable semi-annually on June 15 and December 15 through the year 2023. Interest is based on interest rate swap agreements as disclosed below.

- **Interest Rate Swaps**

State Transportation Revenue Bonds, Series 2006

Objective of the Swaps. In April of 2004, the Authority entered into two forward starting swaps (Swap Agreements), each with a different counterparty and each designed to hedge future interest rates. The intention of the Swap Agreements was to take advantage of historically low interest rates for tax-exempt bonds to be issued in 2006. The State Transportation Revenue Bonds, Series 2006 (2006 Bonds) were issued by the Authority to fund part of the Governor Richardson's Investment Partnership (GRIP), which is a \$1.6 billion statewide transportation expansion and infrastructure improvement project. The Swap Agreements each contain a knock-out option that begins on the settlement date and ends on the maturity date of each agreement and that allows each counterparty to cancel the agreement at no cost to the counterparty. The intention of the option was to reduce the synthetic fixed rate. The Authority typically has between \$175 million and \$200 million in cash and short-term investments which will act as a natural hedge for any outstanding variable rate bonds that may result from the exercise of any knock-out option.

11. LONG-TERM OBLIGATIONS - continued

- **Interest Rate Swaps - continued**

State Transportation Revenue Bonds, Series 2006 - continued

Terms. The Swap Agreements were entered into with J. P Morgan Chase Bank and UBS AG (J. P. Morgan and UBS, respectively, and collectively the Counterparties). The Swap Agreements were effective on December 15, 2006 and they mature on December 15, 2026. On the trade date, April 22, 2004, J. P. Morgan was rated AA- by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies (S&P); Aa2 by Moody's Investor's Service, Inc. (Moody's); and UBS was rated AA+ S&P and Aa2 Moody's. The Swap Agreements were priced at a fixed rate of 5.072% based on an amortizing notional schedule with a combined initial notional amount of \$220,000,000. Under the Swap Agreements, each month commencing on June 15, 2007, the Authority shall make an interest payment based on a fixed rate of 5.072% and the Counterparties shall make an interest payment based on the SIFMA municipal swap index reset weekly. The knock-out option embedded in each of the Swap Agreements was struck at 7% and it is exercisable each day beginning on the settlement date and ending on the maturity date of the Swap Agreements. Each month, the Counterparties shall make an option premium payment to the Authority in an amount that is equal to 0.34% per annum and that will result in a synthetic fixed cost of borrowing of 4.732%. By making the option premium payment to the Authority, the Counterparties have paid to have the right (but not the obligation) to terminate the swap should the 180 day average of the SIFMA municipal swap index move above 7%. The variable rate due on the 2006 Bonds is based on market conditions and not on an index.

Fair Value. As of June 30, 2007, the Swap Agreements, excluding the option value, had a negative fair value of \$21,763,409. The options had a positive value of \$5,547,825 in isolation of the swaps. The Swap Agreements, including the value of the options, had a total negative fair market value of \$16,215,583. Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair market value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Basis Risk. The possibility of a mismatch between actual variable rate bond debt service payments and variable rate receipts. The variable rate on the 2006 Bonds is expected to closely match SIFMA municipal swap index.

Counterparty / Credit Risk. The possibility of counterparty non-performance or the possibility of an event occurring that modifies the credit quality or credit rating of the Authority and its counterparty. As of June 30, 2007, the Authority is not exposed to credit risk because the swaps had a

11. LONG-TERM OBLIGATIONS - continued

- **Interest Rate Swaps - continued**

State Transportation Revenue Bonds, Series 2006 - continued**Counterparty / Credit Risk - continued.**

negative fair value. If the fair value goes positive at some point in the future, the Counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on Counterparties ratings as set forth in the CSA. J. P. Morgan and UBS were rated AA/Aaa and AA+/Aaa by S&P/Moody's, respectively, as of June 30, 2007.

Interest Rate Risk. The possibility that the debt service costs associated with variable rate debt and negatively affect coverage ratios and cash flow margins. The knock-out option in the swaps leaves the Authority open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then Swap Agreements could be cancelled by the Counterparties and the Authority would have outstanding unhedged variable rate debt in a 7% interest rate environment.

Tax Risk. The possibility that a tax event could affect sufficiency of swap receipts. Because the floating leg of the Swap Agreements is tied to the SIFMA municipal swap index and not to LIBOR, there is no tax risk.

Termination Risk. The possibility that an interest rate swap agreement must be terminated prior to its stated final cash flow date, and that the Authority cannot obtain a replacement transaction with substantially similar terms, including because of a deterioration of the Authority's own credit. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's, respectively. The swap also includes an additional termination event related to non-issuance of the associated bonds. That is, the swap may be terminated if the related bonds are not issued on the effective date. Should the counterparties exercise the option to terminate the swap per the knock-out option, the Authority would become subject to variable rate risk on the outstanding bonds. However, historically the BMA index has yet to reset above the barrier set forth in the swap agreement. In addition, the Authority has substantial cash reverses which will mitigate this risk by generating variable rate income. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

11. LONG-TERM OBLIGATIONS - continued

- **Interest Rate Swaps - continued**

\$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate lien), Series 2004 C-1, C-2 and C-3 (2004 Refunding Bonds)

Objective of the Swap. In April of 2004, the Authority entered into three (3) swaps (the Swap Agreements) with three (3) counterparties to synthetically refund outstanding bonds, which provided the Authority with present value savings of \$11,524,206, or 3.02% of the refunded bonds. The Swap Agreements were structured to increase the Authority's savings, when compared against fixed-rate alternatives at the time of issuance. In addition, through this structure, the Authority was able to release several restrictive covenants as set forth by the old indenture, thus providing future flexibility. The intention of the Swap Agreements was to effectively change the Authority's interest rate on the bonds to a fixed rate.

Terms. The Swap Agreements were executed with Goldman Sachs Mitsui Marine Derivative, Lehman Brothers Derivative Products Inc. and Royal Bank of Canada (Goldman, Lehman and RBC, respectively, and collectively the Counterparties) in the respective initial amortizing notional amounts of \$50,000,000, \$50,000,000 and \$100,000,000. The Counterparties were, at the trade date, rated AA+/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's, respectively. The Swap Agreements commenced on May 20, 2004 and mature on June 15, 2024. Under the Swap Agreements, the Authority shall pay a fixed rate of 3.934% and received a variable rate computed as the SIFMA municipal swap index until June 15, 2006, on which date the variable interest rate received switches to 68% of the one month London Interbank Offered Rate (LIBOR) until maturity. The 2004 Refunding Bonds' variable rate coupons are not based on an index but on market conditions.

Fair Value. As of June 30, 2007, the Swap Agreements had a negative fair market value of \$220,948 (Lehman \$62,523, Goldman \$52,808, and RBC \$105,616). Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the 2004 Refunding Bonds do not have a corresponding fair value increase. The fair value on the Swap Agreements was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit Risk. As of June 30, 2006 the Authority is exposed to credit risk in an amount equal to the positive fair value for each of the swaps. To mitigate credit risk, the counterparties are required to post collateral based upon the agreed upon collateral threshold levels per the Credit Support Annex (CSA) which are adjusted based on counterparty ratings as set forth in the CSA. Goldman, Lehman, and RBC was rated AAA/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's respectively as of June 30, 2006.

11. LONG-TERM OBLIGATIONS - continued**• Interest Rate Swaps - continued****\$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate lien), Series 2004 C-1, C-2 and C-3 (2004 Refunding Bonds) - continued**

Basis Risk. The possibility of a mismatch between actual variable rate bond debt service payments and variable rate receipts. As of June 30, 2007, the Authority is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and the 68% of one month LIBOR rate received on the swap. The synthetic fixed rate is the fixed rate (3.94%) plus or minus the difference between the variable bond payments and the variable swap payments. The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the swaps. As of June 30, 2007, the rate on the bonds was 3.89%, whereas 68% on month LIBOR was 3.6176%.

Counterparty / Credit Risk. The possibility of counterparty non-performance or the possibility of an event occurring that modifies the credit quality or credit rating of the Authority and its counterparty. As of June 30, 2007, the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the Counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on Counterparties ratings as set forth in the CSA. Goldman, Lehman and RBC were rated AAA/Aaa, AAA/Aaa and AA-/Aaa by S&P/Moody's, respectively, as of June 30, 2007.

Tax Risk. The possibility that a tax event could affect sufficiency of swap receipts. The Authority is exposed to tax risk where the Authority is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rate causes the rate paid on the outstanding bonds to be greater than 68% of LIBOR received on the swap.

Termination Risk. The possibility that an interest rate swap agreement must be terminated prior to its stated final cash flow date, and that the Authority cannot obtain a replacement transaction with substantially similar terms, including because of deterioration of the Authority's own credit. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. Furthermore, the swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's, respectively. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has negative fair value, the Authority would be liable to the counterparty for payment equal to the swap's fair value.

11. LONG-TERM OBLIGATIONS - continued

- **Interest Rate Swaps - continued**

\$100 Million of the \$200 Million GRIP 2004 Floating-to-Synthetic Fixed Rate Refunding Swaps (2004 Swaps)

Fair Value. As of June 30, 2007, the swap had a negative fair value of \$1,130,726. The fair value on the swaps was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Basis Risk. The possibility of a mismatch between actual variable rate bond debt service payments and variable rate receipts. As of June 30, 2007, the Authority is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and the 63.05% of the 5 year USD ISDA-SWAP constant maturity index received on the swap. The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the swaps. As of June 30, 2007, the rate on the bonds was 3.89%, whereas 63.05% of the 5 year USD ISDA-SWAP constant maturity index was 3.4873%.

Counterparty / Credit Risk. The possibility of counterparty non-performance or the possibility of an event occurring that modifies the credit quality or credit rating of the Authority and its counterparty. As of June 30, 2007, the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the Counterparty will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on Counterparty ratings as set forth in the CSA. Citibank, N.A. was rated AA+/Aaa by S&P/Moody's, respectively, as of June 30, 2007.

Tax Risk. The possibility that a tax event could affect sufficiency of swap receipts. The Authority is exposed to tax risk where the Authority is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rate causes the rate paid on the outstanding bonds to be greater than 63.05% of the 5 year USD ISDA-SWAP constant maturity index received on the swap.

Termination Risk. The possibility that an interest rate swap agreement must be terminated prior to its stated final cash flow date, and that the Authority cannot obtain a replacement transaction with substantially similar term, including because of deterioration of the Authority's own credit. The swap uses the International Swap Dealers Association Master Agreement, which

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

• **Interest Rate Swaps - continued**

\$100 Million of the \$200 Million GRIP 2004 Floating-to-Synthetic Fixed Rate Refunding Swaps (2004 Swaps) - continued

Termination Risk - continued.

includes standard termination events. Furthermore, the swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's, respectively. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has negative fair value, the Authority would be liable to the counterparty for payment equal to the swap's fair value.

Swap Payments and Associated Debt. As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending	Variable Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
June 30				
2008	\$ -	7,868,000	510,000	8,378,000
2009	-	7,868,000	510,000	8,378,000
2010	-	7,868,000	510,000	8,378,000
2011	-	7,868,000	510,000	8,378,000
2012	-	7,868,000	510,000	8,378,000
2013 - 2017	-	39,340,000	2,550,000	41,890,000
2018 - 2022	-	39,340,000	2,550,000	41,890,000
2023 - 2024	200,000,000	13,203,487	855,844	214,059,331
	<u>\$ 200,000,000</u>	<u>131,223,487</u>	<u>8,505,844</u>	<u>339,729,331</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

- **Bonds Issued by NMFA**

The following bonds were issued by the New Mexico Finance Authority (Authority) in an agency capacity on behalf of the Department of Transportation during the fiscal year:

State Transportation Series 2006A Revenue Bonds. On September 19, 2006, the Authority issued \$150,000,000 of State Transportation, Series 2006A Revenue Bonds. The Series 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$126,063,219, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006A GRIP:			
2008	-	7,477,408	7,477,408
2009	-	7,477,408	7,477,408
2010	-	7,477,408	7,477,408
2011	-	7,477,408	7,477,408
2012	240,000	7,472,608	7,712,608
2013 - 2026	<u>149,760,000</u>	<u>88,680,979</u>	<u>238,440,979</u>
Total	\$ <u>150,000,000</u>	<u>126,063,219</u>	<u>276,063,219</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

- Bonds Issued by NMFA - continued

State Transportation Series 2006B Revenue Bonds. On September 19, 2006, the Authority issued \$39,005,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The Series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$18,206,217, is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006B GRIP:			
2008	2,222,500	1,643,725	3,866,225
2009	3,165,000	1,535,238	4,700,238
2010	2,345,000	1,432,350	3,777,350
2011	2,100,000	1,346,946	3,446,946
2012	1,225,000	1,283,585	2,508,585
2013 - 2026	<u>26,677,500</u>	<u>10,964,373</u>	<u>37,641,873</u>
Total	\$ <u>37,735,000</u>	<u>18,206,217</u>	<u>55,941,217</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

• Bonds Issued by NMFA - continued

State Transportation Series 2006C Revenue Bonds. On September 19, 2006, the Authority issued \$220,000,000 of State Transportation, Series 2006C Revenue Bonds. The Series 2006C bonds were issued as adjustable rate securities and were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$191,972,508, is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006C GRIP:			
2008	-	10,410,400	10,410,400
2009	-	10,410,400	10,410,400
2010	-	10,410,400	10,410,400
2011	-	10,410,400	10,410,400
2012		10,410,400	10,410,400
2013 - 2026	<u>220,000,000</u>	<u>139,920,508</u>	<u>359,920,508</u>
Total	\$ <u>220,000,000</u>	<u>191,972,508</u>	<u>411,972,508</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

• Bonds Issued by NMFA - continued

State Transportation Series 2006D Revenue Bonds. On September 19, 2006, the Authority issued \$50,400,000 of State Transportation, Series 2006D Revenue Bonds. The Series 2006D Bonds were issued to provide funds for an escrow account required to be maintained by the New Mexico Department of Transportation pursuant to a Joint Use Agreement between the New Mexico Department of Transportation and the BNSF Railway Company. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not on the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$53,614,092, is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006D GRIP:			
2008	-	3,176,432	3,176,432
2009	-	2,726,360	2,726,360
2010	-	2,726,360	2,726,360
2011	-	2,726,360	2,726,360
2012	-	2,726,360	2,726,360
2013 - 2026	<u>50,400,000</u>	<u>39,532,220</u>	<u>89,932,220</u>
Total	\$ <u>50,400,000</u>	<u>53,614,092</u>	<u>104,014,092</u>

• Capital Leases

There are no future minimum lease obligations to report as of June 30, 2007.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

Total future principal and interest obligation repayments are as follows:

<u>Year Ended June 30,</u>		<u>Bonds</u>
2008	\$	165,160,697
2009		164,076,815
2010		160,491,539
2011		151,191,218
2012		138,112,673
2013 – 2017		691,522,599
2018 – 2022		695,583,214
2023 – 2025		<u>730,531,197</u>
Total	\$	<u>2,896,669,952</u>

An obligation amounting to \$6,621,408 at June 30, 2007, has been recorded to the government-wide financial statements representing the Department's commitment for accrued vacation, sick leave and other compensated absences.

12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

• Plan Description

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

• Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Department's is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2007, 2006 and 2005 were \$14,933,952, \$15,199,631 and \$18,165,681, respectively, equal to the amount of the required contribution for each year.

13. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**• Plan Description**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

• Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

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

- **Funding Policy - continued**

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

The Department's contributions to the RHCA for the years ended June 30, 2007, 2006 and 2005 were \$1,201,755, \$1,146,926 and \$986,137, respectively, which equal the required contributions for each year.

14. TRANSFERS TO/FROM OTHER STATE AGENCIES AND LOCAL GOVERNMENTS

The following is a summary of interagency cash transfers as a result of the 2004 General Appropriations Act for an employee assistance assessment to the General Services Department, for collective bargaining to the Department of Finance and Administration, and for an office lease to the Taxation and Revenue Department. The transfer to Department of Public Safety is a result of an appropriation for the motor transportation division from the State Road Fund.

	<u>Agency Number</u>	<u>Operating Transfers Out</u>
Transfers to Other Agencies:		
Department of Public Safety	01-790	\$ <u>9,787,000</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS

The State Legislature and the State Highway Commission have approved certain agreements between the Department and various counties, municipalities and other agencies to construct or improve public highways, school grounds, parking areas, and for the purpose of litter control. The Department's funding responsibility varies from zero to 100%. None of these cooperative and joint power agreements have created legally separate organizations that need to be included as component units or joint ventures in the Department's financial statements.

JOINT POWER AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2007
J00706	Department of Tourism	Implement a statewide public awareness litter campaign to educate and inform New Mexicans about litter.	-
J00707	Zuni Pueblo	A pedestrian travel demand study for Black Rock Community.	-
J00708	Navajo Nation	Road improvements and a maintenance yard at the Bread Springs Chapter of Navajo Nation in McKinley County.	-
J00709	Department of Cultural Affairs	Provide FY 2006 – 2010 Consultant Design Program to maintain an inventory of cultural properties in the State of New Mexico.	\$50,000
J00710	Santa Ana Pueblo	Provide roadside drainage for the Pueblo/CN L3016.	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWER AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2007
J00713	Pueblo of Zuni	Install two traffic school flashing units on State Road 53 Priority (2) BIA Route 301 North Zuni High School.	\$21,306
J00714	Pueblo of Laguna	Provide for the design and improvement of the Exit 108 Interchange on Interstate Highway 40 and BIA Road L22 on the Pueblo of Laguna Indian Reservation. Escrow agreement between Pueblo of Laguna, NMDOT and Wells Fargo Bank is the escrow agent.	-
J00131	City of Albuquerque	Bicycle/pedestrian safety program/CN 9819.	\$27,038
J00550	City of Artesia	Right-of-Way acquisition, rehabilitation and landscaping of railroad depot along US 82 and 285 in Artesia/CN 9824.	-
J00640	NM Corrections Dept.	Highway maintenance and beautification.	\$477,894
J00671	City of Albuquerque	Bicycle Travel Demand Management Program.	\$142,350
J00681	The Navajo Nation	Provide access and safety improvements to the existing corridor on US 666 and conduct an Alignment.	-
J00682	The Navajo Nation	Survey, archaeological clearance and environmental assessment of and improvements to roads in the Rock Springs Chapter in McKinley County.	\$6,141
J00683	The Navajo Nation	Archaeological surveys and environmental assessments for To'hajiilee route north 56 in Bernalillo County.	-
J00684	The Navajo Nation	Road improvements in the Crystal area of San Juan County.	-
J00685	The Navajo Nation	Pave Community roads in the Iyanbito Chapter in McKinley County.	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWER AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2007
J00688	Nambe Pueblo	Improvements to County Road 103 from US 84-285 to Nambe Pueblo industrial park.	-
J00692	Village of Tularosa	Construction and remodeling of the existing police department and converting it to the Tularosa Welcome Center/CN 7530.	-
J00694	The Navajo Nation	Purchase and install school zone warning signals and speed sign on NM 491/CN 7782.	-
J00695	The Navajo Nation	Pave roads for the Thoreau Chapter of the Navajo Nation/CN 7742.	-
J00696	City of Albuquerque	Funding of University Blvd./Rio Bravo Blvd. Extension and Interchange to access Mesa del Sol in Albuquerque.	-
J00697	San Juan Pueblo	Miscellaneous construction to include the San Juan Pueblo parking area.	-
J00698	NM Institute of Technology	Severance Tax Agreement for Water Canyon Road/CN 1339.	\$92,645
J00699	Pueblo of Acoma	Construction of "SP 26", an all weather access road/CN 86581.	-
J00700	City of El Paso, Texas	Replacement of the bridge and culverts on Sunland Park Drive/CN 4035/TC 6301(4).	\$55,456
J00701	Energy, Minerals and Natural Resources	Establish a framework to acquire, enhance and maintain approximately 130 acres of wetland habitat in Santa Rosa.	-
J00703	Energy, Minerals and Natural Resources	Provide inmate work crews for improving natural resources and safety on public lands and roads.	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWER AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2007
J00704	Pueblo of Laguna	Miscellaneous construction, to include geotechnical and engineering fees for pedestrian, bikeway and roadway improvements at entrances to new Laguna-Acoma High School on Casa Blanca Road.	-
J00706	Department of Tourism	Implement a statewide public awareness litter campaign to educate and inform New Mexicans on litter.	-
J00715	The Navajo Nation	Upgrade signals and lighting at the intersection of US 491 and US 64.	-
J00716	The Navajo Nation	Installation of street lighting along US 491.	-
J00717	NM Tourism Department	Design and construct the Special Attraction Component of the Glenrio and Manuelito rest areas/visitor information centers.	\$100,000
J00718	Pueblo of Acoma	Construction, re-construction of various streets on Pueblo of Acoma Indian Reservation.	-
J00719	Ramah Navajo Chapter	Acquire Rights of Way.	-
J00720	NM General Services Dept.	Assistance in operation of the State's aircraft fleet.	-
J00721	The Navajo Nation	Plan, design and construct various road improvements in McKinley, San Juan and Sandoval counties.	-
J00722	The Navajo Nation	Acquire Right of Way.	-
J00723	Laguna Development Corp.	Landscaping Maintenance Agreement.	-
J00724	Pueblo of Acoma	Road improvements on Skyline Road, Acoma Route 32.	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWER AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2007
J00726	Pueblo of Acoma	Construction of Acomita Road, Pueblo of Acoma Indian Reservation/Acomita Road SP30(12)2 & 4.	-
J00727	Pueblo of Santa Clara	Maintain traffic signal at NM 30 and Puye Road.	-
J00728	Tourism Department	Special registration plate with a logo commemorating Route 66.	-
J00729	The Navajo Nation	To plan, design and construct road and culvert improvements.	-
J00730	Corrections Department	To utilize supervised inmates to perform minor highway maintenance and beautification.	-
J00731	Acoma Pueblo	For road improvements on Skyline Road, Acoma Route 32, for 0.8 miles.	-

16. RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the agency carries insurance (Workers' Compensation, Unemployment Compensation, Employee Liability and Transportation Property), with the State of New Mexico Risk Management Division (RMD) of the General Services Department. There are no pending or known threatened legal proceedings involving material matters to which the Department is party.

17. FEDERAL HIGHWAY ADMINISTRATION (FHWA) AUTHORIZATIONS

The FHWA annually allocates funds to the State of New Mexico, which are available for various federally-sponsored projects. The authorizations expire within two to five years from date of authorization.

In order to obtain funding commitments from FHWA for such allotments, projects must be submitted to and be approved by the FHWA. As of June 30, 2007 the amount of authorizations granted to the State of New Mexico that had not been converted to commitments because FHWA did not award sufficient obligation authority to the Department was \$271,089,019.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

18. LITIGATION

The Department is subject to various legal proceedings, claims and liabilities, including right-of-way condemnation proceedings, contractor claims and employee claims, which arise in the ordinary course of the Department's operations. There are various contractor lawsuits and claims against the Department for various reasons. The Department contests these claims and if a likelihood of a loss is probable and can be reasonably estimated, the Department accrues the loss in the accompanying financial statements. In the opinion of the Department's legal counsel, it is probable that contractor claims in excess of \$50,000,000 may result in potential exposure to the Department, but the exact amount of loss cannot be reasonably estimated and is therefore not accrued in the accompanying financial statements.

19. OPERATING LEASE COMMITMENT

The Department leases certain equipment and premises under numerous operating leases. Leases are subject to future appropriation and as such are cancelable by the Department at the end of a fiscal year. Rental expense for the year ended June 30, 2007, was \$969,824.

The future minimum lease payments under operating leases as of June 30, 2007 are approximately as follows:

Years ending June 30:	<u>Lease Amounts</u>
2008	\$ 441,660
2009	321,000
2010	-
2011	-
2012	-
2013 and thereafter	<u>-</u>
	\$ <u>762,660</u>

20. COMMITMENTS AND CONTINGENCIES

- **Arbitrage Rebate Obligation**

As of June 30, 2007, the Department has paid all arbitrage rebates due to the Internal Revenue Service (IRS) on the excess interest income earned on the 1999 CHAT and 2000 CHAT bond proceeds.

- **Grant Revenue**

The Department participates in numerous federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

20. COMMITMENTS AND CONTINGENCIES

- **Grant Revenue - continued**

Department has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2007 may be impaired. In the opinion of the Department, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

- **Warranty Claim**

The Department has filed a notice of deficiency regarding New Mexico 44 (now U.S. 550) under the design and construction warranty provided by the contractor. The Department has not specified a dollar amount of the cost of the repairs or replacement attributable to its claim made under the warranty. Accordingly, no amount for the claim receivable is accrued for in the June 30, 2007 financial statements.

21. UNRESERVED, UNDESIGNATED FUND BALANCE (DEFICIT)

The unreserved, undesignated fund balance (deficit) is the component of fund balance that represents the portion of the encumbrances that have not been billed to the applicable funding source.

22. RESTATEMENT

The following error in the Bond Project Fund (2002D CHAT) was corrected as of June 30, 2007. Had this error not been made, the change in fund balance for the year ended June 30, 2006 would have been \$801,191 greater for this fund.

	Bond Project Fund (2002D CHAT)
Fund Balance, Beginning of Year	\$ (241,478)
Adjustment:	
To correct invalid accounts payable/expenditures balance as of June 30, 2006	<u>801,191</u>
Total adjustments	<u>801,191</u>
Fund Balance, Beginning of Year, Adjusted	\$ <u><u>559,713</u></u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

22. RESTATEMENT - continued

	Debt Service Fund (2004B/C GRIP)
Fund Balance, Beginning of Year	\$ -
Adjustment:	
To reflect balance in fund where cash is actually held	<u>43,140,347</u>
Total adjustments	<u>43,140,347</u>
Fund Balance, Beginning of Year, Adjusted	\$ <u>43,140,347</u>

	Bond Project Fund (2004B/C GRIP)
Fund Balance, Beginning of Year	\$ 43,140,347
Adjustment:	
To reflect balance in fund where cash is actually held and close out fund not used by client	<u>(43,140,347)</u>
Total adjustments	<u>(43,140,347)</u>
Fund Balance, Beginning of Year, Adjusted	\$ <u>-</u>

	Debt Service Fund (1993 Bonds)
Fund Balance, Beginning of Year	\$ 428
Adjustment:	
To correct for funds closed out in prior year	<u>(428)</u>
Total adjustments	<u>(428)</u>
Fund Balance, Beginning of Year, Adjusted	\$ <u>-</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

22. RESTATEMENT - continued

The following errors in the Government-wide Financial Statement were corrected as of June 30, 2007. Had these errors not been made, the change in net assets for the year ended June 30, 2006, would have been \$3,146,136 greater for this fund.

Net Assets, Beginning of Year	\$ 6,360,293,219
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Adjustments:

To correct invalid accounts payable/expenditures balance as of June 30, 2006	801,191
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To correct for funds closed out in prior year	(428)
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The Department conducted a physical inventory of all capital assets and determined that \$2,344,941 in capital assets, net of depreciation, should be adjusted to bring accumulated depreciation and capital assets to actual.	<u>2,344,941</u>
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Net Assets, Beginning of Year, Adjusted	\$ <u>6,363,438,923</u>
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23. SUBSEQUENT EVENTS – BOND REFUNDINGS

NMFA previously issued \$470.4 million outstanding of Auction Rate Securities (ARS). Auction market in recent years produced lower bond costs to the Department:

GRIP Series 2004C - \$200 million
GRIP Series 2006C - \$220 million
GRIP Series 2006D - \$50.4 million

Beginning in November 2007, the spreads on NMFA's ARS began to widen related to the benchmark SIFMA (also known as BMA) index. Liquidity and credit concerns severely disrupted the auction market, resulting in higher relative interest rates on NMFA's ARS.

First Southwest recommended refunding all of NMFA's ARS into other debt instruments. The fixed rate versus variable rate decision took into account that the Series 2004C for \$200 million and the Series 2006C for \$220 million are tied to swaps. Refunding the swapped ARS with fixed rate bonds would necessitate terminating the swaps and the Department would owe termination payments to the swap counterparties, estimated at \$63.039 million on April 7, 2008. In addition, annual debt service would increase by \$5.3 million and total debt service by \$86.5 million.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

23. SUBSEQUENT EVENTS – BOND REFUNDINGS - continued

NMFA decided to refund to Variable Rate Demand Notes and leave the swaps in place. Series 2008A partially refunded \$115.2 million of the Series 2004C. The rate was set at 1.50% versus an average rate of 4.72% on the 2004C ARS for the prior week..

Series 2008B refunded \$220.0 million of the 2006C in its entirety. The rate was set at 1.55% versus an average rate of 5.16% on the 2004C ARS for the prior week.

New Mexico Finance Authority will convert the balance of \$84.8 million remaining on the Series 2004C and the balance of \$50.4 million on the Series 2006D by issuing a subsequent bond refunding, with a close date of May 19, 2008.

24. BUDGET TO GAAP RECONCILIATION – STATE INFRASTRUCTURE BANK

- **State Infrastructure Bank**

Budget and Actual expenditures	\$ 886,598
Reclassification to notes receivable	<u>(886,598)</u>
GAAP basis expenditures	\$ <u>=</u>

- **Special Revenue and Debt Service Funds**

Budget and Actual expenditures	\$ 1,106,375,800
Increase in accounts payable (amounts accrued after DFA cut-off)	<u>4,455,324</u>
GAAP basis expenditures	\$ <u>1,110,831,124</u>

25. BUDGETED VS. ACTUAL EXPENDITURES

The Department had expenditures that exceeded the final budgeted expenditures as follows:

- Business/Program Support. The Other Expenditures category was over budget by \$24,911,120. Budgeted expenditures were \$173,480,702. Actual expenditures, budgetary basis were \$198,391,822.
- Transportation & Highway Operations. The Other Expenditures category was over budget by \$9,557,078. Budgeted expenditures were \$108,403,323. Actual expenditures, budgetary basis were \$117,960,401.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

26. FINANCIAL STATEMENT REISSUE

Subsequent to September 2, 2008 (original date of the Independent Auditors' Report related to the audit of the June 30, 2007 financial statements), approximately \$29,000,000 in unbilled federal expenditures and other errors in the accruals for the fiscal year ended June 30, 2007 were identified.

As a result, the report for the fiscal year ended June 30, 2007 was recalled and restated as outlined below. Additionally, the Schedule of Expenditures of Federal Awards was restated to include the federal-participating expenditures.

		Fund Level	Schedule of	Government-wide
		State Road Fund	Expenditures of	Level
			Federal Awards	Statement of
				Activities
FY07 Net Assets, previously reported	\$	-	-	6,070,173,954
FY07 Expenditures, previously reported		-	282,799,624	-
FY07 Fund Balance, previously reported		197,451,542	-	-
Increase in federal receivables		25,968,855	25,968,855	25,968,855
Increase in deferred revenue related to federal receivables not received within 60 days after year end		(23,114,831)	-	-
To reverse overaccrual of tax revenue		<u>(175,000)</u>	-	(175,000)
FY07 Fund Balance, restated	\$	<u>200,130,566</u>		
		Bond Project Fund		
		(2004A GRIP)		
FY07 Fund Balance, previously reported	\$	179,442,296	-	-
Reclassification of pooled cash at Trustee to other fund		<u>(697,646)</u>	-	-
FY07 Fund Balance, restated	\$	<u>178,744,650</u>		
		Traffic Safety Fund		
FY07 Fund Balance, previously reported	\$	6,657,158	-	-
To book overaccrual of tax revenue		(100,353)	-	(100,353)
To book deferred revenue for amounts not received within 60 days after year end		(13,545)	-	-
Increase in federal receivables		<u>3,092,578</u>	3,092,578	3,092,578
FY07 Fund Balance, restated	\$	<u>9,635,838</u>		

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

26. FINANCIAL STATEMENT REISSUE - continued

		Fund Level	Schedule of	Government-wide
		State Aviation Fund	Expenditures of	Level
			Federal Awards	Statement of
				Activities
FY07 Fund Balance, previously reported	\$	2,277,664	-	-
Increase in federal receivables		70,545	70,545	70,545
To book deferred revenue for amounts not received within 60 days after year end		(32,955)	-	-
To book underaccrual of tax revenue		<u>72,350</u>	-	72,350
FY07 Fund Balance, restated	\$	<u>2,387,604</u>		
		Driver		
		Improvement		
		Program Fund		
FY07 Fund Balance, previously reported	\$	293,112	-	-
To book underaccrual of tax revenue		<u>8,681</u>	-	8,681
FY07 Fund Balance, restated	\$	<u>301,793</u>		
		Debt Service		
		2004A GRIP		
FY07 Fund Balance, previously reported	\$	746,634	-	-
Reclassification of pooled cash at Trustee to other fund		<u>592,542</u>	-	-
FY07 Fund Balance, restated	\$	<u>1,339,176</u>		

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

26. FINANCIAL STATEMENT REISSUE - continued

		Fund Level Debt Service 2004B/C GRIP	Schedule of Expenditures of Federal Awards	Government-wide Level Statement of Activities
FY07 Fund Balance, previously reported	\$	43,696,244	-	-
Reclassification of pooled cash at Trustee to other fund		697,646	-	-
Reclassification of pooled cash at Trustee to other fund		<u>(592,542)</u>	-	-
FY07 Fund Balance, restated	\$	<u>43,801,348</u>		
		Federal Planning and Development Fund		
FY07 Fund Balance, previously reported	\$	3,155,109	-	-
Increase in federal receivables		315,243	315,243	315,243
To book deferred revenue for amounts not received within 60 days after year end		<u>(315,243)</u>	<u>-</u>	<u>-</u>
FY07 Fund Balance, restated	\$	<u>3,155,109</u>		
			\$ <u>312,246,845</u>	<u>6,099,426,853</u>

REQUIRED SUPPLEMENTARY INFORMATION

Combined Schedule of Revenues and Expenditures -
Special Revenue and Debt Service Fund Types -
Budget and Actual (Budgetary-GAAP Basis)

YEAR ENDED JUNE 30, 2007

SPECIAL REVENUE AND DEBT SERVICE FUNDS				
	Budgeted Amounts		Actual	Variance
	Original	Final	(Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ 361,743,559	417,413,274	271,912,119	(145,501,155)
Other state funds	413,514,400	433,465,692	511,594,510	78,128,818
State General Fund	300,000	300,000	96,510,052	96,210,052
Fund balance carryforward	<u>621,207,307</u>	<u>621,207,307</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES				
AND FUND BALANCES	\$ <u>1,396,765,266</u>	<u>1,472,386,273</u>	<u>880,016,681</u>	<u>28,837,715</u>

This schedule contains budget to actual data on all major and nonmajor Special Revenue and Debt Service Funds of the Department.

DRAFT 9/8/2009

YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE	
	Budgeted Amounts	
	Orginal	Final
EXPENDITURES - current and capital outlay:		
Programs and Infrastructure:		
Personal Services/Employee Benefits	23,085,400	23,994,000
Contractual Services	993,933,334	1,022,481,334
Other	<u>635,235,659</u>	<u>648,472,142</u>
	1,652,254,393	1,694,947,476
Transportation & Highway Ops:		
Personal Services/Employee Benefits	87,586,300	93,386,300
Contractual Services	71,055,638	73,804,721
Other	<u>100,024,482</u>	<u>108,403,323</u>
	258,666,420	275,594,344
Business/Program Support:		
Personal Services/Employee Benefist	25,651,800	29,757,379
Contractual Services	2,779,700	2,697,739
Other	161,194,320	173,480,702
Transfers	<u>9,787,000</u>	<u>9,787,000</u>
	<u>199,412,820</u>	<u>215,722,820</u>
TOTAL ANNUAL BUDGETED EXPENDITURES	<u><u>2,110,333,633</u></u>	<u><u>2,186,264,640</u></u>

Combined Schedule of Revenues and Expenditures -
Special Revenue and Debt Service Fund Types -
Budget and Actual (Budgetary - GAAP Basis) - continued

AND DEBT SERVICE FUNDS

Current Year			
Actual Amounts (Modified Accrual)	Outstanding Encumbrances	Actual Amounts (Budgetary Basis)	Budget Positive (Negative)
23,954,663	-	23,954,663	39,337
461,789,902	113,009,394	574,799,296	447,682,038
<u>132,224,720</u>	<u>48,145,874</u>	<u>180,370,595</u>	<u>468,101,548</u>
617,969,285	161,155,268	779,124,554	915,822,922
91,858,646	-	91,858,646	1,527,654
49,667,716	17,987,637	67,655,353	6,149,368
<u>108,145,330</u>	<u>9,815,071</u>	<u>117,960,401</u>	<u>(9,557,078)</u>
249,671,692	27,802,708	277,474,400	(1,880,056)
28,784,397	-	28,784,397	972,982
2,382,730	234,323	2,617,052	80,687
197,780,696	611,126	198,391,822	(24,911,120)
<u>9,787,000</u>	<u>-</u>	<u>9,787,000</u>	<u>-</u>
<u>238,734,823</u>	<u>845,449</u>	<u>239,580,272</u>	<u>(23,857,452)</u>
<u>1,106,375,800</u>	<u>189,803,425</u>	<u>1,296,179,226</u>	<u>890,085,414</u>

SUPPLEMENTARY INFORMATION

AS OF JUNE 30, 2007

	Local Government Road Fund	Traffic Safety Fund (SHARE Fund 20800)	State Aviation Fund (SHARE Fund 20500)	Motorcycle Training Fund (SHARE Fund 20600)
ASSETS:				
Cash and cash equivalents:				
Unrestricted	\$ 22,231,718	7,431,227	4,009,653	84,670
Restricted	-	-	-	-
Receivables:				
Taxes receivable, net	3,745,139	769,664	569,075	21,332
Severance tax bond proceeds receivable	243,842	-	-	-
Due from other funds	-	3,431,364	1,340,226	-
U.S. Department of Transportation, net (Note 6)	-	4,230,972	-	-
Interest receivable	300,000	21,782	-	-
Notes and loans receivable	-	-	-	-
Other receivables	-	(181)	204	2,724
TOTAL ASSETS	\$ 26,520,699	15,884,828	5,919,158	108,726
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 2,922,255	2,057,443	44,560	-
Due to other funds	1,826,039	4,150,413	174,703	-
Payable to other governments	1,169,464	-	3,275,868	-
Deferred revenue	-	13,545	32,955	-
Due to others - severance	-	-	-	-
Other accrued expenses	-	27,589	3,468	-
Other payables	-	-	-	-
TOTAL LIABILITIES	5,917,758	6,248,990	3,531,554	-
FUND BALANCES:				
Unreserved, reported in non-major:				
Special revenue funds	20,602,941	9,635,838	2,387,604	108,726
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
TOTAL FUND BALANCES	20,602,941	9,635,838	2,387,604	108,726
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,520,699	15,884,828	5,919,158	108,726

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Combining Balance Sheet - By Fund Type -
Non-major Governmental Funds**

Special Revenue Funds					
Driver Improvement Program Fund	DWI Prevention and Education Fund (SHARE Fund 20700)	Bond Project Fund (1993 Bonds) (Fund 39400)	Bond Project Fund (WIPP Bonds)	Bond Project Fund (1998 & 1999 CHAT)	Bond Project Fund (2000 CHAT)
147,873	732,963	-	-	-	-
-	-	1,506,143	-	226,119	4,670
23,163	44,893	-	-	-	-
-	-	-	-	-	-
289,504	-	-	-	3,088,612	1,788,987
-	-	-	-	-	-
-	-	38,307	-	5,752	119
-	-	-	-	-	-
<u>8,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>469,221</u>	<u>777,856</u>	<u>1,544,450</u>	<u>-</u>	<u>3,320,483</u>	<u>1,793,776</u>
167,428	29,527	-	-	-	-
-	31,533	37,804	-	1,224,580	3,682,444
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
167,428	61,060	37,804	-	1,224,580	3,682,444
301,793	716,796	1,506,646	-	2,095,903	(1,888,668)
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>301,793</u>	<u>716,796</u>	<u>1,506,646</u>	<u>-</u>	<u>2,095,903</u>	<u>(1,888,668)</u>
469,221	777,856	1,544,450	-	3,320,483	1,793,776

AS OF JUNE 30, 2007

	Bond Project Fund (2001 CHAT)	Bond Project Fund (2002A CHAT)	Bond Project Fund (2002C HIF)	Bond Project Fund (2002D CHAT)
ASSETS:				
Cash and cash equivalents:				
Unrestricted	\$ -	-	-	-
Restricted	9,424,830	144,406	1,203,019	719,587
Receivables:				
Taxes receivable, net	-	-	100	-
Severance tax bond proceeds receivable	-	-	-	-
Due from other funds	-	-	-	-
U.S. Department of Transportation, net (Note 6)	-	-	-	-
Interest receivable	-	3,672	40,129	18,295
Notes and loans receivable	-	-	-	-
Other receivables	-	-	-	-
TOTAL ASSETS	\$ 9,424,830	148,078	1,243,248	737,882
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 207,277	(28,958)	50,534	-
Due to other funds	899,327	2,020,148	-	-
Payable to other governments	-	-	-	-
Deferred revenue	-	-	-	-
Due to others - severance	-	-	-	-
Other accrued expenses	-	-	-	-
Other payables	87,120	-	-	142,904
TOTAL LIABILITIES	1,193,724	1,991,190	50,534	142,904
FUND BALANCES:				
Unreserved, reported in non-major:				
Special revenue funds	8,231,106	(1,843,112)	1,192,714	594,978
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
TOTAL FUND BALANCES	8,231,106	(1,843,112)	1,192,714	594,978
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,424,830	148,078	1,243,248	737,882

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Combining Balance Sheet - By Fund Type -
Non-major Governmental Funds - continued**

Special Revenue Funds

Bond Project Fund (2004 B/C GRIP)	Federal Planning and Development Fund	Bond GRIP Project Fund (2006A)	Bond GRIP Project Fund (2006B)	Bond GRIP Project Fund (2006C)	Bond GRIP Project Fund (2006D)
-	(2,589,726)	-	-	-	-
-	-	164,217,456	640,680	222,385,645	50,391,203
-	-	-	-	-	-
-	-	-	-	-	-
-	14,860	-	-	-	-
-	3,342,575	-	-	-	-
-	-	318	168	355	1,104
-	-	-	-	-	-
-	<u>1,211,417</u>	-	-	-	-
-	<u>1,979,126</u>	<u>164,217,774</u>	<u>640,848</u>	<u>222,386,000</u>	<u>50,392,307</u>
-	2,388,121	-	-	5,294,026	-
-	741,168	-	-	10,397,188	-
-	200	-	-	-	-
-	1,963,112	-	-	-	-
-	-	-	-	-	-
-	41,634	-	-	-	-
-	-	-	-	-	-
-	5,134,235	-	-	15,691,214	-
-	(3,155,109)	164,217,774	640,848	206,694,786	50,392,307
-	-	-	-	-	-
-	-	-	-	-	-
-	<u>(3,155,109)</u>	<u>164,217,774</u>	<u>640,848</u>	<u>206,694,786</u>	<u>50,392,307</u>
-	<u>1,979,126</u>	<u>164,217,774</u>	<u>640,848</u>	<u>222,386,000</u>	<u>50,392,307</u>

AS OF JUNE 30, 2007

		Capital Project Funds		
	Total Special Revenue Funds	Capital Project Improvements Fund	Total Capital Project Funds	Debt Service (2001 CHAT)
ASSETS:				
Cash and cash equivalents:				
Unrestricted	\$ 32,048,378	(2,578,049)	(2,578,049)	-
Restricted	450,863,758	-	-	1,306,887
Receivables:				
Taxes receivable, net	5,173,366	-	-	-
Severance tax bond proceeds receivable	243,842	-	-	-
Due from other funds	9,953,553	13,835,364	13,835,364	-
U.S. Department of Transportation, net (Note 6)	7,573,547	-	-	38,891
Interest receivable	430,001	-	-	-
Notes and loans receivable	-	-	-	-
Other receivables	<u>1,222,845</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>507,509,290</u>	<u>11,257,315</u>	<u>11,257,315</u>	<u>1,345,778</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 13,132,213	1,116,372	1,116,372	-
Due to other funds	25,185,347	10,624	10,624	-
Payable to other governments	4,445,532	-	-	-
Deferred revenue	2,009,612	-	-	-
Due to others - severance	-	-	-	-
Other accrued expenses	72,691	-	-	-
Other payables	<u>230,024</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	45,075,419	1,126,996	1,126,996	-
FUND BALANCES:				
Unreserved, reported in non-major:				
Special revenue funds	462,433,871	-	-	-
Capital projects funds	-	10,130,319	10,130,319	-
Debt service funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,345,778</u>
TOTAL FUND BALANCES	<u>462,433,871</u>	<u>10,130,319</u>	<u>10,130,319</u>	<u>1,345,778</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>507,509,290</u>	<u>11,257,315</u>	<u>11,257,315</u>	<u>1,345,778</u>

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet - By Fund Type -
Non-major Governmental Funds - continued

Debt Service Funds

Debt Service (WIPP Bonds)	Debt Service (1998 CHAT)	Debt Service (1999 CHAT)	Debt Service (2000 CHAT)	Debt Service (2002A CHAT)	Debt Service (2002B WIPP)
-	-	-	-	-	-
113,565	160,234	619,716	958,893	561,286	588,670
-	-	-	-	-	-
-	-	-	-	-	-
13,829	-	-	-	-	-
-	-	-	-	-	-
1,935	6,027	14,739	30,750	18,537	19,080
-	-	-	-	-	-
-	-	-	-	-	-
<u>129,329</u>	<u>166,261</u>	<u>634,455</u>	<u>989,643</u>	<u>579,823</u>	<u>607,750</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>129,329</u>	<u>166,261</u>	<u>634,455</u>	<u>989,643</u>	<u>579,823</u>	<u>607,750</u>
<u>129,329</u>	<u>166,261</u>	<u>634,455</u>	<u>989,643</u>	<u>579,823</u>	<u>607,750</u>
<u>129,329</u>	<u>166,261</u>	<u>634,455</u>	<u>989,643</u>	<u>579,823</u>	<u>607,750</u>

AS OF JUNE 30, 2007

	Debt Service (2002C HIF)	Debt Service (2002D CHAT)	Debt Service (2004B/C GRIP)	Debt Service (2006A GRIP)
ASSETS:				
Cash and cash equivalents:				
Unrestricted	\$ -	-	-	-
Restricted	104,240	45,760	44,443,629	-
Receivables:				
Taxes receivable, net	-	-	-	-
Severance tax bond proceeds receivable	-	-	-	-
Due from other funds	-	-	-	-
U.S. Department of Transportation, net (Note 6)	-	-	106,100	-
Interest receivable	2,741	2,689	-	10,856
Notes and loans receivable	-	-	-	-
Other receivables	-	-	-	-
TOTAL ASSETS	\$ 106,981	48,449	44,549,729	10,856
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ -	-	-	-
Due to other funds	-	-	-	-
Payable to other governments	-	-	748,381	-
Deferred revenue	-	-	-	-
Due to others - severance	-	-	-	-
Other accrued expenses	-	-	-	-
Other payables	-	-	-	-
TOTAL LIABILITIES	-	-	748,381	-
FUND BALANCES:				
Unreserved, reported in non-major:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	106,981	48,449	43,801,348	10,856
TOTAL FUND BALANCES	106,981	48,449	43,801,348	10,856
TOTAL LIABILITIES AND FUND BALANCES	\$ 106,981	48,449	44,549,729	10,856

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet - By Fund Type -
Non-major Governmental Funds - continued

Debt Service Funds

Debt Service (2006B GRIP)	Debt Service (2006C GRIP)	Debt Service (2006D GRIP)	Debt Service (1993 Bonds)	Total Debt Service Funds	Total Governmental Funds
-	-	-	-	-	29,470,329
1,032,262	49,637	503,737	-	50,488,516	501,352,274
-	-	-	-	-	-
-	-	-	-	-	5,173,366
-	-	-	-	-	243,842
-	-	-	-	13,829	23,802,746
-	-	-	-	144,991	7,718,538
10,806	8,289	2,595	-	129,044	559,045
-	-	-	-	-	-
-	-	-	-	-	1,222,845
<u>1,043,068</u>	<u>57,926</u>	<u>506,332</u>	<u>-</u>	<u>50,776,380</u>	<u>569,542,985</u>
-	-	-	-	-	14,248,585
-	-	-	-	-	25,195,971
966,927	-	94,155	-	1,809,463	6,254,995
-	-	-	-	-	2,009,612
-	-	-	-	-	-
-	-	-	-	-	72,691
-	-	-	-	-	230,024
966,927	-	94,155	-	1,809,463	48,011,878
-	-	-	-	-	462,433,871
-	-	-	-	-	10,130,319
<u>76,141</u>	<u>57,926</u>	<u>412,177</u>	<u>-</u>	<u>48,966,917</u>	<u>48,966,917</u>
<u>76,141</u>	<u>57,926</u>	<u>412,177</u>	<u>-</u>	<u>48,966,917</u>	<u>521,531,107</u>
<u>1,043,068</u>	<u>57,926</u>	<u>506,332</u>	<u>-</u>	<u>50,776,380</u>	<u>569,542,985</u>

AS OF JUNE 30, 2007

	Local Government Road Fund	Traffic Safety Fund (SHARE Fund 20800)	State Aviation Fund (SHARE Fund 20500)	Motorcycle Training Fund (SHARE Fund 20600)	Driver Improvement Program Fund
REVENUES:					
User and fuel taxes	\$ 22,114,516	1,459,804	2,194,917	92,980	195,061
U.S. Department of Transportation	-	17,688,523	99,898	-	-
U.S. Department of Energy	-	-	-	-	-
N.M. Department of Human Services	-	-	-	-	-
N.M. Dept. of Finance and Administration	-	-	-	-	-
Fees and fines	-	-	-	-	-
Licenses and permits	-	443,938	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous	-	-	152,586	-	-
DWI Interlock Device	-	-	-	-	-
Interest Revenue	<u>1,084,254</u>	<u>138,820</u>	<u>-</u>	<u>7,158</u>	<u>-</u>
TOTAL REVENUES	23,198,770	19,731,085	2,447,401	100,138	195,061
EXPENDITURES:					
Current:					
Operating costs	-	5,000	64,136	-	-
Personal services	-	94,784	-	-	-
Out-of-state travel	-	23,404	9,679	-	-
Grants and services	24,166,312	12,337,976	1,934,340	81,000	207,410
Travel	-	1,682	12,683	-	-
Maintenance and repairs	-	-	68,863	-	-
Supplies	-	13,325	24,507	-	-
Contractual services	-	526,389	29,735	-	-
Other Costs	-	-	-	-	-
Employee Benefits	-	44,229	322	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Debt refunding costs	-	-	-	-	-
Debt issuance cost	-	-	-	-	-
TOTAL EXPENDITURES	<u>24,166,312</u>	<u>13,046,782</u>	<u>2,144,265</u>	<u>81,000</u>	<u>207,410</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(967,542)	6,684,296	303,136	19,138	(12,349)
OTHER FINANCING SOURCES (USES):					
Bond Proceeds	-	-	-	-	-
Bond Premiums	-	-	-	-	-
Bond Discounts	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(967,542)	6,684,296	303,136	19,138	(12,349)
FUND BALANCES, June 30, 2006	21,570,483	2,951,542	2,084,468	89,588	314,142
RESTATEMENT (NOTE 22)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, June 30, 2006	<u>21,570,483</u>	<u>2,951,542</u>	<u>2,084,468</u>	<u>89,588</u>	<u>314,142</u>
FUND BALANCES, June 30, 2007	\$ <u>20,602,941</u>	<u>2,635,838</u>	<u>2,387,604</u>	<u>108,726</u>	<u>301,793</u>

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - By Fund Type - Non-major Governmental Funds

Special Revenue Funds							
DWI Prevention and Education Fund (SHARE Fund 20700)	Bond Project Fund (1993 Bonds) (Fund 39400)	Bond Project Fund (WIPP Bonds)	Bond Project Fund (1998 & 1999 CHAT)	Bond Project Fund (2000 CHAT)	Bond Project Fund (2001 CHAT)	Bond Project Fund (2002A CHAT)	Bond Project Fund (2002C HIF)
282,454	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	19,184	-	-	-	-	-
-	-	-	-	-	-	-	-
-	74,408	-	11,172	231	14,536	7,133	69,051
282,454	74,408	19,184	11,172	231	14,536	7,133	69,051
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
75,579	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
75,579	-	-	-	-	-	-	-
206,875	74,408	19,184	11,172	231	14,536	7,133	69,051
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
206,875	74,408	19,184	11,172	231	14,536	7,133	69,051
509,921	1,432,238	(19,184)	2,084,731	(1,888,899)	8,216,570	(1,850,245)	1,123,663
-	-	-	-	-	-	-	-
509,921	1,432,238	(19,184)	2,084,731	(1,888,899)	8,216,570	(1,850,245)	1,123,663
716,796	1,506,646	-	2,095,903	(1,888,668)	8,231,106	(1,843,112)	1,122,714

AS OF JUNE 30, 2007

	Special Revenue Funds				
	Bond Project Fund (2002D CHAT)	Bond Project Fund (2004 B/C GRIP)	Federal Planning and Development Fund	Bond GRIP Project Fund (2006A)	Bond GRIP Project Fund (2006B)
REVENUES:					
User and fuel taxes	\$ -	-	-	-	-
U.S. Department of Transportation	-	-	14,009,220	-	-
U.S. Department of Energy	-	-	-	-	-
N.M. Department of Human Services	-	-	-	-	-
N.M. Dept. of Finance and Administration	-	-	-	-	-
Fees and fines	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	1,194,837	-	-
Investment earnings	-	-	-	-	-
Miscellaneous	-	-	-	-	-
DWI Interlock Device	-	-	-	-	-
Interest Revenue	<u>35,265</u>	-	<u>50</u>	<u>4,455,188</u>	<u>620,347</u>
TOTAL REVENUES	35,265	-	15,204,107	4,455,188	620,347
EXPENDITURES:					
Current:					
Operating costs	-	-	2,021	-	-
Personal services	-	-	165,767	-	-
Out-of-state travel	-	-	-	-	-
Grants and services	-	-	16,489,349	-	-
Travel	-	-	228,651	-	-
Maintenance and repairs	-	-	-	-	-
Supplies	-	-	1,195	-	-
Contractual services	-	-	1,380,822	-	-
Other Costs	-	-	1,672	-	-
Employee Benefits	-	-	54,122	-	-
Capital outlay	-	-	-	-	31,377,319
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Debt refunding costs	-	-	-	-	330,195
Debt issuance cost	-	-	-	<u>321,813</u>	<u>124,960</u>
TOTAL EXPENDITURES	-	-	18,323,599	321,813	31,832,474
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	35,265	-	(3,119,492)	4,133,375	(31,212,127)
OTHER FINANCING SOURCES (USES):					
Bond Proceeds	-	-	-	150,000,000	40,085,000
Bond Premiums	-	-	-	10,886,296	1,712,863
Bond Discounts	-	-	-	(801,897)	(244,888)
Transfers out	-	-	-	-	(9,700,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	160,084,399	31,852,975
NET CHANGES IN FUND BALANCES	35,265	-	(3,119,492)	164,217,774	640,848
FUND BALANCES, June 30, 2006	(241,478)	43,140,347	(35,617)	-	-
RESTATEMENT (NOTE 22)	801,121	(43,140,347)	-	-	-
FUND BALANCES, June 30, 2006	559,713	-	(35,617)	-	-
FUND BALANCES, June 30, 2007	\$ 594,978	-	(3,155,109)	164,217,774	640,848

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - By Fund Type - Non-major Governmental Funds - continued**

			Capital Project Funds		Debt Service Funds		
Bond GRIP Project Fund (2006C)	Bond GRIP Project Fund (2006D)	Total Special Revenue Funds	Capital Project Improvements Fund	Total Capital Projects Funds	Debt Service (2001 CHAT)	Debt Service (WIPP Bonds)	Debt Service (1998 CHAT)
-	-	26,339,732	-	-	-	-	-
-	-	31,797,641	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	443,938	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,194,837	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	171,770	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>6,090,351</u>	<u>2,223,789</u>	<u>14,831,753</u>	<u>-</u>	<u>-</u>	<u>512,080</u>	<u>25,124</u>	<u>20,262</u>
6,090,351	2,223,789	74,779,671	-	-	512,080	25,124	20,262
-	-	71,157	-	-	-	-	-
-	-	260,551	-	-	-	-	-
-	-	33,083	-	-	-	-	-
-	-	55,291,966	-	-	-	-	-
-	-	243,016	-	-	-	-	-
-	-	68,863	-	-	-	-	-
-	-	39,027	-	-	-	-	-
-	-	1,936,946	-	-	-	-	-
-	-	1,672	-	-	-	-	-
-	-	98,673	-	-	-	-	-
17,807,066	-	49,184,385	3,694,386	3,694,386	-	-	-
-	-	-	-	-	16,730,000	-	4,200,000
-	-	-	-	-	6,344,648	1,751,613	910,200
-	-	330,195	-	-	-	-	-
<u>463,744</u>	<u>137,275</u>	<u>1,047,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>18,270,810</u>	<u>137,275</u>	<u>108,607,326</u>	<u>3,694,386</u>	<u>3,694,386</u>	<u>23,074,648</u>	<u>1,751,613</u>	<u>5,110,200</u>
(12,180,459)	2,086,514	(33,827,655)	(3,694,386)	(3,694,386)	(22,562,568)	(1,726,489)	(5,089,938)
220,000,000	50,400,000	460,485,000	-	-	-	-	-
-	-	12,599,159	-	-	-	-	-
(1,124,755)	(262,725)	(2,434,265)	-	-	-	-	-
<u>-</u>	<u>(1,831,482)</u>	<u>(11,531,482)</u>	<u>-</u>	<u>-</u>	<u>23,074,648</u>	<u>1,751,613</u>	<u>5,110,200</u>
<u>218,875,245</u>	<u>48,305,793</u>	<u>459,118,412</u>	<u>-</u>	<u>-</u>	<u>23,074,648</u>	<u>1,751,613</u>	<u>5,110,200</u>
206,694,786	50,392,307	425,290,757	(3,694,386)	(3,694,386)	512,080	25,124	20,262
-	-	79,482,270	13,824,705	13,824,705	833,698	104,205	145,999
<u>-</u>	<u>-</u>	<u>(42,339,156)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>37,143,114</u>	<u>13,824,705</u>	<u>13,824,705</u>	<u>833,698</u>	<u>104,205</u>	<u>145,999</u>
<u>206,694,786</u>	<u>50,392,307</u>	<u>462,433,871</u>	<u>10,130,319</u>	<u>10,130,319</u>	<u>1,345,778</u>	<u>129,329</u>	<u>166,261</u>

See Independent Auditors' Report.

AS OF JUNE 30, 2007

	Debt Service (1999 CHAT)	Debt Service (2000 CHAT)	Debt Service (2002A CHAT)	Debt Service (2002B WIPP)	Debt Service (2002C HIF)	Debt Service (2002D CHAT)
REVENUES:						
User and fuel taxes	\$ -	-	-	-	-	-
U.S. Department of Transportation	-	-	-	-	-	-
U.S. Department of Energy	-	-	-	-	-	-
N.M. Department of Human Services	-	-	-	-	-	-
N.M. Dept. of Finance and Administration	-	-	-	-	-	-
Fees and fines	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
DWI Interlock Device	-	-	-	-	-	-
Interest Revenue	<u>213,533</u>	<u>368,596</u>	<u>228,508</u>	<u>231,123</u>	<u>24,035</u>	<u>32,883</u>
TOTAL REVENUES	213,533	368,596	228,508	231,123	24,035	32,883
EXPENDITURES:						
Current:						
Operating costs	-	-	-	-	-	-
Personal services	-	-	-	-	-	-
Out-of-state travel	-	-	-	-	-	-
Grants and services	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-
Other Costs	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	10,885,000	12,340,000	7,540,000	8,115,000	-	1,200,000
Interest and other charges	1,334,906	3,138,375	2,378,100	1,304,250	1,709,524	254,825
Interest and other charges	-	-	-	-	-	-
Interest and other charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>12,219,906</u>	<u>15,478,375</u>	<u>9,918,100</u>	<u>9,419,250</u>	<u>1,709,524</u>	<u>1,454,825</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,006,373)	(15,109,779)	(9,689,592)	(9,188,127)	(1,685,489)	(1,421,942)
OTHER FINANCING SOURCES (USES):						
Bond Proceeds	-	-	-	-	-	-
Bond Premiums	-	-	-	-	-	-
Bond Discounts	-	-	-	-	-	-
Transfers out	<u>12,219,906</u>	<u>15,478,375</u>	<u>9,918,100</u>	<u>9,419,250</u>	<u>1,709,524</u>	<u>1,454,825</u>
(USES)	<u>12,219,906</u>	<u>15,478,375</u>	<u>9,918,100</u>	<u>9,419,250</u>	<u>1,709,524</u>	<u>1,454,825</u>
NET CHANGES IN FUND BALANCES	213,533	368,596	228,508	231,123	24,035	32,883
FUND BALANCES, June 30, 2006	420,922	621,047	351,315	376,627	82,946	15,566
RESTATEMENT (NOTE 22)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, June 30, 2006	<u>420,922</u>	<u>621,047</u>	<u>351,315</u>	<u>376,627</u>	<u>82,946</u>	<u>15,566</u>
FUND BALANCES, June 30, 2007	\$ <u>634,455</u>	<u>989,643</u>	<u>579,823</u>	<u>607,750</u>	<u>106,981</u>	<u>48,449</u>

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - By Fund Type - Non-major Governmental Funds - continued

Debt Service Funds						Total Debt Service Funds	Total-Other Governmental Funds
Debt Service (2004B/C GRIP)	Debt Service (2006A GRIP)	Debt Service (2006B GRIP)	Debt Service (2006C GRIP)	Debt Service (2006D GRIP)	Debt Service (1993 Bonds)		
-	-	-	-	-	-	-	26,339,732
-	-	-	-	-	-	-	31,797,641
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	443,938
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,194,837
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	171,770
-	-	-	-	-	-	-	-
9,676,317	75,180	76,145	3,791,577	9,550	-	15,284,913	30,116,666
9,676,317	75,180	76,145	3,791,577	9,550	-	15,284,913	90,064,584
-	-	-	-	-	-	-	71,157
-	-	-	-	-	-	-	260,551
-	-	-	-	-	-	-	33,083
5,769	-	-	-	-	-	5,769	55,297,735
-	-	-	-	-	-	-	243,016
-	-	-	-	-	-	-	68,863
-	-	-	-	-	-	-	39,027
-	-	-	-	-	-	-	1,936,946
-	-	-	-	-	-	-	1,672
-	-	-	-	-	-	-	98,673
-	-	-	-	-	-	-	52,878,771
-	-	-	-	-	-	-	-
19,985,000	-	2,350,000	-	-	-	83,345,000	83,345,000
23,853,017	5,147,689	1,217,515	11,181,278	1,825,768	-	62,351,708	62,351,708
-	-	-	-	-	-	-	330,195
-	-	-	-	-	-	-	1,047,792
43,843,786	5,147,689	3,567,515	11,181,278	1,825,768	-	145,702,477	258,004,189
(34,167,469)	(5,072,509)	(3,491,370)	(7,389,701)	(1,816,218)	-	(130,417,564)	(167,939,605)
-	-	-	-	-	-	-	460,485,000
-	-	-	-	-	-	-	12,599,159
-	-	-	-	-	-	-	(2,434,265)
34,828,470	5,083,365	3,567,511	7,447,627	2,228,395	-	133,291,809	121,760,327
34,828,470	5,083,365	3,567,511	7,447,627	2,228,395	-	133,291,809	592,410,221
661,001	10,856	76,141	57,926	412,177	-	2,874,245	424,470,616
-	-	-	-	-	428	2,952,753	96,259,728
43,140,347	-	-	-	-	(428)	43,139,919	800,763
43,140,347	-	-	-	-	-	46,092,672	97,060,491
43,801,348	10,856	76,141	57,926	412,177	-	48,966,917	521,531,107

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Budgetary-GAAP Basis)**

YEAR ENDED JUNE 30, 2007

STATE ROAD FUND				
	Budgeted Amounts		Current Year	
	Original	Final	Actual Amounts	Budget Positive
			(Modified Accrual)	(Negative)
REVENUES:				
Federal funds	\$ 356,850,600	384,250,600	240,114,478	(144,136,122)
Other state funds	408,440,276	428,391,558	438,454,370	10,062,812
State General Fund	300,000	300,000	96,510,052	96,210,052
Fund balance carryforward	<u>175,610,726</u>	<u>175,610,726</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES				
AND FUND BALANCES	\$ <u>941,201,602</u>	<u>988,552,884</u>	<u>775,078,900</u>	<u>(37,863,258)</u>
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ 22,720,400	23,629,000	23,595,439	33,561
Contractual Services	554,105,849	580,993,849	214,598,143	366,395,706
Other	<u>138,880,156</u>	<u>152,116,639</u>	<u>66,904,355</u>	<u>85,212,284</u>
	715,706,405	756,739,488	305,097,937	451,641,551
Transportation and Highway Ops:				
Personal Services/Employee Benefits	87,586,300	93,386,300	91,869,305	1,516,995
Contractual Services	71,055,638	73,804,721	49,667,716	24,137,005
Other	<u>77,291,482</u>	<u>85,670,323</u>	<u>83,968,359</u>	<u>1,701,964</u>
	235,933,420	252,861,344	225,505,380	27,355,964
Business/Program Support:				
Personal Services/Employee Benefits	25,651,800	29,757,379	28,784,397	972,982
Contractual Services	2,779,700	2,697,739	2,382,730	315,009
Other	3,221,000	3,221,000	14,111,460	(10,890,460)
Transfers out	<u>170,221,832</u>	<u>170,221,832</u>	<u>170,221,832</u>	<u>-</u>
	<u>201,874,332</u>	<u>205,897,950</u>	<u>215,500,419</u>	<u>(9,602,469)</u>
TOTAL ANNUAL BUDGETED				
EXPENDITURES	\$ <u>1,153,514,157</u>	<u>1,215,498,782</u>	<u>746,103,736</u>	<u>469,395,046</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Budgetary-GAAP Basis) - continued**

YEAR ENDED JUNE 30, 2007

BOND PROJECT FUND 2004A GRIP				
	Budgeted Amounts		Current Year	
	Original	Final	Actual Amounts	Budget Positive
			(Modified Accrual)	(Negative)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	14,463,283	14,463,283
State General Fund	-	-	-	-
Fund balance carryforward	<u>348,536,090</u>	<u>348,536,090</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES				
AND FUND BALANCES	\$ <u>348,536,090</u>	<u>348,536,090</u>	<u>14,463,283</u>	<u>14,463,283</u>
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	<u>349,012,220</u>	<u>349,012,220</u>	<u>224,735,948</u>	<u>124,276,272</u>
	349,012,220	349,012,220	224,735,948	124,276,272
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers in	<u>(476,130)</u>	<u>(476,130)</u>	<u>(221,516)</u>	<u>(254,614)</u>
	(476,130)	(476,130)	(221,516)	(254,614)
TOTAL ANNUAL BUDGETED				
EXPENDITURES	\$ <u>348,536,090</u>	<u>348,536,090</u>	<u>224,514,432</u>	<u>124,021,658</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Statement of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Budgetary-GAAP Basis)**

YEAR ENDED JUNE 30, 2007

DEBT SERVICE FUND 2004A GRIP				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	409,914	409,914
State General Fund	-	-	-	-
TOTAL REVENUES				
AND FUND BALANCES	\$ -	-	409,914	409,914
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	12,270,850	24,557,232	37,966,759	(13,409,527)
Transfers in	(38,303,479)	(38,303,479)	(38,896,021)	592,542
	(26,032,629)	(13,746,247)	(929,262)	(12,816,985)
TOTAL ANNUAL BUDGETED				
EXPENDITURES	\$ (26,032,629)	(13,746,247)	(929,262)	(12,816,985)

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Statement of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Budgetary-GAAP Basis) - continued**

YEAR ENDED JUNE 30, 2007

OTHER GOVERNMENTAL FUNDS				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ 4,892,959	33,162,674	31,797,641	(1,365,033)
Other state funds	5,074,124	5,074,134	58,266,943	53,192,809
State General Fund	-	-	-	-
Fund balance carryover	<u>97,060,491</u>	<u>97,060,491</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES				
AND FUND BALANCES	<u>\$ 107,027,574</u>	<u>135,297,299</u>	<u>90,064,584</u>	<u>51,827,776</u>
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ 365,000	365,000	359,224	5,776
Contractual Services	439,827,485	441,487,485	1,936,946	439,550,539
Other	<u>147,343,283</u>	<u>147,343,283</u>	<u>85,839,230</u>	<u>61,504,053</u>
	587,535,768	589,195,768	88,135,400	501,060,368
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	<u>22,733,000</u>	<u>22,733,000</u>	<u>24,166,312</u>	<u>(1,433,312)</u>
	22,733,000	22,733,000	24,166,312	(1,433,312)
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	145,702,470	145,702,470	145,702,477	(7)
Transfers in	(121,655,223)	(121,655,223)	(121,760,327)	105,104
Bond proceeds	<u>(460,485,002)</u>	<u>(460,485,002)</u>	<u>(460,485,002)</u>	<u>-</u>
	<u>(436,437,755)</u>	<u>(436,437,755)</u>	<u>(436,542,852)</u>	<u>105,097</u>
TOTAL ANNUAL BUDGETED				
EXPENDITURES	<u>\$ 173,831,013</u>	<u>175,491,013</u>	<u>(324,241,140)</u>	<u>499,732,153</u>

AS OF JUNE 30, 2007

	Budgeted Amounts		Current Year Expenditures
	Original	Final	
Expenditures for 2004 multi-year projects Capital outlay	\$ 2,000,000	2,000,000	-
Expenditures for 2001 multi-year projects Capital outlay	2,238,000	2,197,574	-
Expenditures for 2000 multi-year projects Capital outlay	2,094,300	2,828,452	-
Expenditures for 2006 multi-year projects Capital outlay	15,250,000	16,285,387	3,694,386
Expenditures for 2007 multi-year projects Capital outlay	<u>2,750,000</u>	<u>2,750,000</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>24,332,300</u>	<u>26,061,413</u>	<u>3,694,386</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Capital Projects Fund - Budget and Actual**

CAPITAL PROJECTS FUND

<u>Life-to-Date Outstanding Encumbrances</u>	<u>Total Actual</u>	<u>Prior Year Actual</u>	<u>Total Expenditures</u>	<u>Variance From Final Budget Over (Under)</u>
-	-	1,804,124	1,804,124	195,876
-	-	17,350	17,350	2,180,224
-	-	185,364	185,364	2,643,088
9,419,877	13,114,263	1,000,000	14,114,263	2,171,124
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,750,000</u>
<u>9,419,877</u>	<u>13,114,263</u>	<u>3,006,838</u>	<u>16,121,101</u>	<u>9,940,312</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
State Infrastructure Bank - Budget and Actual**

YEAR ENDED JUNE 30, 2007

STATE INFRASTRUCTURE BANK				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	Over (Under)
REVENUES:				
Interest	\$ -	-	617,694	617,694
TOTAL REVENUES	-	-	617,694	617,694
REBUDGETED CASH	1,940,000	3,600,000	3,600,000	-
TOTAL BUDGETED REVENUES	\$ 1,940,000	3,600,000	4,217,694	617,694
EXPENDITURES:				
Contractual services	\$ 1,940,000	3,600,000	886,598	(2,713,402)
TOTAL BUDGETED EXPENDITURES	\$ 1,940,000	3,600,000	886,598	(2,713,402)

SUPPLEMENTAL SCHEDULES

AS OF JUNE 30, 2007

<u>Chapter</u>	<u>Laws</u>	<u>Bonds Appropriated</u>	<u>Bonds Sold</u>	<u>Amounts AIPP</u>	<u>Funds Reauthorized</u>
148	1994	\$ 50,000	50,000	-	-
2	1999	5,161,415	4,719,721	-	-
2/23	2000	7,518,079	7,193,284	-	-
110	2002	9,492,863	9,491,910	-	-
429	2003	7,663,595	7,612,100	(1,250)	-
110/429	2003	120,000	120,000	-	-
126	2004	23,518,750	23,518,750	-	-
347	2005	14,157,000	14,157,000	-	-
347/111	2006	14,429,900	14,429,900	-	-
111	2006	3,763,000	3,763,000	-	-
111/42	2006	20,685,000	20,685,000	-	-
42	2007	<u>3,570,000</u>	<u>3,570,000</u>	<u>-</u>	<u>-</u>
		\$ <u>110,129,602</u>	<u>109,310,665</u>	<u>(1,250)</u>	<u>-</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Severance Tax Bonds

Funds Reverted	Bond Balance After Reauthorization	Amount Received	Expended To Date	Balance Available
-	50,000	49,950	49,950	50
(441,694)	4,719,721	4,667,173	4,667,173	52,548
(324,795)	7,193,284	7,025,893	7,025,893	167,391
(953)	9,491,910	7,386,575	7,386,575	2,105,335
(51,495)	7,612,100	5,326,058	5,326,058	2,286,042
-	120,000	70,000	70,000	50,000
-	23,518,750	13,066,475	13,066,475	10,452,275
-	14,157,000	6,365,334	6,365,334	7,791,666
-	14,429,900	948,024	948,024	13,481,876
-	3,763,000	-	-	3,763,000
-	20,685,000	-	-	20,685,000
-	3,570,000	-	-	3,570,000
<u>(818,937)</u>	<u>109,310,665</u>	<u>44,905,482</u>	<u>44,905,482</u>	<u>64,405,183</u>

AS OF JUNE 30, 2007

	<u>Appropriation Amount</u>	<u>Expenditures Inception to June 30, 2007</u>
<u>Special Revenue Funds</u>		
Laws of 1991, Chapter 10	\$ 250,000	-
* Laws of 1994, State House Memorial 110	11,505,000	9,386,782
* Laws of 1994, Senate Memorial 130	11,278,000	9,179,460
Laws of 2000, Chapter 23	2,577,500	2,117,156
Laws of 2003, Chapter 385	975,500	407,460
Laws of 2003, Chapter 429	4,631,200	659,981
Laws of 2004, Chapter 126	4,830,728	925,134
Laws of 2004, Chapter 126	<u>5,812,930</u>	<u>315,676</u>
	41,860,858	22,991,649
<u>Capital Projects Funds</u>		
Laws of 1999, Chapter 2	2,943,000	2,820,052
Laws of 2004, Chapter 126	<u>2,000,000</u>	<u>1,804,124</u>
	<u>4,943,000</u>	<u>4,624,176</u>
Total all fund types	\$ <u><u>46,803,858</u></u>	<u><u>27,615,825</u></u>

* Note: State House and Senate Memorials are directions on how appropriated monies should be spent.
They are not laws.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Special Appropriations

Encumbrance Balance as of June 30, 2007	Reappropriation Amount	Reversion Amount	Balance as of June 30, 2007
-	-	-	250,000
-	-	2,118,218	-
-	-	2,098,540	-
289,398	-	35,370	135,576
550,000	-	-	18,040
3,619,701	-	47,563	303,955
3,627,343	-	-	278,251
<u>5,397,253</u>	<u>-</u>	<u>-</u>	<u>100,001</u>
13,483,695	-	4,299,691	1,085,823
2,129	-	114,548	6,271
<u>-</u>	<u>-</u>	<u>-</u>	<u>195,876</u>
<u>2,129</u>	<u>-</u>	<u>114,548</u>	<u>202,147</u>
<u><u>13,485,824</u></u>	<u><u>-</u></u>	<u><u>4,414,239</u></u>	<u><u>1,287,970</u></u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Supplemental Schedule of Special Appropriations

- **Special Revenue Fund**

Under the Laws of 1991, Chapter 10, the Department was directed to expend \$250,000 from the State Road Fund to conduct a study of financing options and evaluation of environmental issues relating to a proposed rapid rail system.

Under the Laws of 1994, House Memorial 110 and Senate Memorial 130, the Department was directed to expend \$11,505,000 and \$11,278,000, respectively, from the State Road Fund for certain infrastructure improvements.

Under the Laws of 2000, Chapter 23, the Department was directed to expend \$2,577,500 from the State Road Fund to conduct a study of financing options and evaluation of environmental issues relating to a proposed rapid rail system.

Under the Laws of 2003, Chapter 385, the Department was appropriated \$975,500 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2008 fiscal year will revert to the State General Fund.

Under the Laws of 2003, Chapter 429, the Department was appropriated \$4,631,200 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2008 fiscal year will revert to the State General Fund.

- **Capital Projects Fund**

Under the Laws of 1999, Chapter 2, the Department was appropriated \$2,943,000 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2003 fiscal year was reverted to the State Road Fund. Under the laws of 2004, Chapter 126, the appropriation end date was extended for one capital project that totaled \$712,000 through the end of the 2009 fiscal year. Any unexpended or unencumbered balance remaining at the end of the 2009 fiscal year for this project will revert to the State Road Fund.

Under the Laws of 2004, Chapter 126, the Department was appropriated \$12,643,658 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2008 fiscal year will revert to the State Road Fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Individual Bank Accounts

AS OF JUNE 30, 2007

Account Title	Fund Number	Reconciled Balance
Cash on Deposit with State Treasurer:		
Road Fund - General	20100	\$ 20,494,395
Road Fund - Payroll	78800	292,179
Highway Department - WIPP Project	43100	30,405,197
Rubberized Asphalt	82000	1,774,592
Highway Infrastructure Fund	20200	8,538,403
Local Government Fund	20300	22,231,718
Traffic Safety	20800	1,376,143
Aviation Fund	20500	4,009,653
Motorcycle Training Fund	20600	84,670
DWI Prevention Fund	20700	732,963
DWI Interlock Fund	82600	1,211,260
CHAT-2001A Bond Project-Hyway	00600	9,424,830
1993 Bond Projects	39400	1,506,143
State Infrastructure Bank	89300	12,497,624
1999 CHAT Bond Projects	43000	226,119
1998A CHAT Debt Service	54800	130,618
1999 CHAT Debt Service	43400	126,759
2000A CHAT Bond Projects	34500	4,670
2000A CHAT Debt Service	43200	188,274
2001A CHAT Debt Service	00700	232,648
2002A CHAT Bond Projects	36800	144,406
Cash Debt Service-CHAT-2002A	54700	77,098
Cash Debt Service-WIPP-2002B	75000	102,325
2002C HIF Bond Projects	36100	1,203,019
Cash Debt Service-HIF-2002C	36300	57,409
Cash-Bond Proj.-CHAT-2002D	11500	719,587
Cash-Debt Service-CHAT-2002D	18700	11,817
2006B GRIP Project Fund	10230	(13,377,319)
2006C GRIP Project Fund	10250	(2,115,852)
2004 Revenue and Acq Acct	20400	18,539,014
WIPP Bond Project Fund	00400	-
Federal Traffic Safety Fund	10010	4,843,824
Driver Improvement Program	10020	147,873
Federal Mass Transit Fund	10030	(2,838,771)
Inventories	10040	(19,609,034)
Capital projects	10050	(2,578,049)
Severance Tax Multiyear	10060	807,800
General Fund Multiyear	10070	<u>44,422,729</u>
Total Cash on Deposit with State Treasurer		\$ <u>146,046,734</u>

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Individual Bank Accounts - continued

AS OF JUNE 30, 2007

<u>Account Title</u>	<u>Reconciled Balance</u>
Bond proceeds in money market mutual funds:	
Bond and loan proceeds in money market mutual funds	\$ 691,710,680
Wells Fargo checking account	249,045
Petty cash checking accounts:	
Petty Cash Funds:	
District 1	400
District 2	400
District 3	400
District 4	400
District 5	400
District 6	400
General Office (Santa Fe)	<u>200</u>
Total petty cash checking accounts	<u>2,600</u>
Total cash	838,009,059
Less unrestricted	<u>79,766,025</u>
Restricted	\$ <u><u>758,243,034</u></u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of
State Road Fund User and Fuel Taxes

YEAR ENDED JUNE 30, 2007

Gasoline Excise Taxes	\$	110,339,598
Motor Vehicle Registration Fees		73,614,705
Special Fuel Excise Taxes		101,372,807
Vehicle Transaction Fees		4,844,447
Drivers License Fees		4,328,644
Trip (Mileage) Tax		7,556,992
Weight/Distance Taxes		<u>92,955,175</u>
Subtotal Pledged Revenues		395,012,368
Miscellaneous Fees		<u>5,440,276</u>
	\$	<u><u>400,452,644</u></u>

AS OF JUNE 30, 2007

	<u>1998B-WIPP</u>	<u>1998-CHAT</u>	<u>1999-CHAT</u>	<u>2000-CHAT</u>	<u>2001-CHAT</u>
Gasoline Excise Taxes	\$ 110,339,598	110,339,598	110,339,598	110,339,598	110,339,598
Motor Vehicle Registration Fees	73,614,705	73,614,705	73,614,705	73,614,705	73,614,705
Special Fuel Excise Taxes	101,372,807	101,372,807	101,372,807	101,372,807	101,372,807
Vehicle Transaction Fees	4,844,447	4,844,447	4,844,447	4,844,447	4,844,447
Driver's License Fees	4,328,644	4,328,644	4,328,644	4,328,644	4,328,644
Oversize/Oversight Permit Fees	-	-	-	-	-
Public Regulation Commission Fees	-	-	-	-	-
Trip (Mileage) Tax	7,556,992	7,556,992	7,556,992	7,556,992	7,556,992
Weight/Distance Taxes	92,955,175	92,955,175	92,955,175	92,955,175	92,955,175
Leased Vehicle Gross Receipts Taxes	-	-	-	-	-
Tire Recycling Fees	-	-	-	-	-
FHWA Revenues	-	-	-	-	-
SUBTOTAL	395,012,368	395,012,368	395,012,368	395,012,368	395,012,368
Interest on Cash Balances*	<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>
TOTAL PLEDGED REVENUES RECEIVED	<u>\$ 396,250,892</u>	<u>396,250,892</u>	<u>396,250,892</u>	<u>396,250,892</u>	<u>396,250,892</u>
	<u>1998B-WIPP</u>	<u>1998-CHAT</u>	<u>1999-CHAT</u>	<u>2000-CHAT</u>	<u>2001-CHAT</u>
Debt Service Principal Expenditures	\$ -	4,200,000	10,885,000	12,340,000	7,540,000
Debt Service Interest Expenditures	<u>1,751,613</u>	<u>910,200</u>	<u>1,334,906</u>	<u>3,138,375</u>	<u>2,378,100</u>
TOTAL DEBT SERVICE	<u>1,751,613</u>	<u>5,110,200</u>	<u>12,219,906</u>	<u>15,478,375</u>	<u>9,918,100</u>
DEBT SERVICE COVERAGE	<u>226.22</u>	<u>77.54</u>	<u>32.43</u>	<u>25.60</u>	<u>39.95</u>

*NOTE: In addition to state road fund revenues, pledged revenues on 2004C GRIP include FHWA revenues, tire recycling fees, leased vehicle gross receipts tax, and interest earned in the HIF fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Debt Service and Coverage

<u>2002A-CHAT</u>	<u>2002C-HIF</u>	<u>2002B-WIPP</u>	<u>2002D-CHAT</u>	<u>2004A-GRIP</u>	<u>2004C-GRIP</u>
110,339,598	110,339,598	110,339,598	110,339,598	110,339,598	110,339,598
73,614,705	73,614,705	73,614,705	73,614,705	73,614,705	73,614,705
101,372,807	101,372,807	101,372,807	101,372,807	101,372,807	101,372,807
4,844,447	4,844,447	4,844,447	4,844,447	4,844,447	4,844,447
4,328,644	4,328,644	4,328,644	4,328,644	4,328,644	4,328,644
-	-	-	-	-	-
-	-	-	-	-	-
7,556,992	7,556,992	7,556,992	7,556,992	7,556,992	7,556,992
92,955,175	92,955,175	92,955,175	92,955,175	92,955,175	92,955,175
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
395,012,368	395,012,368	395,012,368	395,012,368	395,012,368	395,012,368
<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>	<u>1,238,524</u>
<u>396,250,892</u>	<u>396,250,892</u>	<u>396,250,892</u>	<u>396,250,892</u>	<u>396,250,892</u>	<u>396,250,892</u>
<u>2002A-CHAT</u>	<u>2002-HIF</u>	<u>2002B-WIPP</u>	<u>2002D-CHAT</u>	<u>2004A-GRIP</u>	<u>2004C-GRIP</u>
7,540,000	-	8,115,000	1,200,000	-	19,985,000
<u>2,378,100</u>	<u>1,709,524</u>	<u>1,304,250</u>	<u>254,825</u>	<u>36,216,759</u>	<u>23,853,017</u>
<u>9,918,100</u>	<u>1,709,524</u>	<u>9,419,250</u>	<u>1,454,825</u>	<u>36,216,759</u>	<u>43,838,017</u>
<u>39.95</u>	<u>231.79</u>	<u>42.07</u>	<u>272.37</u>	<u>10.94</u>	<u>9.04</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Pledged Collateral

YEAR ENDED JUNE 30, 2007

	<u>Wells Fargo</u>
Deposits in bank or savings and loan:	
Bank deposits	\$ 249,045
Less FDIC or FSLIC coverage	<u>100,000</u>
Total uninsured public funds	<u>149,045</u>
Collateral requirement @ 50%	74,523
Collateral requirement @ 102%	<u>-</u>
Total required collateralization	<u>74,523</u>
Pledges and securities:	
FNCL 31368HVG5, 7.5%, DUE 1/1/09	1,414
FNCL 31371EOY9, 7.5%, DUE 5/1/24	582
FNCL 311410M4E7, 6.0%, due 06/01/2036	98,923
FNCL 31407HQE9, 6.0%, due 02/01/2036	625,544
FNCL 3141410M4E7, 6.0%, due 06/01/2036	2,328,292
FNCL 36202DPS4, 6.0%, due 05/01/2036	3,481,638
GNSF 36225BMH8, 6.00%, due 03/15/2031	28,590
GNSF, 36225BM39, 6.00%, due 4/15/2031	50,710
GNSF, 36225BN95, 6.00%, due 7/15/2031	<u>12,851</u>
Total pledged securities	<u>6,628,543</u>
(Over) under pledged	\$ <u><u>(6,554,021)</u></u>

Safekeeping locations for the above securities are as follows:

Wells Fargo: Wells Fargo Brokerage Services (Minneapolis, MN)

First State Bank: Federal Home Loan Bank of Dallas, Texas (Dallas, TX)

SINGLE AUDIT

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Expenditures of Federal Awards

YEAR ENDED JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
Direct Assistance Programs:		
U.S. Department of Energy:		
Waste Isolation Pilot Plant 2004	81.106	\$ <u>8,796,432</u>
Total U.S. Department of Energy		8,796,432
U.S. Department of Transportation:		
Federal Highway Administration highway research, planning and construction (FHWA):		
FHWA	20.205	271,304,572
National Highway Traffic Safety Administration (NHTSA):		
Highway Safety Grant	20.600	9,355,051
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	346,779
Occupant Protection Program	20.602	270,663
Safety Incentive Grant for Use of Seatbelts	20.604	84,847
Vehicles by Intoxicated Persons	20.605	32,174
Section 164 Transfer Funds	20.608	6,912,678
Safety Belt Performance Grants	20.609	499,648
Safety Information Improvement Grants	20.610	<u>186,683</u>
		17,688,523
Federal Aviation Division:		
State Planning	20.106	132,853
Federal Transit Administration (FTA):		
Capital Program Grants and Loans	20.500	<u>14,324,465</u>
Total U.S. Department of Transportation		<u>303,450,413</u>
Total Direct Assistance Programs		312,246,845

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
Pass-Through Programs:		
U.S. Department of Health Granted to the New Mexico Department of Human Services Health Resources and Services Administration: Temporary Assistance for Needy Families	93.558	\$ -
Total Pass-Through Programs		-
Total Federal Financial Assistance		\$ 312,246,845

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Supplemental Schedule of Expenditures of Federal Awards

- **General**

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

- **Basis of Accounting**

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

Federal grant revenues collected in advance of the period they are intended to finance expenditures are recorded as deferred revenues, except for the amounts for the State Infrastructure Bank, which are recorded as contributions when they are received. The Department did not receive non-cash assistance from federal sources during the current year.

- **Reconciliation of Federal Awards**

Statement of Revenues, Expenditures and
Changes in Fund Balances:

U.S. Department of Transportation	\$ 263,115,687
U.S. Department of Energy	8,796,432
Unbilled U.S. Department of Transportation	<u>40,334,726</u>
Supplemental Schedule of Expenditures, of Federal Awards	\$ <u>312,246,845</u>

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

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico Department of Transportation (Department) as of and for the year ended June 30, 2007, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds presented as supplementary information in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2007, as listed in the table of contents, and have issued our report thereon dated September 2, 2008, except for Note 26, which is September 3, 2009. We also have audited the combined budget comparisons for the special revenue and debt service funds presented as required supplemental information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions,

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Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

Internal Control Over Financial Reporting - continued

to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2, 07-3, 07-4, 07-5, 07-6, 07-7, 07-8, 07-9, 07-10, 07-11, 07-12, 07-13, 07-14, 07-15, 05-2, 05-3 and 06-1 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items 07-1, 07-2, 07-3, 07-8, 07-11, 07-12, 07-13, 07-14, 07-15 and 05-3 to be material weaknesses.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described as items 07-12, 07-13, 07-15, 06-01 and 05-02 in the attached schedule of findings and questioned costs.

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

This report is intended solely for the information and use of the Commissioners, the Department, the Office of the State Auditor, the New Mexico State Legislature, the New Mexico Department of Finance and Administration and 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.



September 3, 2009

**REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE
WITH *OMB CIRCULAR A-133***

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

Compliance

We have audited the compliance of the State of New Mexico Department of Transportation (Department), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements, which are required to be reported in accordance with *OMB Circular A-133* and which are described in the accompanying schedule of findings and questioned costs as items 07-1, 07-8, 07-11, 07-13 and 07-15.



Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted the following matters involving the internal control over compliance and its operation that we consider to be material weaknesses: items 07-1, 07-8, 07-11, 07-13 and 07-15.

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

Mayneiro + Company, LLC

September 3, 2009

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs

YEAR ENDED JUNE 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Department of Transportation (Department).
2. Eighteen control deficiencies relating to the audit of financial statements of the Department were identified, ten of which were considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the Department were disclosed during the audit.
4. There were five significant deficiencies in the internal control over major programs disclosed by the Department. All five were considered to be material weaknesses.
5. There were five audit findings that the auditor is required to report under 510(a) of Circular A-133.
6. The auditors' report on compliance for the major federal award programs for the Department expresses an unqualified opinion.
7. The programs tested as the major programs included:

Program	CFDA #
Federal Highway Administration Programs (FHWA)	20.205
National Highway Traffic Safety Administration (NHTSA)	20.600, 20.601, 20.602, 20.604, 20.605, 20.608, 20.609, 20.610

8. The threshold for distinguishing Types A and B programs was \$3,000,000.
9. The Department is considered a high risk auditee.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-1 ACCESS TO TIME CODES (Material Weakness)

Condition: Access to time codes is not limited. All employees can use any time code on the list, leading to human errors in capturing proper project payroll expenditures.

Criteria: Employees should be restricted from accessing inappropriate time codes.

Cause: Lack of adequate system controls to limit access to time codes.

Effect: Payroll-related federal expenditures could not be determined on a timely basis for billing to the Federal Highway Administration.

Recommendation: We recommend that controls be developed to restrict open access to all time codes.

Management's Response: During the fiscal year of 2007, SHARE software did not have the capability to prevent postings of disallowed time codes for employees. As a result, during July 2007 a consultant was retained and provided, among other work done, a software fix that provided only allowed time codes to employees for their assigned work.

07-2 Employee Leave Balances (Material Weakness)

Condition: It was discovered during our audit that employees are able to take leave in excess of their available leave balances, causing their available leave balances to go below zero. Essentially, the employee then owes the Department work in order to earn the excess leave hours they took. Occurrences were noted where vacation time had been purchased by the Department, causing balances to go below zero.

During our internal control test work over the payroll system, we noted that one employee out of 40 tested used eight hours of personal time allotted for the year; however, the process did not properly capture the event and account for it as a reduction from their leave balance.

Criteria: Employee leave balances should not go below zero. Once an employee's balance reaches zero, no more leave should be approved for the individual.

Cause: Inadequate monitoring of leave balances and lack of system controls to limit leave time taken or sold to leave actually earned by employee(s).

Effect: Employees can take more leave than they have earned, creating an unauthorized employee loan.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-2 Employee Leave Balances (Material Weakness) – continued

Recommendation: We recommend that process controls be instituted to prevent leave balances from going below zero, and that all leave taken is properly captured and accounted for.

Management's Response: SHARE software does not have the capability to prevent postings that will result in a negative leave balance.

As a result, during July 2007 a consultant was retained and provided, among other work done, a SHARE leave exception reporting function for the Department's payroll unit. DOT has now changed the payroll cycle procedures to routinely run the exception report and proactively correct the employee leave banks.

07-3 CAPITAL ASSETS (Material Weakness)

Condition: During our test work over Capital Assets, we noted the following:

- Capital asset acquisitions for FY07 were not captured in the capital assets module.
- Beginning balances did not tie to prior year audited ending balances by approximately \$2.3 million, net of depreciation.
- The Department could not provide a means to reconcile those items reported on the capital asset additions listing to the capital asset list.
- The Department could not provide MCO with a copy of the voucher or any supporting documentation for voucher number 00013352, related to the purchase of a truck (cost: \$32,000).
- The Department is not calculating depreciation for infrastructure assets.

Criteria:

- The amount of capital assets added to the fixed asset system should agree to the balances recorded as capital outlay expenditures on the general ledger. Beginning balances should equal prior year ending (audited balances).
- Capital asset items purchased in the current year should be identifiable on the fixed asset listing.
- The Department should maintain and be able to locate documentation authorizing and approving fixed asset additions.
- All fixed asset groups should be properly depreciated over their estimated useful lives as required by Generally Accepted Accounting Principles.

Cause:

- Acquisitions during the year were not entered into the fixed asset module in a timely manner. Also, non-capital expenditures were posted to capital outlay accounts throughout the year.
- Lack of effective system controls to ensure that appropriate reconciliations were being prepared.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-3 CAPITAL ASSETS (Material Weakness) - continued

Effect:

- Potential misstatement at both the fund level and government-wide level financial statements due to errors in the accounting for capital asset activity.
- Inability to verify compliance with procurement policies.
- The Department cannot properly track or ensure that capital asset book values are current and properly calculated.

Recommendation:

We recommend that:

- A. Procedures be established to ensure additions are entered into the fixed asset module in a timely manner.
- B. Procedures be established to track additions and deletions to the fixed asset listing so that items are identifiable.
- C. Better controls be put into place to capture and manage documentation regarding fixed assets.
- D. The Department develop a process to calculate depreciation and track book value of infrastructure capital assets

Management's Response: Before the Department of Transportation transitioned into SHARE, fixed assets were tracked by a fixed asset population in FMIS and, in addition, a separate listing held by spreadsheet. The two populations together determined the final balance that was reported. When SHARE was implemented, it was decided that the methodologies used previously should be discarded and all fixed assets be tracked exclusively by the SHARE fixed asset module.

All FMIS fixed asset listings were carried forward into SHARE. The remaining assets are being researched and capitalized into SHARE individually as part of an ongoing audit of all fixed assets held. The Department now uses semiannual physical inventories and certifications as the basis of reconciling the fixed asset module to assure the completeness and existence of the assets. Due to the deficiencies of the SHARE module, reconciling differences are being held on spreadsheet until they are resolved manually and uploaded into the SHARE module.

Due to the lack of readiness of the SHARE fixed assets module, the conversion has not been as timely as originally proposed and thus, the conversion has extended into the following fiscal year.

Infrastructure accounting has been slated for another software application. The Department of Transportation is currently negotiating for the software and implementation of that portion of capital assets. In the meantime, staff will be manually accounting for infrastructure in SHARE.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07 -4 PROPERTY HELD FOR RESALE

Condition: The asset "Property for Resale" had not been adjusted as of June 30, 2007.

Criteria: In accordance with GASB 31, investments must be adjusted to lower of cost or fair value for financial statement purposes. There is a contra-asset called "Property Valuations." This account should be adjusted to reflect any change in fair market value. Any income or loss as a result of the adjustment would then be reported in the statement of activities.

Cause: Lack of formal procedures to ensure accounting in compliance with general accepted accounting principles.

Effect: Potential misstatement of asset, revenue or expenditures related to adjustment of Property Held for Resale.

Recommendation: We recommend that procedures be established to regularly assess the value of property held for resale (minimum at year end), and adjust the Property Valuations account accordingly.

Management's Response: The Transportation Oriented Property Asset Management Division is currently reviewing property information and researching data management systems to address this finding and other related management needs. Properties owned by the Department are extensive; the current list of properties for resale is being updated as part of the current review process. Value of the properties is constantly changing with the market and fluctuates by area. We will be developing a system to project current values, subject to appraisal prior to resale, lease etc.

In an effort to provide corrective action for this finding we will be taking the following steps:

- Evaluate existing data management systems which are used by other states, and select one to be acquired by the Department.
- Develop a methodology for determining projected value on a state/regional basis or on a statewide scale.
- Begin a 90-day pilot program on the use of the recommended system by August 4, 2008, prior to its acquisition.
- Purchase and implement a data program by February 2, 2009.

07-5 DOUBLE PAYMENTS

Condition: While performing a search for unrecorded liabilities, we identified several vouchers, totaling approximately \$80,000, which had been paid twice.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-5 DOUBLE PAYMENTS - continued

Criteria: As per the Share training, one voucher should represent one invoice.

Cause: Lack of adequate process controls. If an associate pays more than one invoice on a voucher, Share will not recognize the invoice as being paid and allow a subsequent payment. If the invoice number is not keyed exactly the same way, an invoice can be double paid.

Effect: As a result of inadequate process controls, the Department could be overstating expenditures and overpaying vendors.

Recommendation: We recommend that the supervisor review to ensure that only one invoice is being processed on each voucher.

Management's Response: During the fall of 2007, the Financial Control Unit met with the Districts to address this and other related control issues regarding payment vouchers. It was agreed that the Department of Transportation implement a 2nd level approval procedure at the District level in order to add a review point for the invoices at the point of origin. Assigned staff at the District level reviews the pending payment vouchers with documentation and compares the payment vouchers to historical payment files to assure that duplicate payments can be caught early. The assigned staff notifies the Financial Control Unit of their approval of submitted payment vouchers via email in order for Financial Control to release payment.

After review of the new process, Financial Control believes that it reduces the incidence of duplication errors to a reasonable level. Financial Control is currently planning on implementing the 2nd level approval procedure in the General Office this fall.

07-6 AUDIT TRAIL FOR PAYMENT VOUCHERS

Condition: When testing Accounts Payable, it was discovered that a voucher could be deleted from the accounting system without leaving an audit trail. As a result, 29 payments vouchers could not be provided for our testwork.

Criteria: All systems should provide an appropriate audit trail to resolution.

Cause: Lack of adequate system controls.

Effect: Unknown obligations may exist which would have a direct impact on any related financial reporting.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-6 AUDIT TRAIL FOR PAYMENT VOUCHERS - continued

Recommendation: The system should be modified to ensure that transactions cannot be deleted from the system without being detected.

Management's Response: SHARE allows a voucher to be deleted from the system before the voucher is approved. After that point, SHARE no longer keeps that voucher available for retrieval.

Since SHARE will not retrieve deleted vouchers, staff now prints out a screen print of the voucher with the message box notifying of the deletion. A copy of the screen print is now kept on file in case the deleted voucher needs to be reviewed.

07-7 ACCOUNTS PAYABLE

Condition: When performing a search for unrecorded liabilities test work, it was noted that:

- Two vouchers had the following situation: The "Estimate Summary to Contractor" indicates that this payment was for work performed in FY08. However, there was a "Certification of Prior Year Bill and Available Budget" attached to the voucher packet indicating that the goods or services were received prior to the FY07 year end. These two items are conflicting.
- One of the sample items had an invoice dated May 17, 2007, for services performed prior to June 30, 2007. The packet appropriately included a "Certification of Prior Year Bill and Available Budget" as the services were performed prior to year end, but payment was not made until July 19, 2007. However, the voucher was not properly accrued at June 30, 2007. Instead, the accounting date which set up the payable was the same as the entry date (July 17, 2007).
- There were forty-one journal entries required to correctly state accounts payable as of June 30, 2007, increasing liabilities by \$29 million.

Criteria: In accordance with the matching principal expenditures should be recorded in the same period as the receipt and consumption of the goods or services.

Cause: Lack of proper tracking of accounts payable at year end and detective controls to identify key entry errors.

Effect: Significant adjustments were required to properly state accounts payable accounts at year end.

Recommendation: 1) We recommend that the "Certification of Prior Year Bill and Available Budget" only be included if the goods or services actual were provided prior to year end, not if it contradicts the invoice or other supporting documentation. 2) We also recommend better process controls to detect key/data entry errors. 3) Liabilities should only be recorded for goods or services received prior to year end.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-7 ACCOUNTS PAYABLE - continued

Management's Response: Within Financial Control's voucher approval process, we will be implementing a revised procedure at year end. This revision includes the procedure for staff to review the invoice date field on vouchers electronically submitted from districts in order to identify and correct errors created during the year-end cutoff. The staff will then request additional documentation in order to assess the correct reporting period before posting. After this process, a list will be created itemizing payables that may be accrued into the year-end financial statements after SHARE closes its open payables period.

07-8 JOURNAL ENTRIES (Material Weakness)

Condition:

- Approval History within the accounting system often showed that the same individual initiated and approved a journal entry. Per inquiry of client, the source entries are approved by another individual, but the system fails to record the approval process correctly
- Various erroneous journal entries totaling \$110,153,000 were recorded during the course of the year and remained uncorrected as of June 30, 2007.

Criteria: There should be controls in place ensuring that supervisors approve journal entries and there should be cross-checking requirements to ensure an individual with accounting knowledge approves the journal entries to ensure they are appropriate.

Cause: Lack of effective controls over preparation and approval of journal entries.

Effect: Unadjusted accounts were materially misstated at June 30, 2007.

Recommendation: MCO recommends that procedures be implemented to ensure proper oversight and review of all proposed journal entries.

Management's Response: Because of this weakness in SHARE, the Department is implementing a new procedure for documenting journal entries.

All journal entries submitted must be accompanied by a Journal Voucher Form which documents the journal entry purpose, a print-out of the journal entry, approval signatures of supervisors and any other documentation that is deemed appropriate to support the entry. This hard copy will be kept on file for review.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-9 MISPOSTING OF EXPENDITURES

Condition: During our Single Audit Compliance test work, we noted that one unallowable expenditure was recorded against a federal grant project. The accounting system does not have in place preventive controls to restrict the project codes available for input into the system to specific users. The error was identified and corrected by the Department and the cost was not charged to the federal grant for reimbursement.

Criteria: Federal expenditures should be disbursed under the allowable costs for the specific CFDA number according to the OMB. Controls should be in place to restrict project codes to those applicable to specific users.

Cause: Lack of proper preventive security controls.

Effect: Disbursements could be paid for unallowable expenditures.

Recommendation: We recommend that security controls be implemented to restrict project codes to those applicable to specified users.

Management's Response: Since SHARE cannot restrict project codes available on its pick list, the Department is using the supervisor approval process to review and catch coding errors.

The Department is investigating the possibility of programming SHARE to edit project codes that are displayed on the pick list

07-10 PER DIEM REIMBURSEMENTS

Condition: Per diem reimbursements for 80% of travel expenditures and the reclassification of accounts receivable per diem advances to travel expenditures are being recorded/reclassified 6 months subsequent to when the travel took place.

Criteria: Travel expenditures for per diem should be submitted no later than two weeks after the travel took place and should be reconciled at year end to determine all current year expenditures have been properly classified at year end.

Cause: Lack of accounts receivable per diem reconciliation monthly and at year end and timely processing of per diem travel reimbursements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-10 PER DIEM REIMBURSEMENTS - continued

Effect: Expenditures could be materially understated at FYE because the reclassification of accounts receivable per diem travel advance to travel expenditures does not get recorded until the 80% advance has been recorded and issued 6 months subsequent to when the travel took place; therefore, the balance for this account could consist of travel expenditures already incurred but not reclassified to expense accounts from accounts receivable per diem.

Recommendation: We recommend that the Department reconcile all travel advances accounts receivable balances outstanding monthly and at year end to determine whether all current year expenditures have been properly reclassified from the accounts receivable per diem account in the current year.

Management's Response: Historically, the procedures have been reliant on timely follow up by employees to complete the prepaid per diem documentation upon return from travel. For a few employees, the follow up paperwork is tardy or nonexistent.

As a result, management is implementing, as part of the monthly reconciliation process, a list of outstanding prepaid balance listing of employees. This list will be routinely forwarded to the Districts and other supervisors for enforcement of the per diem and travel policy in place.

07-11 PAYROLL EXPENDITURES AND LIABILITIES (Material Weakness)

Condition: Payroll expenditures and liabilities were misposted to incorrect funds/accounts throughout the year.

Criteria: Transactions should be properly classified according to fund and account per Generally Accepted Accounting Principles and Auditing Standards.

Cause: Lack of sufficient management oversight and proper training of staff.

Effect: Significant year-end adjustments were required to correct account balances.

Recommendation: We recommend that the Department review its payroll posting procedures to ensure that all payroll costs are captured and recorded in the correct accounts/funds.

Management's Response: Statewide, implementation of SHARE originally resulted in state employees' costs posted into incorrect funds, departments and projects. Additionally, some budgets were not posted into the correct funds, departments and projects. As a result, the state engaged in a lengthy process of reversing, reviewing on a detailed basis each individual employee's status, assigned codes and resultant expenditure posting for each and every payroll, and then re-posting corrected data.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-11 PAYROLL EXPENDITURES AND LIABILITIES (Material Weakness) - continued

Management's Response - continued:

The Department of Transportation has an additional difficulty in this process in that federal reimbursement of employee time worked is a highly detailed process that requires additional classification above and beyond GAAP requirements.

The Department has been engaging in a long-term approach to identify processes that may be eventually programmed into SHARE and which processes that must require a work-around procedure in order to enable to satisfy both the SHARE structure capabilities and federal requirements.

07-12 ACTUAL VERSUS BUDGETED EXPENDITURES (Material Weakness)

Condition:

- Actual expenditures were not adequately tracked for compliance with budgeted expenditures over the course of the fiscal year.
- The following program expense category had actual expenditures in excess of budgeted expenditures as of June 30, 2007:
 - Business/Program Support – Other Expenditures was over budget by \$24,911,120. Budgeted expenditures were \$173,480,702. Actual expenditures, budgetary basis were \$198,391,822.
 - Transportation & Highway Operations – Other Expenditures was over budget by \$9,557,078. Budgeted expenditures were \$108,403,323. Actual expenditures, budgetary basis were \$117,960,401.
- Payments to vendors (disbursements) totaling approximately \$23,500,000 were posted to liability accounts (rather than expenditures) during the first three months of the fiscal year and remained uncorrected as of June 30, 2007.
- Budget Status Reports utilized to produce monthly financial reporting to the Commission were incorrect over the course of the year.

Criteria: Actual expenditures may not exceed budgeted expenditures per 2.2.2.10 NMAC (P).

Cause: The SHARE system will not allow disbursements to be made without budget authority. For the first few months of the year, budget authority had not been established and the Department was unable to process vendor payments. The Department circumvented this system control by posting the expenditure amounts as debits to liability accounts. The expenditures were not reclassified to the appropriate expenditure accounts and the errors remained uncorrected as of June 30, 2007.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-12 ACTUAL VERSUS BUDGETED EXPENDITURES (Material Weakness) - continued

Effect: Budgeted expenditures could be overspent.

Recommendation: We recommend that procedures be instituted to ensure that actual expenditures are tracked against budgeted expenditures for each reporting period. We also recommend that proper review and authorization of transactions and review of the general ledger be conducted to ensure that transactions are properly recorded in correct accounts.

Management's Response: Because this is due to inadequate training and management oversight, this finding is related to finding 07-13.

Until the budget authority could be implemented during 2007, staff members were authorized to post expenditures into liability accounts in order to process and disburse monies to vendors in a timely manner.

However, due to a lack of available staff to accommodate the new procedures and processes necessary that SHARE now requires, the resultant monthly GAAP reconciliations to identify and correct all misclassifications and mispostings did not occur until the implementation of the new controller's office. As a result, the reclassification of expenditures extended the final year end balances past the available budget.

07-13 TIMELINESS OF AUDIT AND ACCOUNTING PROCEDURES (Material Weakness)

Condition: Significant audit adjustments and reclassifications to the June 30, 2007, trial balance were required to comply with U.S. Generally Accepted Accounting Principles. The following accounts were not adjusted at June 30, 2007 to reflect correct balances:

- Capital outlay accounts
- Due to / from other funds
- Due to / from other state agencies and bond proceeds
- Cash held at trustee
- Deferred revenue
- Accounts Receivable/Revenue Balances
- Transactions related to operations of the Rail Runner were not recorded on the general ledger; specifically, easement revenue and related expenditures.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-13 TIMELINESS OF AUDIT AND ACCOUNTING PROCEDURES (Material Weakness) - continued

Criteria: Accounting principles generally accepted in the United States of America require that all financial transactions be properly classified, recorded and summarized for financial statement preparation. The audit report is due to the State Auditor's Office on or by December 15, 2007.

Cause: Lack of staff experience with accounting concepts and procedures; lack of adequate training on the SHARE system; and lack of adequate management oversight.

Effect: Incorrect account balances, resulting in over- and under-statement of assets, liabilities, revenue and expenditures. Beginning fund balances did not agree to amounts reported in the prior year audit report. Noncompliance with the December 15, 2007 State Auditor deadline.

Recommendation: We recommend that the Department take appropriate measures to ensure that all audit adjustments are properly recorded, that beginning fund balances are correct and that all transactions are recorded in the appropriate funds/accounts.

Management's Response: During fiscal year 2008, the Department assessed the available staff, experience and management support. As a result, the financial units were reorganized in order to better utilize experienced staff members. Additionally, the planned addition of an agency controller's office was implemented with recruitment of certified public accountants with in-depth experience with GAAP financial reporting in the State of New Mexico.

As a result, current staff members are now redirecting their attention to the daily business of the agency with new controller's office staff members' attention to completely reorganizing the processes and procedures necessary to bring the agency to monthly GAAP financial accounting. During the 2009 fiscal year, the Department will be implementing mandatory accounting courses to financial staff.

07-14 OVER-EXPENDED APPROPRIATION UNITS

Condition: The Department budgeted expenditures in excess of revenues and prior year available fund balance:

- | | |
|----------------------------|---------------|
| • State Road Fund | \$146,990,146 |
| • Other Governmental Funds | \$4,495,199 |

Criteria: Per (2.2.2.10 NMAC), all actual expenditures exceeding budgeted expenditures at legal level of budgetary compliance must be reported as a finding.

Cause: Management has not been consistently monitoring the budgeted expenditure level.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-14 OVER-EXPENDED APPROPRIATION UNITS - continued

Effect: The State Road Fund was over-expended.

Recommendation: The Department must track all expenditures and submit Budget Adjustment Requests to ensure compliance with the final budget.

Agency's Response: Although management believes that encumbrance balances from multi year funds and fund (cash) balances from non-reverting single year funds were properly accounted for in budget submittals and BAR approvals, commingling of those dissimilar funds created reporting discrepancies at year end. Management plans to report budget to actual information on a fund by fund basis in the future to prevent this type of reporting error in the future.

07-15 RESTATEMENT OF FY 2007 AUDITORS' REPORT (Material Weakness)

Condition: The Department does not adequately implement the accounting system in place to timely and reasonably estimate participating federal expenditures for the purpose of requesting reimbursement from the U.S Department of Transportation.

During FY 2007, the Department conducted a 100% manual examination of identified project expenditures for the purpose of validating the propriety of expenditures originally coded as federal-participating expenditures as of FYE June 30, 2007 (FYE). As a result of this examination, the Department identified \$16.8 million of participating expenditures and recorded an unbilled receivable for this amount. Reconciliations and supporting documentation were provided during the FYE June 30, 2007 audit.

Subsequent to the audit and original issuance of the June 30, 2007 financial statements and Independent Auditors' Report, the Department identified approximately \$29 million of additional qualified expenditure that had not been properly coded and captured as unbilled revenue at June 30, 2007.

As a result, the FY 2007 auditors' report was recalled and expanded audit testwork related to expenditure coding was performed. Expanded test work included testing of subsequent receipts through June 2009 to ensure proper cut-off of expenditures and related receivables as of June 30, 2007. As a result, Federal Receivables and Deferred Revenue were restated to include the \$29 million of unbilled expenditures as of June 30, 2007. Additionally, the Schedule of Expenditures of Federal Awards was restated to include the \$26 million as federally participating.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-15 RESTATEMENT OF FY 2007 AUDITORS' REPORT (Material Weakness) - continued

Criteria:

- The financial statements should be fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government.
- The Department must ensure that there are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
- In accordance with OMB Circular A-133, the Department must identify in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of federal cost-reimbursement contracts.
- The Department must identify and make available all claims for reimbursements with regards to federal cost-reimbursement contracts.

Cause: The Department did not employ enough time and personnel in implementing the new SHARE project module. As a result, processes were not in place to ensure that all eligible federally participating expenditures were identified and captured by the financial reporting system.

Effect:

- The receivable due from U.S. Department of Transportation recorded in the Balance Sheet – Governmental Funds - State Road Fund (20100) and associated Deferred Revenue were materially understated as of FYE June 30, 2007 by approximately \$26 million. Other amounts due, as well as the corresponding deferred revenue balances, were also understated by approximately \$3 million. Associated revenue on the Statement of Revenues, Expenditures and Changes in Fund Balances – State Road Fund (20100) was understated as of June 30, 2007 by approximately \$29 million.
- The receivable due from U.S. Department of Transportation recorded on the Statement of Net Assets and associated revenue recorded on the Statement of Activities were misstated by approximately \$26 million. The Statements of Net Assets and Activities were also misstated by the \$3 million in unidentified qualified expenditures.
- The Schedule of Expenditures of Federal Awards – U.S. Department of Transportation Expenditures were understated by \$26 million. Other sources of Federal Awards were understated by approximately \$3 million.
- The Data Collection Form was not submitted to the Federal Clearinghouse within nine months after year end as required by *OMB Circular A-133.320*.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-15 RESTATEMENT OF FY 2007 AUDITORS' REPORT (Material Weakness) - continued

Recommendation: We recommend that the necessary modifications to the accounting system be made to ensure that controls are in place for timely identification of federally participating expenditures. In the interim, we recommend that the Department increase the resources available for the examination of project expenditures to provide more timely and complete financial information.

We further recommend that an individual or individuals with suitable skill, knowledge and experience be designated to oversee the identification, capturing and recording of financial information related to your federal awards.

Management's Response: During the latter part of 2007 and continuing through the end of fiscal year 2009, management engaged in a multi-lateral plan of action to address the deficiencies in the data converted from the old FMIS system into SHARE.

This plan included the 100% audit of all project files with the underlying expenditures as mentioned above, as well as an extensive analysis by IT staff and consultants to identify the strengths and weaknesses of the SHARE system.

The audit resulted in a complete rebuild of the underlying data elements in the projects to enable the module to work as it was designed. The analysis of the module resulted in identification of training points for Department staff as well as suggested design points for improvement of the software code and ease of use. In addition, new procedures were designed and implemented to utilize the software reporting features in order to create an audit trail from project expenditure to receipt of cash for reconciliation purposes.

Additionally, the Department consulted with other governments that use the SHARE project module for other user-defined input. This resulted in an implementation and customization of a software version from the State of Wyoming that better matched the Department's project structure and methodology of capturing and billing federal expenditures. This resulted in a much anticipated implementation of the WYDOT code in June of 2009.

This has put the Department in the leading edge of the PeopleSoft SHARE module design and has enabled other governments to consult with the Department for improvement on their software systems as well.

The Department remains committed to constant monitoring and improvement on this complex and demanding part of federal regulatory activities.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

06-1 INVENTORY RECONCILIATIONS (Repeated and Modified)

Condition: During our test work of inventories, we noted that the inventory listings did not match the general ledger balances as of June 30, 2007. Although a corrected inventory listing was provided, the Department was unable to provide all invoices requested for price testing.

Criteria: Per section 6-5-2, NMSA 1978, the General Office and Districts must maintain timely and accurate inventory and accounting records that record in detail each item in the inventory, the number of units, cost, date received, and the vendor for each purchase. At the end of each fiscal year, inventory of materials and supplies on hand should be counted and reconciled with inventory records of goods on hand.

Cause: Lack of sufficient management oversight and proper training of staff to identify and correct variances.

Effect: Significant inventories reported at year end could be inaccurate and non-compliant with Generally Accepted Accounting Principles.

Recommendation: We recommend that the Department review its inventory reconciliation process and inventory listing to ensure balances are correct at year end.

Management's Response: In the timeframe available, all districts were able to turn in the requested documentation with the exception of District 5.

05-2 PERSONNEL AND PAYROLL (Repeated and Modified)

Condition: During our payroll disbursements test work, we noted the following:

- One of the forty personnel files tested did not contain a deduction authorization form.
- For one of the 40 personnel files tested, gross pay did not match the most recent Personnel Action Form that was in the file.

Criteria: Personnel files must contain complete and current information on employees per State Personnel Act (10-9-1 to 10-9-25 NMSA 1978) and Internal Revenue Service (IRS) Publication 15.

Cause: Procedures exist to ensure that all employee files contain complete information. However, one was missing due to human error or oversight.

Effect: Deductions and gross pay amounts cannot be verified.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

05-3 PERSONNEL AND PAYROLL (Repeated and Modified) - continued

Recommendation: We recommend stronger internal control procedures to ensure pertinent information is obtained and retained in the employees' files.

Management's Response: We have put into place procedures for auditing new personnel files as they are created and are actively working to improve documentation of the current files.

We have repeatedly requested documentation of the above errors noted from the auditors, but have not received them. As such, we cannot respond to the specific items at this time.

05-3 GRIP POSTING ERRORS (Material Weakness – Repeated and Modified)

Condition: During our audit over cash related to the GRIP 2004 and 2006 series bonds, we noted the following:

- Except for interest revenue, activity for trustee accounts was not posted during the course of the fiscal year (unrealized gains/losses, transfers in/out) to general ledger.
- Portions of the debt service payments that were provided by Trustee revenue activity were not posted to the general ledger.
- Due to/from other funds related to transfers of funds between GRIP 2004 series bonds and GRIP 2006A-D bonds were not posted.
- Activity related to the interest SWAPS was not recorded as of year end.

Criteria: Accounting transactions should be properly recorded to the correct fund and general ledger account. All accounting transactions must be recorded to ensure completeness of the accounting records.

Cause: Lack of reconciliation process and management oversight.

Effect: Cash balances, interest expense, revenue, transfers and internal balances were misstated during the course of the year by material amounts, requiring significant adjustments to correct balances.

Recommendation: The Department should establish a procedure whereby all trustee accounts related to the GRIP 2004 and 2006 series are reconciled and all transactions are posted on a monthly basis.

Management's Response: This condition was caused by setting the budget into incorrect funds and also not budgeting adequately for investment revenue and expenditure activities on behalf of the Department by the Trustee.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

05-3 GRIP POSTING ERRORS (Material Weakness – Repeated and Modified) - continued

Management's Response - continued:

We are in the process of reorganizing the budgetary and fiscal activities in order to fully account for all activities by utilizing journal entries based on monthly reconciliations to trustee statements. By mid-2009 fiscal year, staff will be retrained and the bonded debt will be recorded on a GAAP basis and fully reconciled to all cash and trustee activity.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

07-1 ACCESS TO TIME CODES (Material Weakness)

U.S. Department of Transportation, FHWA highway research, planning and construction, CFDA No. 20.205, No Questioned Costs

Condition: Access to time codes is not limited. All employees can use any time code on the list, leading to human errors in capturing proper project payroll expenditures.

Criteria: Employees should be restricted from accessing inappropriate time codes.

Cause: Lack of adequate system controls to limit access to time codes.

Effect: Payroll-related federal expenditures could not be determined on a timely basis for billing to the Federal Highway Administration resulting in a manual reconciliation process for federal-participating expenditures contributing to late audit filing with New Mexico State Auditor's Office and restatement of the Fiscal Year 2007 auditor's report and Federal Data Collection Form for understatement of federal receivables and expenditures in the amount of approximately \$1.2 million.

Recommendation: We recommend that controls be developed to restrict open access to all time codes.

Management's Response: During the fiscal year of 2007, SHARE software did not have the capability to prevent postings of disallowed time codes for employees. As a result, during July 2007 a consultant was retained and provided, among other work done, a software fix that provided only allowed time codes to employees for their assigned work.

07-8 JOURNAL ENTRIES (Material Weakness)

Relates to All Federal Programs, No Questioned Costs

Condition:

- Approval History within the accounting system often showed that the same individual initiated and approved a journal entry. Per inquiry of client, the source entries are approved by another individual, but the system fails to record the approval process correctly
- Various erroneous journal entries totaling \$110,153,000 were recorded during the course of the year and remained uncorrected as of June 30, 2007, requiring correction through client and audit adjustment over the course of the audit. The erroneous journal entries were unrelated to federal participating expenditures, nonetheless, potential for erroneous journal entries related to the recording of federal expenditures exists.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

07-8 JOURNAL ENTRIES (Material Weakness) - continued

Criteria: There should be controls in place ensuring that supervisors approve journal entries and there should be cross-checking requirements to ensure an individual with accounting knowledge approves the journal entries to ensure they are appropriate.

Cause: Lack of effective controls over preparation and approval of journal entries.

Effect: Unadjusted accounts were materially misstated at June 30, 2007.

Recommendation: MCO recommends that procedures be implemented to ensure proper oversight and review of all proposed journal entries.

Management's Response: Because of this weakness in SHARE, the Department is implementing a new procedure for documenting journal entries.

All journal entries submitted must be accompanied by a Journal Voucher Form which documents the journal entry purpose, a print-out of the journal entry, approval signatures of supervisors and any other documentation that is deemed appropriate to support the entry. This hard copy will be kept on file for review.

07-11 PAYROLL EXPENDITURES AND LIABILITIES (Material Weakness)

U.S. Department of Transportation, FHWA highway research, planning and construction, CFDA No. 20.205, No Questioned Costs

Condition: Payroll expenditures and liabilities were misposted to incorrect funds/accounts throughout the year requiring client adjustment over the course of the audit. Federal participating expenditures were captured through a manual reconciliation process, nonetheless, controls were not present in the existing accounting system to ensure timely and accurate reporting throughout the course of the year, including those payroll expenditures that were federally-participating.

Criteria: Transactions should be properly classified according to fund and account per Generally Accepted Accounting Principles and Auditing Standards.

Cause: Lack of sufficient management oversight and proper training of staff.

Effect: Significant year-end adjustments were required to correct account balances.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

07-11 PAYROLL EXPENDITURES AND LIABILITIES (Material Weakness) - continued

Recommendation: We recommend that the Department review its payroll posting procedures to ensure that all payroll costs are captured and recorded in the correct accounts/funds.

Management's Response: Statewide, implementation of SHARE originally resulted in state employees' costs posted into incorrect funds, departments and projects. Additionally, some budgets were not posted into the correct funds, departments and projects. As a result, the state engaged in a lengthy process of reversing, reviewing on a detailed basis each individual employee's status, assigned codes and resultant expenditure posting for each and every payroll, and then re-posting corrected data.

The Department of Transportation has an additional difficulty in this process in that federal reimbursement of employee time worked is a highly detailed process that requires additional classification above and beyond GAAP requirements.

The Department has been engaging in a long-term approach to identify processes that may be eventually programmed into SHARE and which processes that must require a work-around procedure in order to enable to satisfy both the SHARE structure capabilities and federal requirements.

07-13 TIMELINESS OF AUDIT AND ACCOUNTING PROCEDURES (Material Weakness)

Relates to All Federal Programs, No Questioned Costs

Condition: Significant client and audit adjustments and reclassifications to the June 30, 2007 trial balance were required to comply with U.S. Generally Accepted Accounting Principles and to properly record federally funded transactions. The following accounts required adjustment at June 30, 2007 to reflect correct balances:

- Accounts Receivable/Revenue Balances
- Deferred Revenue

Criteria: Accounting principles generally accepted in the United States of America require that all financial transactions be properly classified, recorded and summarized for financial statement preparation. The audit report is due to the State Auditor's Office on or by December 15, 2007.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT – continued

07-13 TIMELINESS OF AUDIT AND ACCOUNTING PROCEDURES (Material Weakness) – continued

Cause: Lack of staff experience with accounting concepts and procedures; lack of adequate training on the SHARE system; and lack of adequate management oversight.

- **Effect:** Incorrect account balances, resulting in over- and under-statement of assets, liabilities, revenue and expenditures. Beginning fund balances did not agree to amounts reported in the prior year audit report. Noncompliance with the December 15, 2007 State Auditor deadline.

Recommendation: We recommend that the Department take appropriate measures to ensure that all audit adjustments are properly recorded, that beginning fund balances are correct and that all transactions are recorded in the appropriate funds/accounts.

Management's Response: During fiscal year 2008, the Department assessed the available staff, experience and management support. As a result, the financial units were reorganized in order to better utilize experienced staff members. Additionally, the planned addition of an agency controller's office was implemented with recruitment of certified public accountants with in-depth experience with GAAP financial reporting in the State of New Mexico.

As a result, current staff members are now redirecting their attention to the daily business of the agency with new controller's office staff members' attention to completely reorganizing the processes and procedures necessary to bring the agency to monthly GAAP financial accounting. During the 2009 fiscal year, the Department will be implementing mandatory accounting courses to financial staff.

07-15 RESTATEMENT OF FY2007 AUDITORS' REPORT (Material Weakness)

U.S. Department of Transportation, FHWA highway research, planning and construction, CFDA No. 20.205, No Questioned Costs

U.S. Department of Transportation, NHTSA, CFDA 20.600, 601,602,604,605,608,609 and 610

Condition: The Department does not adequately implement the accounting system in place to timely and reasonably estimate participating federal expenditures for the purpose of requesting reimbursement from the U.S Department of Transportation.

During FY 2007, the Department conducted a 100% manual examination of identified project expenditures for the purpose of validating the propriety of expenditures originally coded as federal-participating expenditures as of FYE June 30, 2007 (FYE). As a result of this examination, the

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT – continued

07-15 RESTATEMENT OF FY2007 AUDITORS' REPORT (Material Weakness) - continued

Condition - continued:

Department identified \$16.8 million of participating expenditures and recorded an unbilled receivable for this amount. Reconciliations and supporting documentation were provided during the FYE June 30, 2007 audit.

Subsequent to the audit and original issuance of the June 30, 2007 financial statements and Independent Auditors' Report, the Department identified approximately \$29 million of additional qualified expenditure that had not been properly coded and captured as unbilled revenue at June 30, 2007.

As a result, the FY 2007 auditors' report was recalled and expanded audit testwork related to expenditure coding was performed. Expanded test work included testing of subsequent receipts through June 2009 to ensure proper cut-off of expenditures and related receivables as of June 30, 2007. As a result, Federal Receivables and Deferred Revenue were restated to include the \$29 million of unbilled expenditures as of June 30, 2007. Additionally, the Schedule of Expenditures of Federal Awards was restated to include the \$26 million as federally participating.

Criteria:

- The financial statements should be fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government.
- The Department must ensure that there are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
- In accordance with OMB Circular A-133, the Department must identify in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of federal cost-reimbursement contracts.
- The Department must identify and make available all claims for reimbursements with regards to federal cost-reimbursement contracts.

Cause: The Department did not employ enough time and personnel in implementing the new SHARE project module. As a result, processes were not in place to ensure that all eligible federally participating expenditures were identified and captured by the financial reporting system.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT – continued

07-15 RESTATEMENT OF FY2007 AUDITORS' REPORT (Material Weakness) - continued

Effect:

- The receivable due from U.S. Department of Transportation recorded in the Balance Sheet – Governmental Funds - State Road Fund (20100) and associated Deferred Revenue were materially understated as of FYE June 30, 2007 by approximately \$26 million. Other amounts due, as well as the corresponding deferred revenue balances, were also understated by approximately \$3 million. Associated revenue on the Statement of Revenues, Expenditures and Changes in Fund Balances – State Road Fund (20100) was understated as of June 30, 2007 by approximately \$29 million.
- The receivable due from U.S. Department of Transportation recorded on the Statement of Net Assets and associated Revenue recorded on the Statement of Activities were misstated by approximately \$26 million. The Statements of Net Assets and Activities were also misstated by the \$3 million in unidentified qualified expenditures.
- The Schedule of Expenditures of Federal Awards – U.S. Department of Transportation Expenditures were understated by \$26 million. Other sources of Federal Awards were understated by approximately \$3 million.
- The Data Collection Form was not submitted to the Federal Clearinghouse within nine months after year end as required by *OMB Circular A-133.320*.

Recommendation: We recommend that the necessary modifications to the accounting system be made to ensure that controls are in place for timely identification of federally participating expenditures. In the interim, we recommend that the Department increase the resources available for the examination of project expenditures to provide more timely and complete financial information.

We further recommend that an individual or individuals with suitable skill, knowledge and experience be designated to oversee the identification, capturing and recording of financial information related to your federal awards.

Management's Response: During the latter part of 2007 and continuing through the end of fiscal year 2009, management engaged in a multi-lateral plan of action to address the deficiencies in the data converted from the old FMIS system into SHARE.

This plan included the 100% audit of all project files with the underlying expenditures as mentioned above, as well as an extensive analysis by IT staff and consultants to identify the strengths and weaknesses of the SHARE system.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT – continued

07-15 RESTATEMENT OF FY2007 AUDITORS' REPORT (Material Weakness) - continued

Management's Response - continued:

The audit resulted in a complete rebuild of the underlying data elements in the projects to enable the module to work as it was designed. The analysis of the module resulted in identification of training points for Department staff as well as suggested design points for improvement of the software code and ease of use. In addition, new procedures were designed and implemented to utilize the software reporting features in order to create an audit trail from project expenditure to receipt of cash for reconciliation purposes.

Additionally, the Department consulted with other governments that use the SHARE project module for other user-defined input. This resulted in an implementation and customization of a software version from the State of Wyoming that better matched the Department's project structure and methodology of capturing and billing federal expenditures. This resulted in a much anticipated implementation of the WYDOT code in June of 2009.

This has put the Department in the leading edge of the PeopleSoft SHARE module design and has enabled other governments to consult with the Department for improvement on their software systems as well.

The Department remains committed to constant monitoring and improvement on this complex and demanding part of federal regulatory activities.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Summary Schedule of Prior Year Audit Findings

06-1	Inventory Reconciliations – Repeated and Modified
05-2	Personnel and Payroll – Repeated and Modified
05-3	GRIP Posting Errors – Repeated and Modified
05-4	Lack of Segregation of Duties – Resolved
05-6	Disaster Recovery Plan – Resolved

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Exit Conference

An exit conference was held with the Department on September 8, 2008 and August 26, 2009. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

September 8, 2008

STATE OF NEW MEXICO DEPARTMENT OF TRANSPORTATION

Rhonda Faught, Cabinet Secretary
Gary Giron, Deputy Secretary of the Office of Business Support
Roman Maes, Commissioner
Larry Viarreal, Finance Bureau Director
Greg Geisler, Finance Director
Anissa Martinez
Dustene Facticeau
Art Gottlieb
Robert Ortiz
Anthony Garcia
Eileen Vigil
Ron Baca
Bridgett Long
Kathleen Pinyan
Bernie Padilla
Dolores Gallegos

MEYNNERS + COMPANY, LLC

Brandon Hill Haines, CPA, CFE, Assurance Principal
Janet Pacheco-Morton, CPA, CGFM, Senior Manager
Jesse Muniz, Senior

August 26, 2009

STATE OF NEW MEXICO DEPARTMENT OF TRANSPORTATION

Gary Giron, Cabinet Secretary
Domingo Sanchez III, Deputy Secretary of the Office of Business Support
Greg Geisler, Finance Director
John Cope, Commission Chair
Jim Franken, Commissioner
Kathleen Pinyan, Controller's Office
Alexandra Williams, Controller's Office
Art Gottlieb, Inspector General's Office

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Exit Conference - continued

August 26, 2009 - continued

STATE OF NEW MEXICO DEPARTMENT OF TRANSPORTATION - continued

Julie Atencio, Inspector General's Office
Larry Viarreal, Finance

MEYNNERS + COMPANY, LLC

Brandon Hill Haines, CPA, CFE, Assurance Principal
Janet Pacheco-Morton, CPA, CGFM, Senior Manager
Jesse Muniz, Senior
Kyle McGuire, Senior

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the Independent Auditor.

**NEW MEXICO
DEPARTMENT OF
TRANSPORTATION
Financial Statements
for the Year Ended
June 30, 2008,
and Independent
Auditors' Report**

NEW MEXICO DEPARTMENT OF TRANSPORTATION



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NEW MEXICO DEPARTMENT OF TRANSPORTATION

Official Roster

Year Ended June 30, 2008

Commission

Johnny Cope
Jim Franken
Norman Assed
John Hummer
Roman Maes III
Jackson Gibson

Chairperson
Vice-Chairperson
Secretary
Member
Member
Member

Hobbs
Las Vegas
Albuquerque
Las Cruces
Santa Fe
Thoreau

Administrative Officer

Gary Giron
Domingo Sanchez III

Cabinet Secretary
Deputy Secretary

INDEPENDENT AUDITORS' REPORT

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Mexico Department of Transportation (Department) as of and for the year ended June 30, 2008, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds and the budget comparison for the enterprise fund presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2008, as listed in the table of contents. We also have audited the combined budget comparisons for the special revenue and debt service funds presented as required supplemental information. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the basic financial statements of the Department are intended to present the financial position, and changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico (State) that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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Certified Public Accountants/Consultants to Business



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www.meyners.com

An Independent Member of the BDO Seidman Alliance

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the major special revenue funds 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 non-major governmental fund of the Department as of June 30, 2008, and the respective changes in financial position thereof, and the budget comparisons for the major debt service and enterprise 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 combined budget comparison referred to above presents fairly, in all material respects, the budget comparison of all the non-major special revenue funds and debt service funds of the Department for the year ended June 30, 2008, 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 September 16, 2009, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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 read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 basic financial statements and the combining and individual financial statements and the budgetary comparisons of the Department. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Also, the schedules listed as other supplementary information in the table of contents are

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

presented for purposes of additional analysis and are not a required part of the basic financial statements of the Department. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mayneiro + Company, LLC

September 16, 2009

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008

As management of New Mexico Department of Transportation (Department), we offer the readers of the Department's financial statement this narrative overview and analysis of the financial activities of the Department for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in footnotes to the basic financial statements, which can be found on pages 38 through 105 of this audit report.

Financial Highlights

The Department's net assets declined by \$114,843,694, mainly due to depreciation and amortization expense of \$549,177,995. The net assets of the Department's governmental activities decreased by \$115,604,224 due to increases in contractual services, capital outlay and debt service expenditures related to GRIP Bond Projects.

Overview of the Financial Statements

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to private sector business.

The Statement of Net Assets presents information on all of the Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the Department's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The Department's primary purpose is the construction and maintenance of the infrastructure of the State of New Mexico. Thus, in the government-wide financial statements, the primary function is public works.

The government-wide financial statements can be found on pages 23 through 25 of this report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Overview of the Financial Statements - continued

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department are divided into two categories: governmental funds and proprietary fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current resources and use of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheets and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department has 34 governmental funds. Governmental funds are reported as major funds in the accompanying financial statements if they meet both of the following criteria:

- **Ten percent criterion.** An individual governmental fund reports as least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund expenditures.
- **Five percent criterion.** An individual governmental fund reports at least 5 percent of the total for both governmental and enterprise funds of any of the items for which it met the 10 percent criterion.

The Department's major governmental funds are the following:

State Road Fund – The state road fund was created by Section 67-3-65, NMSA 1978. The state road fund is the operating fund of the Department and is used to account for substantially all the Department's financial activities.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Overview of the Financial Statements - continued

Fund Financial Statements - continued

2004A GRIP Bond Project Fund – The bond project fund was created when the \$700,000,000 New Mexico State Transportation Subordinate Lien Revenue Bonds Series 2004A were issued through the New Mexico Finance Authority (NMFA) in May 2004. The funds from the sale of the Debentures were required to be deposited in a special account with the NMFA. Unspent proceeds are on deposit with the NMFA and recorded as restricted cash. The funds are used to finance State transportation projects.

2006A Bond Project Fund – The bond project fund was created due to the issuance of the September 2006 \$150,000,000 Revenue Bond Series 2006A. The 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has deemed necessary or desirable as part of the GRIP transportation projects.

2006C Bond Project Fund – The bond project fund was created due to the issuance of the September 2006 \$220,000,000 of State Transportation, Series 2006C Revenue Bonds. The series 2006C Bonds were issued as adjustable rate securities and were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects.

2004B/C GRIP Debt Service Fund – This fund was created when the \$237,950,000 and \$200,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bonds Series 2004B and Series 2004C were issued through the New Mexico Finance Authority in May 2004.

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the two major funds. Data from the other 29 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report. See pages 107 through 121.

Enterprise Funds

The Department has one type of proprietary fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Department uses its enterprise fund to account for the State Infrastructure Bank, since its purpose is to make loans for road projects.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the State Infrastructure Bank since it is considered to be a major fund of the Department.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Overview of the Financial Statements - continued

Fund Financial Statements - continued

Enterprise Funds - continued

The basic proprietary fund financial statements can be found on pages 34 through 36 and the cash flows statement is on page 37 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38 through 105 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information including the Schedule of Severance Tax Bonds, Schedule of Special Appropriations, Schedule of Petty Cash Deposit Accounts, Schedule of State Road Fund User and Fuel Taxes, Schedule of Debt Service and Coverage Ratios and the Schedule of Expenditures of Federal Awards.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Department's financial position. At June 30, 2008, the Department's assets exceeded liabilities by \$6,001,374,908.

The largest portion of the Department's net assets reflect its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure) less any debt and unspent bond proceeds used to acquire those assets that are still outstanding. Although the Department's investment in its capital assets is reported net of related debt and unspent bond proceeds, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Government-wide Financial Analysis - continued

Net Assets

As of June 30, 2008 and 2007, the Department has positive balances in two categories of net assets, both for the government fund financial statement as a whole, as well as for its separate categories - governmental and business-type activities. Table A-1 summarizes the Department's net assets for the fiscal years ended June 30, 2008 and 2007.

Table A-1
The Department's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other assets	\$ 800,698,578	1,106,018,138	21,807,779	19,617,041	822,506,357	1,125,635,179
Capital assets and other	<u>7,120,291,143</u>	<u>7,073,498,383</u>	<u>-</u>	<u>-</u>	<u>7,120,291,143</u>	<u>7,073,498,383</u>
Total assets	7,920,989,721	8,179,516,521	21,807,779	19,617,041	7,942,797,500	8,199,133,562
Liabilities:						
Current liabilities	230,110,898	286,611,162	1,545,918	115,710	231,656,816	286,726,872
Long-term liabilities	<u>1,709,765,776</u>	<u>1,793,478,506</u>	<u>-</u>	<u>-</u>	<u>1,709,765,776</u>	<u>1,793,478,506</u>
Total liabilities	1,939,876,674	2,080,089,668	1,545,918	115,710	1,941,422,592	2,080,205,378
Net assets:						
Invested in capital assets, net of related debt and unspent bond proceeds	5,284,234,236	5,153,462,227	-	-	5,284,234,236	5,153,462,227
Restricted	<u>696,878,811</u>	<u>945,964,626</u>	<u>20,261,861</u>	<u>19,501,331</u>	<u>717,140,672</u>	<u>965,465,957</u>
Total net assets	\$ <u>5,981,113,047</u>	<u>6,099,426,853</u>	<u>20,261,861</u>	<u>19,501,331</u>	<u>6,001,374,908</u>	<u>6,118,928,184</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Government-wide Financial Analysis – continued

Changes in Net Assets

Table A-2 provides a summary of the Department's operations for the years ended June 30, 2008 and 2007. Governmental activities decreased the Department's net assets by \$115,604,224 in 2008 and by \$264,012,070 in 2007. Business-type activities increased the Department's net assets by \$760,530 in 2008 and by \$617,694 in 2007 due to interest income earned during the year.

Table A-2
Changes in the Department's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Capital grants	\$ 305,469,842	312,260,388	-	-	305,469,842	312,260,388
Operating grants	75,933,653	120,765,052	-	-	75,933,653	120,765,052
Charges for services	13,549,696	14,762,893	-	-	13,549,696	14,762,893
General revenues:						
Taxes	419,976,392	426,792,376	-	-	419,976,392	426,792,376
Interest income	46,706,497	47,432,110	760,530	617,694	47,467,027	48,049,804
Gain (loss) on disposal of assets	(6,028)	(34,518)	-	-	(6,028)	(34,518)
Total revenues	861,630,052	921,978,301	760,530	617,694	862,390,582	922,595,995
Expenses:						
Public works	-	554,165,527	-	-	-	554,165,527
Depreciation & amortization	549,177,995	523,085,599	-	-	549,177,995	523,085,599
Interest on long-term debt	-	98,952,245	-	-	-	98,952,245
Programs and infrastructure	11,028,125	-	-	-	11,028,125	-
Transportation and Highway Operations	246,894,734	-	-	-	246,894,734	-
Program support	163,329,100	-	-	-	163,329,100	-
Total other expenses	970,429,954	1,176,203,371	-	-	970,429,954	1,176,203,371
Net revenues (loss) before transfers and reversions	(108,799,902)	(254,225,070)	760,530	617,694	(108,039,372)	(253,607,376)
Transfers and reversions	(6,804,322)	(9,787,000)	-	-	(6,804,322)	(9,787,000)
(Decrease) increase in net assets	(115,604,224)	(264,012,070)	760,530	617,694	(114,843,694)	(263,394,376)
Net assets, beginning of year	6,099,426,853	6,360,293,219	19,501,331	18,883,637	6,118,928,184	6,379,176,856
Restatements	(2,709,582)	3,145,704	-	-	(2,709,582)	3,145,704
Net assets, end of year	\$ 5,981,113,047	6,099,426,853	20,261,861	19,501,331	6,001,374,908	6,118,928,184

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Government-wide Financial Analysis - continued

The changes in net assets for the Department's major funds for 2008 are as follows:

State Road Fund	\$ 13,115,509
2004A GRIP Bond Project Fund	(92,265,202)
2006A GRIP Bond Project Fund	(58,826,089)
2006C GRIP Bond Project Fund	(124,688,832)
2004B/C GRIP Debt Service Fund	<u>1,471,486</u>
Major funds, net change in assets	\$ <u>(261,193,128)</u>

Financial Analysis of the Government's Funds

Governmental Funds

The Department's governmental funds are designed to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2008 fiscal year, the Department's governmental funds reported combined ending fund balances of \$661,474,428, a decrease of \$237,561,489 from the prior year. Fund balance is reserved to indicate that it is not available for new spending because it has already been committed to provide for inventories, long term assets and prepaid items and other reserved items of \$67,231,951.

Budgetary Highlights

The Department budgets are on a modified accrual basis and not all funds are budgeted. The Department made revisions to the original approved budget by \$52,843,220. Overall, these changes were caused by the following significant budget adjustments.

Reclassifications of costs from FHWA contract services to	
Federal Mass Transit other costs	\$ 10,000,000
Increase in cash for Rail Runner other costs	2,004,120
Reclassification of costs for Federal Aviation	1,727,600
Increase in cash for Federal Aviation	960,000
Increase in cash for State Infrastructure Bank for loaning	3,485,000
Increase in cash for WIPP construction	13,800,000
Increase in cash for Motorcycle Training Fund	8,000
Increase in cash for DWI Prevention and Education for personnel services and other costs	275,000

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Financial Analysis of the Government's Funds - continued

Budgetary Highlights - continued

Increase in cash for NHTSA for other costs	\$ 7,200,000
Increase in cash for FHWA revenues	15,000
Increase in cash for DWI Prevention and Education transfers from DFA	300,000
Increase in cash for earnings on trustee accounts	1,582,500
Increase in State Road Fund cash for personnel services	4,000,000
Increase in cash for WIPP construction	4,000,000
Increase due to Interagency Agreements	100,000
Increase in cash for earnings on trustee accounts	3,250,000
Decrease in cash from earnings on trustee accounts	(264,000)
Increase in cash for Interlock Device Fund other costs	<u>400,000</u>
	\$ <u>52,843,220</u>

Capital Assets Overview

The Department's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$7,075,397,952 (net of accumulated depreciation). This investment in capital assets includes land, right of way, buildings, equipment, improvement and the infrastructure. Business-type activities have no capital assets.

Major Infrastructure Projects

The Department develops plans to build a transportation system that will better serve the State of New Mexico. Advanced and innovative strategies include building roads using a corridor approach, where an entire route between communities is built. By designing and constructing entire corridors, the Department has been able to realize efficiencies to benefit the state. The Department also employs innovative project development techniques, warranty agreements and highly advanced financing techniques to accomplish the objectives of the Major Investment Program.

Fiscal Year 2007-2008 Active Projects with a contract amount of \$10 million or more:

Rail Runner Phase 2, design and build project in Santa Fe County
I-40, MP 316.500 to 324.500, located in Quay County
I-40, MP 162.140 to MP 163.750, located in Bernalillo County
I-40, MP 177.150 to MP 181.660, located in Bernalillo County
US 491, MP 77.000 to MP 85.200, located in San Juan County
I-40, MP 308.000 to 312.360, located in Quay County

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis -
Year Ended June 30, 2008 - continued

Capital Assets Overview - continued

Major Infrastructure Projects - continued

Fiscal Year 2007-2008 Active Projects with a contract amount of \$10 million or more - continued:

I-40, MP 150.042 to MP 152.334, located in Bernalillo County
NM 128, MP 10.900 to MP 24.700, located in Eddy and Lea Counties
I-40, MP 60.000 to MP 62.706, located in McKinley County
I-40, MP 12 to 17, Gallup for 5.000 Miles
US 491 and NM 602 for 3.100 miles
US 70 D/B, MP 264.2 to MP 302.1, Ruidoso Downs to Riverside
US 84/285 North of Santa Fe from Santa Fe Opera
US 84/285, Santa Fe Relief Route to Santa Fe Opera
Design of Paseo del Volcan (North Section), Stage II, Iris Road to US 550
Design and reconstruction of Double Eagle II Access Road (existing Paseo del Volcan)
Acquire land and plan, design, construct, furnish and equip the Southwest Regional Spaceport in Sierra County

Equipment

For fiscal year 2008, the Equipment modified accrual basis budget total was approximately \$13.9 million. Of this budget, approximately \$13.8 million was fully expended at June 30, 2008. Equipment purchased includes pickups, dump trucks, rollers, excavators, mowers, tractors, loaders, snowplows, brooms, dozers, motor graders, spreaders, millers, trailers, motor vehicles, etc. All items are approved during the legislative session prior to July of each fiscal year. The Department holds several sales and public auctions during the year to liquidate old and obsolete equipment to public and private entities.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Capital Assets Overview - continued

Equipment - continued

Table A-3
Department's Capital Assets

	<u>2008</u>	<u>2007</u>
Land	\$ 5,076,633	4,979,663
Right of way	377,725,494	373,318,194
Infrastructure	15,172,765,450	15,031,104,263
Equipment and furniture	31,472,967	30,933,278
Library	102,614	-
Buildings	40,005,443	38,463,834
Vehicles	192,015,322	179,456,262
Accumulated depreciation	<u>(8,743,765,971)</u>	<u>(8,636,038,507)</u>
Total	\$ <u>7,075,397,952</u>	<u>7,022,216,987</u>

Additional information on the Department's capital assets can be found in Note 9 of this report.

Debt Administration

The Department is authorized to issue bonds by authority of Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA)(1978), as amended. The focus of the Department's bond program is to accelerate transportation construction projects while maintaining strong debt service coverage ratios and minimizing the costs of borrowing.

At June 30, 2008, the Department had a total outstanding debt (bonds) of \$1,761,675,000. Outstanding bond debt is backed by the Department's state tax revenues and FHWA revenues.

Table A-4
Department's Outstanding Debt

	<u>2008</u>	<u>2007</u>
Bonds (excludes deferred amount on refunding)	\$ <u>1,761,675,000</u>	<u>1,832,645,000</u>

The Department's total bond debt decreased by 3.9%, or \$70,970,000. Total outstanding bond debt at the end of the fiscal year was \$1,761,675,000 compared to \$1,832,645,000 at the end of the 2007 fiscal year. Key factors

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Debt Administration - continued

affecting the Department's outstanding bonds during the current fiscal year included bond principal repayments totaling \$70,970,000 and the issuance of four refunding bond series totaling \$470,400,000. See Note 11 for a detail of all outstanding bonds.

The Department did not pay any arbitrage to the Internal Revenue Service for any excess income earned on bond proceeds during the fiscal year, and did not have any arbitrage liability at the end of the fiscal year.

The New Mexico Finance Authority (NMFA) issued a total of \$470,400,000 in Variable Rate Demand Obligation (VRDO) bonds on behalf of the Department during fiscal year 2008 for the purpose of redeeming high interest rate Auction Rate Security (ARS) bonds. The Series 2008A of refunding bonds totaling \$115,200,000 were issued in April of 2008. The Series 2008B of refunding bonds totaling \$220,000,000 were issued in April of 2008, the Series 2008C of refunding bonds totaling \$84,800,000 were issued in May of 2008, the Series 2008D of taxable refunding bonds totaling \$50,400,000 were issued in May of 2008. The following is a detail of the refunding bonds issued:

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A in the amount of \$115,200,000 were issued in April of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008A Bonds are being issued by the New Mexico Finance Authority (the NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B in the amount of \$220,000,000 were issued in April of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008B Bonds are being issued by the New Mexico Finance Authority (the NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Debt Administration - continued

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C in the amount of \$84,800,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008C Bonds are being issued by the New Mexico Finance Authority (the NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008D (Taxable) in the amount of \$50,400,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008D Bonds are being issued by the New Mexico Finance Authority (the NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Economic Factors and Revenue Forecasts

Economic and Demographic Characteristics

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1,819,046. In the 1990s, the State was the twelfth fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515,069. Over the same period of time, the national population grew 13.2 percent. Most of this population growth is occurring in or near the larger cities. There are four Metropolitan Statistical Areas (MSA) in the state. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is Dona Ana County; the Santa Fe MSA is Santa Fe County, and the Farmington MSA is San Juan County. The fastest growing counties in the state are Sandoval, Dona Ana, Bernalillo and Santa Fe.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Economic Factors and Revenue Forecasts - continued

Economic and Demographic Characteristics - continued

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing and mining. In 2006, the value of energy resources production (crude petroleum, natural gas and coal) was approximately \$15.6 billion. Total value of energy and other mineral production was \$17.0 billion. The mining industry employed about 19,400 New Mexicans in 2007. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The state's major transportation routes include Interstate-25, running north-south from El Paso, Texas through Las Cruces, Albuquerque, Santa Fe, Las Vegas and Raton, New Mexico toward Pueblo and Denver, Colorado. Major east-west routes, especially important to interstate commercial carrier traffic, include Interstate-10 from El Paso, Texas to Tucson and Phoenix, Arizona, and Interstate-40 from Amarillo, Texas through Tucumcari, Albuquerque and Gallup, New Mexico to Flagstaff, Arizona.

Revenue Forecasts and Budgets

Federal Revenue:

FHWA Revenue. The amount of FHWA revenue (obligation authority) available to all states has slightly increased as a result of the passage of the new 5 year transportation reauthorization bill entitled "Safe, Accountable, Flexible, and Efficient Transportation Equity Act for the 21st Century – A Legacy for Users" "SAFETEA-LU" in 2005. The amounts of "obligation limitation" available to New Mexico are \$287.5 million in FY2005, \$292.8 million in FY2006, \$271.1 million in FY2007 and \$253.5 million in FY2008. This compares to previous amounts of \$278.9 million in FY2002, \$263.2 million in FY2003, and \$243.5 million in FY2004. The reauthorization bill provides "apportionment" amounts, but the real spending amount (the "obligation limitation") is determined by the appropriation levels in each year's federal budget bill.

As of November 2007, the Department projects FHWA "obligation authority" should increase by \$305.4 million in FY2009.

Federal Transit and Traffic Safety Revenue: The five-year reauthorization of federal transportation funding to the states that was recently passed by Congress is entitled the "Safe, Accountable, Flexible, and Efficient Transportation Equity Act for the 21st Century – A Legacy for Users" (SAFETEA-LU). The reauthorization bill stresses the importance of safety innovations, including a new "Safe Routes to School Program" that promotes walking and riding bicycles to school. With this emphasis on safety, it is expected there will be increased federal revenue available to states for traffic safety and transit programs. The Department anticipates the total amount of funding from the Federal Transit Administration (FTA) and federal traffic safety (NHTSA) increased from the \$13 million level in past years to \$34.7 million in FY2008.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

Federal Revenue - continued:

DOE Revenue: The Department of Energy will continue to provide New Mexico with more than \$20 million per year through FY2011 pursuant to an agreement in connection with the Waste Isolation Pilot Project in Carlsbad, New Mexico. The amount of this revenue budgeted for debt service was \$20.7 million in FY2004, \$21.1 million in FY2005, \$19.8 million in FY2006, \$14.7 million in FY2007 and \$23.3 million in FY 2008.

State Revenue:

Revenues for the New Mexico Department of Transportation over the long term (20 years) are characterized as being steady and growing at rates associated with the Consumer Price Index (CPI). There have been periods of stronger and slower, even declining, rates of growth. From fiscal years 1988 to 2000, the average annual compound growth rate was 2.7% and from 2003 to 2008 it was 5.0%. In fiscal year 2001, there was a contraction and then a slowdown due to economic recession that lasted three years.

In the fall of 2003, a special session of the New Mexico Legislature was held and transportation rates and fees were raised on special fuels (primarily diesel), weight/distance trucking rates and motor vehicle registration fees. The basis of these increases was to provide \$40 million annually for the debt service on GRIP, a large, multi-year road construction program. The increases were designed also to add \$20 million for road maintenance. These rate/fee increases, along with strong economy, added almost \$100 million annually (36%) from FY 2003 to FY 2007 to the State Road Fund.

State Revenue Forecasts – Major Revenue Sources

The budget estimate for state tax and fee revenue is prepared in July/August and December/January for each year for the budget year ending 24 months (or 18 months) later. Each fiscal year's revenue estimate is assessed six times: twice before the year begins, twice during the fiscal year and twice after the end, with the final numbers being the actual audit.

In fiscal years 2005 through 2007, state revenues from gasoline, special fuels, weight/distance and vehicle registrations grew by \$42.9, \$20.6, \$18.8, respectively; in 2008, they decreased by \$13.2 million. These four revenue sources constitute 94% of the state road fund. These revenues were consistent with the forecasts for the periods and did add the expected \$60 million for GRIP and maintenance. Strong economic trends, particularly in the trucking industry, also helped to provide for strength in revenue growth.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

State Revenue Forecasts – Major Revenue Sources - continued

In FY 2008, two accounting timing factors from previous years influenced the revenue stream such that, for the four major revenue sources, FY 2008 came in below FY 2007. Gasoline revenue was impacted because a new system was installed in FY 2006 that did not capture some of the revenues in that year. Those revenues were caught and moved into FY 2007, creating an FY 2007 bump up over FY 2006 and then a bump down in FY 2008.

For weight/distance revenues, the monthly accounting period was changed from the 1st – 31st to the 13th -12th in FY 2007. This revenue is collected from quarterly tax payments and the time period change was such that one of four revenue peaks was moved from FY 2008 to FY 2007. This created the same bump up, bump down effect as for gasoline.

Due to the size and importance of each of these four sources, a look at each individually helps to provide a more complete picture of the Department's revenues.

Gasoline tax is the largest of State's revenue sources, providing \$107.7 million in revenue in FY 2008. This tax is 17 cents per gallon of gasoline sold, with about three-fourths going to the state road fund and the remainder going primarily to municipalities and counties. It is the one major tax that was not increased during the special session of 2003. Historically, gasoline gallons sold increased until 1995, plateaued from 1995 to 1999, and decreased to 2001, when they plateaued again. The peak years were 1995 to 1999, with 1998 providing \$117.9 million. When increases, slowing and plateaus are discussed in conjunction with gasoline revenues, it should be noted that they are not very large changes.

Of much interest and frequent query is how the gasoline usage (gallons) is fairing in light of prices and economic slowdown. While being watched carefully, there appears to be some slowing through June 2008. FY 2008 estimated ran \$5.6 million or 5.0% below budget. Trends in national vehicle miles traveled have been flat or slightly declining since 2005, and New Mexico has shown a similar pattern.

Special fuels is the second largest of the state's revenue sources, providing \$101.5 million in FY 2008. The tax per gallon was raised from 18 to 21 cents per gallon effective FY 2005. Of the 21 cents, the Department receives 19 cents, with the remainder going to local governments. With the increase, special fuels has grown by \$27.0 million, or 36%, from FY 2004 to FY 2008. Special fuels, over time, has been a strongly growing revenue with an average annual compound growth rate of 5.2% from 1988 to 2008. This revenue is being closely watched for softness due to economic slowdown and currently there appears to be some evidence of such a change.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

State Revenue Forecasts – Major Revenue Sources - continued

Weight/Distance tax is charged on trucks over 26,000 pounds and varies by load carried and distance traveled in New Mexico. It is the third largest revenue producer, with \$77.4 million in revenue in FY 2008. Its rates, too, were raised in the fall 2003 special session. Prior to the increases, revenues averaged \$50 million. From FY 2004, an additional \$25.9 million, or 50% in revenue is received annually. (It should be noted that an increase, as discussed above, occurred in 2007 because of an accounting time period change, providing for an extra month of revenue. This resulted in a subsequent decrease in FY 2008.)

Motor vehicle registration fees are the fourth largest revenue at \$73.7 million. These fees were raised also and have represented an increase of \$20.7 million, or 39%, from FY 2004 to FY 2008. The fees are based on three weight classes for passenger vehicles and 14 weight classes for trucks and commercial carriers. The annual registration fees for trucks over 26,000 pounds are low because those vehicles are subject to the weight/distance taxes above. The long term average annual compound rate of growth from FY 1988 has been 4.3%, including the rate increases. With the 2003 increases now in the system, revenues have flattened out and are projected to be \$74.0 million in FY 2009.

State Revenue Forecasts - Procedure Changes Impact

Two revenue sources have been impacted negatively by recent federal procedure rulings and legislation. One is the trip tax and the other is New Mexico Public Regulation Commission common carrier registration fees. Trip tax was charged on trucks in lieu of the weight/distance for those trucks/companies not registered for weight/distance. What was called a cab card and carried in each truck was used for weight/distance registration identification. New federal regulations now prevent states from requiring the showing of the cards. Trip tax rose to a peak of \$8.6 million in FY 2006 and provided revenues of \$4.8 million in FY 2008. Recent computer truck identification interface with the weight/distance tax data base has created a slight increase in revenues and FY 2009 is forecast at \$5.0 million.

The New Mexico Public Regulation Commission used to collect common carrier registration fees. Because of efforts by the trucking industry to centralize registrations (because so many trucks are on the road and prorating registrations in so many states), a new centralized system and procedures were passed into law in the fall of 2006. In FY 2006, the Department received \$3.7 million in revenue. Under the new national system, the total fees across the country were capped at \$100 million and then apportioned such that the maximum New Mexico can now receive is \$3.2 million once the system is in place and up and running, which currently it is not. Revenue for FY 2007 came in at \$377,000 and \$866,000 for FY 2008. As the system improves over time, it is expected that the cap maximum will be reached.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis -
Year Ended June 30, 2008 - continued

Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

Background - Gasoline Tax and Tribal Tax Sharing Agreements

In 2003 and 2004, legislation allowed the state to enter into "tax sharing agreements" with the two Native American Pueblos that were previously entitled to market a limited amount of state-tax-free gasoline outside reservation boundaries. Under the agreements, 40% of the tax collected on 30 million gallons of gasoline per year will be shared with each of the two Pueblos, in exchange for the Pueblos ceasing their sales activities outside reservation boundaries. The result of these agreements (entered into on January 1, 2004 and July 1, 2004) should be a small revenue gain for the state and significantly more predictable gasoline revenues.

The state permits gasoline to be sold at retail by registered Indian tribal distributors on Indian reservations free of State gasoline tax to the extent that the applicable Indian government imposes a similar tax (for its own benefit) on retail gasoline sales. The growth in tribal market share has out-paced the overall growth rate of gasoline in recent years as a result of competitive pricing, casino traffic, and development of new tribal travel centers. It is anticipated that the tribal market share will continue to grow, but at a decreasing rate over the next few years.

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:

Attn: Deputy Comptroller
New Mexico Department of Transportation
1120 Cerrillos Road
P.O. Box 1149
Santa Fe, New Mexico 87504-1149
(505) 827-5340

FINANCIAL STATEMENTS

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Net Assets

AS OF JUNE 30, 2008

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents (Note 2):			
Unrestricted - Investment in State			
General Fund Investment Pool	\$ 49,737,288	-	49,737,288
Restricted	589,826,302	14,027,767	603,854,069
Receivables:			
Tax receivable	62,621,092	-	62,621,092
Accounts receivable, net (Note 3)	58,744	-	58,744
Severance tax bond proceeds receivable (Note 4)	12,817,132	-	12,817,132
Interest receivable	883,925	377,763	1,261,688
Notes and loans receivable (Note 5)	21,543	7,402,249	7,423,792
Other receivables	1,480,417	-	1,480,417
U.S. Department of Transportation, net (Note 6)	52,742,680	-	52,742,680
Other State Agencies (Note 3)	1,199,225	-	1,199,225
Capitalized issuance costs	847,846	-	847,846
Inventories (Note 8)	16,037,602	-	16,037,602
Prepaid expense - warranty	3,189,030	-	3,189,030
Property held for resale, net	<u>9,235,752</u>	<u>-</u>	<u>9,235,752</u>
TOTAL CURRENT ASSETS	800,698,578	21,807,779	822,506,357
NON-CURRENT ASSETS:			
Capitalized issuance costs	8,821,915	-	8,821,915
Prepaid expense - warranty	36,071,276	-	36,071,276
Capital assets, net (Note 9)	<u>7,075,397,952</u>	<u>-</u>	<u>7,075,397,952</u>
TOTAL NON-CURRENT ASSETS	<u>7,120,291,143</u>	<u>-</u>	<u>7,120,291,143</u>
TOTAL ASSETS	\$ <u>7,920,989,721</u>	<u>21,807,779</u>	<u>7,942,797,500</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Net Assets - continued

AS OF JUNE 30, 2008

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable and contracts payable, including retainage of \$5,875,308	\$ 71,145,573	1,110,856	72,256,429
Due (to) from other funds (Note 7)	(435,062)	435,062	-
Due to other state agencies	2,103,759	-	2,103,759
Due to State General Fund (Note 12)	400,623	-	400,623
Accrued payroll, taxes and withholdings	4,186,652	-	4,186,652
Accrued interest	8,930,963	-	8,930,963
Deferred revenue	55,766,344	-	55,766,344
Other liabilities	5,875,308	-	5,875,308
Current portion of long-term obligations:			
Compensated absences (Note 11)	3,230,912	-	3,230,912
Debentures payable (Note 11)	74,500,000	-	74,500,000
Capitalized bond premium	<u>4,405,826</u>	<u>-</u>	<u>4,405,826</u>
TOTAL CURRENT LIABILITIES	230,110,898	1,545,918	231,656,816
LONG-TERM LIABILITIES:			
Long-term obligations:			
Compensated absences (Note 11)	4,154,554	-	4,154,554
Debentures payable (Note 11)	1,656,305,772	-	1,656,305,772
Capitalized bond premium	<u>49,305,450</u>	<u>-</u>	<u>49,305,450</u>
TOTAL LONG-TERM LIABILITIES	<u>1,709,765,776</u>	<u>-</u>	<u>1,709,765,776</u>
TOTAL LIABILITIES	\$ <u>1,939,876,674</u>	<u>1,545,918</u>	<u>1,941,422,592</u>
NET ASSETS:			
Invested in capital assets, net of any related debt	\$ 5,284,234,236	-	5,284,234,236
Restricted for:			
Loans	-	20,261,861	20,261,861
Specific purposes	<u>696,878,811</u>	<u>-</u>	<u>696,878,811</u>
TOTAL NET ASSETS	\$ <u>5,981,113,047</u>	<u>20,261,861</u>	<u>6,001,374,908</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Activities

YEAR ENDED JUNE 30, 2008

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
PROGRAM EXPENSES:			
Programs and infrastructure	\$ 11,028,125	-	11,028,125
Transportation and highway operations	246,894,734	-	246,894,734
Program support	163,329,100	-	163,329,100
Depreciation and amortization (Note 9)	<u>549,177,995</u>	<u>-</u>	<u>549,177,995</u>
TOTAL PROGRAM EXPENSES	970,429,954	-	970,429,954
PROGRAM REVENUES:			
Charges for services	13,549,696	-	13,549,696
Operating grants	19,256,628	-	19,256,628
Capital grants	<u>305,469,842</u>	<u>-</u>	<u>305,469,842</u>
TOTAL PROGRAM REVENUES	<u>338,276,166</u>	<u>-</u>	<u>338,276,166</u>
NET PROGRAM (EXPENSES) REVENUE	(632,153,788)	-	(632,153,788)
GENERAL REVENUES:			
User and fuel taxes	419,976,392	-	419,976,392
Interest income	46,706,497	760,530	47,467,027
Loss on disposal of assets	<u>(6,028)</u>	<u>-</u>	<u>(6,028)</u>
TOTAL GENERAL REVENUES	466,676,861	760,530	467,437,391
TRANSFERS:			
Special appropriations, net of reversions	56,276,402	-	56,276,402
Transfers to other state agencies and local governments, net (Note 10)	<u>(6,403,699)</u>	<u>-</u>	<u>(6,403,699)</u>
TOTAL TRANSFERS	<u>49,872,703</u>	<u>-</u>	<u>49,872,703</u>
NET GENERAL REVENUES AND TRANSFERS	<u>516,549,564</u>	<u>760,530</u>	<u>517,310,094</u>
CHANGE IN NET ASSETS/OPERATING INCOME	(115,604,224)	760,530	(114,843,694)
NET ASSETS, BEGINNING OF FISCAL YEAR	6,099,426,853	19,501,331	6,118,928,184
RESTATEMENT (Note 24)	<u>(2,709,582)</u>	<u>-</u>	<u>(2,709,582)</u>
NET ASSETS, BEGINNING OF FISCAL YEAR, restated	<u>6,096,717,271</u>	<u>19,501,331</u>	<u>6,116,218,602</u>
NET ASSETS, END OF FISCAL YEAR	\$ <u>5,981,113,047</u>	<u>20,261,861</u>	<u>6,001,374,908</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2008

	Major Funds						
	State Road Fund	Bond Project Fund (2004A GRIP)	Bond GRIP Project Fund (2006A)	Bond GRIP Project Fund (2006C)	Debt Service (2004B/C GRIP)	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and cash equivalents (Note 2):							
Unrestricted - Investment in State							
General Fund Investment Pool	16,377,058	-	-	-	-	33,360,230	49,737,288
Restricted	50,586,604	107,021,042	110,878,316	99,715,406	45,336,087	176,288,847	589,826,302
Receivables:							
Taxes receivable	56,869,309	-	-	-	-	5,751,783	62,621,092
Accounts receivable, net (Note 3)	58,744	-	-	-	-	-	58,744
Severance Tax Bond proceeds receivable (Note 4)	-	-	-	-	-	12,817,132	12,817,132
Interest receivable	600,000	156,432	-	-	20,602	106,891	883,925
Notes and loans receivable (Note 5)	21,543	-	-	-	-	-	21,543
Other Receivables	171,514	-	-	-	-	1,308,903	1,480,417
Due from:							
Other State agencies (Note 3)	263,074	-	-	-	-	936,151	1,199,225
Due from other funds (Note 7)	137,741,772	670,000	500,000	47,777	-	76,090,324	215,049,873
U.S. Department of Transportation, net (Note 6)	45,990,156	-	-	-	-	6,752,524	52,742,680
Inventories (Note 8)	16,037,602	-	-	-	-	-	16,037,602
Prepaid expense - NM44 Warranty	39,260,306	-	-	-	-	-	39,260,306
Property held for resale	9,235,752	-	-	-	-	-	9,235,752
TOTAL ASSETS	\$ 373,213,434	107,847,474	111,378,316	99,763,183	45,356,689	313,412,785	1,050,971,881
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
Accounts payable	\$ 28,518,530	3,343,454	5,316,631	17,757,229	-	16,209,729	71,145,573
Due to other funds (Note 7)	143,862,020	16,378,410	670,000	-	83,855	53,620,526	214,614,811
Payable to other governments	30,570	-	-	-	-	2,073,189	2,103,759
Due to State General Fund (Note 12)	-	-	-	-	-	400,623	400,623
Deferred revenue	87,270,395	-	-	-	-	4,300,955	91,571,350
Due to others	-	-	-	-	-	-	-
Other accrued expenses	3,817,913	-	-	-	-	368,739	4,186,652
Other liabilities	4,229,146	1,646,162	-	-	-	-	5,875,308
TOTAL LIABILITIES	267,728,574	21,368,026	5,986,631	17,757,229	83,855	76,973,761	389,898,076
FUND BALANCES:							
Reserved for:							
Inventories	16,037,602	-	-	-	-	-	16,037,602
Encumbrances	-	-	-	-	-	-	-
Prepaid expenses	39,260,306	-	-	-	-	-	39,260,306
Debt service	-	-	-	-	-	-	-
Property held for resale	11,934,043	-	-	-	-	-	11,934,043
Unreserved-undesignated (Note 21)	38,252,909	-	-	-	-	-	38,252,909
Unreserved, reported in non-major:							
Special revenue funds	-	86,479,448	105,391,685	82,005,954	-	221,758,476	495,635,563
Capital projects funds	-	-	-	-	-	5,746,965	5,746,965
Debt service funds	-	-	-	-	45,272,834	8,933,583	54,206,417
TOTAL FUND BALANCES	105,484,860	86,479,448	105,391,685	82,005,954	45,272,834	236,439,024	661,073,805
TOTAL LIABILITIES AND FUND BALANCES	\$ 373,213,434	107,847,474	111,378,316	99,763,183	45,356,689	313,412,785	1,050,971,881

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

YEAR ENDED JUNE 30, 2008

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

\$ 661,073,805

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

Amounts recorded as deferred revenue in the governmental funds
that were not received within the period of availability - 60 days
after year end. Deferred revenue:

Balance sheet	\$ 91,571,350
Statement of net assets	<u>(55,766,344)</u>

Change in deferred revenue	35,805,006
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

The cost of capital assets is	15,819,163,923
Accumulated depreciation is	<u>(8,743,765,971)</u>

Total capital assets	7,075,397,952
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Long-term debt not recorded as liabilities in the governmental
funds, but recorded as long-term liabilities in the Statement of
Net Assets:

Debentures payable	(1,732,577,211)
Compensated absences	(7,385,466)
Amortization of deferred costs on refunding not recorded by the government funds	1,771,439

Accrued interest on long-term obligations not recorded by the governmental funds until paid.	(8,930,963)
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Capitalized issuance costs not recorded in the governmental funds as an asset, net of amortization.	9,669,761
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Capitalized bond premiums not recorded in the governmental funds as a liability, net of amortization.	<u>(53,711,276)</u>
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Net assets of governmental activities (Statement of Net Assets)	\$ <u>5,981,113,047</u>
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NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds

YEAR ENDED JUNE 30, 2008

	State Road Fund	Bond Project Fund (2004A GRIP)	Bond GRIP Project Fund (2006A)	Bond GRIP Project Fund (2006C)	Debt Service (2004B/C GRIP)	Other Governmental Funds	Total Governmental Funds
REVENUES:							
User and fuel taxes	\$ 388,723,811	-	-	-	-	31,252,581	419,976,392
U.S. Department of Transportation	253,570,939	-	-	-	-	34,706,323	288,277,262
U.S. Department of Energy	23,383,712	-	-	-	-	-	23,383,712
Licenses and permits	-	-	-	-	-	492,082	492,082
Charges for services	7,851,408	-	-	-	-	4,906,207	12,757,615
Investment earnings	-	-	-	-	-	-	-
DW1 Interlock Device	-	-	-	-	-	300,000	300,000
Interest Revenue	924,052	5,061,238	7,710,691	9,968,302	11,074,868	11,967,346	46,706,497
TOTAL REVENUES	674,453,922	5,061,238	7,710,691	9,968,302	11,074,868	83,624,539	791,893,560
EXPENDITURES:							
Current:							
Operating costs	10,299,052	-	-	-	-	61,135	10,360,187
Personal services	90,042,558	-	-	-	-	810,799	90,853,357
Out-of-state travel	258,870	-	-	-	-	40,650	299,520
Grants and services	1,355,787	-	-	-	-	69,038,993	70,394,780
Travel	15,884,685	-	-	-	-	2,341,104	18,225,789
Maintenance and repairs	8,132,032	-	-	-	-	81,488	8,213,520
Supplies	35,788,584	-	-	-	-	4,244,550	40,033,134
Contractual services	3,903,146	-	-	-	-	5,221,558	9,124,704
Other costs	16,510,990	-	-	-	-	362,556	16,873,546
Employee benefits	51,374,303	-	-	-	-	267,990	51,642,293
Capital outlay	260,082,926	96,878,246	65,206,280	134,074,634	-	43,590,169	599,832,255
Debt service:							
Principal	-	-	-	-	213,170,000	328,200,000	541,370,000
Interest and other charges	-	-	-	-	22,200,162	71,939,190	94,139,352
Swap Interest	-	-	-	-	-	12,138,343	12,138,343
Trustee and Broker Fees	5,000	-	-	-	412,233	3,423,366	3,840,599
Debt refunding costs	-	-	-	-	-	-	-
Debt issuance cost	-	-	-	-	-	2,043,624	2,043,624
TOTAL EXPENDITURES	493,637,933	96,878,246	65,206,280	134,074,634	235,782,395	543,805,515	1,569,385,003
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	180,815,989	(91,817,008)	(57,495,589)	(124,106,332)	(224,707,527)	(460,180,976)	(777,491,443)
OTHER FINANCING SOURCES (USES):							
Proceeds from long-term debt, net	-	-	-	-	-	470,400,000	470,400,000
Severance Tax Bond revenue	-	-	-	-	-	19,256,628	19,256,628
Special appropriations, net of reversions	30,000	-	-	-	-	56,246,402	56,276,402
Other use	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-
Bond Premiums	-	-	-	-	-	-	-
Bond Discounts	-	-	-	-	-	-	-
Transfers in (out)	(167,730,480)	(448,194)	(1,330,500)	(582,500)	226,179,013	(62,491,038)	(6,403,699)
TOTAL OTHER FINANCING SOURCES (USES)	(167,700,480)	(448,194)	(1,330,500)	(582,500)	226,179,013	483,411,922	539,529,331
NET CHANGES IN FUND BALANCES	13,115,509	(92,265,202)	(58,826,089)	(124,688,832)	1,471,486	23,231,016	(237,962,112)
BEGINNING FUND BALANCES	92,369,351	178,744,650	164,217,774	206,694,786	43,801,348	215,917,590	901,745,499
RESTATEMENT (Note 24)	-	-	-	-	-	(2,709,582)	(2,709,582)
BEGINNING FUND BALANCES, restated	92,369,351	178,744,650	164,217,774	206,694,786	43,801,348	213,208,008	899,035,917
ENDING FUND BALANCES	\$ 105,484,860	86,479,448	105,391,685	82,005,954	45,272,834	236,439,024	661,073,805

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities**

YEAR ENDED JUNE 30, 2008

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$	(237,962,112)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Amounts recorded as deferred revenue in the governmental funds that were not received within the period of availability - 60 days after year end; recorded as revenue in the Statement of Activities:		(6,191,132)
In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The increase in the liabilities for the fiscal year was		(764,058)
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:		
Capital outlay	\$ 599,832,255	
Depreciation expense	(546,645,262)	
Sale of fixed asset, net book value	<u>(6,028)</u>	
Excess of depreciation expense over capital outlay		53,180,965
Repayment of debentures recorded as expenditures in the governmental funds, recorded as a reduction in long-term liabilities in the Statement of Net Assets:		
Bond proceeds	470,400,000	
Principal payments	<u>70,970,000</u>	
		541,370,000
Deferred amount of debt recorded as a reduction of long-term liabilities in the Statement of Activities		1,394,501
Bond premiums recorded in the governmental funds as an other financing source, recorded as a liability in the Statement of Net Assets, net of amortization of \$53,711,276, recorded as a reduction of interest expense in the Statement of Activities.		4,405,826
Deceased Bond Premiums, recorded as a reduction of interest expense in the Statement of Activities		8,148,146
Governmental Funds report bond proceeds as an other financing source, \$470,400,000 recorded as a liability in the Statement of Net Assets, and associated premium/discounts of \$0.		(470,400,000)
Bond issuance costs recorded in the governmental funds as other costs, recorded as an asset in the Statement of Net Assets, net of amortization of \$761,295, recorded as an expense in the Statement of Activities.		(1,046,846)
Net change in accrual of long-term debt interest expense not recorded in the governmental funds until paid.		(5,426,962)
Deceased Bond Discounts		<u>(2,312,552)</u>
Change in net assets of governmental activities (Statement of Activities)	\$	<u>(115,604,224)</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Basis)**

YEAR ENDED JUNE 30, 2008

STATE ROAD FUND (SHARE 20100/20200/43100)				
	Budgeted Amounts		Current Year	
	Original	Final	Actual Amounts (Modified Accrual)	Budget Positive (Negative)
REVENUES:				
Federal funds	\$ 336,555,700	326,570,700	276,954,651	(49,616,049)
Other state funds	619,712,439	624,380,939	397,499,271	(226,881,668)
State General Fund	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
TOTAL REVENUES	956,268,139	950,951,639	<u>674,483,922</u>	<u>(276,467,717)</u>
PRIOR YEAR FUNDS REBUDGETED	<u>11,842,000</u>	<u>33,642,000</u>		
	<u>\$ 968,110,139</u>	<u>984,593,639</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ 24,817,500	24,817,500	24,095,604	721,896
Contractual Services	488,745,926	497,409,726	194,838,663	302,571,063
Other	10,986,500	10,122,700	3,547,510	6,575,190
Transfers (in) out	<u>18,369,300</u>	<u>18,369,300</u>	<u>18,368,598</u>	<u>702</u>
	542,919,226	550,719,226	240,850,375	309,868,851
Transportation and Highway Ops:				
Personal Services/Employee Benefits	95,962,800	99,062,800	93,021,066	6,041,734
Contractual Services	57,135,342	57,135,342	44,622,615	12,512,727
Other	<u>78,597,371</u>	<u>78,697,371</u>	<u>74,874,602</u>	<u>3,822,769</u>
	231,695,513	234,895,513	212,518,283	22,377,230
Business/Program Support:				
Personal Services/Employee Benefits	26,669,200	27,569,200	25,978,938	1,590,262
Contractual Services	2,557,100	2,572,100	1,582,737	989,363
Other	17,389,100	17,389,100	20,541,301	(3,152,201)
Transfers (in) out	<u>146,880,000</u>	<u>151,448,500</u>	<u>149,361,882</u>	<u>2,086,618</u>
	<u>193,495,400</u>	<u>198,978,900</u>	<u>197,464,858</u>	<u>1,514,042</u>
TOTAL ANNUAL BUDGETED EXPENDITURES	<u>\$ 968,110,139</u>	<u>984,593,639</u>	<u>650,833,516</u>	<u>333,760,123</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Revenues and Expenditures -

Major Governmental Funds -

Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2008

2004A GRIP BOND PROJECT FUND (SHARE 20400)				
	Budgeted Amounts		Current Year	
	Original	Final	Actual Amounts (Modified Accrual)	Budget Positive (Negative)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	5,061,238	5,061,238
State General Fund	-	-	-	-
	-	-	\$ 5,061,238	5,061,238
Fund balance budgeted	178,744,650	178,744,650		
TOTAL REVENUES	\$ 178,744,650	178,744,650		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	178,162,150	178,162,150	96,878,246	81,283,904
Transfers (in) out	-	582,500	448,194	134,306
	178,162,150	178,744,650	97,326,440	81,418,210
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ 178,162,150	178,744,650	97,326,440	81,418,210

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Statement of Revenues and Expenditures -
Major Governmental Funds -**

Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2008

2006A GRIP BOND PROJECT FUND (SHARE 10210)				
	Budgeted Amounts		Current Year	
	Original	Final	Actual Amounts (Modified Accrual)	Budget Positive (Negative)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	7,710,691	7,710,691
State General Fund	-	-	-	-
TOTAL REVENUES	-	-	<u>7,710,691</u>	<u>7,710,691</u>
PRIOR YEAR FUNDS REBUDGETED	<u>164,217,774</u>	<u>164,217,774</u>		
	<u>\$ 164,217,774</u>	<u>164,217,774</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	164,217,774	164,217,774	65,206,280	99,011,494
Other	-	-	-	-
Transfers (in) out	-	-	<u>1,330,500</u>	<u>(1,330,500)</u>
	164,217,774	164,217,774	66,536,780	97,680,994
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	<u>\$ 164,217,774</u>	<u>164,217,774</u>	<u>66,536,780</u>	<u>97,680,994</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Statement of Revenues and Expenditures -
Major Governmental Funds -**

Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2008

2006C GRIP BOND PROJECT FUND (SHARE 10250)				
	Budgeted Amounts		Current Year	
	Original	Final	Actual Amounts	Budget Positive
			(Modified Accrual)	(Negative)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	582,500	9,968,302	9,385,802
State General Fund	-	-	-	-
TOTAL REVENUES	-	582,500	<u>9,968,302</u>	<u>9,385,802</u>
PRIOR YEAR FUNDS REBUDGETED	<u>206,694,786</u>	<u>206,694,786</u>		
	<u>\$ 206,694,786</u>	<u>207,277,286</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	206,694,786	206,694,786	134,074,634	72,620,152
Other	-	-	-	-
Transfers (in) out	-	582,500	582,500	-
	206,694,786	207,277,286	134,657,134	72,620,152
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	<u>\$ 206,694,786</u>	<u>207,277,286</u>	<u>134,657,134</u>	<u>72,620,152</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Net Assets -
Business-type Activities - Enterprise Fund

YEAR ENDED JUNE 30, 2008

		State Infrastructure Bank
<hr/>		
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2):		
Unrestricted	\$	9,157,816
Restricted		4,869,951
Receivables:		
Interest receivable		377,763
Notes and loans receivable (Note 5)		<u>7,402,249</u>
TOTAL CURRENT ASSETS		<u>21,807,779</u>
TOTAL ASSETS	\$	<u><u>21,807,779</u></u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Net Assets -
Business-type Activities - Enterprise Fund - continued

YEAR ENDED JUNE 30, 2008

	<u>State Infrastructure Bank</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Due to Other Funds	\$ 435,062
Due to Other Governments	<u>1,110,856</u>
TOTAL CURRENT LIABILITIES	<u>1,545,918</u>
TOTAL LIABILITIES	\$ <u>1,545,918</u>
NET ASSETS:	
Restricted for:	
Loans	\$ <u>20,261,861</u>
TOTAL NET ASSETS	\$ <u>20,261,861</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Statement of Activities -
Business-type Activities - Enterprise Fund

YEAR ENDED JUNE 30, 2008

		State Infrastructure Bank
GENERAL REVENUES:		
Interest income	\$	760,530
TOTAL GENERAL REVENUES		760,530
NET GENERAL REVENUES		760,530
CHANGE IN NET ASSETS/OPERATING INCOME		760,530
NET ASSETS, BEGINNING OF FISCAL YEAR		19,501,331
NET ASSETS, END OF FISCAL YEAR	\$	20,261,861

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Statement of Cash Flows -
Business-type Activities - Enterprise Fund**

YEAR ENDED JUNE 30, 2008

	<u>State Infrastructure Bank</u>
Cash flows provided from operating activities	\$ 2,209,248
Cash flows from capital financing activity:	
Loans issued	(5,251,825)
Loans repaid	<u>4,572,720</u>
Cash flows used from capital financing activity	<u>(679,105)</u>
Net decrease in cash and cash equivalents	1,530,143
Cash and cash equivalents at June 30, 2007	<u>12,497,624</u>
Cash and cash equivalents at June 30, 2008:	
Unrestricted \$9,157,816	
Restricted <u>4,869,951</u>	
	\$ <u><u>14,027,767</u></u>
Reconciliation of operating income to net cash provided from operating activities	\$ 760,530
Adjustment to reconcile operating income to net cash by operating activities:	
Increase in interest receivable	(97,199)
Increase in due to other governments	1,110,855
Increase in due to other funds	<u>435,062</u>
Cash flows provided by operating activities	\$ <u><u>2,209,248</u></u>

NATURE OF ORGANIZATION

The New Mexico Department of Transportation (Department), formerly known as the New Mexico State Highway and Transportation Department, within the State of New Mexico is responsible for planning, organizing and directing a comprehensive transportation network. The Department was created by the Constitution of New Mexico, Article V, Section 14; and Sections 67-3-1 through 67-3-70, New Mexico Statutes Annotated, 1978 Compilation. The Highway & Transportation Department Reorganization Bill (House Bill 210) created the Department as of July 1, 1987. Under this reorganization act, portions of the Transportation Department were merged into the Department to create the Department's Aviation and Transportation Divisions. On April 4, 2003, the Governor signed a bill changing the Department's name to the New Mexico Department of Transportation.

The governing body of the Department is a six person State Highway Commission. Commissioners are appointed by the Governor, with the advice and consent of the Senate, and each serves for staggered six-year terms.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The 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.

- **Financial Reporting Entity**

The accompanying financial statements of the Department include all funds and activities over which the Department has oversight responsibility. The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Governor appoints the Commission, the Commission has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. Effective July 1, 2003, GASB 39, *Determining Whether Certain Organizations are Component Units*, expands the criteria of component units. GASB 39 has no impact on the Department and the Department has no blended or discretely presented component units during the year ended June 30, 2008.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Financial Reporting Entity - continued**

The Department, the New Mexico Finance Authority (NMFA) and the Federal Highway Administration (FHWA) established a State Infrastructure Bank (SIB) on September 30, 1997. The SIB is a revolving loan program accounted for as a business-type operation - enterprise fund and is administered by the Department to finance highway projects. The initial capitalization for the SIB came from the Highway Department's allotment of federal funds. The Department matched the federal funds based on the required matching percentage from state funds.

• Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information of all of the activities, except for fiduciary and component units, of the Department. The effect of material interfund activity has been removed from these government-wide statements. Governmental activities, primarily the construction and maintenance of the State's road system, which normally is supported by taxes and intergovernmental revenues, are reported separately from the business-type activities of the SIB, which to a significant extent acts as a business, loaning funds to other entities and charging interest on the loans. Operating income for the SIB is interest income. All other income, if any, would be non-operating income to the SIB.

• Basis of Presentation

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department function of building and maintaining the State's road system (public works). Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a department. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements for public works. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Department does not allocate general government expenses to other functions except for depreciation (in direct) (Note 9).

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, it is generally the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental funds are reported as major funds in the accompanying financial statements if they meet **both** of the following criteria:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - continued**

Ten percent criterion. An individual governmental fund reports at least ten percent of *any* of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.

Five percent criterion. An individual governmental fund reports at least five percent of the total for both governmental and enterprise funds of any of the items for which it met the ten percent criterion.

The Department's major governmental funds are the following:

State Road Fund (Fund #20100). The state road fund was created by Section 67-3-65, NMSA 1978. The state road fund is the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Section 67-3-59 NMSA establishes that this is a non-reverting fund. This is a special revenue fund.

Bonds Project Fund 2004A GRIP (Fund #20400). The bonds project fund was created when the \$700,000,000 New Mexico State Transportation Senior Lien Revenue Bonds Series 2004A were issued through the New Mexico Finance Authority in May 2004. The funds from the sale of the Debentures were required to be deposited in a special account with the NMFA. Unspent proceeds are on deposit with the NMFA and recorded as restricted cash. The funds are used to finance transportation projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion. This is a special revenue fund.

Bond Project Fund 2006A GRIP (Fund #10210). The bond project fund was created due to the issuance of the September 2006 \$150,000,000 Revenue Bonds Series 2006A. The 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has deemed necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion. This is a special revenue fund.

Bond Project Fund 2006C GRIP (Fund #10250). The bond project fund was created due to the issuance of the September 2006 \$220,000,000 of State Transportation, Series 2006C Revenue Bonds. The series 2006C Bonds were issued as adjustable rate securities and were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion. This is a special revenue fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- Basis of Presentation - continued

Debt Service Fund 2004B and C GRIP (Fund #10090). This fund was created when the \$237,950,000 and \$200,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bonds Series 2004B and Series 2004C were issued through the New Mexico Finance Authority in May 2004. The fund does not receive state general fund appropriations that are subject to reversion. This is a debt service fund.

- Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Business Type - Proprietary Fund - State Infrastructure Bank (SIB) Financial Statements. The financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

A proprietary fund has the option under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The SIB has elected to not apply FASB pronouncements issued after the applicable date.

Governmental Fund Financial Statements. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested compensated absences are recorded as an expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2008, has been reported only in the government-wide financial statements.
- Interest and principal payments on general long-term obligations is recognized as expenditures when paid.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

The financial activities of the Department are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Department uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The measurement focus is on the flow of expendable financial resources, rather than on net income determination.

The following are the governmental fund types used:

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The State Road Fund is the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Resources are generated primarily from user and fuel taxes and federal grants. Expenditures are incurred to build and improve the transportation system within the State of New Mexico. These funds do not receive state general fund appropriations that are subject to reversion.

Local Government Road Fund (Fund #20300). The local government road fund was created by Section 67-3-28.2, NMSA 1978. This fund is used to account for monies received for (1) cooperative agreements program for construction and improvement of public highways and streets, and public school parking lots; (2) a municipal arterial program for construction for reconstruction of highways and streets not on the state highway systems; (3) a school bus route program for maintaining, repairing, improving and paving school bus routes, and public school parking lots; and (4) a county arterial program for construction, reconstruction, improvement and maintenance of county roads. Funding is received from state excise taxes. The fund does not receive state general fund appropriations that are subject to reversion.

Federal Planning and Development Fund (Fund #10030). This fund is authorized by the Commission to account for the planning and administration of federal grant monies and state matching funds for mass transportation and railroad improvements. The Highway Safety Act of 1966, as amended, 23 U.S.C. 401 Et. Seq. and 23 U.S.C. 410, authorizes the establishment of this fund. The fund does not receive state general fund appropriations that are subject to reversion.

Traffic Safety Fund (Fund #20800). This fund is authorized by the Commission to account for federal grant monies and state matching monies received for various traffic safety programs. This is a non-reverting fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Special Revenue Funds – continued

State Aviation Fund (Fund #20500). The State Aviation Fund was created by Section 64-1-15, NMSA 1978. This fund is used to account for planning, construction and maintenance of a system of airports, navigation aids and related facilities serving New Mexico. Financing is provided from all unrefunded taxes collected on the sale of motor fuel sold for use in aircraft. This is a non-reverting fund.

Motorcycle Training Fund (Fund #20600). The motorcycle training fund was created by Section 66-10-10, NMSA 1978. This fund is used to account for the operation of a motorcycle safety training program. Financing is provided from motorcycle registration fees and student training fees. All money in the motorcycle training fund in excess of amounts budgeted revert to the State Road Fund.

Driver Improvement Program Fund (Fund #10020). The driver improvement program fund was created by Executive Order 87-20. This fund is used to account for the operation of a driver improvement program. Financing is provided from fees collected for drivers' manuals and admissions to driver training courses. This is a non-reverting fund.

DWI Prevention and Education Fund (Fund #20700). The DWI prevention and education fund was created by Section 66-5-35, NMSA 1978. This fund is used to account for the operation of a DWI (Driving While Intoxicated) prevention and education program for elementary and secondary school students. Financing is provided from limited license and permit fees. This is a non-reverting fund.

Bond Project Fund (1993 Bonds) (Fund #39400). The bond project fund was created due to the issuance of the December 1993 \$50,000,000 State of New Mexico Highway Debentures. The funds from the sale of all of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations held by the State Treasurer with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (1998 & 1999 CHAT) (Fund #43000). The bond project fund was created due to the issuance of the October 1998 \$105,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1998A and the \$100,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1999 issued in November 1999. The funds from the sale of the Debentures were required to

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued****Special Revenue Funds – continued**Bond Project Fund (1998 & 1999 CHAT) (Fund #43000) - continued.

be deposited in a special account with the State Treasurer. Also, proceeds can be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (2000 CHAT) (Fund #34500). The bond project fund was created due to the issuance of the May 2000 \$201,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2000A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (2001 CHAT) (Fund #00600). The bond project fund was created due to the issuance of the March 2001 \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (2002A CHAT) (Fund #36800). The bond project fund was created due to the issuance of the January 2002 \$95,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued****Special Revenue Funds – continued**

Bond Project Fund (2002C HIF) (Fund #36100). The bond project fund was created due to the issuance of the May 2002 \$67,750,000 New Mexico State Highway Commission Infrastructure Fund Revenue Highway Bonds Series 2002C. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (2002D CHAT) (Fund #11500). The bond project fund was created due to the issuance of the December 2002 \$16,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002D. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund 2006A (Fund #10210). The bond project fund was created due to the issuance of the September 2006 \$150,000,000 Revenue Bond Series 2006A. The 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has deemed necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund 2006B (Fund #10230). The bond project fund was created due to the issuance of the September 2006 \$40,085,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Special Revenue Funds – continued

Bond Project Fund 2006C (Fund #10250). The bond project fund was created due to the issuance of the September 2006 \$220,000,000 of State Transportation, Series 2006C Revenue Bonds. The series 2006C Bonds were issued as adjustable rate securities and were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund 2006D (Fund #10270). The bond project fund was created due to the issuance of the September 2006 \$50,400,000 of State Transportation, Series 2006D Revenue Bonds. The series 2006D Bonds were issued to provide funds for an escrow account required to be maintained by the Department pursuant to a Joint Use Agreement between the Department and the BNSF Contingent Liability Fund. The fund does not receive state general fund appropriations that are subject to reversion.

Severance Tax Bond Appropriations Fund (Fund #10060). The Severance Tax Bond fund was created to separately account for the construction of infrastructure on behalf of other governments in annual legislative appropriations. This is funded through the sale of Severance Tax Bonds and is distributed through the Board of Finance of the Department of Finance and Administration. This fund reverts upon completion of the appropriation project or upon expiration of the appropriation period. Appropriations are received on a reimbursement basis as expenditures occur; therefore only budgetary reversions are made when applicable.

General Fund Appropriations Fund (Fund 10070). The General Fund Appropriations fund was created to separately account for the construction of infrastructure on behalf of other governments in annual legislative appropriations. This is funded through the transfer of funds from the State General Fund. This fund reverts to the State General Fund upon completion of the appropriation project or upon expiration of the appropriation period.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Debt Service Funds - continued

Debt Service - WIPP Bonds (Fund #97200). Created when the \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bond Series 1998B were issued in October 1998.

Debt Service - 1998 CHAT Bonds (Fund #54800). Created when the \$105,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1998A were issued in October 1998.

Debt Service - 1999 CHAT Bonds (Fund #43400). Created when the \$100,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1999 were issued in November 1999.

Debt Service - 2000 CHAT Bonds (Fund #43200). Created when the \$201,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2000A were issued in May 2001.

Debt Service - 2001 CHAT Bonds (Fund #00700). Created when the \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001A were issued in March 2001.

Debt Service - 2002A CHAT Bonds (Fund #54700). Created when the \$95,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002A were issued in January 2002.

Debt Service - 2002B WIPP Bonds (Fund #75000). Created when the \$79,920,000 New Mexico State Highway Commission Lien Tax Revenue Bonds Series 2002B were issued in January 2002.

Debt Service - 2002C HIF Bonds (Fund #36300). Created when the \$67,750,000 New Mexico State Highway Commission Infrastructure Fund Revenue Bonds Series 2002C were issued in May 2002.

Debt Service - 2002D CHAT Bonds (Fund #18700). Created when the \$16,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002D were issued in December 2002.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Debt Service Funds - continued

Debt Service Fund - 2004A GRIP (Fund #10080). This fund was created when the \$700,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bond Series 2004A were issued through the New Mexico Finance Authority in 2004.

2004B/C GRIP Debt Service Fund (Fund #10090). This fund was created when the \$237,950,000 and \$200,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bonds Series 2004B and Series 2004C were issued through the New Mexico Finance Authority in May 2004.

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

Debt Service Fund – 2006B (Fund #10240). The fund was created when the \$40,085,000 New Mexico State Highway Commission Revenue Bonds Series 2006B were issued in September 2006.

Debt Service Fund – 2006C (Fund #10260). The fund was created when the \$220,000,000 New Mexico State Highway Commission Revenue Bonds Series 2006C were issued in September 2006.

Debt Service Fund – 2006D (Fund #10280). The fund was created when the \$50,400,000 New Mexico State Highway Commission Revenue Bonds Series 2006D were issued in September 2006.

Debt Service Fund – 2008A (Fund #10410). The fund was created when the \$115,200,000 New Mexico State Transportation Commission Revenue Bonds Series 2008A were issued in April 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

Debt Service Fund – 2008B (Fund #10420). The fund was created when the \$220,000,000 New Mexico State Transportation Commission Revenue Bonds Series 2008B were issued in April 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Debt Service Funds - continued

Debt Service Fund – 2008C (Fund #10430). The fund was created when the \$84,800,000 New Mexico State Transportation Commission Revenue Bonds Series 2008C were issued in May 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

Debt Service Fund – 2008D (Fund #10440). The fund was created when the \$50,400,000 New Mexico State Transportation Commission Revenue Bonds Series 2008D were issued in May 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

Capital Project Improvements Fund. The Capital Project Improvements Fund is used to account for the purchase or construction of facilities used in the operation of the Department. It is a non-major fund. This fund reverts to the State Road Fund upon completion of the appropriation project or appropriation period. All governmental funds are accounted for using the modified accrual basis of accounting. The funds' revenues are recognized in the period in which they become susceptible to accrual (i.e., when they are both measurable and available to pay liabilities in the current period). "Available" is defined as collectible within the current period or soon enough thereafter, within 60 days after year-end, to be used to pay liabilities of the current period. Intergovernmental revenues, including Federal allotments and grants, are recorded in accordance with their legal or contractual requirements if collected in the current period or if collectibility is assured subsequent to year-end. Grant revenues are collected in advance of the period intended to finance expenditures. If the eligibility requirements are not met, they are recorded as deferred revenues.

- **Budgets and Budgetary Accounting**

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, item N, "For the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Budgets and Budgetary Accounting - continued**

The legal level of budgetary control is at the appropriation unit level.

- **Interfund and Interagency Transactions**

Transfers which, because of budgetary or legal restrictions, must be expended by funds other than the fund initially receiving the revenue, are recorded as operating transfers in (out) under the other financing sources (uses) category (Notes 10 and 14) in the governmental fund financial statements.

- **Restricted Cash and Cash Equivalents**

The funds deposited in the debt service funds are restricted to pay future principal and interest payments due under the \$105,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 1998A (CHAT Bonds); the \$100,000,000 Subordinate Lien Tax Revenue Highway Bonds, Series 1998B (WIPP Bonds); the \$100,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 1999 (CHAT Bonds); the \$201,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2000A (CHAT Bonds); the \$198,800,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2001A (CHAT Bonds); the \$95,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002A (CHAT Bonds); the \$79,920,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002B (WIPP Bonds); the \$67,750,000 Highway Infrastructure Fund Revenue Highway Bonds, Series 2002C (HIF Bonds); and the \$16,000,000 Senior Subordinate Tax Revenue Highway Bonds, Series 2002D (CHAT Bonds). The remaining balance of the proceeds from the sale of the debentures, bonds and the NMFA loan are also classified as restricted cash because of the limited use of these funds. Proceeds of the various bond issues are also invested through the State Treasurer's Office in securities repurchase agreements with financial institutions and a money market mutual fund that invests in U.S. Treasury securities. Cash received from the Department of Energy (for the WIPP Project fund) in advance of incurring the eligible expenditures is also reflected as restricted cash because the cash can only be used on specified road projects. Cash held in the State Infrastructure Bank is restricted for use in funding loans (Note 2).

Cash and cash equivalents, for the purpose of the cash flows, has interest in the State General Fund Investment Pool of the State Treasurer's Office.

- **Taxes Receivable**

Taxes receivable represent the amounts due from the New Mexico Taxation and Revenue Department for the Department's June 30 fiscal year user and fuel taxes that are received by the Department after year-end. Accordingly, no allowance for uncollectible amounts is necessary. The revenue related to taxes is recorded when the underlying transaction occurs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Accounts Receivable**

Accounts receivable consists of amounts due from various entities: individuals and other state and local agencies located within the State of New Mexico for the sale of maps, brochures and other materials; federal excise taxes; and for other services performed by the Department. The Department provides an allowance for uncollectible accounts. The allowance is based on estimated collectible balances using an analysis of an aging of outstanding accounts and historical collection experience. The Department does not require collateral on these accounts receivable (Note 3).

- **Severance Tax Bonds Proceeds Receivable**

The State of New Mexico Legislature has authorized the State Board of Finance to issue and sell revenue bonds that are to be retired using future taxes levied against the extractive industries in the state. The proceeds from bonds sold are appropriated to the Department to be used for specific programs. Expenditures incurred by the Department for such programs are reimbursable from the State Board of Finance. The severance tax bonds proceeds receivable represents expenditures incurred by the Department, but not yet reimbursed by the Board of Finance (Note 4).

- **Notes and Loans Receivable**

Notes receivable represent:

- Funds advanced to various state and local agencies to promote van-pooling activities within the state. The Federal Highway Administration (FHWA) provides matching funds (90%) for the purchase of vehicles by various not-for-profit van pooling organizations.
- The funds advanced to such organizations are payable to the Department and are designated for future vehicle purchases.
- Notes issued to individuals displaced by purchases of right of way properties. The funds loaned to such individuals are provided in part by FHWA funds per FHWA guidelines.

Loans receivable represent:

Loans to other governmental entities made by the State Infrastructure Bank. Loans are stated at their principal amount. Interest on loans is accrued based on the daily principal balance outstanding, except when a loan has been past due for 90 days. All loans are to governmental entities and secured by certain pledged revenues. The loans are being repaid in accordance with their loan agreements. Management's evaluation of the loan portfolio has determined that no allowance for uncollectible loans is required at June 30, 2008. There are no loans past due for more than 90 days as of the end of the fiscal year which require placement on non-accrual status (Note 5).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Due From the U.S. Department of Transportation**

Due from the U.S. Department of Transportation represents amounts billed and unbilled in accordance with the various grant agreements. The "billed" portion represents contract expenditures incurred and billed by the Department. The "unbilled" portion represents expenditures included in accounts payable that will be billed when paid by the Department. The "excess project costs" represents costs actually incurred on a project in excess of approved amounts. The Department provides for an allowance for uncollectible accounts in excess of project costs classification. The allowance is based on an analysis of amounts that are reasonably assured of collection (Note 6).

- **Due From/To Other Funds**

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

- **Due to State General Fund (Reversions)**

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the percentage of reverting fund (to total budget for the category) to the amount unexpended for the category at fiscal year-end.

- **Inventory**

Inventory is valued at cost using the first-in, first-out method. Special Revenue Fund inventory consists of materials used in the Department's operations.

The inventory costs are recorded as expenditures when consumed rather than when purchased. Reported inventories are equally offset by the fund balance reserve, which indicates that it does not constitute "available spendable resources" (Note 8) even though they are a component of current assets.

- **Prepaid Expense - Warranty**

The warranty represents the no-fault portion of \$32,490,080 being amortized over 20 years that will meet performance criteria. The remaining \$13,148,286 of the warranty that represents the no-fault warranty that the structures will meet performance criteria is being amortized over 11 ½ years.

- **Property Held for Resale**

Property held for resale represents excess land acquired through condemnation and is recorded at its estimated fair value. The Department's management estimated the fair value based upon original cost plus inflation using the Consumer Price Index (CPI).

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Capital Assets

Capital assets, which include property, plant, equipment, software in the equipment category, and infrastructure assets (which is normally immovable and of value only to the state, such as roads, streets, tunnels and similar infrastructure items), are reported in the governmental activities columns in the government-wide financial statements. The Department has no internally developed software that requires capitalization. As a result of House Bill 1074, effective date June 17, 2005, the State's capitalization policy threshold was changed from \$1,000 to \$5,000, requiring agencies to capitalize acquisitions greater than \$5,000. Assets purchased prior to June 17, 2005 were not removed and will continue to be depreciated. Purchased and constructed capital assets are valued at historical or estimated historical cost. The Department has not capitalized any construction period interest expense. Donated capital assets are recorded at their estimated fair value at the date of donation.

- The Department records as capital assets the specific roads, tunnels and other infrastructure it owns or over which it has primary responsibility for maintenance. According to GASB, if the Department has the primary responsibility for the asset's maintenance, then the capital asset would be recorded on its books.
- An estimated historical cost of the entire infrastructure on the Department's government-wide financial statements was determined as of June 2001. The Department calculated the replacement cost as of June 30, 2001 for its entire infrastructure and then deflated the cost by use of a construction price level index maintained by the Federal Highway Administration. Accumulated depreciation at June 30, 2001 was calculated based on the estimated historical cost of the infrastructure, estimated use of the assets and using a 25 to 30-year life of the infrastructure. Current year activity is shown in Note 9 to the financial statements.
- The Department follows the depreciation method to record infrastructure assets. This method requires the Department to allocate the cost of infrastructure assets over their useful lives as depreciation expense. Another allowable methodology is to use the modified approach to record infrastructure. Under this process, the Department does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. If this method was used, it would require the Department to: 1) commit to maintaining and preserving the assets at or above a condition level established by the Department, 2) maintain an inventory of the assets and perform periodic assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. The Department elected to use the depreciation method as it determined it could not meet the condition to maintain the infrastructure at a predetermined condition level due to an anticipated lack of future funding for maintenance. All major infrastructure has been recorded.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Capital Assets - continued

- The Department records its other capital assets (buildings and machinery and equipment) at historical cost and depreciates the assets over their estimated useful lives. Capital assets acquired in the current year in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Department are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and right-of-way land. Generally, estimated useful lives are as follows:

Machinery and Equipment	7 - 14 years
Buildings and Other Improvements	40 years
Infrastructure	25 - 30 years

• Deferred Revenue

Deferred revenue occurs when the Department receives funds before the corresponding expense or expenditure has been incurred, or all of the eligibility requirements have been met. The Department has received funds in advance of work done from the Department of Energy (DOE) for road projects and other costs relating to the Waste Isolation Pilot Plant (WIPP). The Department has received pass-through federal funds in advance of work done from the New Mexico Department of Human Services for the temporary assistance of needy families. Revenue is recognized when eligible expenditures are incurred for these projects and programs and all eligibility requirements are met.

• Compensated Absences

The Department accounts for the accumulated vacation and sick leave on the accrual basis in accordance with GASB 16. Accrued vacation up to 240 hours is recorded in the Statement of Net Assets at 100% of the employee's hourly wage. In addition, accrued sick leave over 600 up to 720 hours less the amount classified as current is recorded in the Statement of Net Assets at 50% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour. The accrual for compensated absences is calculated at pay rates in effect at June 30, 2008, and includes direct and incremental salary related payments, such as the employees' share of social security taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Long-Term Obligations**

Premiums, Discounts and Issuance Costs - In the government-wide financial statements, long-term debt and other long-term obligations are presented in the columns for governmental and business-type activities. The same is presented in the proprietary fund financial statements. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized straight line over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and also amortized straight line over the term of the related debt.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

Arbitrage Rebate Liability - Any arbitrage rebate is recorded as a liability when it is determined to be owed to the Internal Revenue Service.

• Net Assets

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investments in Capital Assets - is intended to reflect the portion of net assets which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Assets - are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or granting agency) limitation on their use. When there is an option, the Department spends restricted resources first.

Unrestricted Assets - are all other net assets that do not meet the definition of "restricted assets" or "investments in capital assets".

• Encumbrances

With the Laws of 2004, Chapter 114, "General Appropriations" establishing the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico, there are no encumbrances outstanding at year-end with the exception of the Capital Projects Fund. Encumbrances outstanding in this fund at year-end are reported as reservations of fund balance on the balance sheets (in the fund financial statement) and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Encumbrances - continued**

It is necessary to include the budgetary basis consistent with the Department's legally adopted budget as presented in the required supplementary information. Unused and excess encumbrances are adjusted in the year it is determined the funds will not be spent.

- **Reservations**

Reservations of fund balance are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Encumbrances. This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the Department but not completed as of the close of the fiscal year.

Reserved for Inventory. This reserve was created to represent the portion of fund balance that is not available for expenditures because the Department expects to use the resources within the next budgetary period.

- **Designated Fund Balance**

The Department established a designation for projects to be funded by the Capital Projects Fund that have not been started in the governmental fund financial statements.

- **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- **Eliminations**

Total columns in the governmental fund financial statements are captioned "Total (Governmental Funds)" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operation or changes in financial position of the Department as a whole in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation in the governmental fund financial statements. Due from/to other funds and interfund transfers have been eliminated in the government-wide financial statements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

2. CASH AND CASH EQUIVALENTS

Cash funds, other than petty cash, are deposited by the Department into its accounts with the State Treasurer, which are pooled and invested by the State Treasurer. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Money of the Department may be deposited with the State Treasurer for a short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico, or any political subdivision of the State and other investments allowed by state law. Petty cash funds are deposited with various financial institutions and are fully insured. Some of the cash held by the trustee for the NMFA loan proceeds is also invested in a money market mutual fund that invests in short-term U.S. Treasury securities. The reconciled balances at June 30, 2008, are as follows:

	SHARE Account <u>Number</u>	<u>Amount</u>
Unrestricted:		
Road Fund	20100/10040/78800 78900/82000	\$ 16,374,458
Local Government Fund	20300	19,789,298
Aviation Fund	20500	3,363,538
Motorcycle Training Fund	20600	280,364
DWI Prevention Fund	20700	1,018,771
Traffic Safety	20800/82600/10010	10,289,023
Driver Improvement Program Fund	10020	3,191
Federal Planning and Development	10030	<u>(1,383,955)</u>
Total unrestricted State Treasurer's Accounts		49,734,688
Unrestricted petty cash		<u>2,600</u>
Total unrestricted cash		49,737,288
Restricted:		
Capital Project Improvements	10050	(8,988,138)
General Fund Appropriations Fund	10070	(8,649,323)
Severance Tax Appropriations Fund	10060	119,182,809
Road Fund (relates to WIPP bond projects and various other road projects)	20200/43100	48,392,141
Bond Project Fund (1993 Bonds)	39400	1,605,586
Debt Service Fund (1998 WIPP Bonds)	97200	606
Bond Project Fund (1999 CHAT Bonds)	43000	241,049

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

2. CASH AND CASH EQUIVALENTS - continued

	SHARE Account Number	Amount
Bond Project Fund (2000 CHAT Bonds)	34500	\$ 6,675
Bond Project Fund (2001 CHAT Bonds)	00600	9,424,555
Bond Project Fund (2002A CHAT Bonds)	36800	154,124
Bond Project Fund (2002C HIF Bonds)	36100	1,282,448
Bond Project Fund (2002D CHAT Bonds)	11500	767,090
Bond Project Fund (2006A GRIP Bonds)	10210	(9,093,802)
Bond Project Fund (2006B GRIP Bonds)	10250	(12,887,361)
Bond Project Fund (2004A GRIP Bonds)	20400	9,241,574
Debt Service Fund (1998 CHAT Bonds)	54800	139,242
Debt Service Fund (1999 CHAT Bonds)	43400	139,990
Debt Service Fund (2000 CHAT Bonds)	43200	200,704
Debt Service Fund (2001A CHAT Bonds)	00700	232,648
Debt Service Fund (2002A CHAT Bonds)	54700	82,188
Debt Service Fund (2002B WIPP Bonds)	75000	109,081
Debt Service Fund (2002C HIF Bonds)	36300	61,199
Debt Service Fund (2002D CHAT Bonds)	18700	12,597
State Infrastructure Bank	89300	<u>14,027,767</u>
Total restricted State Treasurer's accounts		<u>165,685,449</u>
Total State Treasurer accounts and petty cash		215,422,737
Other authorized bank accounts – Wells Fargo Bank		2,194,463
Bond proceeds invested in Money Market Mutual Funds at Bank of Albuquerque		<u>435,974,157</u>
Total cash		\$ <u>653,591,357</u>
State law requires that repurchase agreements be secured by collateral with a market value greater than 102% of the value of the agreement. The securities are held by a third party in the Department's name. The fair value of the repurchase agreement approximates the cost at June 30, 2008.		
Bond proceeds are invested in money market mutual funds at the Bank of Albuquerque		\$ <u>435,974,157</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

2. CASH AND CASH EQUIVALENTS - continued

Money market funds are managed by New Mexico Finance Authority (fiscal agent) and held by State Treasurer authorized bank accounts at Bank of Albuquerque as trustee and paying agent for Department. The sources of funds are bond proceeds and other debt service requirements. These funds are invested in short-term money market accounts that invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, the Department will not be able to recover the value of its collateral securities that are in the possession of an outside party. All are fully collateralized and the collateral is held in the Department's name.

Credit Risk. The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government.

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer. The Department is not susceptible to concentration of credit risk.

Interest Rate Risk. Interest rate risk is the risk that interest rate fluctuations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the value of securities held in a collateral portfolio will decline if market interest rates rise. In this event, the financial institution is required to provide additional collateral necessary to comply with New Mexico State Statute. Therefore, funds are not susceptible to interest rate risk as they are all fully collateralized.

3. ACCOUNTS RECEIVABLE/OTHER STATE AGENCIES

The aging of accounts receivable as of June 30, 2008, is as follows:

Number of Days Outstanding

0 - 30	\$ -
31 - 60	2,018,318
61 - 120	37,438
Beyond 120	<u>328,756</u>
	2,384,512
Allowance for uncollectible accounts	<u>(2,325,768)</u>
	\$ <u>58,744</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

3. ACCOUNTS RECEIVABLE/OTHER STATE AGENCIES - continued

The allowance for uncollectible accounts has been established from experience based on the records of the respective activities.

Other state agencies amount of \$1,199,225 represents interest receivable from the State Treasurer's Office. The entire amount is deemed fully collectible.

4. SEVERANCE TAX BOND PROCEEDS RECEIVABLE

Severance tax bonds proceeds receivable as of June 30, 2008, appropriated to the Department, were held by the State Board of Finance to reimburse expenditures incurred by the Department. The activity of this account is as follows:

Balance, beginning of year	\$ 64,405,183
Sale and reauthorization of severance tax bonds	43,412,622
Funding from the State Board of Finance	(13,112,781)
Reversion to the State Board of Finance	<u>(527,678)</u>
Balance, end of year	\$ <u>94,177,346</u>
Total approved funding from the State Board of Finance	\$ 13,112,781
FY07 approved funding from the State Board of Finance	<u>(44,905,482)</u>
FY08 approved funding from the State Board of Finance	\$ <u>(31,792,701)</u>

The funding for the year ended June 30, 2008 was received under the Laws of 1994, Chapter 148; Laws of 1999, Chapter 2; Laws of 2000, Chapter 23; Laws of 2002, Chapter 110; Laws of 2003, Chapters 110 and 429; Laws of 2005, Chapter 347; Laws of 2006, Chapters 347 and 111; Laws of 2007, Chapter 42; and Laws of 2008, for projects completed. Of the amount available for draw of \$94,177,346, \$12,817,132 was expended and due to the Department as of year end.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

5. NOTES AND LOANS RECEIVABLE

Notes receivable as of June 30, 2008 consist of the following:

A note receivable from a private entity, non-interest bearing, in accordance with federal statutes, collateralized by various property.	\$	<u>21,543</u>
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Loans receivable funded by the SIB consist of the following:

City of Albuquerque, including interest at 1.5%, due during the 2009 federal fiscal year, secured by federal highway revenue.	\$	641,087
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City of Rio Rancho, including interest at 1.5%, due during the 2009 federal fiscal year, secured by federal highway revenue.		325,677
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County of Bernalillo, including interest at 1.5%, due during the 2009 federal fiscal year, secured by federal highway revenue.		3,897,062
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Albuquerque Metropolitan Arroyo Flood Control Authority (AMAFCA), including interest at 1.5%, due during the 2009 federal fiscal year, secured by federal highway revenue.	\$	<u>2,538,423</u>
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	\$	<u>7,402,249</u>
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6. DUE FROM U.S. DEPARTMENT OF TRANSPORTATION

Due from U.S. Department of Transportation (USDOT) consists of the following at June 30, 2008:

Agency

Federal Highway Administration	\$	50,133,348
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Less allowance for uncollectible amounts		<u>(4,143,192)</u>
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Total Federal Highway Administration		45,990,156
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Other USDOT Agencies		<u>6,752,524</u>
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Total USDOT	\$	<u>52,742,680</u>
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Subsequent to June 30, 2008, the Federal Highway Administration unbilled portion of \$46,788,820 was billed and the amounts were collected by the Department. Management determined that the balance relating to payroll expenditures outstanding at year end was not collectible and, therefore, an allowance was established at June 30, 2008.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

7. DUE FROM AND DUE TO OTHER FUNDS

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

- (1) The State Road Fund pays expenditures on behalf of other funds.
- (2) Grant and other funds are recorded in the State Road Fund and then transferred to the appropriate funds.

Interfund receivables and payables as of June 30, 2008 consist of the following:

	<u>Fund Number</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Special Revenue Funds:			
Bond Project Fund - CHAT 2001A	00600	\$ -	986,447
Federal Traffic Safety Fund	10010	3,433,008	6,118,191
Driver Improvement Program Fund	10020	289,704	-
Federal Mass Transit Fund	10030	14,860	841,299
Department Services (Inventories)	10040	43,771,264	16,122,731
Sev. Tax Multiyear Capital Project	10060	28,508,395	33,186,068
Gen. Fund Multiyear Capital Project	10070	21,834,003	1,338,933
Bond GRIP Project Fund - GRIP 2006A	10210	500,000	670,000
Bond GRIP Project Fund - GRIP 2006C	10250	47,777	-
Bond Project Fund - CHAT 2002D	11500	-	142,904
State Road Fund	20100	93,970,509	124,868,112
Highway Infrastructure Funds	20200	-	2,547,132
Local Government Road Fund	20300	-	1,826,039
Bond GRIP Project Fund - GRIP 2004A	20400	670,000	16,378,410
State Aviation Fund	20500	1,353,106	639,276
DWI Prevention & Education Fund	20700	-	31,895
Traffic Safety Fund	20800	-	38,773
Bond Project Fund - CHAT 2000A	34500	1,788,987	3,682,444
Bond Project Fund - CHAT 2002A	36800	-	2,020,148
Bond Project Fund -1993 Bonds	39400	-	37,804
Bond Project Fund - CHAT 1999A	43000	3,088,612	1,224,580
WIPP Project Fund	43100	-	270,524
Rubberized Asphalt Fund	82000	-	53,521
Interlock Device Fund	82600	-	3,818
Total Special Revenue Funds		199,270,225	213,029,049

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

7. DUE FROM AND DUE TO OTHER FUNDS - continued

	<u>Fund Number</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Debt Service Funds:			
Debt Service Fund - 2004A GRIP	10080	\$ 83,855	-
Debt Service Fund - 2004B/C GRIP	10090	-	83,855
Debt Service Fund - 2006A GRIP	10220	673,110	-
Debt Service Fund - 2006B GRIP	10240	416,459	-
Debt Service Fund - 2006C GRIP	10260	-	1,490,847
Debt Service Fund - 2006D GRIP	10280	401,278	-
Debt Service Fund - 2008A GRIP	10410	436	-
Debt Service Fund - 2008B GRIP	10420	-	436
Debt Service Fund - WIPP 1998	97200	<u>13,829</u>	<u>-</u>
Total Debt Service Funds		1,588,967	1,575,138
Capital Projects Funds:			
Capital Projects (CIP) Fund	10050	<u>14,190,681</u>	<u>10,624</u>
Total Capital Projects Funds		<u>14,190,681</u>	<u>10,624</u>
Enterprise Funds:			
State Infrastructure Bank	89300	<u>-</u>	<u>435,062</u>
Total Enterprise Funds		<u>-</u>	<u>435,062</u>
Total interfund receivables and payables		\$ <u>215,049,873</u>	<u>215,049,873</u>

8. INVENTORY

Inventory as of June 30, 2008, consists of the following:

Highway maintenance materials stockpiled	\$ 8,983,201
Repair parts and expendable supplies	5,935,304
Fuel, oil and lubricants	<u>1,119,097</u>
	\$ <u>16,037,602</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

9. CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Non-depreciable assets:				
Rail System Infrastructure -				
Right of Way	\$ -	71,957,100	-	71,957,100
Land	4,979,663	96,970	-	5,076,633
Right of Way	<u>373,318,194</u>	<u>4,407,300</u>	<u>-</u>	<u>377,725,494</u>
Total non-depreciable assets	378,297,857	76,461,370	-	454,759,227
Depreciable assets:				
Infrastructure	15,031,104,263	399,893,009	(438,279,757)	14,992,717,515
Vehicles	179,456,262	12,734,693	(175,633)	192,015,322
Rail System Infrastructure	-	108,090,835	-	108,090,835
Buildings	38,463,834	1,541,609	-	40,005,443
Equipment and furniture	30,830,664	1,110,739	(468,436)	31,472,967
Library	<u>102,614</u>	<u>-</u>	<u>-</u>	<u>102,614</u>
Total depreciable assets	<u>15,279,957,637</u>	<u>523,370,885</u>	<u>(438,923,826)</u>	<u>15,364,404,696</u>
Total assets	15,658,255,494	599,832,255	(438,923,826)	15,819,163,923
Less accumulated depreciation:				
Infrastructure	(8,474,744,280)	(525,851,996)	438,279,757	(8,562,316,519)
Vehicles	(114,591,933)	(9,803,859)	166,098	(124,229,694)
Rail System Infrastructure	-	(8,647,267)	-	(8,647,267)
Buildings	(23,263,730)	(640,803)	-	(23,904,533)
Equipment and furniture	(23,335,950)	(1,701,337)	471,943	(24,565,344)
Library	<u>(102,614)</u>	<u>-</u>	<u>-</u>	<u>(102,614)</u>
Total accumulated depreciation	<u>(8,636,038,507)</u>	<u>(546,645,262)</u>	<u>438,917,798</u>	<u>(8,743,765,971)</u>
Total capital assets, net	\$ <u>7,022,216,987</u>	<u>53,186,993</u>	<u>(6,028)</u>	<u>7,075,397,952</u>

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

Programs and infrastructure	\$ 525,851,996
Transportation and Highway Operations	8,647,267
Program support	<u>12,145,999</u>
	546,645,262
Program support (amortization on defeased debt)	<u>2,532,733</u>
Total	\$ <u>549,177,995</u>

10. OPERATING TRANSFERS

	State Road Fund	General Fund Multi-year Capital Projects	Bond Project Fund 2004A GRIP	Bond Project Fund 2006C GRIP	Bond Project Fund 2006D GRIP	Bond GRIP Debt Service 2004A
(1)	\$ (160,686,082)	-	-	-	-	36,216,759
(2)	(3,130,076)	-	-	-	-	1,750,000
(3)	-	-	-	-	350,000	-
(4)	-	-	-	-	-	-
(5)	-	-	-	-	-	-
(6)	-	-	-	-	-	-
(7)	-	-	-	-	(1,503,980)	-
(8)	-	-	-	-	-	-
(9)	<u>1,819,378</u>	<u>-</u>	<u>(448,194)</u>	<u>(582,500)</u>	<u>(501,808)</u>	<u>-</u>
Total	(161,996,780)	-	<u>(448,194)</u>	<u>(582,500)</u>	<u>(1,655,788)</u>	<u>37,966,759</u>
Transfers to other state agencies:						
(10)	(33,699)	-				
(11)	-	205,000				
(12)	-	(350,000)				
(13)	300,000	-				
(14)	(6,000,000)	-				
(15)	<u>-</u>	<u>(525,000)</u>				
Total transfers to other state agencies	<u>(5,733,699)</u>	<u>(670,000)</u>	<u>= (6,403,699)</u>			
	\$ <u>(167,730,479)</u>	<u>(670,000)</u>				

- (1) The transfer from the State Road fund to the above debt service funds for debt repayments required by the State of New Mexico Highway Debentures.
- (2) Transfer from the State Road fund to the above debt service funds to cover trustee fees.
- (3) Transfer from the State Road fund to the above debt service funds to cover trustee fees.
- (4) Transfer interest earnings from one account to another.
- (5) Transfer cash from defeased fund to new debt service fund.
- (6) Transfer to cover debt service interest expenditures.
- (7) Transfer of cash among trustee accounts to cover debt service expenditures and fees.
- (8) Transfer for debt service payments - bond defeasance.
- (9) Amounts refunded to State Road Fund cash for over-estimates of Cost of Issuance expenditures.
- (10) Transfer of capital assets to infrastructure fund.
- (11) Transfer in from NM State General Fund: SB 826, Laws 2007, Chapter 841, Section E.
Transfer out to NM State General Fund per reauthorization: SB 710, Laws 2007, Chapter 2, Section 23,
HB 622, Laws 2006, Chapter 111, Section 158; HB 855, Laws 2005, Chapter 347, Section 155.
- (12) Transfer in per MOU; Laws 2007, Chapter 841, Section E.
- (14) Transfer out to Department of Public Safety.
- (15) Transfer out to Department of Finance and Administration.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

Bond GRIP Debt Service 2004B	Debt Service Fund CHAT 2002D	Debt Service Fund WIPP 2002B	Debt Service Fund WIPP 1998	Debt Service Fund CHAT 1998A	Debt Service Fund CHAT 1999	Debt Service Fund CHAT 2000A
27,378,736	194,825	9,423,500	1,751,613	910,200	9,428,925	15,480,650
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(4,330,363)	-	-	-	-	-	-
3,130,640	-	-	-	-	-	-
-	-	-	-	-	-	-
200,000,000	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>226,179,013</u>	<u>194,825</u>	<u>9,423,500</u>	<u>1,751,613</u>	<u>910,200</u>	<u>9,428,925</u>	<u>15,480,650</u>

10. OPERATING TRANSFERS - continued

	Debt Service Fund CHAT 2001A	Debt Service Fund CHAT 2002A	Debt Service Fund CHAT 2002C	Bond GRIP Project Fund 2006A	Bond GRIP Debt Service 2006A	Bond GRIP Bond Project 2006B
(1)	\$ 23,193,148	9,917,250	1,709,524	-	7,477,407	-
(2)	-	-	-	-	375,000	-
(3)	-	-	-	-	-	-
(4)	-	-	-	-	575,608	-
(5)	-	-	-	-	-	-
(6)	-	-	-	-	-	-
(7)	-	-	-	-	-	-
(8)	-	-	-	-	-	-
(9)	-	-	-	(1,330,500)	-	(1,000,000)
Total	<u>23,193,148</u>	<u>9,917,250</u>	<u>1,709,524</u>	<u>(1,330,500)</u>	<u>8,428,015</u>	<u>(1,000,000)</u>

- (1) The transfer from the State Road fund to the above debt service funds for debt repayments required by the State of New Mexico Highway Debentures.
- (2) Transfer from the State Road fund to the above debt service funds to cover trustee fees.
- (3) Transfer from the State Road fund to the above debt service funds to cover trustee fees.
- (4) Transfer interest earnings from one account to another.
- (5) Transfer cash from defeased fund to new debt service fund.
- (6) Transfer to cover debt service interest expenditures.
- (7) Transfer of cash among trustee accounts to cover debt service expenditures and fees.
- (8) Transfer for debt service payments - bond defeasance.
- (9) Amounts refunded to State Road Fund cash for over-estimates of Cost of Issuance expenditures.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

Bond GRIP Debt Service 2006B	Bond GRIP Bond Project 2006C	Bond GRIP Debt Service 2006D	Bond GRIP Debt Service 2008A	Bond GRIP Debt Service 2008B	Bond GRIP Debt Service 2008C	Bond GRIP Debt Service 2008D
5,451,225	10,971,400	1,180,920	-	-	-	-
75,000	550,000	380,076	-	-	-	-
-	-	(350,000)	-	-	-	-
(950,478)	-	500,000	-	(125,129)	-	-
-	(5,229,055)	(584,286)	2,728,204	5,259,342	1,571,872	584,286
-	3,007,331	-	(1,730,644)	(3,007,331)	(1,399,996)	-
-	(88,120)	1,428,422	30,287	57,833	-	75,558
-	220,000,000	50,400,000	(115,200,000)	(220,000,000)	(84,800,000)	(50,400,000)
-	-	-	457,260	873,240	448,194	264,930
<u>4,575,747</u>	<u>229,211,556</u>	<u>52,955,132</u>	<u>(113,714,893)</u>	<u>(216,942,045)</u>	<u>(84,179,930)</u>	<u>(49,475,226)</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2008:

Governmental Activities	Balance at June 30, 2007	Increase	Decrease	Balance at June 30, 2008	Amounts Due Within One Year
1998 WIPP Bonds	\$ 34,435,000	-	-	34,435,000	10,545,000
1998 CHAT Bonds	17,760,000	-	-	17,760,000	8,205,000
1999 CHAT Bonds	18,780,000	-	(8,370,000)	10,410,000	10,410,000
2000 CHAT Bonds	41,475,000	-	(13,060,000)	28,415,000	13,810,000
2001 CHAT Bonds	107,085,000	-	(17,685,000)	89,400,000	14,630,000
2002A CHAT Bonds	37,160,000	-	(7,935,000)	29,225,000	-
2002B WIPP Bonds	17,970,000	-	(8,525,000)	9,445,000	-
2002C HIF Bonds	32,945,000	-	-	32,945,000	3,000,000
2002D CHAT Bonds	4,570,000	-	-	4,570,000	-
2004A GRIP Bonds	700,000,000	-	-	700,000,000	-
2004B/C GRIP Bonds	162,330,000	-	(13,170,000)	149,160,000	10,735,000
2004C GRIP Bonds	200,000,000	-	(200,000,000)	-	-
2006A GRIP Bonds	150,000,000	-	-	150,000,000	-
2006B GRIP Bonds	37,735,000	-	(2,225,000)	35,510,000	3,165,000
2006C GRIP Bonds	220,000,000	-	(220,000,000)	-	-
2006D GRIP Bonds	50,400,000	-	(50,400,000)	-	-
2008A GRIP Bonds	-	115,200,000	-	115,200,000	-
2008B GRIP Bonds	-	220,000,000	-	220,000,000	-
2008C GRIP Bonds	-	84,800,000	-	84,800,000	-
2008D GRIP Bonds	-	50,400,000	-	50,400,000	-
Deferred amount on refunding	(29,474,727)	(3,165,940)	1,771,439	(30,869,228)	-
Compensated absences payable	<u>6,621,408</u>	<u>5,248,576</u>	<u>(4,484,518)</u>	<u>7,385,466</u>	<u>3,230,912</u>
Total obligations	1,809,791,681	\$ <u>472,482,636</u>	<u>(544,083,079)</u>	1,738,191,238	<u>77,730,912</u>
Less current portion	<u>(77,672,000)</u>			<u>(77,730,912)</u>	
Net long-term obligations	\$ <u>1,732,119,681</u>			<u>1,660,460,326</u>	

The State Road Fund is used to liquidate other long-term liabilities, such as compensated absences and capital leases. The Department is authorized to issue bonds from time to time, payable from the proceeds of the collection of gasoline excise taxes, motor vehicle registration fees, and other fees that are required by law to be paid into the State Road Fund and not otherwise pledged solely to the payment of outstanding bonds and debentures. The total aggregate outstanding bonds issued are in accordance with the authorizing legislation for the bonds and other debt with the approval of the State Board of Finance, which includes Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA) (1978), as amended;

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

and the Supplemental Public Securities Act constituting Sections 6-15-8 through 6-14-11 of the NMSA (1978), as amended.

The Department issued \$105,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 1998A and \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bonds Series 1998B in October 1998. The net proceeds to the Department were \$108,979,050 for the Series 1998A Bonds and \$103,753,450 for the Series 1998B Bonds, including \$3,979,050 and \$3,753,450, respectively, of original bond issue premium. The cost of issuance for the Series 1998A and Series 1998B Bonds was \$773,588 and \$767,380, respectively. The Bonds are special limited obligations of the Department, payable solely by a pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes and vehicle transaction taxes and fees that are required to be paid into the State Road Fund. The Series 1998A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature. The Series 1998B Bonds (1998 WIPP Bonds) were issued by the Department for roads relating to the Waste Isolation Pilot Project (WIPP) in the State of New Mexico.

Principal of the Series 1998A Bonds (CHAT) is payable on June 15. The interest is payable semi-annually on June 15 and December 15 through the year 2010.

The Department's future scheduled annual requirements to amortize the Series 1998A Bonds (CHAT), including interest payments of \$1,399,894 based on interest rates that range from 4.5% to 5.125%, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 1998A CHAT:			
2009	\$ 8,205,000	910,200	9,115,200
2010	<u>9,555,000</u>	<u>489,694</u>	<u>10,044,694</u>
Total	\$ <u>17,760,000</u>	<u>1,399,894</u>	<u>19,159,894</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

Principal of the Series 1998 Bonds (WIPP) is payable on June 15. The interest is payable semi-annually on June 15 and December 15 through the year 2011.

The Department's future scheduled annual requirements to amortize the Series 1998B Bonds (1998 WIPP Bonds), including interest payments of \$3,613,014 based on interest rates that range from 3.8% to 5.125%, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 1998 WIPP:			
2009	\$ 10,545,000	1,751,613	12,296,613
2010	11,460,000	1,224,363	12,684,363
2011	<u>12,430,000</u>	<u>637,038</u>	<u>13,067,038</u>
Total	\$ <u>34,435,000</u>	<u>3,613,014</u>	<u>38,048,014</u>

On October 2, 1998, the Department borrowed \$100,230,000 from the New Mexico Finance Authority (NMFA). The NMFA had issued \$100,230,000 of NMFA Federal Highway Grant Anticipation Revenue Bonds to fund the loan. The Department's obligation under the loan agreement is to repay the loan from certain federal funds payable to the Department from the Federal Highway Administration. If insufficient federal revenues are received, the Department will use good faith efforts to seek additional revenues that are otherwise not obligated and are legally available to repay the loan. After all loan payments and other payments due on any future obligations secured by these federal funds are made, any remaining federal funds received will be deposited into the State Road Fund.

Eligible federal funds that can be used for debt repayment are not available for approximately two years after the date of the loan. Accordingly, \$8,468,451 of the loan proceeds were recorded to the debt service fund to pay future debt service.

The Department was also responsible for the NMFA issuance costs and must annually pay the NMFA two basis points on the outstanding principal balance every September 1. Total issue costs were \$2,144,423, net of \$1,656,807 of the premium received from the sale of the NMFA bonds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

Principal of the loan was paid in May 2004 with funds provided from the issuance of the Series 2004B and 2004C NMFA State Transportation Refunding Revenue Bonds.

The Department issued \$100,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 1999 in November 1999. The gross proceeds to the Department were \$101,161,999, including \$1,161,999 of an original issue premium. The cost of issuance including underwriting fees was approximately \$791,000. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes and motor vehicle registration fees that are required to be paid into the State Road Fund. The Series 1999 Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 4.75% to 5.75% per annum, is payable semi-annually on June 15 and December 15 through the year 2009.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$598,575, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 1999 CHAT:			
2009	\$ <u>10,410,000</u>	<u>598,575</u>	<u>11,008,575</u>
Total	\$ <u>10,410,000</u>	<u>598,575</u>	<u>11,008,575</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$201,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2000A in May 2000. The gross proceeds to the Department were \$206,023,307, including \$5,023,307 of an original issue premium. The cost of issuance including underwriting fees was approximately \$1,392,000. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes and motor vehicle registration fees that are required to be paid into the State Road Fund. The Series 2000 Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 5.5% to 6.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2010.

The Department's future scheduled annual requirements to amortize the bonds, including interest payments of \$2,546,900, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2000A CHAT:			
2009	\$ 13,810,000	1,670,600	15,480,600
2010	<u>14,605,000</u>	<u>876,300</u>	<u>15,481,300</u>
Total	\$ <u>28,415,000</u>	<u>2,546,900</u>	<u>30,961,900</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$198,800,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2001A, in November 2001. The gross proceeds to the Department were \$209,050,033, including \$10,250,033 of an original issue premium. The cost of issuance including underwriting fees was approximately \$1,343,586. The bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2001A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the Bonds is payable annually each June 15. Interest, with rates ranging from 4.3% to 5.25% per annum, is payable semi-annually on June 15 and December 15 through the year 2013.

The Department's future scheduled annual requirements to amortize the bonds, including interest payments of \$15,468,820 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2001A CHAT:			
2009	\$ 14,630,000	4,623,898	19,253,898
2010	9,545,000	3,892,398	13,437,398
2011	20,645,000	3,415,148	24,060,148
2012	21,720,000	2,338,838	24,058,838
2013	<u>22,860,000</u>	<u>1,198,538</u>	<u>24,058,538</u>
Total	\$ <u>89,400,000</u>	<u>15,468,820</u>	<u>104,868,820</u>

On March 14, 2001, the Department borrowed \$18,535,000 from the New Mexico Finance Authority (NMFA). The NMFA had issued \$18,535,000 of NMFA Federal Highway Grant Anticipation Revenue Bonds to fund the loan. The Department's obligation under the loan agreement is to repay the loan from certain federal funds payable to the Department from the Federal Highway Administration. If insufficient federal revenues are received, the Department will use good faith efforts to seek additional revenues that are otherwise not obligated and are legally available to repay the loan. After all loan payments and other payments due on any future obligations secured by these federal funds are made, any remaining federal funds received will be deposited into the State Road Fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department was also responsible for the NMFA issuance costs and must annually pay the NMFA two basis points on the outstanding principal balance every September 1. Total issue costs were \$467,998 and there was a premium of \$704,443 from the sale of the NMFA bonds.

Principal of the loan was paid in May 2004 with funds provided from the issuance of the Series 2004B and 2004C NMFA State Transportation Refunding Revenue Bonds.

The Department issued \$95,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 2002A in January 2002. The gross proceeds including accrued interest to the Department were \$98,361,534, including \$3,913,043 of an original premium. The cost of issuance including underwriting fees was \$592,819. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees and, to the extent authorized, to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid in the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 5.0% to 5.5% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$7,209,600, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002A CHAT:			
2009	\$ -	1,585,500	1,585,500
2010	8,750,000	1,585,500	10,335,500
2011	-	1,726,125	1,726,125
2012	9,690,000	1,126,125	10,816,125
2013	<u>10,785,000</u>	<u>1,186,350</u>	<u>11,971,350</u>
Total	\$ <u>29,225,000</u>	<u>7,209,600</u>	<u>36,434,600</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$79,920,000 of the New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bonds, Series 2002B, in January 2002. The gross proceeds including accrued interest to the Department were \$82,007,147 including \$2,670,686 of an original issue premium. The cost of issuance including underwriter fees was \$614,561. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002B Bonds (WIPP Bonds) were issued to provide funds to refund the 1996 WIPP Bonds on the date of delivery of the Bonds, and to pay all costs incident thereto and to the issuance of the Bonds, including, without limitation, costs of issuance.

Principal of the bonds is payable on June 15. Interest at a rate of 5% per annum is payable semi-annually on June 15 and December 15 through the year 2010.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$944,500, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002B WIPP:			
2009	\$ -	472,250	472,250
2010	<u>9,445,000</u>	<u>472,250</u>	<u>9,917,250</u>
Total	\$ <u>9,445,000</u>	<u>944,500</u>	<u>10,389,500</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$67,750,000 of the New Mexico State Highway Infrastructure Fund Revenue Highway Bonds (additionally secured by a Senior Subordinate Lien on Certain State Road Fund Revenues), Series 2002C, in May 2002. The gross proceeds including accrued interest to the Department were \$69,809,036 including \$2,499,411 of an original issue premium. The cost of issuance including underwriter fees was \$440,375. The bonds are special limited obligations of the State Highway Commission, payable from and secured by a senior pledge of proceeds of the collection of leased vehicle gross receipts tax revenues and tire recycling fees, in each case that are required by law to be paid into the Highway Infrastructure Fund and interest on such amounts in the Highway Infrastructure Fund. The Bonds are additionally payable from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002C Bonds (HIF Bonds) were issued to funds projects identified by the Department and the Legislature.

Principal of the Bonds is payable on June 15. Interest, with rates ranging from 3.25% to 5.375% per annum, is payable semi-annually on June 15 and December 15 through the year 2017.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$10,737,769, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002C HIF:			
2009	\$ 3,000,000	1,709,524	4,709,524
2010	2,000,000	1,559,524	3,559,524
2011	-	1,459,524	1,459,524
2012	-	1,459,524	1,459,524
2013	5,040,000	1,459,524	6,499,524
2014 - 2017	<u>22,905,000</u>	<u>3,090,150</u>	<u>25,995,150</u>
Total	\$ <u>32,945,000</u>	<u>10,737,770</u>	<u>43,682,770</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$16,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002D, in December 2002. The gross proceeds to the Department were \$16,572,740 including \$699,498 of an original issue premium. The cost of issuance including underwriter fees was \$126,758. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002D Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable as follows on June 15. Interest, with rates ranging from 3.9% to 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds including interest payments of \$835,525 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002D CHAT:			
2009	\$ -	194,825	194,825
2010	1,360,000	194,825	1,554,825
2011	-	126,825	126,825
2012	-	126,825	126,825
2013	1,575,000	126,825	1,701,825
2014	<u>1,635,000</u>	<u>65,400</u>	<u>1,700,400</u>
	\$ <u>4,570,000</u>	<u>835,525</u>	<u>5,405,525</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$700,000,000 through the New Mexico Finance Authority's (NMFA) State Transportation Revenue Bonds (Senior Lien), Series 2004A, in May 2004. The gross proceeds to the Department were \$738,787,815, including \$43,556,815 of an original issue premium. The cost of issuance including underwriter fees was \$6,368,367. The Bonds are special limited obligations of the Department, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and that the Department has determined to be necessary or desirable.

The Department is responsible for the NMFA issuance costs and must annually pay the NMFA 25 basis points on the outstanding principal balance. Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 3.8% to 5.25% per annum, is payable semi-annually on June 15 and December 15 through the year 2024.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$398,277,648, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2004A GRIP:			
2009	\$ -	36,216,759	36,216,759
2010	-	36,216,759	36,216,759
2011	-	36,216,759	36,216,759
2012	-	36,216,759	36,216,759
2013	-	36,216,759	36,216,759
2014 - 2017	214,495,000	132,175,759	346,670,759
2018 - 2022	443,025,000	82,063,733	525,088,733
2023 - 2024	<u>42,480,000</u>	<u>2,954,363</u>	<u>45,434,363</u>
	\$ <u>700,000,000</u>	<u>398,277,650</u>	<u>1,098,277,650</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

The Department issued \$237,950,000 and \$200,000,000 of bonds through the New Mexico Finance Authority's (NMFA) State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B and Series 2004C, in May 2004. The gross proceeds to the Department for both issuances were \$451,069,205, including \$16,347,187 of an original issue premium. The cost of issuance including underwriter fees was \$4,228,696. Following is the detail of the Series 2004B and Series 2004C bonds issued.

The \$237,950,000 Series 2004B Bonds are special limited obligations of the Department, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding bonds of the NMFA and the Commission.

Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 2.0% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$29,957,485, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2004B GRIP:			
2009	\$ 10,735,000	7,347,765	18,082,765
2010	9,230,000	6,879,385	16,109,385
2011	36,275,000	6,421,085	42,696,085
2012	29,060,000	4,639,050	33,699,050
2013	34,120,000	3,186,800	37,306,800
2014	<u>29,740,000</u>	<u>1,483,400</u>	<u>31,223,400</u>
Total	\$ <u>149,160,000</u>	<u>29,957,485</u>	<u>179,117,485</u>

The Series 2004C Bonds are special limited obligations of the Department payable, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the Highway Infrastructure Fund. The lien on the bonds on such revenues is subordinate to the lien thereon securing other bonds issued concurrently with the 2004C bonds or which may hereafter be used through the NMFA. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding debt.

11. LONG-TERM OBLIGATIONS - continued

- **Refunding**

NMFA, on behalf of the Department, used the 2004B and 2004C Bonds to advance refund certain older debt issues of the Department, and the New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 2001 and New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 1998. The net proceeds of \$408,855,872 plus an additional \$7,285,997 were used to purchase U.S. Governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt is considered to be defeased and the liability for those bonds has been removed from long-term obligations. The bonds outstanding of \$363,490,000 were considered defeased as of June 30, 2007.

The Department is responsible for the issuance costs and must annually pay the 25 basis points on the outstanding principal balance, which will be \$500,000 a year through 2022 and \$339,063 during 2023. Principal of the bonds is payable on June 15, with interest payable semi-annually on June 15 and December 15 through the year 2023. Interest is based on interest rate swap agreements as disclosed below.

- **Refunding of Variable Rate Bonds**

The 2004C, 2006C, and 2006D Series bonds were issued as Auction Rate Securities ("ARS"). ARS are one of the two principal types of securities for which interest rates are reset in a periodic auction process. For each of these Series, the rates were reset in weekly auctions. All of the bonds were insured by certain municipal bond insurance companies. In late 2007 and early 2008, the market for ARS was negatively impacted by a number of factors, the principal event being downgrades of the ratings of certain insurers of ARS. These downgrades and other events caused the weekly auctions of the bonds to "fail", meaning that insufficient bids were received to permit resale of all of the bonds. In the event of a failed auction, no bonds are resold, even though some bids were received. In a failed ARS auction, the existing holders of the bonds must continue to hold their bonds until the next successful auction. The procedures applicable to a failed auction included a provision that the interest rate on the bonds resets to a default rate. In the case of the 2004C bonds, the default rate was one-month LIBOR plus 175 basis points. The default rate for the 2006C and D bonds was 12%.

The deferred amount on the refunding of \$30,869,228 recorded as a reduction of the Department's long-term obligation is the difference between the reacquisition price (funds required to refund the old debt including call provisions) and the net carrying amount of the old debt including unamortized old bond issuance costs. The deferred amount on the refunding is recorded to the government-wide financial statements and is required to be amortized as additional interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

• Refunding of Variable Rate Bonds - continued

In April and May, 2008, NMFA, on behalf of the Department, refunded all of the ARS Series 2004C, 2006C, and 2006D, reissuing the bonds as Variable Rate Demand Notes (VRDN). As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The transaction resulted in an economic gain of \$3.1 million. The interest rates for these bonds reset in weekly auctions, as was the case for the ARS. The principal difference between the ARS and the VRDN is that the ARS were credit-enhanced with insurance, while the VRDN are supported by bank letters of credit. The following bonds were issued:

	<u>Par Value</u>
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A	\$ 115,200,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B	220,000,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C	84,800,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008D (Taxable)	<u>50,400,000</u>
Total	\$ <u>470,400,000</u>

All of the above refunding bonds were issued at par. The Department provided additional funds totaling \$2,043,624 to pay for the cost of issuance of the bonds.

• Derivative Instruments

At the time of the 2004 GRIP bond issuance, NMFA, on behalf of the Department, entered into interest rate exchange agreements ("swaps") with respect both to the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately-starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

In all of the swaps, NMFA, on behalf of the Department, receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has the effect of converting the variable rate bonds to "synthetic fixed-rate" issues.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

• Derivative Instruments - continued

As in the case of the GRIP bonds, NMFA has entered into the swaps as an agent for the Department. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the 2008 A through D Series).

• Objectives of the Swaps

The objective in entering into the swap agreements was to obtain a lower interest cost for the 2004 bonds than could have been obtained at the time had they been issued as fixed-rate bonds. With respect to the planned 2006, issuance, NMFA believed in 2004 that it would be desirable to “lock in” a synthetic fixed rate of 5% or less for a portion of the bonds anticipated to be issued in 2006.

• Significant Terms

2004 Swaps:

Counterparty	Royal Bank of Canada	Goldman Sachs	Lehman Brothers*
Notional Amount	\$100,000,000	\$50,000,000	\$50,000,000
Receipt Rate	68 % of 1 month LIBOR**	68 % of 1 month LIBOR**	68 % of 1 month LIBOR**
Payment Rate (Synthetic Fixed Rate)	3.934%	3.934%	3.934%
Embedded Option(s)	None	None	None
Effective Date	May 20, 2004	May 20, 2004	May 20, 2004
Termination Date:	June 15, 2024	June 15, 2024	June 15, 2024

* On October 6, 2008, as discussed below, Lehman Brothers was replaced as the counterparty by Deutsche Bank. The significant terms of the Deutsche Bank swap are the same as the Lehman Brothers swap.

**For the period May 20, 2004 to June 15, 2006 the rate was the BMA Municipal Swap Index

11. LONG-TERM OBLIGATIONS - continued

• Significant Terms - continued

2006 Forward Starting Swaps:

Counterparty	JPMorgan Chase Bank	UBS AG
Notional Amount	\$110,000,000	\$110,000,000
Receipt Rate	SIFMA Municipal Swap Index	SIFMA Municipal Swap Index
Payment Rate	5.072%	5.072%
Embedded Option(s)	"Knockout" option – Counterparty may cancel if the index remains above 7% for more than 180 days	"Knockout" option – Counterparty may cancel if the index remains above 7% for more than 180 days
Option premium to NMFA	0.34%	0.34%
Net payment rate ("Synthetic Fixed Rate"), equals the payment rate less option premium	4.732%	4.732%
Effective Date	December 15, 2006	December 15, 2006
Termination Date:	December 15, 2026	December 15, 2026

No cash was paid or received at the initiation of any of the above swaps.

• Fair Value

The estimated fair value of the swaps at June 30, 2008 was as follows:

<u>Counterparty</u>	<u>Notional Value</u>	<u>Fair Value*</u>
Goldman Sachs	\$ 50,000,000	(3,569,145)
Deutsche	50,000,000	(3,569,145)
Royal Bank of Canada	100,000,000	(7,138,291)
JPMorgan Chase Bank	110,000,000	(17,327,912)
UBS AG	<u>110,000,000</u>	<u>(17,327,912)</u>
Total	\$ <u>420,000,000</u>	<u>(48,932,405)</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

- **Fair Value - continued**

*The Fair Value is the estimated amount that would have been paid by NMFA on behalf of the Department to the counterparties if the agreements had been terminated at June 30, 2008 under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2008.

- **Associated Debt**

<u>Variable Rate Debt*</u>			<u>2008 Debt Service</u>		<u>Net Swap</u>	<u>Total</u>	<u>Actual</u>
			<u>Principal</u>	<u>Interest</u>	<u>Made (Received)</u>		<u>Synthetic</u>
Series 2008A and C	\$	200,000,000	-	7,520,995	1,864,390	9,385,385	4,693%
Series 2008B		220,000,000	-	8,360,775	2,890,693	11,251,468	5.114%

*The interest and swap payments for these bonds include the payments for the 2004 and 2006 Series bonds that the 2008 series bonds replaced during the fiscal year.

- **Replacement of Counterparty**

The terms of the agreements with the swap counterparties provide that a bankruptcy filing is an event that terminates the agreement. In September 2008, Lehman Brothers, one of the counterparties for the 2004 swaps, filed for bankruptcy. NMFA, on behalf of the Department, evaluated a number of options and replaced Lehman Brothers with Deutsche Bank as the counterparty for this swap. All significant terms of the new agreement with Deutsche Bank remain the same as the original Lehman Brothers agreement. At the closing of the transaction on October 6, 2008, Deutsche Bank paid the then-current termination value as provided by the original agreement. The amount paid was calculated pursuant to the agreement to be \$4,840,000. This was approximately \$300,000 greater than the amount due Lehman Brothers, which was calculated, per the agreement, as of September 23, 2008, a termination date triggered by the bankruptcy filing. The excess funds were deposited in a debt service account and will be used to make debt service payments on the bonds.

11. LONG-TERM OBLIGATIONS - continued

- **Risks**

Credit Risk. Credit risk is the possibility that a counterparty will not fulfill its obligations.

The credit ratings of the counterparties, at October 10, 2008, were:

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
Royal Bank of Canada	Aaa	AA-	AA
Goldman Sachs	Aaa	AAA	NR
Deutsche Bank	Aa1	AA-	AA-
JP Morgan Chase	Aaa	AA	AA-
UBS AG	Aa2	AA-	AA-

Presently NMFA, on behalf of the Department, has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to NMFA if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. No termination value currently exceeds these limits, and, accordingly, no collateral is posted. The swap agreements permit the netting of amounts owed between NMFA and the counterparty, mitigating, to some extent, the level of credit risk that would exist if NMFA were owed a termination value by a counterparty. NMFA believes it has an adequate degree of diversification with regard to counterparties.

Interest Rate Risk. The knock-out option in the 2006 swaps leaves NMFA, on behalf of the Department, open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and NMFA would have outstanding unhedged variable rate debt in a 7% interest rate environment.

Basis Risk. Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. NMFA, on behalf of the Department, has little or no such risk with respect to the 2004 bonds as the 2004 swaps pay a variable rate equal to the SIFMA Municipal Swap index which has very closely approximated, historically, the rates paid on variable rate municipal debt. NMFA has basis risk, however, with respect to the 2006 swaps. The variable rate NMFA receives with respect to the 2006 swaps is 68% of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal; Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2006 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated.

11. LONG-TERM OBLIGATIONS - continued

- **Risks - continued**

Basis Risk – continued. One event that would cause a divergence between the indices is a significant change in U.S. income tax rates. This might result in 68% of LIBOR no longer approximating the tax-exempt rate set by the market for NMFA's variable rate debt.

- **Termination Risk**

The unplanned termination of one or more of the swaps exposes NMFA, on behalf of the Department, to the possibility that the synthetic fixed rate expected to be obtained on the variable rate debt will not, in fact, be achieved. The swap agreements contain the standard ISDA provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, NMFA, but not the counterparties, can terminate the swaps at any time with 30-day notice. As discussed above, an unplanned termination occurred due to the bankruptcy filing by Lehman Brothers. In this situation, NMFA was successful in replacing the counterparty with another on the same terms, resulting in no loss to NMFA. There can be no assurance that the same result could be obtained if other unplanned terminations occur in the future.

- **Interest Rate Swaps**

Swap Payments and Associated Debt. As of June 30, 2008, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending	Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
June 30				
2009	\$ -	7,868,000	510,000	8,378,000
2010	-	7,868,000	510,000	8,378,000
2011	-	7,868,000	510,000	8,378,000
2012	-	7,868,000	510,000	8,378,000
2013	-	7,868,000	510,000	8,378,000
2014 - 2018	-	39,340,000	2,550,000	41,890,000
2019 - 2023	-	39,340,000	2,550,000	41,890,000
2024	<u>200,000,000</u>	<u>5,335,487</u>	<u>345,844</u>	<u>205,681,331</u>
	\$ <u>200,000,000</u>	<u>123,355,487</u>	<u>7,995,844</u>	<u>331,351,331</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

- **Bonds Issued by NMFA**

The following bonds were issued by the New Mexico Finance Authority (Authority) in an agency capacity on behalf of the Department of Transportation during the fiscal year:

State Transportation Series 2006A Revenue Bonds. On September 19, 2006, the Authority issued \$150,000,000 of State Transportation, Series 2006A Revenue Bonds. The Series 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$121,146,936, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006A GRIP:	-	-	-
2009	\$ -	7,477,408	7,477,408
2010	-	7,477,408	7,477,408
2011	-	7,477,408	7,477,408
2012	240,000	7,472,608	7,712,608
2013	195,000	7,472,608	7,667,608
2014 - 2018	11,055,000	28,985,375	40,040,375
2019 - 2023	18,020,000	32,355,181	50,375,181
2024 - 2027	<u>120,490,000</u>	<u>22,428,942</u>	<u>142,918,942</u>
Total	\$ <u>150,000,000</u>	<u>121,146,938</u>	<u>271,146,938</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

- Bonds Issued by NMFA - continued

State Transportation Series 2006B Revenue Bonds. On September 19, 2006, the Authority issued \$39,005,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The Series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$16,562,493, is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006B GRIP:			
2009	\$ 3,165,000	1,538,238	4,703,238
2010	2,345,000	1,432,350	3,777,350
2011	2,100,000	1,346,946	3,446,946
2012	1,225,000	1,283,585	2,508,585
2013	1,270,000	1,283,585	2,553,585
2014 - 2018	5,630,000	4,361,039	9,991,039
2019 - 2023	8,670,000	3,875,500	12,545,500
2024 - 2027	<u>11,105,000</u>	<u>1,441,250</u>	<u>12,546,250</u>
Total	\$ <u>35,510,000</u>	<u>16,562,493</u>	<u>52,072,493</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

• Bonds Issued by NMFA - continued

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A in the amount of \$115,200,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008A bonds are being issued by the New Mexico Finance Authority (NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$71,252,761, is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008A GRIP:			
2009	\$ -	4,531,968	4,531,968
2010	-	4,531,968	4,531,968
2011	-	4,531,968	4,531,968
2012	-	4,531,968	4,531,968
2013	-	4,531,968	4,531,968
2014 – 2018	-	22,659,840	22,659,840
2019 - 2023	37,080,000	22,659,840	59,739,840
2024	<u>78,120,000</u>	<u>3,273,241</u>	<u>81,393,241</u>
Total	\$ <u>115,200,000</u>	<u>71,252,761</u>	<u>186,452,761</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

• Bonds Issued by NMFA - continued

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B in the amount of \$220,000,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008B bonds are being issued by the New Mexico Finance Authority (NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$181,562,108, is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008B GRIP:			
2009	\$ -	10,410,400	10,410,400
2010	-	10,410,400	10,410,400
2011	-	10,410,400	10,410,400
2012	-	10,410,400	10,410,400
2013	-	10,410,400	10,410,400
2014 - 2018	-	52,052,000	52,052,000
2019 - 2023	11,200,000	52,052,000	63,252,000
2024 - 2027	<u>208,800,000</u>	<u>25,406,108</u>	<u>234,206,108</u>
Total	\$ <u>220,000,000</u>	<u>181,562,108</u>	<u>401,562,108</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

• Bonds Issued by NMFA - continued

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C in the amount of \$84,800,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008C bonds are being issued by the New Mexico Finance Authority (NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$52,302,727, is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008C GRIP:			
2009	\$ -	3,336,032	3,336,032
2010	-	3,336,032	3,336,032
2011	-	3,336,032	3,336,032
2012	-	3,336,032	3,336,032
2013	-	3,336,032	3,336,032
2014 - 2018	-	16,680,160	16,680,160
2019 - 2023	27,295,000	16,680,160	43,975,160
2024	<u>57,505,000</u>	<u>2,262,247</u>	<u>59,767,247</u>
Total	\$ <u>84,800,000</u>	<u>52,302,727</u>	<u>137,102,727</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

- **Bonds Issued by NMFA - continued**

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008D in the amount of \$50,400,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008D bonds are being issued by the New Mexico Finance Authority (NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$18,648,000, is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008D GRIP:			
2009	\$ -	1,008,000	1,008,000
2010	-	1,008,000	1,008,000
2011	-	1,008,000	1,008,000
2012	-	1,008,000	1,008,000
2013	-	1,008,000	1,008,000
2014 - 2018	-	5,040,000	5,040,000
2019 - 2023	-	5,040,000	5,040,000
2024 - 2027	<u>50,400,000</u>	<u>3,528,000</u>	<u>53,928,000</u>
Total	\$ <u>50,400,000</u>	<u>18,648,000</u>	<u>69,048,000</u>

- **Capital Leases**

There are no future minimum lease obligations to report as of June 30, 2008.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS - continued

Total future principal and interest obligation repayments are as follows:

<u>Year Ended June 30,</u>		<u>Bonds</u>
2009	\$	159,883,553
2010		159,882,154
2011		149,563,256
2012		135,884,713
2013		147,262,388
2014 – 2018		552,053,123
2019 – 2023		760,016,414
2024 – 2027		<u>630,194,150</u>
Total	\$	<u>2,694,739,751</u>

An obligation amounting to \$7,385,466 at June 30, 2008, has been recorded to the government-wide financial statements representing the Department's commitment for accrued vacation, sick leave and other compensated absences.

12. REVERSIONS

Current year reversions due to the State General Fund as of June 30, 2008 were as follows:

		<u>SHARE System</u> <u>Fund 10070</u>
2008 reversions	\$	400,623

13. 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.

13. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION - continued**• Funding Policy**

Plan members are required to contribute 7.42% of their gross salary. The Department's is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2008, 2007 and 2006 were \$15,997,412, \$14,933,952 and \$15,199,631, respectively, equal to the amount of the required contribution for each year.

14. 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 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

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

- **Funding Policy - continued**

the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Department's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$1,218,924, \$1,201,755 and \$1,146,926, respectively, which equal the required contributions for each year.

15. COOPERATIVE AND JOINT POWERS AGREEMENTS

The State Legislature and the State Highway Commission have approved certain agreements between the Department and various counties, municipalities and other agencies to construct or improve public highways, school grounds, parking areas, and for the purpose of litter control. The Department's funding responsibility varies from zero to 100%. None of these cooperative and joint powers agreements have created legally separate organizations that need to be included as component units or joint ventures in the Department's financial statements.

JOINT POWERS AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2008
J00074	Pueblo of Laguna	Miscellaneous construction, to include geotechnical and engineering fees for pedestrian, bikeway and roadway improvements at entrance to new Laguna-Acoma High School on Casa Blanca Road.	-
J00131	City of Albuquerque	Bicycle/pedestrian safety program.	3,340
J00640	City of Albuquerque	Highway maintenance and beautification.	58,826

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS – continued

JOINT POWERS AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2008
J00671	City of Albuquerque	Bicycle Travel Demand Management Program/ CN 7366.	90,244
J00682	Navajo Nation	Survey, archaeological clearance and environmental assessment of and improvements to roads in the Rock Springs Chapter in McKinley County.	-
J00686	Pueblo of Acoma	Fund and share the conduct of a feasibility study to replace the Acomita Interchange on I-40.	-
J00692	Village of Tularosa	Construction and remodeling of the existing police department and converting it to the Tularosa Welcome Center/CN 7530.	-
J00694	Navajo Nation	Purchase and install school zone warning signals and speed sign on NM 491/CN 7782.	-
J00695	Navajo Nation	Pave roads for the Thoreau Chapter of the Navajo Nation/CN 7742.	-
J00697	Ohkay Owingeh/San Juan Pueblo	Miscellaneous construction to include the San Juan Pueblo parking area.	-
J00698	NM Institute of Mining & Technology	Severance Tax Agreement for Water Canyon Road/CN 1339.	120,116
J00699	Pueblo of Acoma	Construction of "SP 26", an all weather access road/CN 86581.	-
J00700	City of El Paso, Texas	Replacement of the bridge and culverts on Sunland Park Drive/CN 4035/TC 6301(4).	-
J00701	NM Energy, Minerals and Natural Resources Dept.	Establish a framework to acquire, enhance and maintain approximately 130 acres of wetland habitat in Santa Rosa.	-
J00703	NM Energy, Minerals and Natural Resources Dept.	Provide inmate work crews for improving natural resources and safety on public lands and roads.	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2008
J00704	Pueblo of Laguna	Miscellaneous construction to include geotechnical and engineering fees for pedestrian, bikeway and roadway improvements at entrances to new Laguna-Acoma High.	215,000
J00707	Pueblo of Zuni	A pedestrian travel demand study for Black Rock Community.	-
J00708	Navajo Nation	Road improvements and a maintenance yard at the Bread Springs Chapter of Navajo Nation in McKinley County.	-
J00709	NM Department of Cultural Affairs	Provide FY 2006 – 2010 Consultant Design Program to maintain an inventory of cultural properties in the State of New Mexico.	-
J00711	NM Office of Cultural Affairs	Provide FY 2006 – 2010 Consultant Design Program for the review of cultural resource documents pertinent to the completion of proposed highway construction project in New Mexico.	-
J00713	Pueblo of Zuni	Install two traffic school flashing units on State Road 53 Priority (2) BIA Route 301 North Zuni High School.	-
J00714	Pueblo of Laguna	Provide for the design and improvement of the Exit 108 Interchange on Interstate Highway 40 and BIA Road L22 on the Pueblo of Laguna Indian Reservation.	-
J00717	NM Tourism Department	Design and construct the Special Attraction Component of the Glenrio and Manuelito rest areas/visitor information centers.	-
J00718	Pueblo of Acoma	Construction, re-construction of various streets on Pueblo of Acoma Indian Reservation.	-
J00721	Navajo Nation	Plan, design and construct various road improvements in McKinley, San Juan and Sandoval counties.	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2008
J00722	Navajo Nation	Acquire Right of Way.	-
J00724	Pueblo of Acoma	Road improvements on Skyline Road, Acoma Route 32 for 0.8 miles, to include 3 inch mill/inlay for pavement, sidewalks, new curb and gutter, street lighting, 2 crosswalks at school crossing, drainage culverts, signing, marking.	-
J00725	Pueblo of Acoma	Construction, reconstruction for various streets for the Pueblo of Acoma in Acoma Indian Reservation.	-
J00726	Pueblo of Acoma	Construction of Acomita Road, Pueblo of Acoma Indian Reservation, Acomita Road SP30(12)2 & 4 (clearing and grubbing, roadway excavation, Portland cement standard curb and gutter.	-
J00727	Pueblo of Santa Clara	Maintain traffic signal at NM 30 and Puye Road.	-
J00729	Navajo Nation	Plan, design and construct road and culvert improvements.	-
J00730	NM Corrections Department	Utilize supervised inmates to perform minor highway maintenance and beautification.	315,739
J00731	Acoma Pueblo	Road improvements on Skyline Road, Acoma Route 32 for 0.8 miles, to include 3 inch mill/inlay for pavement, sidewalks for .8 miles, new curb and gutter for .3 miles, street lighting, 2 crosswalks at school crossing, drainage culverts, signing and markings.	-
J00734	Pueblo of Zia	Acquisition of rights of way, planning, design and construction drainage and paving improvements in Zia Pueblo.	-
J00735	Tesuque Pueblo	Safety enhancements, including acquisition of rights of way, planning, design and construction for pedestrian and school areas and for the purchase of an emergency vehicle in the Pueblo of Tesuque in Santa Fe County.	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2008
J00736	Mescalero Apache Tribe	Study of alternate routes and the acquisition of rights of way, planning, design and construction of roadway drainage and paving improvements to Ski Apache access road in Otero County.	-
J00737	Pueblo of Sandia	Acquisition of right of way, planning, design and construction of railroad crossing safety improvement in the Pueblo of Sandia in Sandoval County.	-
J00738	Pueblo of Pojoaque	Acquisition of rights of way, planning, design and construction, drainage, safety and paving improvements, including sidewalks and new road construction for housing subdivisions and pedestrian and bike trails in the Pueblo of Pojoaque in Santa Fe County.	-
J00739	Jicarilla Apache Nation	Acquisition of rights of way, planning, design and construction, drainage, safety and paving improvements, sidewalks and street lighting to Sandhill Drive in the Jicarilla Apache Nation in Rio Arriba County.	-
J00740	NM Environment Department	Joint sponsorship of a position of employment at the NMED Surface Water Quality Bureau.	-
J00741	Pueblo of Picuris	Renovate roadways, including acquisition of right of way, planning, design and construction, drainage and paving improvements in the Pueblo of Picuris in Taos County.	-
J00743	Pueblo of Sandia	Plan, design and construct improvements to streets at the Pueblo of Sandia in Sandoval County.	-
J00744	Sierra County	Acquire land, plan, design, construct, furnish and equip the Southwest Regional Spaceport in Sierra County; acquire rights of way, plan, design and construct drainage and paving improvements in Sierra County and Dona Ana County that are related to the Spaceport.	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2008
J00745	Pueblo of Sandia	Specify and delineate the rights and duties related to the NM 313 (4 th Street/NM 556-Roy Avenue) intersection. CN D3086/Project No. TPU-0313 (5).	-
J00746	Pueblo of Acoma	Pavement rehabilitation and reconstruction of various roads within the Pueblo of Acoma.	-
J00747	Taos Pueblo	Construction of Hail Road through Pueblo Land on a new alignment and signalization of the intersection with US 64 within the Town of Taos city limits.	-
J00748	Pueblo of Zuni	Acquisition of right of way, planning, study, design and construction of roadway drainage and paving improvements to BIA Route 301 in the Pueblo of Zuni in McKinley County.	-
J00749	Pueblo of Acoma	Acquisition of right of way, planning, study, design and construction of new bridge and roadway drainage and paving improvement for a railroad grade separation bridge connecting Bureau of Indian Affairs Road 30 and 36 in the Pueblo of Acoma in Cibola County.	-
J00750	Pueblo of Nambe	Acquisition of right of way, planning, study, design and construction of roadway drainage and paving improvements to Alabama Street in the Pueblo of Nambe in Santa Fe County.	-
J00751	Pueblo of San Felipe	Acquisition of right of way, planning, design and construction of roadway drainage and bridge replacement for bridge number 8 on State Road 313 in the Pueblo of San Felipe in Sandoval County.	-
J00752	US Department of Interior	To allow the Department to transfer the apportionments, contract authority and obligation authority to BIA to complete the Chaco Wash Bridge and road improvements on Navajo Route 46, in rural area of McKinley County, NM.	-

16. RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the agency carries insurance (Workers' Compensation, Unemployment Compensation, Employee Liability and Transportation Property), with the State of New Mexico Risk Management Division (RMD) of the General Services Department.

There are no pending or known threatened legal proceedings involving material matters to which the Department is party.

17. FEDERAL HIGHWAY ADMINISTRATION (FHWA) AUTHORIZATIONS

The FHWA annually allocates funds to the State of New Mexico, which are available for various federally-sponsored projects. The authorizations expire within two to five years from date of authorization.

In order to obtain funding commitments from FHWA for such allotments, projects must be submitted to and be approved by the FHWA. As of June 30, 2008, the amount of authorizations granted to the State of New Mexico that had not been converted to commitments because FHWA did not award sufficient obligation authority to the Department was \$172,854,909.

18. LITIGATION

The Department is subject to various legal proceedings, claims and liabilities, including right-of-way condemnation proceedings, contractor claims and employee claims, which arise in the ordinary course of the Department's operations. There are various contractor lawsuits and claims against the Department for various reasons. The Department contests these claims and if a likelihood of a loss is probable and can be reasonably estimated, the Department accrues the loss in the accompanying financial statements. In the opinion of the Department's legal counsel, it is possible that contractor claims in excess of \$700,000 may result in potential exposure to the Department, but the exact amount of loss cannot be reasonably estimated and is therefore not accrued in the accompanying financial statements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

19. OPERATING LEASE COMMITMENT

The Department leases certain equipment and premises under numerous operating leases. Leases are subject to future appropriations and as such are cancelable by the Department at the end of a fiscal year. Rental expense for the year ended June 30, 2008, was \$877,228.

The future minimum lease payments under operating leases as of June 30, 2008 are as follows:

Years ending June 30:	<u>Lease Amounts</u>
2009	\$ 796,402
2010	378,134
2011	206,522
2012	81,623
2013	70,158
2014 and thereafter	<u>469,758</u>
	\$ <u>2,002,597</u>

20. COMMITMENTS AND CONTINGENCIES

- **Arbitrage Rebate Obligation**

As of June 30, 2008, the Department has paid all arbitrage rebates due to the Internal Revenue Service (IRS) on the excess interest income earned on the 1999 CHAT and 2000 CHAT bond proceeds.

- **Grant Revenue**

The Department participates in numerous federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Department has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2008 may be impaired. In the opinion of the Department, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

- **Warranty Claim**

The Department has filed a notice of deficiency regarding New Mexico 44 (now U.S. 550) under the design and construction warranty provided by the contractor. The Department has not specified a dollar amount of the cost of the repairs or replacement attributable to its claim made under the warranty. Accordingly, no amount for the claim receivable is accrued for in the June 30, 2008 financial statements.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

21. UNRESERVED, UNDESIGNATED FUND BALANCE (DEFICIT)

The unreserved, undesignated fund balance (deficit) is the component of fund balance that represents the portion of the encumbrances that have not been billed to the applicable funding source.

22. BUDGET TO GAAP RECONCILIATION

	State Road Fund	Severance Tax Bond Fund	Traffic Safety Fund
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 493,637,933	19,256,628	20,392,575
Add: Net change in accruals due to accounts payable past the DFA cut-off	(10,534,897)	(743,920)	(208,220)
Statement of Revenues and Expenditures – Major Governmental Funds – Budget and Actual (Modified Accrual Basis)	\$ 483,103,036	18,512,708	20,184,355
	Local Government Road Fund	Federal Planning and Development	General Fund Appropriations
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 27,052,579	25,238,818	20,721,709
Add: Net change in accruals due to accounts payable past the DFA cut-off	9,233	(384,500)	(1,372,249)
Statement of Revenues and Expenditures – Major Governmental Funds – Budget and Actual (Modified Accrual Basis)	\$ 27,061,812	24,854,318	19,349,460

23. BUDGETED VS. ACTUAL EXPENDITURES

The Department had expenditures that exceeded the final budget expenditures as follows:

- State Road Fund, Business/Program Support, Other Category, in the amount of \$3,152,201
- Traffic Safety Fund, Programs and Infrastructure, Contractual Services Category, in the amount of \$68,803
- 2002A CHAT Bond Project Fund, Programs and Infrastructure, Other Category, in the amount of \$28,958
- 2006A GRIP Bond Project Fund, Operating Transfers, in the amount of \$1,330,500
- 2006C GRIP Bond Project Fund, Operating Transfers, in the amount of \$582,500

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

23. BUDGETED VS. ACTUAL EXPENDITURES - continued

- 2006D GRIP Bond Project Fund, Programs and Infrastructure, Other Category, in the amount of \$1,282
- 2006D GRIP Bond Project Fund, Operating Transfers, in the amount of \$1,655,788
- 2006B GRIP Debt Service Fund, Operating Transfers, in the amount of \$950,478
- 2006C GRIP Debt Service Fund, Business/Program Support, Other Category, in the amount of \$5,155,073
- 2006D GRIP Debt Service Fund, Business/Program Support, Other Category, in the amount of \$1,112,884
- 2008A GRIP Debt Service Fund, Business/Program Support, Other Category, in the amount of \$1,439,214
- 2008B, GRIP Debt Service Fund, Business/Program Support, Other Category, in the amount of \$3,690,337
- 2008C GRIP Debt Service Fund, Business/Program Support, Other Category, in the amount of \$719,304
- 2008D GRIP Debt Service Fund, Business/Program Support, Other Category, in the amount of \$365,800

24. FUND BALANCE RESTATEMENT

To comply with Governmental Accounting Standards Board Statement No. 33 (GASBS 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the Department has changed its accounting treatment of capital project appropriations financed with bond proceeds.

Prior to the change, the Department recognized – in the year the capital project appropriations were authorized by the Legislature – the entire amount of bond proceeds related to capital project appropriations. It also recognized a corresponding liability, due to project recipients, and the expenditure related to that. It did not take into account the impact of eligibility requirements: under the modified accrual basis of accounting, GASBS 33 requires that the recognition of revenues and expenditures occur only when all applicable eligibility requirements have been met. Since all of the eligibility requirements established by the State Board of Finance had not been met by the end of the last fiscal year, the Department's recognition of bond proceeds and the related liability to recipients was premature. As a result of the restatement, the June 30, 2008 fund balance in the Severance Tax Bond Fund (10060) was decreased by \$2,709,582.

REQUIRED SUPPLEMENTARY INFORMATION

AS OF JUNE 30, 2008

	Local Government Road Fund	Traffic Safety Fund (SHARE Fund 20800)	State Aviation Fund (SHARE Fund 20500)	Motorcycle Training Fund (SHARE Fund 20600)	Driver Improvement Program Fund
ASSETS:					
Cash and cash equivalents (Note 2):					
Unrestricted	\$ 19,789,298	10,289,023	3,363,538	280,364	3,191
Restricted	-	-	-	-	-
Receivables:					
Taxes receivable, net	3,623,838	40,311	2,041,236	14,548	-
Accounts Receivable, net (Note 3)	-	-	-	-	-
Severance Tax Bond proceeds receivable (Note 4)	-	-	-	-	-
Due from Other State Agencies	121,996	16,068	-	1,526	-
Due from other funds (Note 7)	-	3,433,008	1,353,106	-	289,704
U.S. Department of Transportation, net (Note 6)	-	5,574,803	494,087	-	-
Interest receivable	-	-	-	-	-
Notes and loans receivable (Note 5)	-	-	-	-	-
Other receivables	-	-	14,081	-	-
TOTAL ASSETS	\$ 23,535,132	19,353,213	7,266,048	296,438	292,895
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 4,121,989	4,452,695	110,706	-	-
Due to other funds (Note 7)	1,826,039	6,160,782	639,276	-	-
Payable to other governments	-	-	181,733	-	-
Due to State General Fund	-	-	-	-	-
Deferred revenue	121,996	3,614,270	14,081	1,527	-
Due to others - severance	-	-	-	-	-
Other accrued expenses	-	145,215	3,276	-	-
Other payables	-	-	-	-	-
TOTAL LIABILITIES	6,070,024	14,372,962	949,072	1,527	-
FUND BALANCES:					
Reserved for:					
Inventories	-	-	-	-	-
Encumbrances	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Debt service	-	-	-	-	-
Other purposes	-	-	-	-	-
Unreserved - undesignated (Note 21)	-	-	-	-	-
Unreserved, reported in non-major:					
Special revenue funds	17,465,108	4,980,251	6,316,976	294,911	292,895
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
TOTAL FUND BALANCES	17,465,108	4,980,251	6,316,976	294,911	292,895
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,535,132	19,353,213	7,266,048	296,438	292,895

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet - By Fund Type -
Non-major Governmental Funds

Special Revenue Funds					
DWI Prevention and Education Fund (SHARE Fund 20700)	Bond Project Fund (1993 Bonds) (Fund 39400)	Bond Project Fund (1998 & 1999 CHAT)	Bond Project Fund (2000 CHAT)	Bond Project Fund (2001 CHAT)	Bond Project Fund (2002A CHAT)
1,018,771	-	-	-	-	-
-	1,605,586	241,049	6,675	9,424,555	154,124
31,850	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	9,327	1,401	29	-	896
-	-	3,088,612	1,788,987	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	275	-
<u>1,050,621</u>	<u>1,614,913</u>	<u>3,331,062</u>	<u>1,795,691</u>	<u>9,424,830</u>	<u>155,020</u>
-	-	-	-	-	-
31,895	37,804	1,224,580	3,682,444	986,446	2,020,149
-	-	-	-	-	-
-	-	-	-	-	-
-	9,327	1,401	29	-	896
-	-	-	-	-	-
8,497	-	-	-	-	-
-	-	-	-	-	-
40,392	47,131	1,225,981	3,682,473	986,446	2,021,045
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,010,229	1,567,782	2,105,081	(1,886,782)	8,438,384	(1,866,025)
-	-	-	-	-	-
<u>1,010,229</u>	<u>1,567,782</u>	<u>2,105,081</u>	<u>(1,886,782)</u>	<u>8,438,384</u>	<u>(1,866,025)</u>
<u>1,050,621</u>	<u>1,614,913</u>	<u>3,331,062</u>	<u>1,795,691</u>	<u>9,424,830</u>	<u>155,020</u>

See Independent Auditors' Report.

AS OF JUNE 30, 2008

	Bond Project Fund (2002C HIF)	Bond Project Fund (2002D CHAT)	Federal Planning and Development Fund	Bond GRIP Project Fund (2006B)	Bond GRIP Project Fund (2006D)
ASSETS:					
Cash and cash equivalents (Note 2):					
Unrestricted	\$ -	-	(1,383,955)	-	-
Restricted	1,282,448	767,090	853,317	149,785	50,179,007
Receivables:					
Taxes receivable, net	-	-	-	-	-
Accounts Receivable, net (Note 3)	-	-	-	-	-
Severance Tax Bond proceeds receivable (Note 4)	-	-	-	-	-
Due from Other State Agencies	7,451	4,457	-	-	-
Due from other funds (Note 7)	-	-	14,860	-	-
U.S. Department of					
Transportation, net (Note 6)	-	-	683,634	-	-
Interest receivable	-	-	-	-	1,282
Notes and loans receivable (Note 5)	-	-	-	-	-
Other receivables	-	-	694,547	-	-
TOTAL ASSETS	\$ 1,289,899	771,547	862,403	149,785	50,180,289
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ -	-	2,273,209	-	79,657
Due to other funds (Note 7)	-	142,904	841,299	-	-
Payable to other governments	-	-	21,930	-	-
Due to State General Fund	-	-	-	-	-
Deferred revenue	7,451	4,457	520,473	-	-
Due to others - severance	-	-	-	-	-
Other accrued expenses	-	-	211,751	-	-
Other payables	-	-	-	-	-
TOTAL LIABILITIES	7,451	147,361	3,868,662	-	79,657
FUND BALANCES:					
Reserved for:					
Inventories	-	-	-	-	-
Encumbrances	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Debt service	-	-	-	-	-
Other purposes	-	-	-	-	-
Unreserved - undesignated (Note 21)	-	-	-	-	-
Unreserved, reported in non-major:					
Special revenue funds	1,282,448	624,186	(3,006,259)	149,785	50,100,632
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
TOTAL FUND BALANCES	1,282,448	624,186	(3,006,259)	149,785	50,100,632
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,289,899	771,547	862,403	149,785	50,180,289

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet - By Fund Type -
Non-major Governmental Funds - continued

Special Revenue Funds				
10060 - Severance Tax Bonds	10070 - Gen Fund Multi Year	Total Special Revenue Funds	Capital Project Improvements Fund	Total Capital Project Funds
-	-	33,360,230	-	-
(8,649,323)	119,182,809	175,197,122	(8,988,138)	(8,988,138)
-	-	5,751,783	-	-
-	-	-	-	-
12,817,132	-	12,817,132	-	-
-	773,000	936,151	-	-
28,508,396	21,834,003	60,310,676	14,190,681	14,190,681
-	-	6,752,524	-	-
-	-	1,282	-	-
-	-	-	-	-
-	-	708,903	600,000	600,000
<u>32,676,205</u>	<u>141,789,812</u>	<u>295,835,803</u>	<u>5,802,543</u>	<u>5,802,543</u>
2,747,153	2,379,366	16,164,775	44,954	44,954
33,186,068	1,338,933	52,118,619	10,624	10,624
-	525,000	728,663	-	-
-	400,623	400,623	-	-
-	-	4,295,908	-	-
-	-	-	-	-
-	-	368,739	-	-
-	-	-	-	-
35,933,221	4,643,922	74,077,327	55,578	55,578
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(3,257,016)	137,145,890	221,758,476	-	-
-	-	-	5,746,965	5,746,965
-	-	-	-	-
<u>(3,257,016)</u>	<u>137,145,890</u>	<u>221,758,476</u>	<u>5,746,965</u>	<u>5,746,965</u>
<u>32,676,205</u>	<u>141,789,812</u>	<u>295,835,803</u>	<u>5,802,543</u>	<u>5,802,543</u>

See Independent Auditors' Report.

AS OF JUNE 30, 2008

	Debt Service (2001 CHAT)	Debt Service (WIPP Bonds)	Debt Service (1998 CHAT)	Debt Service (1999 CHAT)	Debt Service (2000 CHAT)
ASSETS:					
Cash and cash equivalents (Note 2):					
Unrestricted	\$ -	-	-	-	-
Restricted	1,755,663	139,439	181,113	821,119	1,281,848
Receivables:					
Taxes receivable, net	-	-	-	-	-
Accounts Receivable, net (Note 3)	-	-	-	-	-
Severance Tax Bond proceeds receivable (Note 4)	-	-	-	-	-
Due from Other State Agencies	-	-	-	-	-
Due from other funds (Note 7)	-	13,829	-	-	-
U.S. Department of					
Transportation, net (Note 6)	-	-	-	-	-
Interest receivable	20,720	1,930	1,284	10,581	15,665
Notes and loans receivable (Note 5)	-	-	-	-	-
Other receivables	-	-	-	-	-
TOTAL ASSETS	\$ 1,776,383	155,198	182,397	831,700	1,297,513
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ -	-	-	-	-
Due to other funds (Note 7)	-	-	-	-	-
Payable to other governments	-	-	-	-	-
Due to State General Fund	-	-	-	-	-
Deferred revenue	-	4	810	1,527	1,166
Due to others - severance	-	-	-	-	-
Other accrued expenses	-	-	-	-	-
Other payables	-	-	-	-	-
TOTAL LIABILITIES	-	4	810	1,527	1,166
FUND BALANCES:					
Reserved for:					
Inventories	-	-	-	-	-
Encumbrances	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Debt service	-	-	-	-	-
Other purposes	-	-	-	-	-
Unreserved - undesignated (Note 21)	-	-	-	-	-
Unreserved, reported in non-major:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	1,776,383	155,194	181,587	830,173	1,296,347
TOTAL FUND BALANCES	1,776,383	155,194	181,587	830,173	1,296,347
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,776,383	155,198	182,397	831,700	1,297,513

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet - By Fund Type -
Non-major Governmental Funds - continued

Debt Service Funds						
Debt Service (2002A CHAT)	Debt Service (2002B WIPP)	Debt Service (2002C HIF)	Debt Service (2002D CHAT)	Debt Service (2004A GRIP)	Debt Service (2006A GRIP)	Debt Service (2006B GRIP)
-	-	-	-	-	-	-
761,947	789,451	130,741	52,518	1,699,547	-	1,350,612
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	83,855	673,110	416,459
-	-	-	-	-	-	-
9,075	9,119	1,233	-	20,320	2,957	3,685
-	-	-	-	-	-	-
<u>771,022</u>	<u>798,570</u>	<u>131,974</u>	<u>52,518</u>	<u>1,803,722</u>	<u>676,067</u>	<u>1,770,756</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	966,927
-	-	-	-	-	-	-
477	635	355	73	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>477</u>	<u>635</u>	<u>355</u>	<u>73</u>	<u>-</u>	<u>-</u>	<u>966,927</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>770,545</u>	<u>797,935</u>	<u>131,619</u>	<u>52,445</u>	<u>1,803,722</u>	<u>676,067</u>	<u>803,829</u>
<u>770,545</u>	<u>797,935</u>	<u>131,619</u>	<u>52,445</u>	<u>1,803,722</u>	<u>676,067</u>	<u>803,829</u>
<u>771,022</u>	<u>798,570</u>	<u>131,974</u>	<u>52,518</u>	<u>1,803,722</u>	<u>676,067</u>	<u>1,770,756</u>

See Independent Auditors' Report.

AS OF JUNE 30, 2008

	Debt Service Funds			
	Debt Service (2006C GRIP)	Debt Service (2006D GRIP)	Debt Service (2008A GRIP)	Debt Service (2008B GRIP)
ASSETS:				
Cash and cash equivalents (Note 2):				
Unrestricted	\$ -	-	-	-
Restricted	1,457	-	341,901	213,462
Receivables:				
Taxes receivable, net	-	-	-	-
Accounts Receivable, net (Note 3)	-	-	-	-
Severance Tax Bond proceeds receivable (Note 4)	-	-	-	-
Due from Other State Agencies	-	-	-	-
Due from other funds (Note 7)	-	401,278	436	-
U.S. Department of Transportation, net (Note 6)	-	-	-	-
Interest receivable	-	-	1,757	5,162
Notes and loans receivable (Note 5)	-	-	-	-
Other receivables	-	-	-	-
TOTAL ASSETS	\$ 1,457	401,278	344,094	218,624
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ -	-	-	-
Due to other funds (Note 7)	1,490,847	-	-	436
Payable to other governments	283,444	94,155	-	-
Due to State General Fund	-	-	-	-
Deferred revenue	-	-	-	-
Due to others - severance	-	-	-	-
Other accrued expenses	-	-	-	-
Other payables	-	-	-	-
TOTAL LIABILITIES	1,774,291	94,155	-	436
FUND BALANCES:				
Reserved for:				
Inventories	-	-	-	-
Encumbrances	-	-	-	-
Prepaid expenses	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unreserved - undesignated (Note 21)	-	-	-	-
Unreserved, reported in non-major:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	(1,772,834)	307,123	344,094	218,188
TOTAL FUND BALANCES	(1,772,834)	307,123	344,094	218,188
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,457	401,278	344,094	218,624

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet - By Fund Type -
Non-major Governmental Funds - continued

<u>Debt Service (2008C GRIP)</u>	<u>Debt Service (2008D GRIP)</u>	<u>Total Debt Service Funds</u>	<u>Total - Other Governmental Funds</u>
-	-	-	33,360,230
-	559,045	10,079,863	176,288,847
-	-	-	-
-	-	-	5,751,783
-	-	-	-
-	-	-	12,817,132
-	-	-	936,151
-	-	1,588,967	76,090,324
-	-	-	-
-	-	-	6,752,524
1,117	1,004	105,609	106,891
-	-	-	-
-	-	-	1,308,903
<u>1,117</u>	<u>560,049</u>	<u>11,774,439</u>	<u>313,412,785</u>
-	-	-	-
-	-	-	16,209,729
-	-	1,491,283	53,620,526
-	-	1,344,526	2,073,189
-	-	-	400,623
-	-	5,047	4,300,955
-	-	-	-
-	-	-	368,739
-	-	-	-
-	-	2,840,856	76,973,761
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	221,758,476
-	-	-	5,746,965
<u>1,117</u>	<u>560,049</u>	<u>8,933,583</u>	<u>8,933,583</u>
<u>1,117</u>	<u>560,049</u>	<u>8,933,583</u>	<u>236,439,024</u>
<u>1,117</u>	<u>560,049</u>	<u>11,774,439</u>	<u>313,412,785</u>

AS OF JUNE 30, 2008

	Special Revenue Funds					
	Local Government Road Fund (SHARE Fund 20300)	Traffic Safety Fund (SHARE Fund 20800 and 82600)	State Aviation Fund (SHARE Fund 20500)	Motorcycle Training Fund (SHARE Fund 20600)	Driver Improvement Program Fund	DWI Prevention and Education Fund (SHARE Fund 20700)
REVENUES:						
User and fuel taxes	\$ 23,100,192	1,498,994	5,857,165	280,236	184,947	331,047
U.S. Department of Transportation	-	13,365,749	527,042	-	-	-
U.S. Department of Energy	-	-	-	-	-	-
N.M. Department of Human Services	-	-	-	-	-	-
N.M. Dept. of Finance and Administration	-	-	-	-	-	-
Fees and fines	-	-	-	-	-	-
Licenses and permits	-	492,082	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Miscellaneous	-	-	74,783	-	-	-
DWI Interlock Device	-	300,000	-	-	-	-
Interest Revenue	<u>814,554</u>	<u>80,163</u>	<u>106,560</u>	<u>5,949</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	23,914,746	15,736,988	6,565,550	286,185	184,947	331,047
EXPENDITURES:						
Current:						
Operating costs	-	295	60,834	-	-	-
Personal services	-	411,514	77,726	-	-	23,020
Out-of-state travel	-	26,350	14,300	-	-	-
Grants and services	27,052,579	19,085,974	2,349,777	100,000	193,845	5,349
Travel	-	1,609	4,974	-	-	-
Maintenance and repairs	-	-	81,335	-	-	-
Supplies	-	2,496	16,725	-	-	-
Contractual services	-	717,916	459	-	-	-
Other Costs	-	-	4,227	-	-	-
Employee Benefits	-	146,421	25,821	-	-	9,245
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Variable Interest	-	-	-	-	-	-
Trustee and Broker Fees	-	-	-	-	-	-
Debt refunding costs	-	-	-	-	-	-
Debt issuance cost	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>27,052,579</u>	<u>20,392,575</u>	<u>2,636,178</u>	<u>100,000</u>	<u>193,845</u>	<u>37,614</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,137,833)	(4,655,587)	3,929,372	186,185	(8,898)	293,433
OTHER FINANCING SOURCES (USES):						
Proceeds from long-term debt, net	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-
Special appropriations, net of reversions	-	-	-	-	-	-
Other use	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-
Bond Premiums	-	-	-	-	-	-
Bond Discounts	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	(3,137,833)	(4,655,587)	3,929,372	186,185	(8,898)	293,433
FUND BALANCES, June 30, 2007	20,602,941	9,635,838	2,387,604	108,726	301,793	716,796
RESTATEMENT (NOTE 24)	-	-	-	-	-	-
FUND BALANCES, June 30, 2007, restated	<u>20,602,941</u>	<u>9,635,838</u>	<u>2,387,604</u>	<u>108,726</u>	<u>301,793</u>	<u>716,796</u>
FUND BALANCES, June 30, 2008	\$ <u>17,465,108</u>	<u>4,980,251</u>	<u>6,316,976</u>	<u>294,911</u>	<u>292,895</u>	<u>1,010,229</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - By Fund Type - Non-major Governmental Funds

Bond Project Fund (1993 Bonds) (Fund 39400)	Bond Project Fund (1998 & 1999 CHAT)	Bond Project Fund (2000 CHAT)	Bond Project Fund (2001 CHAT)	Bond Project Fund (2002A CHAT)	Bond Project Fund (2002C HIF)	Bond Project Fund (2002D CHAT)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	207,278	-	50,534	-
-	-	-	-	-	-	-
<u>61,136</u>	<u>9,178</u>	<u>1,886</u>	<u>-</u>	<u>6,045</u>	<u>39,200</u>	<u>29,208</u>
61,136	9,178	1,886	207,278	6,045	89,734	29,208
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	28,958	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,958</u>	<u>-</u>	<u>-</u>
61,136	9,178	1,886	207,278	(22,913)	89,734	29,208
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
61,136	9,178	1,886	207,278	(22,913)	89,734	29,208
1,506,646	2,095,903	(1,888,668)	8,231,106	(1,843,112)	1,192,714	594,978
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,506,646</u>	<u>2,095,903</u>	<u>(1,888,668)</u>	<u>8,231,106</u>	<u>(1,843,112)</u>	<u>1,192,714</u>	<u>594,978</u>
<u>1,567,782</u>	<u>2,105,081</u>	<u>(1,886,782)</u>	<u>8,438,384</u>	<u>(1,866,025)</u>	<u>1,282,448</u>	<u>624,186</u>

See Independent Auditors' Report.

AS OF JUNE 30, 2008

Special Revenue Funds

	Federal Planning and Development Fund	Bond GRIP Project Fund (2006B)	Bond GRIP Project Fund (2006D)	10060 - Severance Tax Bonds	10070 - Gen Fund Multi Year
REVENUES:					
User and fuel taxes	\$ -	-	-	-	-
U.S. Department of Transportation	20,813,532	-	-	-	-
U.S. Department of Energy	-	-	-	-	-
N.M. Department of Human Services	-	-	-	-	-
N.M. Dept. of Finance and Administration	-	-	-	-	-
Fees and fines	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	4,073,612	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous	500,000	-	-	-	-
DWI Interlock Device	-	-	-	-	-
Interest Revenue	524	508,937	1,365,395	-	-
TOTAL REVENUES	25,387,668	508,937	1,365,395	-	-
EXPENDITURES:					
Current:					
Operating costs	-	-	-	-	6
Personal services	298,539	-	-	-	-
Out-of-state travel	-	-	-	-	-
Grants and services	20,034,010	-	-	50,000	167,459
Travel	-	-	-	-	2,334,521
Maintenance and repairs	-	-	-	-	153
Supplies	-	-	-	3,097,179	1,128,150
Contractual services	4,491,741	-	-	-	11,442
Other Costs	328,025	-	1,282	-	64
Employee Benefits	86,503	-	-	-	-
Capital outlay	-	-	-	16,109,449	17,079,914
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Variable Interest	-	-	-	-	-
Trustee and Broker Fees	-	-	-	-	-
Debt refunding costs	-	-	-	-	-
Debt issuance cost	-	-	-	-	-
TOTAL EXPENDITURES	25,238,818	-	1,282	19,256,628	20,721,709
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	148,850	508,937	1,364,113	(19,256,628)	(20,721,709)
OTHER FINANCING SOURCES (USES):					
Proceeds from long-term debt, net	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-
Special appropriations, net of reversions	-	-	-	-	50,228,950
Other use	-	-	-	-	-
Bond Proceeds	-	-	-	19,256,628	-
Bond Premiums	-	-	-	-	-
Bond Discounts	-	-	-	-	-
Transfers in (out)	-	(1,000,000)	(1,655,788)	-	(670,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	(1,000,000)	(1,655,788)	19,256,628	49,558,950
NET CHANGES IN FUND BALANCES	148,850	(491,063)	(291,675)	-	28,837,241
FUND BALANCES, June 30, 2007	(3,155,109)	640,848	50,392,307	(547,434)	108,308,649
RESTATEMENT (NOTE 24)	-	-	-	(2,709,582)	-
FUND BALANCES, June 30, 2007, restated	(3,155,109)	640,848	50,392,307	(3,257,016)	108,308,649
FUND BALANCES, June 30, 2008	\$ (3,006,259)	149,785	50,100,632	(3,257,016)	137,145,890

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - By Fund Type - Non-major Governmental Funds - continued

Capital Projects Funds			Debt Service Funds			
Total Special Revenue Funds	Capital Project Improvements Fund	Total Capital Projects Funds	Debt Service (2001 CHAT)	Debt Service (WIPP Bonds)	Debt Service (1998 CHAT)	Debt Service (1999 CHAT)
31,252,581	-	-	-	-	-	-
34,706,323	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
492,082	-	-	-	-	-	-
-	-	-	-	-	-	-
4,073,612	-	-	-	-	-	-
-	-	-	-	-	-	-
832,595	-	-	-	-	-	-
300,000	-	-	-	-	-	-
<u>3,028,735</u>	<u>-</u>	<u>-</u>	<u>430,605</u>	<u>25,865</u>	<u>15,326</u>	<u>195,718</u>
74,685,928	-	-	430,605	25,865	15,326	195,718
61,135	-	-	-	-	-	-
810,799	-	-	-	-	-	-
40,650	-	-	-	-	-	-
69,038,993	-	-	-	-	-	-
2,341,104	-	-	-	-	-	-
81,488	-	-	-	-	-	-
4,244,550	-	-	-	-	-	-
5,221,558	-	-	-	-	-	-
362,556	-	-	-	-	-	-
267,990	-	-	-	-	-	-
33,189,363	10,400,806	10,400,806	-	-	-	-
-	-	-	17,685,000	-	-	8,370,000
-	-	-	5,508,148	1,751,613	910,200	1,058,925
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>115,660,186</u>	<u>10,400,806</u>	<u>10,400,806</u>	<u>23,193,148</u>	<u>1,751,613</u>	<u>910,200</u>	<u>9,428,925</u>
(40,974,258)	(10,400,806)	(10,400,806)	(22,762,543)	(1,725,748)	(894,874)	(9,233,207)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
50,228,950	6,017,452	6,017,452	-	-	-	-
-	-	-	-	-	-	-
19,256,628	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(3,325,788)</u>	<u>-</u>	<u>-</u>	<u>23,193,148</u>	<u>1,751,613</u>	<u>910,200</u>	<u>9,428,925</u>
<u>66,159,790</u>	<u>6,017,452</u>	<u>6,017,452</u>	<u>23,193,148</u>	<u>1,751,613</u>	<u>910,200</u>	<u>9,428,925</u>
25,185,532	(4,383,354)	(4,383,354)	430,605	25,865	15,326	195,718
199,282,526	10,130,319	10,130,319	1,345,778	129,329	166,261	634,455
<u>(2,709,582)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>196,572,944</u>	<u>10,130,319</u>	<u>10,130,319</u>	<u>1,345,778</u>	<u>129,329</u>	<u>166,261</u>	<u>634,455</u>
<u>221,758,476</u>	<u>5,746,965</u>	<u>5,746,965</u>	<u>1,776,383</u>	<u>155,194</u>	<u>181,587</u>	<u>830,173</u>

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AS OF JUNE 30, 2008

	Debt Service (2000 CHAT)	Debt Service (2002A CHAT)	Debt Service (2002B WIPP)	Debt Service (2002C HIF)	Debt Service (2002D CHAT)	Debt Service (2004A GRIP)
REVENUES:						
User and fuel taxes	\$ -	-	-	-	-	-
U.S. Department of Transportation	-	-	-	-	-	-
U.S. Department of Energy	-	-	-	-	-	-
N.M. Department of Human Services	-	-	-	-	-	-
N.M. Dept. of Finance and Administration	-	-	-	-	-	-
Fees and fines	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
DWI Interlock Device	-	-	-	-	-	-
Interest Revenue	<u>306,704</u>	<u>190,722</u>	<u>190,185</u>	<u>24,638</u>	<u>3,996</u>	<u>464,546</u>
TOTAL REVENUES	306,704	190,722	190,185	24,638	3,996	464,546
EXPENDITURES:						
Current:						
Operating costs	-	-	-	-	-	-
Personal services	-	-	-	-	-	-
Out-of-state travel	-	-	-	-	-	-
Grants and services	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-
Other Costs	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	13,060,000	7,935,000	8,525,000	-	-	-
Interest and other charges	2,420,650	1,982,250	898,500	1,709,524	194,825	36,216,759
Variable Interest	-	-	-	-	-	-
Trustee and Broker Fees	-	-	-	-	-	1,750,000
Debt refunding costs	-	-	-	-	-	-
Debt issuance cost	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>15,480,650</u>	<u>9,917,250</u>	<u>9,423,500</u>	<u>1,709,524</u>	<u>194,825</u>	<u>37,966,759</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,173,946)	(9,726,528)	(9,233,315)	(1,684,886)	(190,829)	(37,502,213)
OTHER FINANCING SOURCES (USES):						
Proceeds from long-term debt, net	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-
Special appropriations, net of reversions	-	-	-	-	-	-
Other use	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-
Bond Premiums	-	-	-	-	-	-
Bond Discounts	-	-	-	-	-	-
Transfers in (out)	<u>15,480,650</u>	<u>9,917,250</u>	<u>9,423,500</u>	<u>1,709,524</u>	<u>194,825</u>	<u>37,966,759</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,480,650</u>	<u>9,917,250</u>	<u>9,423,500</u>	<u>1,709,524</u>	<u>194,825</u>	<u>37,966,759</u>
NET CHANGES IN FUND BALANCES	306,704	190,722	190,185	24,638	3,996	464,546
FUND BALANCES, June 30, 2007	989,643	579,823	607,750	106,981	48,449	1,339,176
RESTATEMENT (NOTE 24)	-	-	-	-	-	-
FUND BALANCES, June 30, 2007, restated	<u>989,643</u>	<u>579,823</u>	<u>607,750</u>	<u>106,981</u>	<u>48,449</u>	<u>1,339,176</u>
FUND BALANCES, June 30, 2008	\$ <u>1,296,347</u>	<u>770,545</u>	<u>797,935</u>	<u>131,619</u>	<u>52,445</u>	<u>1,803,722</u>

See Independent Auditors' Report.

**Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - By Fund Type - Non-major Governmental Funds - continued**

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - By Fund Type - Non-major Governmental Funds - continued

AS OF JUNE 30, 2008

	Debt Service Funds		
	Debt Service (2008D GRIP)	Total Debt Service Funds	Total - Other Governmental Funds
REVENUES:			
User and fuel taxes	\$ -	-	31,252,581
U.S. Department of Transportation	-	-	34,706,323
U.S. Department of Energy	-	-	-
N.M. Department of Human Services	-	-	-
N.M. Dept. of Finance and Administration	-	-	-
Fees and fines	-	-	-
Licenses and permits	-	-	492,082
Intergovernmental	-	-	-
Charges for services	-	-	4,073,612
Investment earnings	-	-	-
Miscellaneous	-	-	832,595
DWV Interlock Device	-	-	300,000
Interest Revenue	<u>1,075</u>	<u>8,938,611</u>	<u>11,967,346</u>
TOTAL REVENUES	1,075	8,938,611	83,624,539
EXPENDITURES:			
Current:			
Operating costs	-	-	61,135
Personal services	-	-	810,799
Out-of-state travel	-	-	40,650
Grants and services	-	-	69,038,993
Travel	-	-	2,341,104
Maintenance and repairs	-	-	81,488
Supplies	-	-	4,244,550
Contractual services	-	-	5,221,558
Other Costs	-	-	362,556
Employee Benefits	-	-	267,990
Capital outlay	-	-	43,590,169
Debt service:			
Principal	-	328,200,000	328,200,000
Interest and other charges	-	71,939,190	71,939,190
Variable Interest	37,870	12,138,343	12,138,343
Trustee and Broker Fees	63,000	3,423,366	3,423,366
Debt refunding costs	-	-	-
Debt issuance cost	<u>264,930</u>	<u>2,043,624</u>	<u>2,043,624</u>
TOTAL EXPENDITURES	<u>365,800</u>	<u>417,744,523</u>	<u>543,805,515</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(364,725)	(408,805,912)	(460,180,976)
OTHER FINANCING SOURCES (USES):			
Proceeds from long-term debt, net	50,400,000	470,400,000	470,400,000
Proceeds from capital leases	-	-	-
Special appropriations, net of reversions	-	-	56,246,402
Other use	-	-	-
Bond Proceeds	-	-	19,256,628
Bond Premiums	-	-	-
Bond Discounts	-	-	-
Transfers in (out)	<u>(49,475,226)</u>	<u>(59,165,250)</u>	<u>(62,491,038)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>924,774</u>	<u>411,234,750</u>	<u>483,411,992</u>
NET CHANGES IN FUND BALANCES	560,049	2,428,838	23,231,016
FUND BALANCES, June 30, 2007	-	6,504,745	215,917,590
RESTATEMENT (NOTE 24)	-	-	(2,702,582)
FUND BALANCES, June 30, 2007, restated	-	<u>6,504,745</u>	<u>213,208,008</u>
FUND BALANCES, June 30, 2008	\$ <u>560,049</u>	<u>8,933,583</u>	<u>236,439,024</u>

See Independent Auditors' Report.

SUPPLEMENTARY INFORMATION

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis)**

YEAR ENDED JUNE 30, 2008

2004B/C DEBT SERVICE FUND (SHARE 10090)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	11,074,868	11,074,868
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	11,074,868	11,074,868
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	249,074,660	249,074,660	235,782,395	13,292,265
Transfers (in) out	(235,904,660)	(235,904,660)	(226,179,013)	(9,725,647)
	<u>13,170,000</u>	<u>13,170,000</u>	<u>9,603,382</u>	<u>3,566,618</u>
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ <u>13,170,000</u>	<u>13,170,000</u>	<u>9,603,382</u>	<u>3,566,618</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -**

Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2008

STATE INFRASTRUCTURE BANK (SHARE 89300)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	6,279,402	6,279,402	760,530	(5,518,872)
State General Fund	-	-	-	-
TOTAL REVENUES	6,279,402	6,279,402	<u>760,530</u>	<u>(5,518,872)</u>
PRIOR YEAR FUNDS REBUDGETED	-	<u>3,485,000</u>		
	\$ <u>6,279,402</u>	<u>9,764,402</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	6,279,402	9,764,402	-	9,764,402
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	6,279,402	9,764,402	-	9,764,402
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ <u>6,279,402</u>	<u>9,764,402</u>	<u>-</u>	<u>9,764,402</u>

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

LOCAL GOVERNMENT ROAD FUND (SHARE 20300)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	41,482,523	41,482,523	23,914,746	(17,567,777)
State General Fund	-	-	-	-
TOTAL REVENUES	\$ 41,482,523	41,482,523	23,914,746	(17,567,777)
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	41,482,523	41,482,523	27,061,812	14,420,711
	41,482,523	41,482,523	27,061,812	14,420,711
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ 41,482,523	41,482,523	27,061,812	14,420,711

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures -
Other Governmental Funds -

Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2008

TRAFFIC SAFETY FUND (SHARE 20800/10010/82600)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ 9,927,500	17,127,500	13,365,749	(3,761,751)
Other state funds	10,574,192	10,574,192	2,371,239	(8,202,953)
State General Fund	-	-	-	-
TOTAL REVENUES	20,501,692	27,701,692	<u>15,736,988</u>	<u>(11,964,704)</u>
PRIOR YEAR FUNDS REBUDGETED	-	400,000		
	<u>\$ 20,501,692</u>	<u>28,101,692</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ 878,000	878,000	557,935	320,065
Contractual Services	505,000	505,000	573,803	(68,803)
Other	19,118,692	26,718,692	19,052,617	7,666,075
Transfers (in) out	-	-	-	-
	20,501,692	28,101,692	20,184,355	7,917,337
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	<u>\$ 20,501,692</u>	<u>28,101,692</u>	<u>20,184,355</u>	<u>7,917,337</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

STATE AVIATION FUND (SHARE 20500)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ 100,000	100,000	527,042	427,042
Other state funds	3,222,284	3,222,284	6,038,508	2,816,224
State General Fund	-	960,000	-	(960,000)
TOTAL REVENUES	\$ 3,322,284	4,282,284	6,565,550	2,283,266
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ 508,200	508,200	103,547	404,653
Contractual Services	963,800	100,000	459	99,541
Other	1,850,284	3,674,084	2,532,172	1,141,912
Transfers (in) out	-	-	-	-
	3,322,284	4,282,284	2,636,178	1,646,106
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ 3,322,284	4,282,284	2,636,178	1,646,106

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

MOTORCYCLE TRAINING FUND (SHARE 20600)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	92,000	92,000	286,185	194,185
State General Fund	-	-	-	-
TOTAL REVENUES	92,000	92,000	286,185	194,185
PRIOR YEAR FUNDS REBUDGETED	-	8,000		
	\$ 92,000	100,000		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	92,000	100,000	100,000	-
Transfers (in) out	-	-	-	-
	92,000	100,000	100,000	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ 92,000	100,000	100,000	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DRIVER IMPROVEMENT PROGRAM FUND (SHARE 10020)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	247,572	247,572	184,947	(62,625)
State General Fund	-	-	-	-
TOTAL REVENUES	\$ 247,572	247,572	184,947	(62,625)
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	247,572	247,572	193,845	53,727
Transfers (in) out	-	-	-	-
	247,572	247,572	193,845	53,727
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ 247,572	247,572	193,845	53,727

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DWI PREVENTION AND EDUCATION FUND (SHARE 20700)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	192,319	492,319	331,047	(161,272)
State General Fund	-	-	-	-
TOTAL REVENUES	192,319	492,319	<u>331,047</u>	<u>(161,272)</u>
PRIOR YEAR FUNDS REBUDGETED	-	275,000		
	<u>\$ 192,319</u>	<u>767,319</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	75,000	32,265	42,735
Contractual Services	-	-	-	-
Other	192,319	692,319	5,349	686,970
Transfers (in) out	-	-	-	-
	192,319	767,319	37,614	729,705
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	<u>\$ 192,319</u>	<u>767,319</u>	<u>37,614</u>	<u>729,705</u>

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

BOND PROJECT FUND - 1993 BONDS (SHARE 39400)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	61,136	61,136
State General Fund	-	-	-	-
TOTAL REVENUES	-	-	<u>61,136</u>	<u>61,136</u>
PRIOR YEAR FUNDS REBUDGETED	-	-		
	<u>-</u>	<u>-</u>		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	<u>-</u>	<u>-</u>

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

BOND PROJECT FUND (1998 - 1999 CHAT) (SHARE 43000)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	9,178	9,178
State General Fund	-	-	-	-
TOTAL REVENUES	-	-	<u>9,178</u>	<u>9,178</u>
PRIOR YEAR FUNDS REBUDGETED	-	-		
	<u>\$ -</u>	<u>-</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

BOND PROJECT FUND (2000 CHAT) (SHARE 34500)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	1,886	1,886
State General Fund	-	-	-	-
TOTAL REVENUES	-	-	<u>1,886</u>	<u>1,886</u>
PRIOR YEAR FUNDS REBUDGETED	-	-		
	<u>\$ -</u>	<u>-</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

BOND PROJECT FUND (2001 CHAT) (SHARE 00600)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	207,278	207,278
State General Fund	-	-	-	-
TOTAL REVENUES	-	-	<u>207,278</u>	<u>207,278</u>
PRIOR YEAR FUNDS REBUDGETED	-	-		
	<u>-</u>	<u>-</u>		
\$	<u>-</u>	<u>-</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2008

BOND PROJECT FUND (2002A CHAT) (SHARE 36800)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	6,045	6,045
State General Fund	-	-	-	-
TOTAL REVENUES	-	-	<u>6,045</u>	<u>6,045</u>
PRIOR YEAR FUNDS REBUDGETED	-	-		
	<u>\$ -</u>	<u>-</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	28,958	(28,958)
Transfers (in) out	-	-	-	-
	-	-	28,958	(28,958)
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>28,958</u>	<u>(28,958)</u>

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

BOND PROJECT FUND (2002C HIF) (SHARE 36100)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	89,734	89,734
State General Fund	-	-	-	-
TOTAL REVENUES	-	-	<u>89,734</u>	<u>89,734</u>
PRIOR YEAR FUNDS REBUDGETED	-	-		
	<u>\$ -</u>	<u>-</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

BOND PROJECT FUND (2002D CHAT) (SHARE 11500)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	29,208	29,208
State General Fund	-	-	-	-
TOTAL REVENUES	-	-	<u>29,208</u>	<u>29,208</u>
PRIOR YEAR FUNDS REBUDGETED	-	-		
	<u>\$ -</u>	<u>-</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2008

**FEDERAL PLANNING AND
DEVELOPMENT FUND (SHARE 10030)**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ 11,546,200	21,546,200	20,813,532	(732,668)
Other state funds	5,300,439	7,304,559	4,574,136	(2,730,423)
State General Fund	-	-	-	-
TOTAL REVENUES	\$ 16,846,639	28,850,759	25,387,668	(3,463,091)
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ 808,700	808,700	385,042	423,658
Contractual Services	-	-	-	-
Other	16,037,939	28,042,059	24,469,276	3,572,783
Transfers (in) out	-	-	-	-
	16,846,639	28,850,759	24,854,318	3,996,441
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ 16,846,639	28,850,759	24,854,318	3,996,441

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

BOND PROJECT FUND (2006B GRIP) (SHARE 10230)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	1,000,000	508,937	(491,063)
State General Fund	-	-	-	-
TOTAL REVENUES	-	1,000,000	<u>508,937</u>	<u>(491,063)</u>
PRIOR YEAR FUNDS REBUDGETED	-	-		
	<u>\$ -</u>	<u>1,000,000</u>		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	1,000,000	1,000,000	-
	-	1,000,000	1,000,000	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	<u>\$ -</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>

See Independent Auditors' Report.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

BOND PROJECT FUND (2006D GRIP) (SHARE 10270)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	350,000	350,000	1,365,395	1,015,395
State General Fund	-	-	-	-
Bond proceeds	-	-	-	-
TOTAL REVENUES	\$ 350,000	350,000	1,365,395	1,015,395
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	1,282	(1,282)
Transfers (in) out	-	-	1,655,788	(1,655,788)
	-	-	1,657,070	(1,657,070)
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	1,657,070	(1,657,070)

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

SEVERANCE TAX BOND APPROPRIATIONS FUND (SHARE 10060)

	<u>Life-to-Date Budgeted Amounts</u>	<u>FY08 Actual Amounts (Modified Accrual)</u>	<u>Life-to-Date Actual Amounts (Modified Accrual)</u>	<u>Variance Over (Under)</u>
REVENUES:				
State General Fund	\$ -	-	-	-
Inter-agency transfers	<u>180,452,258</u>	<u>19,256,628</u>	<u>55,744,895</u>	<u>(124,707,363)</u>
TOTAL REVENUES	\$ <u>180,452,258</u>	<u>19,256,628</u>	<u>55,744,895</u>	<u>(124,707,363)</u>
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	117,945,530	15,365,529	64,670,927	53,274,603
Contractual Services	62,506,728	3,147,179	3,147,179	59,359,549
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	180,452,258	18,512,708	67,818,106	112,634,152
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ <u>180,452,258</u>	<u>18,512,708</u>	<u>67,818,106</u>	<u>112,634,152</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

GENERAL FUND APPROPRIATIONS FUND (SHARE 10070)

	<u>Life-to-Date Budgeted Amounts</u>	<u>FY08 Actual Amounts (Modified Accrual)</u>	<u>Life-to-Date Actual Amounts (Modified Accrual)</u>	<u>Variance Over (Under)</u>
REVENUES:				
State General Fund	\$ 158,353,491	50,228,950	157,580,491	(773,000)
Inter-agency transfers	<u>1,837,531</u>	<u>205,000</u>	<u>538,877</u>	<u>(1,298,654)</u>
TOTAL REVENUES	\$ <u>160,191,022</u>	<u>50,433,950</u>	<u>158,119,368</u>	<u>(2,071,654)</u>
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	145,015,522	15,707,665	32,642,887	112,372,635
Other	14,030,400	3,641,795	3,641,795	10,388,605
Transfers (in) out	<u>1,145,100</u>	<u>875,000</u>	<u>360,100</u>	<u>785,000</u>
	160,191,022	20,224,460	36,644,782	123,546,240
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ <u>160,191,022</u>	<u>20,224,460</u>	<u>36,644,782</u>	<u>123,546,240</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

CAPITAL PROJECT IMPROVEMENTS FUND (SHARE 10050)

	Life-to-Date Budgeted Amounts	FY08 Actual Amounts (Modified Accrual)	Life-to-Date Actual Amounts (Modified Accrual)	Variance Over (Under)
REVENUES:				
State General Fund	\$ -	-	-	-
Other state funds	5,417,452	5,417,452	5,417,452	-
Inter-agency funds	-	-	-	-
Transfers in	600,000	600,000	600,000	-
Fund Balances	<u>21,033,000</u>	<u>4,383,380</u>	<u>13,080,633</u>	<u>(7,952,367)</u>
TOTAL REVENUES	\$ <u>27,050,452</u>	<u>10,400,832</u>	<u>19,098,085</u>	<u>(7,952,367)</u>
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	14,000,000	8,520,069	13,748,225	251,775
Other	13,043,426	1,880,737	5,349,834	7,693,592
Transfers (in) out	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
	27,050,426	10,400,806	19,098,059	7,952,367
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ <u>27,050,426</u>	<u>10,400,806</u>	<u>19,098,059</u>	<u>7,952,367</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2001 CHAT) (SHARE 00700)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	430,605	430,605
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	430,605	430,605
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	23,193,200	23,193,200	23,193,148	52
Transfers (in) out	(23,193,200)	(23,193,200)	(23,193,148)	(52)
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	-	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (WIPP BONDS) (SHARE 97200)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	25,865	25,865
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	25,865	25,865
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	1,751,650	1,751,650	1,751,613	37
Transfers (in) out	(1,751,650)	(1,751,650)	(1,751,613)	(37)
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	-	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (1998 CHAT) (SHARE 54800)				
	Budgeted Amounts		Actual	-
			Amounts	Variance
	Original	Final	(Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	15,326	15,326
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	15,326	15,326
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	910,200	910,200	910,200	-
Transfers (in) out	(910,200)	(910,200)	(910,200)	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	-	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (1999 CHAT) (SHARE 43400)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	195,718	195,718
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	195,718	195,718
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	9,428,925	9,428,925	9,428,925	-
Transfers (in) out	(9,428,925)	(9,428,925)	(9,428,925)	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	-	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2000 CHAT) (SHARE 43200)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	306,704	306,704
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	306,704	306,704
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	15,480,650	15,480,650	15,480,650	-
Transfers (in) out	(15,480,650)	(15,480,650)	(15,480,650)	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	-	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2002A CHAT) (SHARE 54700)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	190,722	190,722
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	190,722	190,722
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	9,917,250	9,917,250	9,917,250	-
Transfers (in) out	(9,917,250)	(9,917,250)	(9,917,250)	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	-	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2002B WIPP) (SHARE 75000)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	190,185	190,185
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	190,185	190,185
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	9,423,500	9,423,500	9,423,500	-
Transfers (in) out	(9,423,500)	(9,423,500)	(9,423,500)	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	-	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2002C HIF) (SHARE 36300)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	24,638	24,638
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	24,638	24,638
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	1,709,600	1,709,600	1,709,524	76
Transfers (in) out	(1,709,600)	(1,709,600)	(1,709,524)	(76)
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	-	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2002D CHAT) (SHARE 18700)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	3,996	3,996
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	3,996	3,996
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	194,825	194,825	194,825	-
Transfers (in) out	(194,825)	(194,825)	(194,825)	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	-	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures -

Other Governmental Funds -

Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2004A GRIP) (SHARE 10080)

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	464,546	464,546
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	464,546	464,546
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	37,966,800	37,966,800	37,966,759	41
Transfers (in) out	(37,966,800)	(37,966,800)	(37,966,759)	(41)
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	-	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures -
Other Governmental Funds -

Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2006A GRIP) (SHARE 10220)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	89,604	89,604
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	89,604	89,604
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	7,852,500	7,852,500	7,852,408	92
Transfers (in) out	(7,852,500)	(7,852,500)	(8,428,015)	575,515
	-	-	(575,607)	575,607
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	(575,607)	575,607

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2006B GRIP) (SHARE 10240)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	102,554	102,554
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	102,554	102,554
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	5,526,225	5,526,225	3,950,613	1,575,612
Transfers (in) out	(5,526,225)	(5,526,225)	(4,575,747)	(950,478)
	-	-	(625,134)	625,134
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	(625,134)	625,134

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2006C GRIP) (SHARE 10260)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	5,634,257	5,634,257
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	5,634,257	5,634,257
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	231,521,500	231,521,500	236,676,573	(5,155,073)
Transfers (in) out	(231,521,500)	(231,521,500)	(229,211,556)	(2,309,944)
	-	-	7,465,017	(7,465,017)
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	7,465,017	(7,465,017)

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2006D GRIP) (SHARE 10280)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	13,694	13,694
State General Fund	-	-	-	-
TOTAL REVENUES	\$ -	-	13,694	13,694
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	51,960,996	51,960,996	53,073,880	(1,112,884)
Transfers (in) out	(51,960,996)	(51,960,996)	(52,955,132)	994,136
	-	-	118,748	(118,748)
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ -	-	118,748	(118,748)

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2008A GRIP) (SHARE 10410)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	298,201	298,201
State General Fund	-	-	-	-
Bond Proceeds	<u>115,200,000</u>	<u>115,200,000</u>	<u>115,200,000</u>	<u>-</u>
TOTAL REVENUES	\$ <u>115,200,000</u>	<u>115,200,000</u>	<u>115,498,201</u>	<u>298,201</u>
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	1,439,214	(1,439,214)
Transfers (in) out	<u>115,200,000</u>	<u>115,200,000</u>	<u>113,714,893</u>	<u>1,485,107</u>
	<u>115,200,000</u>	<u>115,200,000</u>	<u>115,154,107</u>	<u>45,893</u>
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ <u>115,200,000</u>	<u>115,200,000</u>	<u>115,154,107</u>	<u>45,893</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2008B GRIP) (SHARE 10420)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	850,570	850,570
State General Fund	-	-	-	-
Bond Proceeds	<u>220,000,000</u>	<u>220,000,000</u>	<u>220,000,000</u>	<u>-</u>
TOTAL REVENUES	\$ <u>220,000,000</u>	<u>220,000,000</u>	<u>220,850,570</u>	<u>850,570</u>
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	3,690,337	(3,690,337)
Transfers (in) out	<u>220,000,000</u>	<u>220,000,000</u>	<u>216,942,045</u>	<u>3,057,955</u>
	<u>220,000,000</u>	<u>220,000,000</u>	<u>220,632,382</u>	<u>(632,382)</u>
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ <u>220,000,000</u>	<u>220,000,000</u>	<u>220,632,382</u>	<u>(632,382)</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2008C GRIP) (SHARE 10430)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	100,351	100,351
State General Fund	-	-	-	-
Bond Proceeds	<u>84,800,000</u>	<u>84,800,000</u>	<u>84,800,000</u>	<u>-</u>
TOTAL REVENUES	\$ <u>84,800,000</u>	<u>84,800,000</u>	<u>84,900,351</u>	<u>100,351</u>
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	719,304	(719,304)
Transfers (in) out	<u>84,800,000</u>	<u>84,800,000</u>	<u>84,179,930</u>	<u>620,070</u>
	<u>84,800,000</u>	<u>84,800,000</u>	<u>84,899,234</u>	<u>(99,234)</u>
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ <u>84,800,000</u>	<u>84,800,000</u>	<u>84,899,234</u>	<u>(99,234)</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Schedule of Revenues and Expenditures -
Other Governmental Funds -
Budget and Actual (Modified Accrual Basis) - continued**

YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND (2008D GRIP) (SHARE 10440)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	1,075	1,075
State General Fund	-	-	-	-
Bond Proceeds	<u>50,400,000</u>	<u>50,400,000</u>	<u>50,400,000</u>	<u>-</u>
TOTAL REVENUES	\$ <u>50,400,000</u>	<u>50,400,000</u>	<u>50,401,075</u>	<u>1,075</u>
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Business/Program Support:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	365,800	(365,800)
Transfers (in) out	<u>50,400,000</u>	<u>50,400,000</u>	<u>49,475,226</u>	<u>924,774</u>
	<u>50,400,000</u>	<u>50,400,000</u>	<u>49,841,026</u>	<u>558,974</u>
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ <u>50,400,000</u>	<u>50,400,000</u>	<u>49,841,026</u>	<u>558,974</u>

SUPPLEMENTAL SCHEDULES

AS OF JUNE 30, 2008

	Budgeted Amounts		Current Year Expenditures
	Original	Final	
Expenditures for 2004 multi-year projects Capital outlay	\$ 2,000,000	2,000,000	-
Expenditures for 2001 multi-year projects Capital outlay	2,238,000	2,197,574	-
Expenditures for 2000 multi-year projects Capital outlay	2,094,300	2,828,452	-
Expenditures for 2006 multi-year projects Capital outlay	15,250,000	16,285,387	9,351,748
Expenditures for 2007 multi-year projects Capital outlay	2,750,000	2,750,000	1,049,058
Expenditures for 2008 multi-year projects Capital outlay	<u>6,017,426</u>	<u>6,017,426</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>30,349,726</u>	<u>32,078,839</u>	<u>10,400,806</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Capital Projects

CAPITAL PROJECTS FUND

<u>Life-to-Date Outstanding Encumbrances</u>	<u>Total Actual</u>	<u>Prior Year Actual</u>	<u>Total Expenditures</u>	<u>Variance From Final Budget Over (Under)</u>
-	-	1,804,124	1,804,124	195,876
-	-	17,350	17,350	2,180,224
-	-	185,364	185,364	2,643,088
117,051	9,468,799	5,161,809	14,630,608	1,654,779
358,221	1,407,279	-	1,407,279	1,342,721
-	-	-	-	6,017,426
<u>475,272</u>	<u>10,876,078</u>	<u>7,168,647</u>	<u>18,044,725</u>	<u>14,034,114</u>

AS OF JUNE 30, 2008

Chapter	Laws	Bonds Appropriated	Bonds Sold	Amounts AIPP	Funds Reauthorized	Funds Reverted
24	1996	\$ 50,000	50,000	-	-	-
2	1999	5,161,415	4,719,721	-	-	(470,492)
23	2000	7,518,079	7,193,284	-	-	(324,795)
110	2002	9,492,863	9,491,910	-	-	(498,388)
429	2003	7,394,100	7,394,100	(1,250)	175,000	(1,495)
126	2004	23,209,750	23,159,750	-	25,000	-
347	2005	15,595,000	15,501,835	(1,500)	(1,450,000)	-
111	2006	25,889,900	25,889,900	-	(7,950,000)	-
42	2007	73,851,728	50,529,728	-	(3,000,000)	-
92	2008	<u>26,698,000</u>	<u>18,598,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
		\$ <u>194,860,835</u>	<u>162,528,228</u>	<u>(2,750)</u>	<u>(12,200,000)</u>	<u>(1,295,170)</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Severance Tax Bonds

Bond Balance After Reauthorization	Funds Received	Expended To Date	Balance Available	Due from Board of Finance
50,000	49,950	49,950	50	-
4,249,229	4,225,479	4,234,373	14,856	8,894
6,868,489	6,701,098	6,702,217	166,272	1,119
8,993,522	8,692,160	8,803,160	190,362	111,000
7,566,355	5,772,651	6,672,148	894,207	899,497
23,184,750	14,580,384	15,734,641	7,450,109	1,154,257
14,050,335	8,718,719	9,363,069	4,687,266	644,350
17,939,900	5,154,891	7,434,451	10,505,449	2,279,560
47,529,726	958,626	8,677,081	38,852,645	7,718,455
<u>18,598,000</u>	<u>-</u>	<u>-</u>	<u>18,598,000</u>	<u>-</u>
<u>149,030,306</u>	<u>54,853,958</u>	<u>67,671,090</u>	<u>81,359,216</u>	<u>12,817,132</u>

Balance Available \$ 81,359,216

Due from Board
of Finance 12,817,132

Total \$ 94,176,348
(Note 4)

AS OF JUNE 30, 2008

	<u>Appropriation Amount</u>	<u>Expenditures Inception to June 30, 2008</u>
<u>Special Revenue Funds</u>		
Laws of 1991, Chapter 10	\$ 250,000	-
* Laws of 1994, State House Memorial 110	11,505,000	9,386,782
* Laws of 1994, Senate Memorial 130	11,278,000	9,179,460
Laws of 2000, Chapter 23	2,577,500	2,117,156
Laws of 2003, Chapter 385	975,500	407,460
Laws of 2003, Chapter 429	4,631,200	659,981
Laws of 2004, Chapter 126	10,743,658	8,198,943
Laws of 2005, Chapter 347	16,186,687	8,275,253
Laws of 2006, Chapter 111	23,699,500	9,893,687
Laws of 2007, Chapter 42	39,814,206	3,651,646
Laws of 2007 Special Session, Chapter 3	35,000,000	-
Laws of 2008, Chapter 83	42,577,900	6,357,243
Laws of 2008, Chapter 92	<u>8,051,673</u>	<u>-</u>
	207,290,824	58,127,611
<u>Capital Projects Funds</u>		
Laws of 1999, Chapter 2	2,943,000	2,821,941
Laws of 2004, Chapter 126	2,000,000	1,804,124
Laws of 2005, Chapter 347	2,250,000	1,364,287
Laws of 2006, Chapter 111	14,033,000	11,944,101
Laws of 2007, Chapter 42	2,750,000	1,049,058
Laws of 2008, Chapter 92	<u>6,017,426</u>	<u>-</u>
	<u>29,993,426</u>	<u>18,983,511</u>
Total all fund types	\$ <u>237,284,250</u>	<u>77,111,122</u>

* Note: State House and Senate Memorials are directions on how appropriated monies should be spent.
They are not laws.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Special Appropriations

Encumbrance Balance as of June 30, 2008	Reappropriation Amount	Reversion Amount	Balance as of June 30, 2008
-	-	250,000	-
-	-	2,118,218	-
-	-	2,098,540	-
-	-	460,344	-
-	-	543,888	24,152
-	-	3,971,219	-
1,968,312	-	-	576,403
4,957,528	525,000	-	2,428,906
12,171,752	50,000	-	1,584,061
-	250,000	-	35,912,560
-	-	-	35,000,000
18,348,425	-	-	17,872,232
-	-	-	8,051,673
37,446,017	825,000	9,442,209	101,449,987
-	-	114,548	6,511
-	-	-	195,876
217,399	-	-	668,314
117,051	-	-	1,971,848
413,177	-	-	1,287,765
-	-	-	6,017,426
747,627	-	114,548	10,147,740
38,193,644	825,000	9,556,757	111,597,727

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Supplemental Schedule of Special Appropriations

- **Special Revenue Fund**

Under the Laws of 1991, Chapter 10, the Department was directed to expend \$250,000 from the State Road Fund to conduct a study of financing options and evaluation of environmental issues relating to a proposed rapid rail system.

Under the Laws of 1994, House Memorial 110 and Senate Memorial 130, the Department was directed to expend \$11,505,000 and \$11,278,000, respectively, from the State Road Fund for certain infrastructure improvements.

Under the Laws of 2000, Chapter 23, the Department was directed to expend \$2,577,500 from the State Road Fund to conduct a study of financing options and evaluation of environmental issues relating to a proposed rapid rail system.

Under the Laws of 2003, Chapter 385, the Department was appropriated \$975,500 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2008 fiscal year will revert to the State General Fund.

Under the Laws of 2003, Chapter 429, the Department was appropriated \$4,631,200 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2008 fiscal year will revert to the State General Fund.

Under the Laws of 2004, Chapter 126, the Department was appropriated \$10,743,658 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2009 fiscal year will revert to the State General Fund.

Under the Laws of 2005, Chapter 347, the Department was appropriated \$16,186,687 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2010 fiscal year will revert to the State General Fund.

Under the Laws of 2006, Chapter 111, the Department was appropriated \$23,699,500 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2010 fiscal year will revert to the State General Fund.

Under the Laws of 2007, Chapter 42, the Department was appropriated \$39,814,206 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2011 fiscal year will revert to the State General Fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Supplemental Schedule of Special Appropriations

- **Special Revenue Fund - continued**

Under the Laws of Special Session 2007, Chapter 3, the Department was appropriated \$35,000,000 for GRIP 1 and New Mexico Spaceport projects. Any unexpended or unencumbered balance remaining at the end of the 2011 fiscal year will revert to the State General Fund.

Under the Laws of 2008, Chapters 83 and 92, the Department was appropriated \$42,577,900 and \$8,051,673, respectively, for highway maintenance and certain infrastructure projects and improvements, respectively. Any unexpended or unencumbered balance remaining at the end of the 2012 fiscal year will revert to the State General Fund.

- **Capital Projects Fund**

Under the Laws of 1999, Chapter 2, the Department was appropriated \$2,943,000 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2003 fiscal year was reverted to the State Road Fund. Under the Laws of 2004, Chapter 126, the appropriation end date was extended for one capital project that totaled \$712,000 through the end of the 2009 fiscal year. Any unexpended or unencumbered balance remaining at the end of the 2009 fiscal year for this project will revert to the State Road Fund.

Under the Laws of 2004, Chapter 126, the Department was appropriated \$12,643,658 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2009 fiscal year will revert to the State Road Fund.

Under the Laws of 2005, Chapter 347, the Department was appropriated \$2,250,000 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2010 fiscal year will revert to the State Road Fund.

Under the Laws of 2006, Chapter 111, the Department was appropriated \$14,033,000 from the State Road Fund for patrol buildings and rest stop construction. Any unexpended or unencumbered balance remaining at the end of the 2010 fiscal year will revert to the State Road Fund.

Under the Laws of 2007, Chapter 42, the Department was appropriated \$2,750,000 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2011 fiscal year will revert to the State Road Fund.

Under the Laws of 2008, Chapter 92, the Department was appropriated \$6,017,426 from the State Road Fund for construction of Salt Domes. Any unexpended or unencumbered balance remaining at the end of the 2012 fiscal year will revert to the State Road Fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Individual Bank Accounts

AS OF JUNE 30, 2008

<u>Account Title</u>	<u>Fund Number</u>	<u>Reconciled Balance</u>
Cash on Deposit with State Treasurer:		
Road Fund - General	20100	\$ 57,994,285
Road Fund - Payroll	78800	292,179
Highway Department - WIPP Project	43100	34,614,923
Rubberized Asphalt	82000	13,777,218
Highway Infrastructure Fund	20200	1,774,592
Inventory Fund	10040	(43,686,658)
Severance Tax Bonds	10060	(8,649,323)
	10070	119,182,809
	78900	60
Local Government Fund	20300	19,789,298
Aviation Fund	20500	3,363,538
Motorcycle Training Fund	20600	280,364
DWI Prevention Fund	20700	1,018,771
Traffic Safety	20800	2,774,203
	82600	1,020,096
	10010	6,494,724
Driver Improvement Program Fund	10020	3,191
Capital Project Improvements	10050	(8,988,138)
Federal Planning and Development	10030	(1,383,955)
Bond Project Fund (1993 Bonds)	39400	1,605,586
Debt Service Fund (1998 WIPP Bonds)	97200	606
Bond Project Fund (1999 CHAT Bonds)	43000	241,049
Bond Project Fund (2000 CHAT Bonds)	34500	6,675
Bond Project Fund (2001 CHAT Bonds)	00600	9,424,555
Bond Project Fund (2002A CHAT Bonds)	36800	154,124
Bond Project Fund (2002C HIF Bonds)	36100	1,282,448
Bond Project Fund (2002D CHAT Bonds)	11500	767,090
Bond Project Fund (2006A GRIP Bonds)	10210	(9,093,802)
Bond Project Fund (2006B GRIP Bonds)	10250	(12,887,361)
Bond Project Fund (2004A GRIP Bonds)	20400	9,241,574
Debt Service Fund (1998 CHAT Bonds)	54800	139,242
Debt Service Fund (1999 CHAT Bonds)	43400	139,990
Debt Service Fund (2000 CHAT Bonds)	43200	200,704
Debt Service Fund (2001A CHAT Bonds)	00700	232,648
Debt Service Fund (2002A CHAT Bonds)	54700	82,188
Debt Service Fund (2002B WIPP Bonds)	75000	109,081
Debt Service Fund (2002C HIF Bonds)	36300	61,199
Debt Service Fund (2002D CHAT Bonds)	18700	12,597
State Infrastructure Bank	89300	<u>14,027,767</u>
Total Cash on Deposit with State Treasurer		215,420,137

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Individual Bank Accounts - continued

AS OF JUNE 30, 2008

<u>Account Title</u>	<u>Reconciled Balance</u>
Other Authorized Bank Accounts - Wells Fargo	\$ 2,194,463
Bond Proceeds invested in Money Market Mutual Funds at Bank of Albuquerque	435,974,157
Petty Cash Funds:	
District 1	400
District 2	400
District 3	400
District 4	400
District 5	400
District 6	400
General Office (Santa Fe)	<u>200</u>
Total petty cash checking accounts	<u>2,600</u>
Total Cash	653,591,357
Less unrestricted	<u>49,737,288</u>
Restricted	\$ <u><u>603,854,069</u></u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of State Road Fund User and Fuel Taxes

YEAR ENDED JUNE 30, 2008

Gasoline Excise Taxes	\$	107,732,248
Motor Vehicle Registration Fees		73,679,233
Special Fuel Excise Taxes		101,650,896
Vehicle Transaction Fees		6,963,460
Drivers License Fees		4,562,756
Trip (Mileage) Tax		4,803,749
Weight/Distance Taxes		<u>82,384,659</u>
Subtotal Pledged Revenues		381,777,001
Miscellaneous Fees		<u>6,946,810</u>
	\$	<u><u>388,723,811</u></u>

AS OF JUNE 30, 2008

	(97200) 1998B-WIPP	(54800) 1998-CHAT	(43400) 1999-CHAT	(43200) 2000-CHAT	(00700) 2001-CHAT
Gasoline Excise Taxes	\$ 6,478,177	6,478,177	6,478,177	6,478,177	6,478,177
Motor Vehicle Registration Fees	4,298,021	4,298,021	4,298,021	4,298,021	4,298,021
Special Fuel Excise Taxes	6,596,690	6,596,690	6,596,690	6,596,690	6,596,690
Vehicle Transaction Fees	608,158	608,158	608,158	608,158	608,158
Driver's License Fees	628,121	628,121	628,121	628,121	628,121
Oversize/Oversight Permit Fees	415,078	415,078	415,078	415,078	415,078
Public Regulation Commission Fees	-	-	-	-	-
Trip (Mileage) Tax	282,573	282,573	282,573	282,573	282,573
Weight/Distance Taxes	4,846,156	4,846,156	4,846,156	4,846,156	4,846,156
Leased Vehicle Gross Receipts Taxes	-	-	-	-	-
Tire Recycling Fees	-	-	-	-	-
FHWA Revenues	-	-	-	-	-
SUBTOTAL	24,152,974	24,152,974	24,152,974	24,152,974	24,152,974
Interest on Cash Balances*	<u>517,092</u>	<u>115</u>	<u>115</u>	<u>115</u>	<u>115</u>
TOTAL PLEDGED REVENUES RECEIVED	\$ <u>24,670,066</u>	<u>24,153,089</u>	<u>24,153,089</u>	<u>24,153,089</u>	<u>24,153,089</u>
	(97200) 1998B-WIPP	(54800) 1998-CHAT	(43400) 1999-CHAT	(43200) 2000-CHAT	(00700) 2001-CHAT
Debt Service Principal Expenditures	\$ -	-	8,370,000	13,060,000	17,685,000
Debt Service Interest Expenditures	<u>1,751,613</u>	<u>910,200</u>	<u>1,058,925</u>	<u>2,420,650</u>	<u>5,508,148</u>
TOTAL DEBT SERVICE	<u>1,751,613</u>	<u>910,200</u>	<u>9,428,925</u>	<u>15,480,650</u>	<u>23,193,148</u>
DEBT SERVICE COVERAGE	<u>14.08</u>	<u>26.54</u>	<u>2.56</u>	<u>1.56</u>	<u>1.04</u>

*NOTE: In addition to state road fund revenues, pledged revenues on 2004C GRIP include FHWA revenues, tire recycling fees, leased vehicle gross receipts tax, and interest earned in the HIF fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Debt Service and Coverage

(54700)	(36300)	(75000)	(18700)	(10080)	(10090)
<u>2002A-CHAT</u>	<u>2002C-HIF</u>	<u>2002B-WIPP</u>	<u>2002D-CHAT</u>	<u>2004A-GRIP</u>	<u>2004B-GRIP</u>
6,478,177	6,478,177	6,478,177	6,478,177	6,478,177	6,478,177
4,298,021	4,298,021	4,298,021	4,298,021	4,298,021	4,298,021
6,596,690	6,596,690	6,596,690	6,596,690	6,596,690	6,596,690
608,158	608,158	608,158	608,158	608,158	608,158
628,121	628,121	628,121	628,121	628,121	628,121
415,078	415,078	415,078	415,078	415,078	415,078
-	-	-	-	-	-
282,573	282,573	282,573	282,573	282,573	282,573
4,846,156	4,846,156	4,846,156	4,846,156	4,846,156	4,846,156
-	902,564	-	-	902,564	902,564
-	-	-	-	-	-
-	-	-	-	34,107,231	34,107,231
24,152,974	25,055,538	24,152,974	24,152,974	59,162,769	59,162,769
<u>115</u>	<u>137,565</u>	<u>517,092</u>	<u>115</u>	<u>137,565</u>	<u>115</u>
<u>24,153,089</u>	<u>25,193,103</u>	<u>24,670,066</u>	<u>24,153,089</u>	<u>59,300,334</u>	<u>59,162,884</u>
(54700)	(36300)	(75000)	(18700)	(10080)	(10090)
<u>2002A-CHAT</u>	<u>2002C-HIF</u>	<u>2002B-WIPP</u>	<u>2002D-CHAT</u>	<u>2004A-GRIP</u>	<u>2004B-GRIP</u>
7,935,000	-	8,525,000	-	-	13,170,000
<u>1,982,250</u>	<u>1,709,524</u>	<u>898,500</u>	<u>194,825</u>	<u>36,216,759</u>	<u>7,938,265</u>
<u>9,917,250</u>	<u>1,709,524</u>	<u>9,423,500</u>	<u>194,825</u>	<u>36,216,759</u>	<u>21,108,265</u>
<u>2.44</u>	<u>14.74</u>	<u>2.62</u>	<u>123.97</u>	<u>1.64</u>	<u>2.80</u>

AS OF JUNE 30, 2008

	(10220)	(10240)	(10410)	(10420)
	<u>2006A-GRIP</u>	<u>2006B-GRIP</u>	<u>2008A-GRIP</u>	<u>2008B-GRIP</u>
Gasoline Excise Taxes	\$ 6,478,177	6,478,177	6,478,177	6,478,177
Motor Vehicle Registration Fees	4,298,021	4,298,021	4,298,021	4,298,021
Special Fuel Excise Taxes	6,596,690	6,596,690	6,596,690	6,596,690
Vehicle Transaction Fees	608,158	608,158	608,158	608,158
Driver's License Fees	628,121	628,121	628,121	628,121
Oversize/Oversight Permit Fees	415,078	415,078	415,078	415,078
Public Regulation Commission Fees	-	-	-	-
Trip (Mileage) Tax	282,573	282,573	282,573	282,573
Weight/Distance Taxes	4,846,156	4,846,156	4,846,156	4,846,156
Leased Vehicle Gross Receipts Taxes	902,564	902,564	902,564	902,564
Tire Recycling Fees	-	-	-	-
FHWA Revenues	<u>34,107,231</u>	<u>34,107,231</u>	<u>34,107,231</u>	<u>34,107,231</u>
SUBTOTAL	59,162,769	59,162,769	59,162,769	59,162,769
Interest on Cash Balances*	<u>115</u>	<u>115</u>	<u>115</u>	<u>115</u>
TOTAL PLEDGED REVENUES RECEIVED	\$ <u>59,162,884</u>	<u>59,162,884</u>	<u>59,162,884</u>	<u>59,162,884</u>
	(10220)	(10240)	(10410)	(10420)
	<u>2006A-GRIP</u>	<u>2006B-GRIP</u>	<u>2008A-GRIP</u>	<u>2008B-GRIP</u>
Debt Service Principal Expenditures	\$ -	2,225,000	-	-
Debt Service Interest Expenditures	<u>7,477,408</u>	<u>1,643,725</u>	<u>-</u>	<u>-</u>
TOTAL DEBT SERVICE	<u>7,477,408</u>	<u>3,868,725</u>	<u>-</u>	<u>-</u>
DEBT SERVICE COVERAGE	<u>7.91</u>	<u>15.29</u>	<u>0.00</u>	<u>0.00</u>

*NOTE: In addition to state road fund revenues, pledged revenues on 2004C GRIP include FHWA revenues, tire recycling fees, leased vehicle gross receipts tax, and interest earned in the HIF fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Debt Service and Coverage - continued

(10430) 2008C-GRIP	(10440) 2008D-GRIP	TOTAL
6,478,177	6,478,177	110,129,009
4,298,021	4,298,021	73,066,357
6,596,690	6,596,690	112,143,730
608,158	608,158	10,338,686
628,121	628,121	10,678,057
415,078	415,078	7,056,326
-	-	-
282,573	282,573	4,803,741
4,846,156	4,846,156	82,384,652
902,564	902,564	8,123,076
-	-	-
<u>34,107,231</u>	<u>34,107,231</u>	<u>272,857,848</u>
59,162,769	59,162,769	691,581,482
<u>115</u>	<u>115</u>	<u>1,310,809</u>
<u>59,162,884</u>	<u>59,162,884</u>	<u>692,892,291</u>
(10430) 2008C-GRIP	(10440) 2008D-GRIP	TOTAL
-	-	70,970,000
-	-	<u>69,710,792</u>
-	-	<u>140,680,792</u>
<u>0.00</u>	<u>0.00</u>	<u>4.93</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Pledged Collateral

YEAR ENDED JUNE 30, 2008

	<u>Wells Fargo</u>
Deposits in bank or savings and loan:	
Bank deposits	\$ 853,317
Less FDIC or FSLIC coverage	<u>100,000</u>
Total uninsured public funds	<u>753,317</u>
Collateral requirement @ 50%	376,659
Collateral requirement @ 102%	<u>-</u>
Total required collateralization	<u>376,659</u>
Pledges and securities:	
FGIOH00895, 3128M57G9, 5.5%, due 06/01/2037	2,018,255
FNCL 31371NNV3, 6.0%, due 10/01/2037	<u>275,447</u>
Total pledged securities	<u>2,293,702</u>
(Over) under pledged	\$ <u><u>(1,917,043)</u></u>

Safekeeping locations for the above securities are as follows:

Wells Fargo: Wells Fargo (California)

SINGLE AUDIT

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Expenditures of Federal Awards

YEAR ENDED JUNE 30, 2008

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
Direct Assistance Programs:		
U.S. Department of Energy:		
Waste Isolation Pilot Plant 2008	81.106	\$ <u>23,383,712</u>
Total U.S. Department of Energy		23,383,712
U.S. Department of Transportation:		
Federal Highway Administration highway research, planning and construction (FHWA)	20.205	260,339,772
National Highway Traffic Safety Administration (NHTSA):		
State and Community Highway Safety Grant	20.600	1,924,831
Alcohol Traffic Safety and Drunk Driving Prevention Program	20.601	1,418,049
Occupant Protection Program	20.602	692,812
Repeat Offenders for DWI	20.608	8,505,154
Safety Belt Performance Grants	20.609	971,123
State Traffic Safety Information System Improvements Grants	20.610	130,617
Motorcyclist Safety Grant	20.612	69,928
154 HE Funds	20.XXX	1,107,704
157 Innovative Funds	20.XXX	230,346
164 HE Penalty Funds	20.XXX	945,190
403 Temporary Funds	20.XXX	<u>969,857</u>
		16,965,611
Federal Aviation Division:		
State Planning	20.106	494,087
Federal Transit Administration (FTA):		
Capital Program Grants and Loans	20.500	<u>12,376,736</u>
Total U.S. Department of Transportation		<u>297,176,206</u>
Total Direct Assistance Programs		<u>320,559,918</u>
Total Federal Financial Assistance		\$ <u><u>320,559,918</u></u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Supplemental Schedule of Expenditures of Federal Awards

- **General**

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

- **Basis of Accounting**

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

Federal grant revenues collected in advance of the period they are intended to finance expenditures are recorded as deferred revenues, except for the amounts for the State Infrastructure Bank, which are recorded as contributions when they are received. The Department did not receive non-cash assistance from federal sources during the current year.

- **Reconciliation of Federal Awards**

Statement of Revenues, Expenditures and
Changes in Fund Balances:

U.S. Department of Transportation	\$ 288,277,262
U.S. Department of Energy	23,383,712
Deferred U.S. Department of Transportation (2008)	35,576,013
Deferred U.S. Department of Transportation (2007)	<u>(26,677,069)</u>
Supplemental Schedule of Expenditures, of Federal Awards	\$ <u>320,559,918</u>

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

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico Department of Transportation (Department) as of and for the year ended June 30, 2008, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds presented as supplementary information in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2008, as listed in the table of contents, and have issued our report thereon dated September 16, 2009. We also have audited the combined budget comparisons for the special revenue and debt service funds presented as required supplemental information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our 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.

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

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Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

Internal Control Over Financial Reporting - continued

A **control deficiency** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. We consider item 08-2 in the attached schedule of findings and questioned costs to be a control deficiency. A **significant deficiency** is a control deficiency, or a combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider items 05-3, 07-3, 07-7, 07-8, 07-13, 07-14, 08-1, 08-4, 08-6, 08-7 and 08-8 in the attached schedule of findings and questioned costs to be significant deficiencies.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 05-3, 07-3, 07-8, 07-13, 07-14, 08-6 and 08-7 to be material weaknesses.

Compliance and Other Matters

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

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

Compliance and Other Matters - continued

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 07-10, 08-3 and 08-5.

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

This report is intended solely for the information and use of the Commissioners, the Department, the Office of the State Auditor, the New Mexico State Legislature, the New Mexico Department of Finance and Administration and 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.

Mayneiro + Company, LLC

September 16, 2009

**REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

Compliance

We have audited the compliance of the State of New Mexico Department of Transportation (Department), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

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

A **control deficiency** in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-8, 07-13, 08-6 and 08-7 to be significant deficiencies.

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 07-8, 07-13, 08-6 and 08-7 to be material weaknesses.

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

The Department's response to the findings 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 it.

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

Mayners + Company, LLC

September 16, 2009

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs

YEAR ENDED JUNE 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Department of Transportation (Department).
2. Eleven significant deficiencies relating to the audit of financial statements were reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, seven of which were considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the Department were disclosed during the audit.
4. There were seven significant deficiencies in the internal control over major programs disclosed by the Department, all of which were considered to be material weaknesses.
5. There were four audit findings that the auditor is required to report under 510(a) of Circular A-133.
6. The auditors' report on compliance for the major federal award programs for the Department expresses an unqualified opinion.
7. The programs tested as the major programs included:

Program	CFDA #
Federal Highway Administration Programs (FHWA)	20.205
National Highway Traffic Safety Administration (NHTSA)	20.600, 20.601, 20.602, 20.608 20.609, 20.610, 20.612
U.S. Department of Energy, WIPP	81.106
Federal Transit Administration (FTA)	20.500

8. The threshold for distinguishing Types A and B programs was \$3,000,000.
9. The Department is considered a high risk auditee.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

05-3 GRIP POSTING ERRORS (Material Weakness) – Repeated and Modified

Condition: During our audit over cash related to the GRIP 2004, 2006 and 2008 series bonds, we noted the following:

- Due to/from other funds and transfer activity between bond funds were not posted to the general ledger during the course of FY08.
- Activity related to the interest SWAPS was not recorded during the course of FY08.
- Activity related to the 2008 series bonds was not posted to the general ledger in a timely manner: bond issuance costs, trustee fees and proceeds.

Criteria: Based upon the Model Accounting Practices 0.9.3 Internal Control Activities, all accounting transactions must be recorded to ensure completeness of the accounting records.

Cause: Lack of an established reconciliation process for bond and swap activity, as well as a lack of management oversight of this activity.

Effect: Prior year cash balances had to be restated due to improper allocation of cash to funds. Interest expenses, revenue, transfers and internal balances were misstated during the course of the year by material amounts. The Department adjusted these balances during the financial statement audit.

Recommendation: The Department should establish a procedure whereby all trustee accounts related to the GRIP bond series accounts are reconciled with the bank and trustee and all transactions are posted on a monthly basis.

Management's Response: During the process of assessing the reconciliation and reporting activity related to bonded debt, management found that the organization of accounts held with the trustee was not conducive to effectively tracking all activity without extensive research. Although certain reports have been made available by the New Mexico Finance Authority (NMFA), they were designed for management reporting purposes and not in a formalized accounting format which the Department needed to facilitate recording of bond related transactions.

The Department has hired an additional accountant to help manage the bond program. With NMFA changing custodians, the Department has proactively met with NMFA management in order to organize the new trustee accounts to better track the flow of cash and investment activities. Additionally, the Department has requested timely reports of trustee activities in an accounting format that can be translated easily for generally accepted accounting purposes.

With these new processes in place, the Department will have the resources to track and book all bonded debt cash and investment activities in a timely and effective manner.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-3 CAPITAL ASSETS (Material Weakness) - Repeated and Modified

Condition: During our testwork over capital assets, we noted the following:

- The Department does not calculate depreciation for infrastructure assets, estimated at approximately \$500 million.
- During capital assets deletions testwork, it was noted that all deletions were made prior to June 29, 2008, the date of the notification letter addressed to the State Auditor's Office. This violates NMAC 2.2.2.10(v)(1).

Criteria:

- All capital asset groups, including infrastructure, should be properly depreciated over their estimated useful lives and book value should be properly tracked.
- Per section 2.2.2.10(v)(1) of the NMAC, written notification of the official finding and proposed disposition must be sent to the State Auditor at least 30 days prior to disposition.

Cause: The Department does not have policies and procedures in place to ensure that infrastructure capital assets are tracked and depreciated in the capital assets module.

Effect:

- Potential misstatement of depreciation expense and accumulated depreciation at the government-wide level.
- The Department is not in compliance with government standards over fixed asset reporting. The Department is in violation of NMAC section 2.2.2.10(v)(1).

Recommendation:

- We recommend that the Department develop a process to calculate depreciation and track book value of infrastructure capital assets.
- We further recommend that the Department ensure that notification to the State Auditor's Office regarding asset dispositions occurs prior to the disposition, as required by NMAC 2.2.2.10.(v)(1).

Management's Response: The Department is now assigning infrastructure reporting and depreciation to the capital assets unit. Part of this process requires that the Department investigate methods for capturing the data from the operations point with necessary accounting information and incorporating the data into SHARE.

In regard to the failure to timely inform the State Auditor's Office upon disposition of assets, management is investigating the procedural weakness that allowed that to occur. The Department will reengineer the process to ensure better controls over the statutory reporting requirement.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-7 ACCOUNTS PAYABLE (Significant Deficiency) – Repeated and Modified

Condition: When performing a search for unrecorded liabilities test work, it was noted that:

- All items sampled had an invoice date subsequent to June 30, 2008 for services performed prior to the fiscal year end. Payment for these items was not made until after June 30, 2008; however, the vouchers were not properly accrued at June 30, 2008. Instead, the accounting date which set up the payable was the same as the entry date.
- Journal entries totaling approximately \$35.7 million were required to correctly state accounts payable as of June 30, 2008.

Criteria: In accordance with the matching principle expenditures should be recorded in the same period as the receipt and consumption of the goods or services.

Cause: Lack of proper tracking of accounts payable at year end and detective controls to identify key entry errors.

Effect: Material adjustments were required to properly state accounts at year end.

Recommendations: (1) We recommend an improved process in detective controls over key/data entry errors. (2) Liabilities should only be recorded for goods or services received prior to year end.

Management's Response: The errors in properly accruing payables occurred in the area of multi-year project payments.

Management has engaged in a dual approach in controlling the level of errors:

1. Updated, formalized year end instructions for accruals with more clarity in regard to the multi-year project accounting requirements.
2. Additional training for the post-audit staff for researching and analyzing the underlying invoices in order to capture unaccrued expenditures before SHARE closes the year.

Management plans to engage in a continual process improvement in order to communicate the concept of matching expenditures to the period in which the activity occurred.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-8 JOURNAL ENTRIES (Material Weakness) – Repeated and Modified

Condition: Our review over financial reporting revealed that journal entries can be initiated and posted to the general ledger system by the same individual.

Criteria: Sound internal controls dictate that there should be a system in place that segregates the ability to initiate journal entries and post entries to the accounting system.

Cause: Appropriate process controls are not in place to ensure that accounting personnel do not have the ability to both initiate and post journal entries into the system.

Effect: There is an increased risk of posting errors, both intentional and unintentional, that will adversely affect the accounting system and may not be detected by normal business operations.

Recommendation: We recommend the adoption of a policy whereby all journal entries are initiated and posted by separate individuals.

Management's Response: During the initial implementation of SHARE, several managers were given the authority to approve journal entries. In some cases, the procedure of returning erroneous journals to the initiator for correction was disregarded and the correction was done by the approver during the approval process.

When this occurs, SHARE will replace the initiator's identification from the journal entry, since the ending journal will not be what the initiator had originally created. As a result, a person will appear to be both the initiator and the approver.

As a result of the errors, the Department has created two additional controls and also engaged in additional training of staff. The additional controls were:

1. Removing all but 3 managers from the final approval journal authority in SHARE.
2. Creation of additional documentation of the journal entries that will show the initiator and approval signatures of supervisors and any other documentation deemed appropriate to support the entry.

The Department believes that these controls add additional assurance and documentation of segregation of duties in the journal entry function.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-10 PER DIEM REIMBURSEMENTS – Repeated and Modified

Condition: During travel expense testwork, it was determined that controls were ineffective in ensuring proper compliance with the New Mexico Administrative Code as it pertains to per diem and actual expense distributions.

Criteria: Disbursements must be made in compliance with NMAC 2.42.2.8(B)(2) and NMAC 2.52.2.9.

Cause: Inefficacies in management's control and review over per diem and travel expense reimbursement.

Effect: Per diem reimbursements may be made that are not in compliance with state rules.

Recommendation: We recommend that the Department develop an accountable process by which management reviews per diem and expense reimbursement requests in greater detail for compliance with NMAC.

Management's Response: Beginning July 1, 2009, the Department has implemented travel advance procedures prescribed by the Department of Finance and Administration. Those procedures were formally documented and circulated for staff training.

Additionally, the Department has trained a travel advance specialist in the post-audit group for any travel advances submitted. Due to the complexity of some of the calculations, management believes that a single specialist will be more effective in auditing travel advances for appropriate and compliant disbursements.

07-13 TIMELINESS OF AUDIT AND ACCOUNTING PROCEDURES (Material Weakness) – Repeated and Modified

Condition: Significant accounting adjustments and reclassifications continued to be required through July of 2009 to the June 30, 2008 trial balance. These adjustments were necessary to comply with U.S. Generally Accepted Accounting Principles and to prepare the accounting records for audit. As a result, financial information provided during the interim period to management for purposes of making financial decisions was not accurate.

Criteria: A financial reporting system should generate timely, accurate information to ensure that decision makers are not misled by poor information. Additionally, the annual financial audit report is due to the State Auditor's Office on or by December 15, 2008, per 2.2.2.9 NMAC.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-13 TIMELINESS OF AUDIT AND ACCOUNTING PROCEDURES (Material Weakness) – Repeated and Modified - continued

Cause: Sufficient staff with appropriate experience with accounting concepts and procedures were not available to close 2007 timely. As a result, 2008 was delayed.

Effect: Financial and business decisions were made based on incorrect financial reporting throughout fiscal year 2008. Noncompliance with the December 15, 2008 State Auditor deadline. Additionally, the Data Collection Form was not submitted to the Federal Clearinghouse within nine months after year end, or March 31, 2009.

Recommendation: We recommend that the Department take appropriate measures to ensure that all audit adjustments are properly recorded, that beginning funds/accounts and that adequate resources are allocated to the accounting and reporting function.

Management's Response: The Department has implemented measures during the 2009 fiscal year that require major accounts to be reviewed or reconciled on a monthly basis with corrective journals. This process is the beginning of a long-term strategy to bring the Department to a full close every month with complete financial reporting.

This initial step brings the Department closer to an optimal year end close process with the monthly corrective actions as part of the audit workpaper documents provided to the auditors. Additionally, management plans to add qualified staff to aid in the audit preparation in order to avoid delays in the audit process.

With the release of the restated 2007 and 2008 annual financial reports, management will immediately begin the 2009 audit close with the expectation of submission of the annual financial report to the State Auditor's Office by December 15, 2009.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-14 OVER-EXPENDED APPROPRIATION UNITS (Material Weakness)

Condition: The Department exceeded budgeted expenditures for the following funds/categories as of June 30, 2008:

- State Road Fund, Business/Program Support, Other Category, in the amount of \$3,152,201
- Traffic Safety Fund, Programs and Infrastructure, Contractual Services Category, in the amount of \$68,803
- 2002A CHAT Bond Project Fund, Programs and Infrastructure, Other Category, in the amount of \$28,958
- 2006A GRIP Bond Project Fund, Operating Transfers, in the amount of \$1,330,500
- 2006D GRIP Bond Project Fund, Programs and Infrastructure, Other Category, in the amount of \$1,282
- 2006D GRIP Bond Project Fund, Operating Transfers, in the amount of \$1,655,788
- 2006B GRIP Debt Service Fund, Operating Transfers, in the amount of \$950,478
- 2006C GRIP Debt Service Fund, Business/Program Support, Other Category, in the amount of \$5,155,073
- 2006D GRIP Debt Service Fund, Business/Program Support, Other Category, in the amount of \$1,112,884
- 2008A GRIP Debt Service Fund, Business/Program Support, Other Category, in the amount of \$1,439,214
- 2008B, GRIP Debt Service Fund, Business/Program Support, Other Category, in the amount of \$3,690,337
- 2008C GRIP Debt Service Fund, Business/Program Support, Other Category, in the amount of \$719,304
- 2008D GRIP Debt Service Fund, Business/Program Support, Other Category, in the amount of \$365,800

Criteria: Per (2.2.2.10 NMAC), all actual expenditures exceeding budgeted expenditures at legal level of budgetary compliance must be reported as a finding.

Cause: Management has not been consistently monitoring the budgeted expenditure level.

Effect: The State Road Fund was over-expended.

Recommendation: The Department must track all expenditures and submit Budget Adjustment Requests to ensure compliance with the final budget.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-14 OVER-EXPENDED APPROPRIATION UNITS (Material Weakness) - continued

Management's Response:

- The Ignition Interlock program over expended the appropriation due to accruals of prior year expenditures.
- The Road Fund Business/Program Support over expended the appropriation due to a write-down of FHWA receivables of eligible payroll that may not be collectible due to the difficulties of SHARE tracing the expenditures to the individual projects.
- The 2002A CHAT was over expended due to a 2006 audit accrual for an expenditure that did not occur. This adjustment was done in order to clear out the fund in preparation for closure.
- The remaining bonded debt over-expenditures occurred due to the lack of budget available to account for the investment income and trustee/broker fees in the trustee accounts that routinely happen in the course of the bonded debt activities. Because the Department has relied on the investment income in the trustee accounts to aid in defeasement of bonded debt, the lack of budget has pushed the recorded interest costs past the amounts budgeted for the operations transfers for debt service.

Beginning in the 2010 fiscal year, budget adjustments will be initiated for estimated investment income to help satisfy the budgetary needs for debt service.

08-1 FINANCIAL ACCOUNTING STAFF TRAINING (Significant Deficiency)

Condition: Per questionnaires completed by management and our evaluation of internal controls over the control environment of the Department, it was noted that some employees do not have the competence and training necessary for their assigned level of responsibility or the nature and complexity of the Department's activities.

Criteria: For effective financial reporting and internal control, employees or management of the Department should have the necessary qualifications and training to fulfill their assigned duties.

Cause: Lack of review procedures to reconcile accounting staff skill capabilities against the necessary tasks to be completed.

Effect: Financial information could be compromised if transactions and review processes are performed by individuals lacking qualifications and adequate training for their assigned duties. Risk of material misstatement is higher due to individuals performing financial duties beyond their capabilities.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

08-1 FINANCIAL ACCOUNTING STAFF TRAINING (Significant Deficiency) - continued

Recommendation: We recommend that the Department's management review current staffing assignments and evaluate whether further training is needed or whether the Department should place qualified individuals in appropriate assigned duties.

Management's Response: During the winter of 2009, the Department, in partnership with the New Mexico Energy, Minerals and Natural Resources Department, has held accounting classes for professional improvement of staff. These classes are taught by instructors with university experience and credits for the courses are stored in the personnel files for college equivalent courses to be honored by the State Personnel Office

Staff has volunteered for standards testing and classes for improving their skills. The classes have been full with additional staff on a waiting list for openings. One semester has been completed with excellent results, with the fall semester now in progress.

Management believes that this is a win-win situation for both the Department and staff. The level of technical skill is improving in the finance units and the staff has increased their professional skills and ability to engage in higher level accounting.

08-2 INVENTORY

Condition: During inventory price testing, it was noted that there were large variances between prior year unit cost and current year unit cost for some inventory items for District 4. Per inquiry, it was noted that the unit of measurement changed in the inventory system from the prior year, which was not properly communicated to accounting, causing the large variances.

Criteria: The Department should have written internal control policies over the inventory process, which should include documented procedures over unit measurement and the process for how to properly communicate to accounting any changes in the inventory system.

Cause: Management did not communicate a change in unit measurement of inventory held.

Effect: Inventory values could be overstated or inflated based on the change of a unit of measurement.

Recommendation: We recommend that the Department develop a process whereby management documents and appropriately communicates when a unit of measurement changes in the inventory system, including the reasons for the change and the justification for the change.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

08-2 INVENTORY - continued

Management's Response: Because a change in unit of measurement can affect all inventories held under the specific inventory code, a procedure had been put into place to control the effect of a spontaneous adjustment. However, in this case, the procedure was not followed, resulting in a variance that was not caught and corrected in a timely manner.

Management will follow up with additional training and communication with District personnel in order to prevent this from occurring again in the future.

08-3 INTERNAL CONTROL OVER PAYROLL

Condition: During payroll internal control testing, it was noted that there was one instance out of forty when an employee entered their actual hours worked by day, which represented a full 40 hour week by end of day Thursday. The SHARE system defaulted and gave them credit for a regular work day of 8 hours on Friday. As a result, the employee was overpaid by over \$400 over the course of four weeks. This condition should have been detected during the supervisor's review and approval of timesheets, but was not.

Criteria: An employee should only be paid for the hours that they worked and/or for scheduled leave taken. Their supervisor, as part of the approval process, should validate the actual time to be paid for and adjust the time in the SHARE system as necessary to match the employee's actual hours worked.

Cause: Management's review of employee timesheets is not following established policies.

Effect: The Department overpaid the employee by over \$400 (which was subsequently recovered), and there are likely other instances of under- or overpayment that have gone undiscovered.

Recommendation: We recommend that the Department develop a process to hold supervisors accountable for making changes in the system when scheduled work hours change.

Management's Response: The Department has developed a new payroll policy (AD 305) in an attempt to solve the problem that caused this audit finding. The purpose of the AD is to ensure managers and supervisors are aware of the requirements for time approvals and to hold them accountable in this regard. Additionally, staff from both the DOT Payroll and Office of the Inspector General will begin conducting payroll audits within each division and district to ensure the policy is by adhered to.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

08-4 DEBT COVENANTS (Significant Deficiency)

Condition: Per review of the bond indentures for outstanding bonds, it was noted that the protective covenants require a completed audit of the Department's books within a range of 210 days to 270 days after the close of the fiscal year end. For FY 2008, the Department is in non-compliance with this covenant.

Criteria: Per the bond indentures, the Department's Transportation Commission shall cause an audit of its books and accounts to be completed by an Independent Accountant licensed and in good standing in the State within the prescribed range outlined in the bond indenture agreements. The range is from 210 days to 270 days.

Cause: The Department's records for audit were not provided timely in order to meet the deadline as required by the bond indentures.

Effect: The Department is in non-compliance with outstanding bonds per requirements.

Recommendation: We recommend the Department provide the Independent Auditors with completed records in a timely manner that will allow the audit of books to be completed as required per the bond agreements.

Management's Response: With the publication and presentation of the restated 2007 and the 2008 annual financial statements, management plans to immediately load the final audit adjustments into SHARE and begin the 2009 audit close process. We fully expect to deliver the audited financial statements to the State Auditor's Office by December 15, 2009.

08-5 INTERFUND BALANCES

Condition: During our testwork over interfund balances, we noted that there were several interfund balances that have not been paid out and have been on the books for a period greater than one year.

Criteria: GASB 34, Par. 112(a)(1) states that, "If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan."

Cause: Lack of management oversight.

Effect: The Department is not in compliance with GASB 34, Par. 112 (a)(1).

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

08-5 INTERFUND BALANCES - continued

Recommendation: We recommend that the Department's management analyze all interfund balances and make the appropriate transfers/repayments. We further recommend that the Department establish policies and procedures with regards to oversight and administration of interfund balances.

Management's Response: The Department waited to pay the interfund balances until the 2007 audit had been completed and audit adjustments had been loaded into SHARE. With the close of the 2008 financial statements, management will again bring SHARE up to the audited balances and relieve the interfunds balances in the early fall of 2009. When the financials are back to a timely close, management will be able to return to relieving the interfund balances on a monthly basis again.

08-6 NHTSA CASH MANAGEMENT (Material Weakness)

Condition: During our substantive test work of National Highway Traffic Safety Administration (NHTSA) Federal Revenues, we noted that the Public Voucher for Work Performed (reimbursement request) Form's claim period for actual costs incurred did not match the period for actual costs incurred per the general ledger. Additionally, a prior period adjustment in the amount of \$3.1 million was required to restate prior year revenue and beginning fund balance as they were understated in FY07 and overstated in FY08.

Criteria: The NHTSA Public Voucher for Work Performed Form clearly requests the claim period for actual costs incurred, rather than the billing month. The general ledger should include all transactions for the fiscal year.

Cause: The dates currently being used in the form are for the month of billing/request, not the month the expenditures were incurred.

Effect: Claim periods for actual costs incurred reported to NMTSA are not correct. In addition, accruals captured for prior years were not correct due to the inconsistency and required prior period adjustment to beginning balances.

Recommendation: We recommend that the Department use the actual expenditure dates on the NHTSA reimbursement form.

Management's Response: The Department plans to investigate the nature of the timing deficiencies in the billing and create a new process for capturing, reporting and billing the expenditures in a timely manner. Part of this stage in planning will be a required implementation of the SHARE grants module in capturing and accruing the receivable rather than continue with a manual process that appears to be inefficient.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

08-6 NHTSA CASH MANAGEMENT (Material Weakness) - continued

Management's Response - continued:

Once the new process is in place, the NHTSA staff will undergo additional training in the grants module and new process.

The comptroller's office will maintain routine oversight of the monthly financial reports in order to assure quality control in this area.

08-7 TIMELINESS OF BILLINGS (Material Weakness)

Condition: During our evaluation of federal receivables, it was noted that there were material amounts related to 2007 and 2008 expenditures that had not been billed to the federal agency as of the date of our request.

Criteria: Billings for federal expenditures should be performed on a timely basis and reconciled to the general ledger monthly for proper cash management.

Cause: Reconciliations for federal expenditures were not performed on a timely basis and delayed the federal billing process.

Effect: The federal agency can deny funding for expenditures if they are not received within a certain time period. The Department had to write off \$4,661,292 relating to federal payroll expenditures as a result of billing not being made timely. The Department had \$35,576,013 in unbilled Federal receivables as of June 30, 2008.

Recommendation: We recommend the Department perform timely reconciliations of federal expenditures to federal billings in order to ensure that all amounts are billed in an efficient time period.

Management's Response: The Department has continually attempted to bill eligible payroll in a timely manner during the course of business. FHWA requires that the records of the expenditures be pre-submitted for audit before the expenditures are allowed to be billed.

In the case of payroll expenditures, FHWA has not approved the pre-submissions. As a result, management has added to the allowance for doubtful accounts the amounts of eligible payroll in order to bring the receivables down to what may be collectible.

Although the Department will still pursue billing payroll for the 2007 through the 2009 fiscal years, submittal of the billings is still predicated upon audit and pre-approval by FHWA for reimbursement.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

08-8 UNTIMELY REVERSION TO STATE GENERAL FUND (Significant Deficiency)

Condition: The Department did not revert the FY08 reversion of \$400,623 on a timely basis to the New Mexico State General Fund.

Criteria: Section 6-5-10(A) NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds as of June 30 to be reverted to the New Mexico State General Fund by September 30. The FY08 reversion was due on September 30, 2008.

Cause: The Department did not calculate reversions until the FY08 audit was completed on September 16, 2009.

Effect: The Department is not in compliance with Section 6-5-10(A) NMSA 1978.

Recommendation: The Department should establish procedures to ensure timely calculation and submission of reversions to the New Mexico State General Fund.

Management Response: During the research in preparation of the 2008 financial statements, it was noted that some projects in SHARE had expired at the end of the year. Subsequent research shows that those projects noted had not been reverted during the 2009 fiscal year.

In response to this, the Comptroller's Office is initiating a new structure of oversight of the appropriation projects to centralize the fiduciary duties of reverting closed and expired projects. As part of the routine reconciliation of these funds, the assigned staff member will also be given the duties of reviewing lagging activities and expiration dates of outstanding projects in SHARE. The staff member will be expected to follow up on stagnant activities for closure of projects as well as issue notice of pending expirations of projects to the project operations staff for a timely response.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

07-8 JOURNAL ENTRIES (Material Weakness) – Repeated and Modified

Relates to all Federal programs; no questioned costs.

Condition: Our review over financial reporting revealed that journal entries can be initiated and posted to the general ledger system by the same individual. The journal entries were unrelated to Federal transactions; nonetheless, the potential for erroneous journal entries related to the recording of Federal transactions exists.

Criteria: There should be a system in place that segregates the ability to initiate journal entries and post entries to the accounting system.

Cause: Appropriate process controls are not in place to ensure that accounting personnel do not have the ability to both initiate and post journal entries into the system.

Effect: There is an increased risk of posting errors, both intentional and unintentional, that will adversely affect the accounting system and may not be detected by normal business operations.

Recommendation: We recommend the adoption of a policy whereby all journal entries are initiated and posted by separate individuals.

Management's Response: The errors in properly accruing payables occurred in the area of multi-year project payments.

Management has engaged in a dual approach in controlling the level of errors:

3. Updated, formalized year end instructions for accruals with more clarity in regard to the multi-year project accounting requirements.
4. Additional training for the post-audit staff for researching and analyzing the underlying invoices in order to capture unaccrued expenditures before SHARE closes the year.

Management plans to engage in a continual process improvement in order to communicate the concept of matching expenditures to the period in which the activity occurred.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

07-13 TIMELINESS OF AUDIT AND ACCOUNTING PROCEDURES (Material Weakness) – Repeated and Modified

Relates to all Federal programs; no questioned costs.

Condition: Significant client, audit and reclassification adjustments continued to be required through August of 2009 to the June 30, 2008 trial balance. These adjustments were necessary to comply with U.S. Generally Accepted Accounting Principles and to prepare the accounting records for audit and to properly record federally funded transactions. As a result, financial information provided during the interim period to management for purposes of making financial decisions was not accurate.

Criteria: A financial reporting system should generate timely, accurate information to ensure that decision makers are not misled by poor information. Additionally, the annual financial audit report is due to the State Auditor's Office on or by December 15, 2008. Additionally, the Data Collection Form was not submitted to the Federal Clearinghouse within nine months after year end, or March 31, 2009.

Cause: Sufficient staff with appropriate experience with accounting concepts and procedures were not available to close 2007 timely. As a result, 2008 was delayed.

Effect: Financial and business decisions were made based on incorrect financial reporting throughout fiscal year 2008. Noncompliance with the December 15, 2008 State Auditor deadline.

Recommendation: We recommend that the Department take appropriate measures to ensure that all audit adjustments are properly recorded, that beginning funds/accounts and that adequate resources are allocated to the accounting and reporting function.

Management's Response: The Department has implemented measures during the 2009 fiscal year that require major accounts to be reviewed or reconciled on a monthly basis with corrective journals. This process is the beginning of a long-term strategy to bring the Department to a full close every month with complete financial reporting.

This initial step brings the Department closer to an optimal year end close process with the monthly corrective actions as part of the audit workpaper documents provided to the auditors. Additionally, management plans to add qualified staff to aid in the audit preparation in order to avoid delays in the audit process.

With the release of the restated 2007 and 2008 annual financial reports, management will immediately begin the 2009 audit close with the expectation of submission of the annual financial report to the State Auditor's Office by December 15, 2009.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

08-6 NHTSA CASH MANAGEMENT (Material Weakness)

U.S. Department of Transportation, NHTSA, CFDA #20.600, 20.601, 20.602, 20.608, 20.609, 20.612; no questioned costs.

Condition: During our substantive test work of National Highway Traffic Safety Administration (NHTSA) Federal Revenues, we noted that the Public Voucher for Work Performed (reimbursement request) Form's claim period for actual costs incurred did not match the period for actual costs incurred per the general ledger. Additionally, a prior period adjustment in the amount of \$3.1 million was required to restate prior year revenue and beginning fund balance as they were understated in FY07 and overstated in FY08.

Criteria: The NHTSA Public Voucher for Work Performed Form clearly requests the claim period for actual costs incurred, rather than the billing month. The general ledger should include all transactions for the fiscal year.

Cause: The dates currently being used in the form are for the month of billing/request, not the month the expenditures were incurred.

Effect: Claim periods for actual costs incurred reported to NHTSA are not correct. In addition, accruals captured for prior years were not correct due to the inconsistency and required prior period adjustment to beginning balances.

Recommendation: We recommend that the Department use the actual expenditure dates on the NHTSA reimbursement form.

Management's Response: The Department plans to investigate the nature of the timing deficiencies in the billing and create a new process for capturing, reporting and billing the expenditures in a timely manner. Part of this stage in planning will be a required implementation of the SHARE grants module in capturing and accruing the receivable rather than continue with a manual process that appears to be inefficient.

Once the new process is in place, the NHTSA staff will undergo additional training in the grants module and new process.

The comptroller's office will maintain routine oversight of the monthly financial reports in order to assure quality control in this area.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

08-7 TIMELINESS OF BILLINGS (Material Weakness)

U.S. Department of Transportation, NHTSA, CFDA #20.600, 20.601, 20.602, 20.608, 20.609, 20.612; no questioned costs.

U.S. Department of Transportation, FTA, CFDA #20.500; no questioned costs.

U.S. Department of Transportation, FHWA, CFDA #20.205; no questioned costs.

Condition: During our evaluation of federal receivables, it was noted that there were material amounts related to 2007 and 2008 expenditures that had not been billed to the federal agency as of the date of our request.

Criteria: Billings for federal expenditures should be performed on a timely basis and reconciled to the general ledger monthly for proper cash management.

Cause: Reconciliations for federal expenditures were not performed on a timely basis and delayed the federal billing process.

Effect: The federal agency can deny funding for expenditures if they are not received within a certain time period. The Department had to write off \$4,661,292 relating to federal payroll expenditures as a result of billing not being made timely. The Department had \$35,576,013 in unbilled Federal receivables as of June 30, 2008.

Recommendation: We recommend the Department perform timely reconciliations of federal expenditures to federal billings in order to ensure that all amounts are billed in an efficient time period.

Management's Response: The Department has continually attempted to bill eligible payroll in a timely manner during the course of business. FHWA requires that the records of the expenditures be pre-submitted for audit before the expenditures are allowed to be billed.

In the case of payroll expenditures, FHWA has not approved the pre-submissions. As a result, management has added to the allowance for doubtful accounts the amounts of eligible payroll in order to bring the receivables down to what may be collectible.

Although the Department will still pursue billing payroll for the 2007 through the 2009 fiscal years, submittal of the billings is still predicated upon audit and pre-approval by FHWA for reimbursement.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Summary Schedule of Prior Year Audit Findings

05-2	Personnel and Payroll – Cleared
05-3	GRIP Posting Errors (Material Weakness) – Repeated and Modified
06-1	Inventory Reconciliations – Cleared
07-1	Access to Time Codes (Material Weakness) – Cleared
07-2	Employee Leave Balances (Material Weakness) – Cleared
07-3	Capital Assets (Material Weakness) – Repeated and Modified
07-4	Property Held for Resale – Cleared
07-5	Double Payments – Cleared
07-6	Audit Trail for Payment Vouchers – Cleared
07-7	Accounts Payable (Material Weakness) – Repeated and Modified
07-8	Journal Entries (Material Weakness) – Repeated and Modified
07-9	Misposting of Expenditures – Cleared
07-10	Per Diem Reimbursements – Repeated and Modified
07-11	Payroll Expenditures and Liabilities – Cleared
07-12	Actual Versus Budgeted Expenditures – Cleared
07-13	Timeliness of Audit and Accounting Procedures (Material Weakness) – Repeated and Modified
07-14	Over-Expended Appropriation Units – Repeated and Modified
07-15	Restatement of FY2007 Auditor's Report (Material Weakness) - Cleared

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Exit Conference

An exit conference was held with the Department on August 26, 2009. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO DEPARTMENT OF TRANSPORTATION

Gary Giron, Cabinet Secretary
Domingo Sanchez III, Deputy Secretary of the Office of Business Support
Greg Geisler, Comptroller
John Cope, Commission Chair
Jim Franken, Commissioner
Kathleen Pinyan, Comptroller's Office
Alexandra Williams, Comptroller's Office
Art Gottlieb, Inspector General's Office
Julie Atencio, Inspector General's Office
Larry Viarreal, Finance

MEYNNERS + COMPANY, LLC

Brandon Hill Haines, CPA, CFE, Assurance Principal
Janet Pacheco-Morton, CPA, CGFM, Senior Manager
Jesse Muniz, Senior Accountant
Kyle McGuire, Senior Accountant

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the Independent Auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report.

NEW MEXICO
DEPARTMENT OF
TRANSPORTATION
Financial Statements
for the Year Ended
June 30, 2009,
and Independent
Auditors' Report

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NEW MEXICO DEPARTMENT OF TRANSPORTATION

Official Roster

Year Ended June 30, 2009

Commission

Johnny Cope	Chairperson	Hobbs
Jim Franken	Vice-Chairperson	Las Vegas
Norman Assed	Secretary	Albuquerque
John Hummer	Member	Las Cruces
Roman Maes III	Member	Santa Fe
Jackson Gibson	Member	Thoreau

Administrative Officer

Gary Giron	Cabinet Secretary
Domingo Sanchez III	Deputy Secretary

INDEPENDENT AUDITORS' REPORT

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the Department as a whole and the aggregate remaining fund information of New Mexico Department of Transportation (Department) as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds and the budget comparisons for each fund presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the basic financial statements of the Department are intended to present the financial position, and changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of



Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

New Mexico (State) that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2009, and the changes in its financial position and its cash flows, where applicable, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the Department as a whole 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 non-major governmental fund of the Department as of June 30, 2009, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison for the Department as a whole referred to above presents fairly, in all material respects, the budget comparison of all the governmental funds and enterprise funds of the Department for the year ended June 30, 2009, 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 June 8, 2010, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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 read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by 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.

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

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

Meyners + Company, LLC

June 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis Year Ended June 30, 2009

As management of New Mexico Department of Transportation (Department), we offer the readers of the Department's financial statement this narrative overview and analysis of the financial activities of the Department for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in footnotes to the basic financial statements, which start on page 33 of this audit report.

Financial Highlights

The Department's net assets declined by \$195,713,481, mainly due to depreciation and amortization expense of \$570,870,614. The net assets of the Department's governmental activities decreased by \$195,917,925 due to increases in contractual services, capital outlay and debt service expenditures related to GRIP Bond Projects.

Overview of the Financial Statements

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to private sector business.

The Statement of Net Assets presents information on all of the Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the Department's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The Department's primary purpose is the construction and maintenance of the infrastructure of the State of New Mexico. Thus, in the government-wide financial statements, the primary function is public works.

The government-wide financial statements start on page 20 of this report.

Overview of the Financial Statements - continued

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department are divided into two categories: governmental funds and proprietary fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current resources and use of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheets and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department has 44 governmental funds. Governmental funds are reported as major funds in the accompanying financial statements if they meet both of the following criteria:

- **Ten percent criterion.** An individual governmental fund reports as least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund expenditures.
- **Five percent criterion.** An individual governmental fund reports at least 5 percent of the total for both governmental and enterprise funds of any of the items for which it met the 10 percent criterion.

The Department's major governmental funds are the following:

State Road Fund - The state road fund was created by Section 67-3-65, NMSA 1978. The state road fund is the operating fund of the Department and is used to account for substantially all the Department's financial activities.

General Fund Appropriations Fund - The General Fund Appropriations fund was created to separately account for the construction of infrastructure on behalf of other governments in annual legislative appropriations. This is funded through the transfer of funds from the State General Fund. This fund

Overview of the Financial Statements - continued

Fund Financial Statements – continued

reverts to the State General Fund upon completion of the appropriation project or upon expiration of the appropriation period.

ARRA Project Fund - The ARRA Fund was created under the American Recovery and Reinvestment Act of 2009, a federal economic stimulus program. This fund tracks the expenditure and reimbursement of projects which qualify under the terms of the Act. This is a non-reverting fund.

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the three major funds. Data from the other 41 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report. See pages 113 through 130.

Enterprise Funds

The Department has one type of proprietary fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Department uses its enterprise fund to account for the State Infrastructure Bank, since its purpose is to make loans for road projects.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the State Infrastructure Bank since it is considered to be a major fund of the Department.

The basic proprietary fund financial statements can be found on pages 28 through 30 and the cash flows statement is on page 31 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 33.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information including the Schedule of Severance Tax Bonds, Schedule of Special Appropriations, Schedule of Petty Cash Deposit Accounts, Schedule of State Road Fund User and Fuel Taxes, Schedule of Debt Service and Coverage Ratios and the Schedule of Expenditures of Federal Awards.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Department's financial position. At June 30, 2009, the Department's assets exceeded liabilities by \$5,803,140,260.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2009 - continued

Government-wide Financial Analysis - continued

The largest portion of the Department's net assets reflect its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure) less any debt and unspent bond proceeds used to acquire those assets that are still outstanding. Although the Department's investment in its capital assets is reported net of related debt and unspent bond proceeds, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

As of June 30, 2009 and 2008, the Department has positive balances in two categories of net assets, both for the government fund financial statement as a whole, as well as for its separate categories - governmental and business-type activities. Table A-1 summarizes the Department's net assets for the fiscal years ended June 30, 2009 and 2008.

Table A-1
The Department's Net Assets

		Governmental Activities		Business-type Activities		Total	
		2009	2008	2009	2008	2009	2008
Assets:							
Current and other assets	\$	588,138,929	800,698,578	21,277,419	21,807,779	609,416,348	822,506,357
Capital assets and other		7,208,713,391	7,120,291,143	-	-	7,208,713,391	7,120,291,143
Total assets		7,796,852,320	7,920,989,721	21,277,419	21,807,779	7,818,129,739	7,942,797,500
Liabilities:							
Current liabilities		335,889,963	230,110,898	811,114	1,545,918	336,701,077	231,656,816
Long-term liabilities		1,678,288,402	1,709,765,776	-	-	1,678,288,402	1,709,765,776
Total liabilities		2,014,178,365	1,939,876,674	811,114	1,545,918	2,014,989,479	1,941,422,592
Net assets:							
Invested in capital assets, net of related debt and unspent bond proceeds		5,234,861,006	5,284,234,236	-	-	5,234,861,006	5,284,234,236
Restricted		547,812,949	696,878,811	20,466,305	20,261,861	568,279,254	717,140,672
Total net assets	\$	5,782,673,955	5,981,113,047	20,466,305	20,261,861	5,803,140,260	6,001,374,908

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Management's Discussion and Analysis -
Year Ended June 30, 2009 - continued**

Government-wide Financial Analysis – continued

Changes in Net Assets

Table A-2 provides a summary of the Department's operations for the years ended June 30, 2009 and 2008. Governmental activities decreased the Department's net assets by \$195,917,925 in 2009 and by \$115,604,224 in 2008. Business-type activities increased the Department's net assets by \$204,444 in 2009 and by \$760,530 in 2008 due to interest income earned during the year.

**Table A-2
Changes in the Department's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Capital grants	\$ 402,823,566	305,469,842	-	-	402,823,566	305,469,842
Operating grants	-	75,933,653	-	-	-	75,933,653
Charges for services	38,434,473	13,549,696	-	-	38,434,473	13,549,696
General revenues:						
Taxes	388,743,110	419,976,392	-	-	388,743,110	419,976,392
Interest income	18,733,946	46,706,497	204,444	760,530	18,938,390	47,467,027
Gain (loss) on disposal of assets	(3,855,743)	(6,028)	-	-	(3,855,743)	(6,028)
Total revenues	844,879,352	861,630,052	204,444	760,530	845,083,796	862,390,582
Expenses::						
Depreciation & amortization	570,870,614	549,177,995	-	-	570,870,614	549,177,995
Programs and infrastructure	77,477,730	11,028,125	-	-	77,477,730	11,028,125
Transportation and Highway						
Operations	289,556,180	246,894,734	-	-	289,556,180	246,894,734
Program support	147,515,433	163,329,100	-	-	147,515,433	163,329,100
ARRA	634,638	-	-	-	634,638	-
Total expenses	1,086,024,595	970,429,954	-	-	1,086,024,595	970,429,954
Net revenues (loss) before transfers and reversions	(241,145,243)	(108,799,902)	204,444	760,530	(240,940,799)	(108,039,372)
Transfers and reversions	45,227,318	(6,804,322)	-	-	45,227,318	(6,804,322)
(Decrease) increase in net assets	(195,917,925)	(115,604,224)	204,444	760,530	(195,713,481)	(114,843,694)
Net assets, beginning of year	5,981,113,047	6,099,426,853	20,261,861	19,501,331	6,001,374,908	6,118,928,184
Restatements	(2,521,167)	(2,709,582)	-	-	(2,521,167)	(2,709,582)
Net assets, end of year	\$ 5,782,673,955	5,981,113,047	20,466,305	20,261,861	5,803,140,260	6,001,374,908

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2009 - continued

Government-wide Financial Analysis - continued

The changes in net assets for the Department's major funds for 2009 are as follows:

State Road Fund	\$ (51,098,100)
ARRA Fund	(14,762,939)
General Fund Appropriations	<u>(71,713,487)</u>
Major funds, net change in assets	\$ <u>(137,574,526)</u>

Financial Analysis of the Government's Funds

Governmental Funds

The Department's governmental funds are designed to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2009 fiscal year, the Department's governmental funds reported combined ending fund balances of \$318,911,624, a decrease of \$339,641,014 from the prior year. Fund balance is reserved to indicate that it is not available for new spending because it has already been committed to provide for inventories, long-term assets and prepaid items and other reserved items of \$62,025,156.

Budgetary Highlights

The Department budgets are on a modified accrual basis and not all funds are budgeted. The Department made revisions to the original approved budget by \$375,392,363. Overall, these changes were caused by the following significant budget adjustments:

Transfer budget categories for bridge testing equipment	\$ 172,000
Budget available cash for WIPP/DOE for GRIP project Clines Corners to Lamy	16,000,000
Allocate federal grant funding for Rail Runner Express Operations & Maintenance	3,800,000
Allocate maintenance funds paid by BNSF and Amtrak for railroad repairs	2,500,000
Budget NHTSA Alcohol Countermeasure project funds	6,000,000
Budget DWI Indigent Device Fund to allow for payment to vendors	520,000
Budget Federal Transit Funds for operations in Grants and Services	1,600,000
Utilize WIP/DOE revenue from Acoma and Rubberized Asphalt for Acomita Interchange	12,521,000
Increased debt service costs for refunding done in April 2008	2,500,000
Transfer of costs to cover interest payments for the Line of Credit and unused amounts fees	2,000,000
Increase in GRIP project funds for Rail Runner Belen to Santa Fe	23,500,000

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2009 - continued

Financial Analysis of the Government's Funds - continued

Budgetary Highlights - continued

Voluntary reduction in department level budget	\$40,164,615
Increase Interlock Device Fund	407,000
Increase Federal Traffic Safety Fund	280,000
Increase DWI Prevention Fund	80,900
Increase Traffic Safety Education & Enforcement	500,000
Increase Federal Economic Stimulus Package-ARRA	107,900,000
Increase Traffic Safety Education & Enforcement	500,000
Increase Federal Economic Stimulus Package-ARRA Transit	12,255,602
Transfer of funds from Indian Affairs Department for street lighting	328,000
Homeland Security reimbursement for flooding disaster areas statewide	34,743
Increase Mesa PDC-US 550 Warranty reimbursement	1,297,944
Increase Federal Economic Stimulus Package-ARRA-LED Lighting Project	2,500,000
Increase Federal Economic Stimulus Package-ARRA	<u>138,030,559</u>
	\$ <u>375,392,363</u>

Capital Assets Overview

The Department's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$7,168,146,950 (net of accumulated depreciation). This investment in capital assets includes land, right of way, buildings, equipment, improvement and the infrastructure. Business-type activities have no capital assets.

Major Infrastructure Projects

The Department develops plans to build a transportation system that will better serve the State of New Mexico. Advanced and innovative strategies include building roads using a corridor approach, where an entire route between communities is built. By designing and constructing entire corridors, the Department has been able to realize efficiencies to benefit the state. The Department also employs innovative project development techniques, warranty agreements and highly advanced financing techniques to accomplish the objectives of the Major Investment Program.

Fiscal Year 2008-2009 Active Projects with a contract amount of \$10 million or more:

- I-40/San Mateo Interchange - Bernalillo County
- I-40/West Interchange - Bernalillo County
- I-40, MP 173.730 to MP 177.177 - Bernalillo County
- I-40, MP 54.000 to MP 58.000 - McKinley County
- US 491, MP 59.000 to MP 67.700 - San Juan County

Capital Assets Overview - continued

Major Infrastructure Projects - continued

Fiscal Year 2008-2009 Active Projects with a contract amount of \$10 million or more - continued:

I-40/San Mateo Interchange - Bernalillo County
I-40/West Interchange - Bernalillo County
I-40, MP 173.730 to MP 177.177 - Bernalillo County
I-40, MP 54.000 to MP 58.000 - McKinley County
US 491, MP 59.000 to MP 67.700 - San Juan County
I-40, MP 126.244 to MP 130.760 - Cibola County
I-40, Interchange at MP 102.000 - Cibola County
US 62/180, MP 0.240 to MP 16.250 - Eddy County
US 62/180, MP 16.250 to MP 25.980 - Eddy County
US 64/87, MP 390.332 to MP 400.000 - Union County
NM 26, MP 25.900 to MP 45.300 - Luna County
NM 128, MP 38.810 to MP 48.990 - Lea County
NM 128, MP 24.700 to MP 38.810 - Lea County
I-40, MP 124.000 to MP 133.700 - Dona Ana County
NM 83, MP 0.200 to MP 12.900 - Lea County
US 84/285, MP 184.910 to MP 186.180 - Santa Fe County
US 285, MP 250.000 to MP 280.000 - Torrance, San Miguel, Santa Fe Counties
I-25, MP 220.500 to MP 222.860 - Bernalillo County
US 550, MP 64.780 to MP 115.300 - Sandoval, Rio Arriba, San Juan Counties

Equipment

For fiscal year 2009, the Equipment modified accrual basis budget total was approximately \$11.9 million. Of this budget, approximately \$6.4 million was fully expended at June 30, 2009. Equipment purchased includes pickups, dump trucks, rollers, excavators, mowers, tractors, loaders, snowplows, brooms, dozers, motor graders, spreaders, millers, trailers, motor vehicles, etc. All items are approved during the legislative session prior to July of each fiscal year. The Department holds several sales and public auctions during the year to liquidate old and obsolete equipment to public and private entities.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis - Year Ended June 30, 2009 - continued

Capital Assets Overview - continued

Table A-3
Department's Capital Assets

		<u>2009</u>	<u>2008</u>
Land	\$	5,076,633	5,076,633
Construction in Process		19,637,755	-
Right of way		463,768,765	377,725,494
Infrastructure		15,268,403,662	15,172,765,450
Equipment and furniture		30,039,203	31,472,967
Library		102,614	102,614
Buildings		42,006,106	40,005,443
Vehicles		187,263,628	192,015,322
Accumulated depreciation		<u>(8,848,151,416)</u>	<u>(8,743,765,971)</u>
Total	\$	<u>7,168,146,950</u>	<u>7,075,397,952</u>

Additional information on the Department's capital assets can be found in Note 9 of this report.

Debt Administration

The Department is authorized to issue bonds by authority of Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA)(1978), as amended. The focus of the Department's bond program is to accelerate transportation construction projects while maintaining strong debt service coverage ratios and minimizing the costs of borrowing.

At June 30, 2009, the Department had a total outstanding debt (bonds) of \$1,687,175,000. Outstanding bond debt is backed by the Department's state tax revenues and FHWA revenues.

Table A-4
Department's Outstanding Debt

		<u>2009</u>	<u>2008</u>
Bonds (excludes deferred amount on refunding)	\$	<u>1,687,175,000</u>	<u>1,761,675,000</u>

The Department's total bond debt decreased by 4.2%, or \$74,500,000. Total outstanding bond debt at the end of the fiscal year was \$1,687,175,000 compared to \$1,761,675,000 at the end of the 2008 fiscal year. Key factors affecting the Department's outstanding bonds during the current fiscal year included bond principal repayments totaling \$74,500,000. See Note 11 for a detail of all outstanding bonds.

The Department did not pay any arbitrage to the Internal Revenue Service for any excess income earned on bond proceeds during the fiscal year, and did not have any arbitrage liability at the end of the fiscal year.

Economic Factors and Revenue Forecasts

Economic and Demographic Characteristics

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of July 1, 2009 was 2,009,671. In the 1990s, the State was the twelfth fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515,069. Over the same period of time, the national population grew 13.2 percent. Most of this population growth is occurring in or near the larger cities. There are four Metropolitan Statistical Areas (MSA) in the state. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is Dona Ana County; the Santa Fe MSA is Santa Fe County, and the Farmington MSA is San Juan County. The fastest growing counties in the state are Sandoval, Dona Ana, Bernalillo and Santa Fe.

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing and mining. In 2006, the value of energy resources production (crude petroleum, natural gas and coal) was approximately \$15.6 billion. Total value of energy and other mineral production was \$17.0 billion. The mining industry employed about 21,000 New Mexicans in 2008 and represented 15.6% of the states's GDP. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The state's major transportation routes include Interstate-25, running north-south from El Paso, Texas through Las Cruces, Albuquerque, Santa Fe, Las Vegas and Raton, New Mexico toward Pueblo and Denver, Colorado. Major east-west routes, especially important to interstate commercial carrier traffic, include Interstate-10 from El Paso, Texas to Tucson and Phoenix, Arizona, and Interstate-40 from Amarillo, Texas through Tucumcari, Albuquerque and Gallup, New Mexico to Flagstaff, Arizona.

Revenue Forecasts and Budgets

Federal Revenue:

FHWA Revenue. The amount of FHWA revenue (obligation authority) available to all states has slightly increased as a result of the passage of the new 5 year transportation reauthorization bill entitled "Safe, Accountable, Flexible, and Efficient Transportation Equity Act for the 21st Century – A Legacy for Users" "SAFETEA-LU" in 2005. The amounts of "obligation limitation" available to New Mexico are \$287.5 million in FY2005, \$292.8 million in FY2006, \$271.1 million in FY2007, \$253.5 million in FY2008 and \$372.5 million in FY2009. This compares to previous amounts of \$278.9 million in FY2002, \$263.2 million in FY2003, and \$243.5 million in FY2004. The reauthorization bill provides "apportionment" amounts, but the real spending amount (the "obligation limitation") is determined by the appropriation levels in each year's federal budget bill.

Federal Transit Administration Funds: NMDOT reported revenue of \$25,155,197 in FY 2009 Federal Transit Administration grant funds.

National Highway Traffic Safety Administration Funds: NMDOT reported revenue of \$18,895,855 in FY 2009 of National Highway Traffic Safety Administration grant funds.

Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

Federal Revenue - continued:

DOE Revenue: The Department of Energy will continue to provide New Mexico with more than \$20 million per year through FY2011 pursuant to an agreement in connection with the Waste Isolation Pilot Project in Carlsbad, New Mexico. The amount of this revenue budgeted for debt service was \$20.7 million in FY2004, \$21.1 million in FY2005, \$19.8 million in FY2006, \$15.7 million in FY2007, \$14.7 million in FY 2008 and \$15.9 million in FY2009.

ARRA Revenue: NMDOT reported \$699,965 revenue of \$699,965 of FY2009 ARRA funds passed through from the New Mexico Energy, Mineral and Natural Resources Department. NMDOT also reported \$16,901,789 revenue of FY2009 ARRA funds from FHWA.

State Revenue:

Revenues for the New Mexico Department of Transportation over the long-term (20 years) are characterized as being steady and growing at rates associated with the Consumer Price Index (CPI). There have been periods of stronger and slower, even declining, rates of growth. From fiscal years 1988 to 2000, the average annual compound growth rate was 2.7% and from 2003 to 2007 it was 7.5%. In fiscal year 2001, there was a contraction and then a slowdown due to economic recession that lasted three years.

Department of Transportation revenues have not been exempted from the current recession. However, there is sufficient diversity of type that not all are being impacted to the same extent. State Road Fund revenues are about half and half passenger car to trucking activity. Those associated with passenger cars (gasoline and registrations) have been virtually flat while trucking (special fuel and weight/distance) revenues, influenced by economic recession activity, has been impacted negatively by almost 20%. The resultant total state road fund revenue curve characterizing this recession is 7 years (FY 2007 to FY 2014) from peak to trough to return to peak levels. The low point is about 12% down in FY 2010 with the expected climb-out to last 4 years.

In the fall of 2003, a special session of the New Mexico Legislature was held and transportation rates and fees were raised on special fuels (primarily diesel), weight/distance trucking rates and motor vehicle registration fees. The basis of these increases was to provide \$40 million annually for the debt service on GRIP, a large, multi-year road construction program. The increases were designed also to add \$20 million for road maintenance. These rate/fee increases, along with strong economy, added almost \$100 million annually (36%) from FY 2003 to FY 2007 to the State Road Fund.

State Revenue Forecasts – Major Revenue Sources

The budget estimate for state tax and fee revenue is prepared in July/August and December/January for each year for the budget year ending 24 months (or 18 months) later. Each fiscal year's revenue estimate is assessed six times: twice before the year begins, twice during the fiscal year and twice after the end, with the final numbers being the actual audit.

Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

State Revenue Forecasts – Major Revenue Sources - continued

In fiscal years 2005 through 2007, state revenues from gasoline, special fuels, weight/distance and vehicle registrations grew by \$47.7, \$15.9, \$18.7, million each year, respectively. In fiscal years 2008 and 2009, these revenues declined \$13.2 and \$18.9 million. These four revenue sources constitute 94% of the state road fund. These revenues were consistent with the forecasts for the periods and did add the expected \$60 million for GRIP and maintenance. Strong economic trends, particularly in the trucking industry, also helped to provide for strength in revenue growth in FY 2005 through FY 2007 and have led the decline in FY 2008 and FY 2009.

Due to the size and importance of each of these four sources, a look at each individually helps to provide a more complete picture of the Department's revenues.

Gasoline tax is the largest of State's revenue sources, providing \$108.0 million in revenue in FY 2009. This tax is 17 cents per gallon of gasoline sold, with about three-fourths going to the state road fund and the remainder going primarily to municipalities and counties. It is the one major tax that was not increased during the special session of 2003. Historically, gasoline gallons sold increased until 1995, plateaued from 1995 to 1999, and decreased to 2001, when they plateaued again. The peak years were 1995 to 1999, with 1998 providing \$117.9 million. When increases, slowing and plateaus are discussed in conjunction with gasoline revenues, it should be noted that they are not very large changes.

Of much interest and frequent query is how the gasoline usage (gallons) has fared during the large price fluctuations in 2008 and in light of the economic slowdown. While being watched carefully, for New Mexico, there has been, surprisingly, little, to no change in gasoline usage.

Special fuels are the second largest of the state's revenue sources, providing \$85.6 million in FY 2009, down from \$101.5 in FY 2008. The tax per gallon was raised from 18 to 21 cents per gallon effective FY 2005. Of the 21 cents, the Department receives 19 cents, with the remainder going to local governments. With the increase, special fuels have grown by \$27.0 million, or 36%, from FY 2004 to FY 2008. Special fuels, over time, have been strongly growing revenue with an average annual compound growth rate of 5.2% from 1988 to 2008.

The current recession, because of the lack of consumer goods purchases and, hence, movement, has led to a fairly steep decline in freight for all sources including air, ship, rail and truck. For all these types that decline from peak has been in range of 20%. Trucking, and its associated fuel usage, experienced its strong contraction beginning in December 2009 with a new low plateau for the remainder of FY 2009. This step-down for the last half of the fiscal year manifested itself in the reduced full year revenue.

Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

State Revenue Forecasts – Major Revenue Sources - continued

Weight/Distance tax is charged on trucks over 26,000 pounds and varies by load carried and distance traveled in New Mexico. It is the third largest revenue producer, with \$80.0 million in revenue in FY 2009, down slightly from \$77.4 million in FY 2008. Its rates, too, were raised in the fall 2003 special session. Prior to the increases, revenues averaged \$50 million. From FY 2004, an additional \$25.9 million, or 50% in revenue is received annually. (It should be noted that a “bump” increase occurred in 2007 because of an accounting time period changes.)

Motor vehicle registration fees are the fourth largest revenue at \$72.2 million in FY 2009. These fees were raised also and have represented an increase of \$20.7 million, or 39%, from FY 2004 to FY 2008. The fees are based on three weight classes for passenger vehicles and 14 weight classes for trucks and commercial carriers. The annual registration fees for trucks over 26,000 pounds are low because those vehicles are subject to the weight/distance taxes above.

State Revenue Forecasts - Procedure Changes Impact

Two revenue sources have been impacted negatively by recent federal procedure rulings and legislation. One is the trip tax and the other is New Mexico Public Regulation Commission common carrier registration fees. Trip tax was charged on trucks in lieu of the weight/distance for those trucks/companies not registered for weight/distance. What was called a cab card and carried in each truck was used for weight/distance registration identification. New federal regulations now prevent states from requiring the showing of the cards. Trip tax rose to a peak of \$8.6 million in FY 2006 and provided revenues of \$5.8 million in FY 2009. Recent New Mexico investments in enforcement and optical scanning computer truck identification interface with the weight/distance tax data base are expected to increase truck related revenues.

The New Mexico Public Regulation Commission used to collect common carrier registration fees. Because of efforts by the trucking industry to centralize registrations (because so many trucks are on the road and prorating registrations in so many states), a new centralized system and procedures were passed into law in the fall of 2006. In FY 2006, the Department received \$3.7 million in revenue. Under the new national system, the total fees across the country were capped at \$100 million and then apportioned such that the maximum New Mexico can now receive is \$3.2 million once the system is in place and up and running. Because of delays in getting the system up and running, revenue for FY 2007 came in at \$377,000, \$866,000 for FY 2008, and \$2.3 million in FY 2009. As the system improves over time, it is hoped that the cap maximum will be reached.

Economic Factors and Revenue Forecasts - continued

Revenue Forecasts and Budgets - continued

Background - Gasoline Tax and Tribal Tax Sharing Agreements

The state permits gasoline to be sold at retail by registered Indian tribal distributors on Indian reservations free of State gasoline tax to the extent that the applicable Indian government imposes a similar tax (for its own benefit) on retail gasoline sales. The growth in tribal market share has out-paced the overall growth rate of gasoline in recent years as a result of competitive pricing, casino traffic, and development of new tribal travel centers. Currently the tribal sales have been stabilized to slowly growing.

In 2003 and 2004, legislation allowed the state to enter into "tax sharing agreements" with the two Native American Pueblos that were previously entitled to market a limited amount of state-tax-free gasoline outside reservation boundaries. Under the agreements, 40% of the tax collected on 30 million gallons of gasoline per year will be shared with each of the two Pueblos, in exchange for the Pueblos ceasing their sales activities outside reservation boundaries. The result of these agreements (entered into on January 1, 2004 and July 1, 2004) should be a small revenue gain for the state and significantly more predictable gasoline revenues.

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:

Attn: Deputy Comptroller
New Mexico Department of Transportation
1120 Cerrillos Road
P.O. Box 1149
Santa Fe, New Mexico 87504-1149
(505) 827-5340

FINANCIAL STATEMENTS

DEPARTMENT OF TRANSPORTATION
Statement of Net Assets

AS OF JUNE 30, 2009

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
CURRENT ASSETS:			
Cash (Note 2):			
Unrestricted	2,600	-	2,600
Restricted	228,570,025	-	228,570,025
Cash equivalents (Note 2):			
(Investment in state general fund investment pool)			
Unrestricted	35,205,112	-	35,205,112
Restricted	131,677,225	8,458,560	140,135,785
Receivables:			
Taxes receivable, net	61,939,382	-	61,939,382
Accounts receivable, net (Note 3)	11,899,692	-	11,899,692
Interest receivable	734,562	447,114	1,181,676
Notes and loans receivable (Note 5)	18,143	12,177,853	12,195,996
Other receivables	183,397	-	183,397
U.S. Department of Transportation (Note 6)	65,132,121	-	65,132,121
Due from other state agencies (Note 27)	21,300,598	1,452	21,302,050
Due from other funds (Note 7)	(192,440)	192,440	-
Capitalized issuance costs	798,948	-	798,948
Inventories (Note 8)	16,361,029	-	16,361,029
Prepaid expense - NM44 warranty	3,189,030	-	3,189,030
Prepaid expense - risk management	1,374,036	-	1,374,036
Prepaid expense - other	352,618	-	352,618
Property held for resale, net	9,592,851	-	9,592,851
TOTAL CURRENT ASSETS	588,138,929	21,277,419	609,416,348
NON-CURRENT ASSETS:			
Capitalized issuance costs, net	7,684,195	-	7,684,195
Prepaid expense - NM44 warranty, net	32,882,246	-	32,882,246
Capital assets, net (Note 9)	7,168,146,950	-	7,168,146,950
TOTAL NON-CURRENT ASSETS	7,208,713,391	-	7,208,713,391
TOTAL ASSETS	7,796,852,320	21,277,419	7,818,129,739

DEPARTMENT OF TRANSPORTATION
Statement of Net Assets-continued

AS OF JUNE 30, 2009

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable and contracts payable, including retainage of \$6,937,970	93,277,796	573,038	93,850,834
Due to other agencies (Note 26)	82,849,908	-	82,849,908
Due to state general fund	1,867,782	-	1,867,782
Payable to other governments	2,903,424	238,076	3,141,500
Accrued payroll, taxes and withholdings	5,611,635	-	5,611,635
Accrued interest	3,401,336	-	3,401,336
Deferred revenue	32,202,634	-	32,202,634
Short term note payable (taxable line of credit) (Note 11)	10,000,000	-	10,000,000
Other liabilities	17,610,644	-	17,610,644
Current portion of long-term obligations:			
Compensated absences (Note 11)	2,850,370	-	2,850,370
Debentures payable (Note 11)	78,295,000	-	78,295,000
Capitalized bond premium	5,019,434	-	5,019,434
TOTAL CURRENT LIABILITIES	335,889,963	811,114	336,701,077
LONG-TERM LIABILITIES:			
Long-term obligations:			
Tax-exempt line of credit (Note 11)	40,028,625	-	40,028,625
Compensated absences (Note 11)	4,707,348	-	4,707,348
Debentures payable (Note 11)	1,586,175,336	-	1,586,175,336
Capitalized bond premium, net	47,377,093	-	47,377,093
TOTAL LONG-TERM LIABILITIES:	1,678,288,402	-	1,678,288,402
TOTAL LIABILITIES	2,014,178,365	811,114	2,014,989,479
NET ASSETS:			
Invested in capital assets, net of any related debt and unspent debt proceeds	5,234,861,006	-	5,234,861,006
Restricted for:			
Loans	-	20,466,305	20,466,305
Specific purposes	547,812,949	-	547,812,949
TOTAL NET ASSETS	5,782,673,955	20,466,305	5,803,140,260
TOTAL LIABILITIES AND NET ASSETS	7,796,852,320	21,277,419	7,818,129,739

DEPARTMENT OF TRANSPORTATION

Statement of Activities

YEAR ENDED JUNE 30, 2009

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
PROGRAM EXPENSES:			
Programs and infrastructure	77,447,730	-	77,447,730
Transportation and highway operations	289,556,180	-	289,556,180
Program support	147,515,433	-	147,515,433
ARRA	634,638	-	634,638
Depreciation and amortization	570,870,614	-	570,870,614
TOTAL PROGRAM EXPENSES	1,086,024,595	-	1,086,024,595
PROGRAM REVENUES:			
Charges for services	38,434,473	-	38,434,473
Operating grants	-	-	-
Capital grants	402,823,566	-	402,823,566
TOTAL PROGRAM REVENUES	441,258,039	-	441,258,039
NET PROGRAM (EXPENSE) REVENUE	(644,766,556)	-	(644,766,556)
GENERAL REVENUES (EXPENSE):			
User and fuel taxes	388,743,110	-	388,743,110
Interest income	18,733,946	204,444	18,938,390
Loss on disposal of assets	(3,855,743)	-	(3,855,743)
TOTAL GENERAL (EXPENSE) REVENUE	403,621,313	204,444	403,825,757
TRANSFERS:			
Reversions to state general fund (Note 12)	(3,098,918)	-	(3,098,918)
Transfers from – severance tax bond appropriation (Note 10)	53,383,093	-	53,383,093
Transfers from (to) other state agencies and local governments, net (Note 10)	(5,056,857)	-	(5,056,857)
TOTAL TRANSFERS	45,227,318	-	45,227,318
NET GENERAL REVENUES AND TRANSFERS	448,848,631	204,444	449,053,075
CHANGE IN NET ASSETS/OPERATING INCOME	(195,917,925)	204,444	(195,713,481)
NET ASSETS, BEGINNING OF FISCAL YEAR	5,981,113,047	20,261,861	6,001,374,908
RESTATEMENT (Note 25)	(2,521,167)	-	(2,521,167)
RESTATED NET ASSETS, BEGINNING OF FISCAL YEAR	5,978,591,880	20,261,861	5,998,853,741
NET ASSETS, END OF FISCAL YEAR	5,782,673,955	20,466,305	5,803,140,260

DEPARTMENT OF TRANSPORTATION
Balance Sheet – Governmental Funds

AS OF JUNE 30, 2009

	Major Funds			Other	Total
	State Road Fund	General Fund Appropriations	ARRA Project Fund	Governmental	Governmental
ASSETS:					
Cash:					
Unrestricted	2,600	-	-	-	2,600
Restricted	76,096	-	-	228,493,929	228,570,025
Cash Equivalents:					
(Investment in state general fund investment pool)					
Unrestricted	3,258,633	-	-	31,946,479	35,205,112
Restricted	39,222,633	75,029,774	13,540	17,411,278	131,677,225
Receivables:					
Taxes receivable, net	57,565,490	-	-	4,373,892	61,939,382
Accounts receivable, net	11,899,127	-	-	565	11,899,692
Interest receivable	195,582	-	-	538,980	734,562
Notes and loans receivable	18,143	-	-	-	18,143
Other receivables	177,086	-	-	6,311	183,397
Due from:					
Other State agencies	46,011	1,280,750	199,965	19,773,872	21,300,598
Other funds	68,237,760	114,495	419,000	9,469,889	78,241,144
U.S. Department of Transportation	38,961,599	-	16,482,790	9,687,732	65,132,121
Inventories	16,361,029	-	-	-	16,361,029
Prepaid expenses - other	352,618	-	-	-	352,618
Prepaid expenses – risk management	-	-	-	1,374,036	1,374,036
Prepaid expense - NM44 warranty	36,071,276	-	-	-	36,071,276
Property held for resale	9,592,851	-	-	-	9,592,851
TOTAL ASSETS	282,038,534	76,425,019	17,115,295	323,076,963	698,655,811
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	33,281,378	7,172,460	16,480,657	36,343,301	93,277,796
Due to other funds	72,764,088	384,268	634,638	4,650,590	78,433,584
Due to other agencies	30,765,671	-	-	52,084,237	82,849,908
Due to state general fund	13,240	1,854,542	-	1,867,782	1,867,782
Payable to other governments	-	1,401,547	-	1,501,877	2,903,424
Deferred revenue	70,313,865	-	14,762,939	2,112,610	87,189,414
Other accrued expenses	5,580,199	-	-	31,436	5,611,635
Short-term notes payable (taxable line of credit)	-	-	-	10,000,000	10,000,000
Other payables	14,933,333	179,799	-	2,497,512	17,610,644
TOTAL LIABILITIES	227,651,774	10,992,616	31,878,234	109,221,563	379,744,187
FUND BALANCES:					
Reserved for:					
Inventories	16,361,029	-	-	-	16,361,029
Prepaid expenses	36,071,276	-	-	-	36,071,276
Property held for resale	9,592,851	-	-	-	9,592,851
Unreserved, designated					
Special revenue funds	-	65,432,403	(14,762,939)	148,831,383	199,500,847
Capital projects funds	-	-	-	9,576,014	9,576,014
Debt service funds	-	-	-	55,448,003	55,448,003
Unreserved	(7,638,396)	-	-	-	(7,638,396)
TOTAL FUND BALANCES	54,386,760	65,432,403	(14,762,939)	213,855,400	318,911,624
TOTAL LIABILITIES AND FUND BALANCES	282,038,534	76,425,019	17,115,295	323,076,963	698,655,811

DEPARTMENT OF TRANSPORTATION

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

AS OF JUNE 30, 2009

Total Fund Balances - Governmental Funds (Governmental Fund Balance Sheet)	318,911,624
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

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

Balance sheet	87,189,414	
Statement of net assets	<u>(32,202,634)</u>	
Change in deferred revenue		54,986,780

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

The cost of capital assets is	16,016,298,366	
Accumulated depreciation is	<u>(8,848,151,416)</u>	
Total capital assets		7,168,146,950

Long-term debt not recorded as liabilities in the governmental
funds, but recorded as long-term liabilities in the Statement of
Net Assets:

Long-term notes payable (tax-exempt line of credit)	(40,028,625)
Debentures payable (bonds only)	(1,687,175,000)
Deferred loss on refunding (net of current period amortization)	22,704,664
Compensated absences	(7,557,718)

Accrued interest on long-term obligations not recorded by the governmental funds until paid:	(3,401,336)
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Capitalized issuance costs not recorded in the governmental funds as an asset, net of amortization:	8,483,143
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Capitalized bond premiums not recorded in the governmental funds as a liability, net of amortization:	<u>(52,396,527)</u>
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Net assets of governmental activities (Statement of Net Assets)	<u><u>5,782,673,955</u></u>
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DEPARTMENT OF TRANSPORTATION

Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds

FOR THE YEAR ENDED JUNE 30, 2009

	State Road Fund	General Fund Appropriations	ARRA Project Fund	Other Governmental	Total Governmental
REVENUES:					
User and fuel taxes	362,863,142	-	-	25,879,968	388,743,110
U.S. Department of Transportation	302,428,024	-	1,719,850	46,746,619	350,894,493
U.S. Department of Energy	32,747,299	-	-	-	32,747,299
Fees and fines	-	-	-	72,519	72,519
Licenses and permits	6,635,795	-	-	2,155,941	8,791,736
Charges for services	2,685,603	-	-	-	2,685,603
DWI interlock device	-	-	-	553,787	553,787
Other revenue	26,330,814	-	-	14	26,330,828
Interest earnings	547,074	-	-	18,186,872	18,733,946
TOTAL REVENUES	734,237,751	-	1,719,850	93,595,720	829,553,321
EXPENDITURES:					
Current:					
Operating costs	12,689,645	-	-	425	12,690,070
Personal services	100,514,822	-	-	1,255,085	101,769,907
Out-of-state travel	131,658	-	-	31,912	163,570
Grants and services	5,795,406	-	-	68,579,731	74,375,137
Travel	16,839,052	-	-	5,045	16,844,097
Maintenance and repairs	8,494,777	-	-	34,509	8,529,286
Supplies	35,649,019	-	-	4,653,192	40,302,211
Contractual services	7,702,152	44,397,774	-	28,957,686	81,057,612
Other costs	18,484,962	10,633,086	634,638	379,932	30,132,618
Employee benefits	57,988,644	-	-	445,171	58,433,815
Capital outlay	346,625,985	13,981,595	16,967,116	281,864,226	659,438,922
Debt Service:					
Principal	-	-	-	74,500,000	74,500,000
Interest and other charges	-	-	-	72,960,649	72,960,649
Swap interest	-	-	-	17,940,843	17,940,843
Trustee and broker fees	2,000	-	-	5,309,541	5,311,541
Debt refunding costs	-	-	-	-	-
Debt issuance costs	-	-	-	-	-
TOTAL EXPENDITURES	610,918,122	69,012,455	17,601,754	556,917,947	1,254,450,278
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	123,319,629	(69,012,455)	(15,881,904)	(463,322,227)	(424,896,957)
OTHER FINANCING SOURCES (USES):					
Appropriations, net of reversions	-	(3,098,918)	-	-	(3,098,918)
Proceeds from LT notes payable	-	-	-	40,028,625	40,028,625
Transfers from – Severance Tax Bond	-	-	-	-	-
Appropriation	-	-	-	53,383,093	53,383,093
Transfers from (to) other agencies	(6,454,708)	397,886	699,965	300,000	(5,056,857)
Transfers	(167,963,021)	-	419,000	167,544,021	-
TOTAL OTHER FINANCING SOURCES (USES)	(174,417,729)	(2,701,032)	1,118,965	261,255,739	85,255,943
NET CHANGES IN FUND BALANCES	(51,098,100)	(71,713,487)	(14,762,939)	(202,066,488)	(339,641,014)
FUND BALANCES, June 30, 2008	105,484,860	137,145,890	-	418,443,055	661,073,805
RESTATEMENT (Note 25)	-	-	-	(2,521,167)	(2,521,167)
RESTATED FUND BALANCES, June 30, 2008	105,484,860	137,145,890	-	415,921,888	658,552,638
FUND BALANCES, June 30, 2009	54,386,760	65,432,403	(14,762,939)	213,855,400	318,911,624

DEPARTMENT OF TRANSPORTATION

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds to the Statement of Activities

YEAR ENDED JUNE 30, 2009

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	(339,641,014)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Amounts recorded as deferred revenue in the Balance Sheet-Governmental funds that were not received within the period of availability - 60 days after year end; recorded as revenue in the Statement of Activities:	19,181,774
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In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) - are measured by the amounts earned during the year, however, expenditures for these items in the Statement of Revenues, Expenditures and Fund Balances are measured by the amounts of financial resources used (essentially, the amounts actually paid). The increase (decrease) in the compensated absences liabilities for the fiscal year was:	(172,252)
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The Statement of Revenues, Expenditures and Changes in Fund Balances report capital outlays as expenditures. In the Statement of Activities, the cost of those Assets is capitalized and that cost is depreciated over their estimated useful lives. In the current period these amounts were:

Capital assets activity reported in the Statement of Revenue, Expenditures and Changes in Fund Balances:	
Capital outlay	659,438,922
Capital assets activity reported in the Statement of Activities:	
Depreciation expense	(562,834,181)
Sale of capital asset, net book value	(3,855,743)
Excess of depreciation expense over capital outlay	92,748,998

Repayment of debentures recorded as a principal expenditure in the Statement of Revenues, Expenditures and Changes in Fund Balances recorded as a reduction in long-term debentures payable in the Statement of Net Assets:	74,500,000
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Amortization of deferred loss on refunding, recorded as a reduction of long-term liabilities in the Statement of Net Assets:	(8,164,564)
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Amortization of bond premiums recorded as a reduction of interest expense in the Statement of Activities. The liability balance of \$52,396,527 is recorded in the Statement of Net Assets.	1,314,749
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Long-term note payable (tax-exempt line of credit) proceeds of \$40,028,625 reported as other financing sources in the Statement of Revenues, Expenditures and Changes in Fund Balances, and recorded as a liability in the Statement of Net Assets.	(40,028,625)
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Amortization of bond issuance costs recorded as other costs in the Statement of Revenues, Expenditures and Changes in Fund Balances, and recorded as a reduction in an asset of \$8,483,143, in the Statement of Net Assets.	(1,186,618)
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Net change in accrued interest on long-term debt recorded in the Statement of Net Assets	5,529,627
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Change in net assets of governmental activities (Statement of Activities)	(195,917,925)
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DEPARTMENT OF TRANSPORTATION
Statement of Net Assets-Business-type Activities-Enterprise Fund

AS OF JUNE 30, 2009

ASSETS:	State Infrastructure Bank
	<hr/>
CURRENT ASSETS:	
Cash equivalents (Note 2):	
Unrestricted	\$ -
Restricted	-
Cash equivalents (Note 2):	
(Investment in state general fund investment pool)	
Unrestricted	-
Restricted	8,458,560
Receivables:	
Due from other funds	627,503
Due from other state agencies	1,452
Interest receivable	447,114
Notes and loans receivable (Note 5)	<hr/> 12,177,853
TOTAL CURRENT ASSETS	<hr/> 21,712,482
TOTAL ASSETS	\$ <hr/> <hr/> 21,712,482

DEPARTMENT OF TRANSPORTATION
Statement of Net Assets-Business-type Activities-Enterprise Fund-continued

AS OF JUNE 30, 2009

LIABILITIES:	State Infrastructure Bank
	<hr/>
CURRENT LIABILITIES:	
Accounts payable and contracts payable	573,038
Due to other funds	435,063
Due to other state agencies	-
Due to other governments	<hr/> 238,076
TOTAL CURRENT LIABILITIES	<hr/> 1,246,177
TOTAL LIABILITIES	\$ <hr/> 1,246,177
NET ASSETS:	
Restricted for:	
Loans	\$ <hr/> 20,466,305
TOTAL NET ASSETS	\$ <hr/> 20,466,305
TOTAL LIABILITIES AND NET ASSETS	\$ <hr/> 21,712,482

DEPARTMENT OF TRANSPORTATION
Statement of Revenues, Expenses and Changes in Fund Net Assets-Proprietary Funds

YEAR ENDED JUNE 30, 2009

	State Infrastructure Bank
	<hr/>
GENERAL REVENUES:	
Interest income	<hr/> 204,444
TOTAL GENERAL REVENUES (EXPENSES)	<hr/> 204,444
CHANGE IN NET ASSETS/OPERATING INCOME	204,444
NET ASSETS, BEGINNING OF FISCAL YEAR	<hr/> 20,261,861
NET ASSETS, END OF FISCAL YEAR	\$ <hr/> <hr/> 20,466,305

DEPARTMENT OF TRANSPORTATION
Statement of Cash Flows-Business-type Activities-Enterprise Fund

YEAR ENDED JUNE 30, 2009

	State Infrastructure Bank
	<hr/>
Cash flows provided from operating activities:	\$ (793,603)
Cash flows from financing activities:	
Loans issued	(5,101,280)
Loans repaid	325,676
Net increase in cash and cash equivalents	<hr/> (5,569,207)
Cash and cash equivalents at June 30, 2008	14,027,767
Cash and cash equivalents at June 30, 2009	\$ <hr/> <hr/> 8,458,560
Reconciliation of operating income to net cash provided from operating activities:	
Operating income	204,444
Adjustment to reconcile operating income to net cash by operating activities:	
Increase in interest receivable	(157,292)
Increase from due from other funds	(627,503)
Decrease from due from other agency	86,488
Decrease in accounts payable	(354,433)
Increase in due to local governments	<hr/> 54,693
Cash flows provided by operating activities:	\$ <hr/> <hr/> (793,603)

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

YEAR ENDED JUNE 30, 2009

DEPARTMENT OF TRANSPORTATION				
agency wide including enterprise fund excluding multi-year funds				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ 358,681,800	634,898,504	383,641,792	(251,256,712)
Other state funds, inc. Line of Credit	646,687,000	640,225,144	467,206,208	(173,018,936)
State General Fund	2,928,000	2,928,000	-	(2,928,000)
Inter-Agency Transfers	300,000	7,628,000	4,481,385	(3,146,615)
Interest Revenue	2,916,000	2,717,700	18,938,390	16,220,690
TOTAL REVENUES	1,011,512,800	1,288,397,348	874,267,775	414,129,573
PRIOR YEAR FUNDS REBUDGETED				
	347,544,678	592,732,487		
	\$ 1,359,057,478	1,881,129,835		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	28,821,900	29,337,800	29,843,919	(506,119)
Contractual Services	363,637,150	817,846,830	403,164,834	414,681,996
Other	488,422,886	521,219,087	257,120,284	264,098,803
Transfers (In) Out	-	(1,721,000)	7,360,118	(9,081,118)
	880,881,936	1,366,682,717	697,489,155	669,193,562
Transportation and Highway Ops:				
Personal Services/Employee Benefits	103,892,400	115,523,559	102,732,038	12,791,521
Contractual Services	51,895,000	59,387,547	3,352,156	56,035,391
Other	101,783,900	116,431,770	96,942,505	19,489,265
Transfers (In) Out	-	-	-	-
	257,571,300	291,342,876	203,026,699	88,316,177
Business/Program Support				
Personal Services/Employee Benefits	27,664,880	27,664,800	27,627,765	37,035
Contractual Services	6,557,100	6,557,100	4,886,892	1,670,208
Other	208,352,156	208,352,156	194,858,152	13,494,004
Transfers In (Out)	(21,969,814)	(19,469,814)	9,243,177	(28,712,991)
	220,604,242	223,104,242	236,615,986	(13,511,744)
TOTAL ANNUAL BUDGETED				
EXPENDITURES	1,359,057,478	1,881,129,835	1,137,131,840	743,997,995

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NOTES TO FINANCIAL STATEMENTS

NATURE OF ORGANIZATION

The New Mexico Department of Transportation (Department), formerly known as the New Mexico State Highway and Transportation Department, within the State of New Mexico is responsible for planning, organizing and directing a comprehensive transportation network. The Department was created by the Constitution of New Mexico, Article V, Section 14; and Sections 67-3-1 through 67-3-70, New Mexico Statutes Annotated, 1978 Compilation. The Highway & Transportation Department Reorganization Bill (House Bill 210) created the Department as of July 1, 1987. Under this reorganization act, portions of the Transportation Department were merged into the Department to create the Department's Aviation and Transportation Divisions. On April 4, 2003, the Governor signed a bill changing the Department's name to the New Mexico Department of Transportation.

The governing body of the Department is a six person State Highway Commission. Commissioners are appointed by the Governor, with the advice and consent of the Senate, and each serves for staggered six-year terms.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The 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.

- **Financial Reporting Entity**

The accompanying financial statements of the Department include all funds and activities over which the Department has oversight responsibility. The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Governor appoints the Commission, the Commission has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. Effective July 1, 2003, GASB 39, *Determining Whether Certain Organizations are Component Units*, expands the criteria of component units. GASB 39 has no impact on the Department and the Department has no blended or discretely presented component units during the year ended June 30, 2009.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Financial Reporting Entity - continued**

The Department, the New Mexico Finance Authority (NMFA) and the Federal Highway Administration (FHWA) established a State Infrastructure Bank (SIB) on September 30, 1997. The SIB is a revolving loan program accounted for as a business-type operation - enterprise fund and is administered by the Department to finance highway projects. The initial capitalization for the SIB came from the Highway Department's allotment of federal funds. The Department matched the federal funds based on the required matching percentage from state funds.

- **Government-wide and Fund Financial Statements**

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information of all of the activities, except for fiduciary and component units, of the Department. The effect of material interfund activity has been removed from these government-wide statements. Governmental activities, primarily the construction and maintenance of the State's road system, which normally is supported by taxes and intergovernmental revenues, are reported separately from the business-type activities of the SIB, which to a significant extent acts as a business, loaning funds to other entities and charging interest on the loans. Operating income for the SIB is interest income. All other income, if any, would be non-operating income to the SIB.

- **Basis of Presentation**

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department function of building and maintaining the State's road system (public works). Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a department. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements for public works. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Department does not allocate general government expenses to other functions except for depreciation (in direct) (Note 9).

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, it is generally the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental funds are reported as major funds in the accompanying financial statements if they meet **both** of the following criteria:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - continued**

Ten percent criterion. An individual governmental fund reports at least ten percent of *any* of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.

Five percent criterion. An individual governmental fund reports at least five percent of the total for both governmental and enterprise funds of any of the items for which it met the ten percent criterion.

The Department's major governmental funds are the following:

State Road Fund (Fund #20100). The state road fund was created by Section 67-3-65, NMSA 1978. The state road fund is the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Section 67-3-59 NMSA establishes that this is a non-reverting fund. This is a special revenue fund.

General Fund Appropriations Fund (Fund #10070). The General Fund Appropriations fund was created to separately account for the construction of infrastructure on behalf of other governments in annual legislative appropriations. This is funded through the transfer of funds from the State General Fund. This fund reverts to the State General Fund upon completion of the appropriation project or upon expiration of the appropriation period. This is a special revenue fund.

ARRA Project Fund (Fund #89000). The ARRA Fund was created under the American Recovery and Reinvestment Act of 2009, a federal economic stimulus program. This fund tracks the expenditure and reimbursement of projects which qualify under the terms of the Act. This is a non-reverting fund. This is a special revenue fund.

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

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Business Type - Proprietary Fund - State Infrastructure Bank (SIB) Financial Statements. The financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

A proprietary fund has the option under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The SIB has elected to not apply FASB pronouncements issued after the applicable date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Governmental Fund Financial Statements. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested compensated absences are recorded as an expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2009, has been reported only in the government-wide financial statements.
- Interest and principal payments on general long-term obligations is recognized as expenditures when paid.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.

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

The financial activities of the Department are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Department uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The measurement focus is on the flow of expendable financial resources, rather than on net income determination. All governmental funds are accounted for using the modified accrual basis of accounting. The funds' revenues are recognized in the period in which they become susceptible to accrual (i.e., when they are both measurable and available to pay liabilities in the current period). "Available" is defined as collectible within the current period or soon enough thereafter, within 60 days after year-end, to be used to pay liabilities of the current period. Intergovernmental revenues, including Federal allotments and grants, are recorded in accordance with their legal or contractual requirements if collected in the current period or if collectibility is assured subsequent to year-end. Grant revenues are collected in advance of the period intended to finance expenditures. If the eligibility requirements are not met, they are recorded as deferred revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The following are the governmental fund types used:

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The State Road Fund is the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Resources are generated primarily from user and fuel taxes and federal grants. Expenditures are incurred to build and improve the transportation system within the State of New Mexico. These funds do not receive state general fund appropriations that are subject to reversion.

Local Government Road Fund (Fund #20300). The local government road fund was created by Section 67-3-28.2, NMSA 1978. This fund is used to account for monies received for (1) cooperative agreements program for construction and improvement of public highways and streets, and public school parking lots; (2) a municipal arterial program for construction for reconstruction of highways and streets not on the state highway systems; (3) a school bus route program for maintaining, repairing, improving and paving school bus routes, and public school parking lots; and (4) a county arterial program for construction, reconstruction, improvement and maintenance of county roads. Funding is received from state excise taxes. The fund does not receive state general fund appropriations that are subject to reversion.

Federal Planning and Development Fund (Fund #10030). This fund is authorized by the Commission to account for the planning and administration of federal grant monies and state matching funds for mass transportation and railroad improvements. The Highway Safety Act of 1966, as amended, 23 U.S.C. 401 Et. Seq. and 23 U.S.C. 410, authorizes the establishment of this fund. The fund does not receive state general fund appropriations that are subject to reversion.

Traffic Safety Fund (Fund #20800). This fund is authorized by the Commission to account for federal grant monies and state matching monies received for various traffic safety programs. This is a non-reverting fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued****Special Revenue Funds – continued**

State Aviation Fund (Fund #20500). The State Aviation Fund was created by Section 64-1-15, NMSA 1978. This fund is used to account for planning, construction and maintenance of a system of airports, navigation aids and related facilities serving New Mexico. Financing is provided from all unrefunded taxes collected on the sale of motor fuel sold for use in aircraft. This is a non-reverting fund.

Motorcycle Training Fund (Fund #20600). The motorcycle training fund was created by Section 66-10-10, NMSA 1978. This fund is used to account for the operation of a motorcycle safety training program. Financing is provided from motorcycle registration fees and student training fees. All money in the motorcycle training fund in excess of amounts budgeted revert to the State Road Fund.

Driver Improvement Program Fund (Fund #10020). The driver improvement program fund was created by Executive Order 87-20. This fund is used to account for the operation of a driver improvement program. Financing is provided from fees collected for drivers' manuals and admissions to driver training courses. This is a non-reverting fund.

DWI Prevention and Education Fund (Fund #20700). The DWI prevention and education fund was created by Section 66-5-35, NMSA 1978. This fund is used to account for the operation of a DWI (Driving While Intoxicated) prevention and education program for elementary and secondary school students. Financing is provided from limited license and permit fees. This is a non-reverting fund.

Bond Project Fund (1993 Bonds) (Fund #39400). The bond project fund was created due to the issuance of the December 1993 \$50,000,000 State of New Mexico Highway Debentures. The funds from the sale of all of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations held by the State Treasurer with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (1998 & 1999 CHAT) (Fund #43000). The bond project fund was created due to the issuance of the October 1998 \$105,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1998A and the \$100,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1999 issued in November 1999. The funds from the sale of the Debentures were required to

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued****Special Revenue Funds – continued**Bond Project Fund (1998 & 1999 CHAT) (Fund #43000) - continued.

be deposited in a special account with the State Treasurer. Also, proceeds can be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (2000 CHAT) (Fund #34500). The bond project fund was created due to the issuance of the May 2000 \$201,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2000A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (2001 CHAT) (Fund #00600). The bond project fund was created due to the issuance of the March 2001 \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (2002A CHAT) (Fund #36800). The bond project fund was created due to the issuance of the January 2002 \$95,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Special Revenue Funds – continued

Bond Project Fund (2002C HIF) (Fund #36100). The bond project fund was created due to the issuance of the May 2002 \$67,750,000 New Mexico State Highway Commission Infrastructure Fund Revenue Highway Bonds Series 2002C. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (2002D CHAT) (Fund #11500). The bond project fund was created due to the issuance of the December 2002 \$16,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002D. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund 2004A GRIP (Fund #20400). The bond project fund was created when \$700,000,000 New Mexico State Transportation Senior Lien Revenue Bonds Series 2004A were issued through the New Mexico Finance Authority in May 2004. The funds from the sale of the Debentures were required to be deposited in a special account with NMFA. Unspent proceeds are on deposit with the NMFA and recorded as restricted cash. The funds are used to finance transportation projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversions.

Bond Project Fund 2006A (Fund #10210). The bond project fund was created due to the issuance of the September 2006 \$150,000,000 Revenue Bond Series 2006A. The 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has deemed necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund 2006B (Fund #10230). The bond project fund was created due to the issuance of the September 2006 \$40,085,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued****Special Revenue Funds – continued**

Bond Project Fund 2006C (Fund #10250). The bond project fund was created due to the issuance of the September 2006 \$220,000,000 of State Transportation, Series 2006C Revenue Bonds. The series 2006C Bonds were issued as adjustable rate securities and were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund 2006D (Fund #10270). The bond project fund was created due to the issuance of the September 2006 \$50,400,000 of State Transportation, Series 2006D Revenue Bonds. The series 2006D Bonds were issued to provide funds for an escrow account required to be maintained by the Department pursuant to a Joint Use Agreement between the Department and the BNSF Contingent Liability Fund. The fund does not receive state general fund appropriations that are subject to reversion.

Severance Tax Bond Appropriations Fund (Fund #10060). The Severance Tax Bond fund was created to separately account for the construction of infrastructure on behalf of other governments in annual legislative appropriations. This is funded through the sale of Severance Tax Bonds and is distributed through the Board of Finance of the Department of Finance and Administration. This fund reverts upon completion of the appropriation project or upon expiration of the appropriation period. Appropriations are received on a reimbursement basis as expenditures occur; therefore only budgetary reversions are made when applicable. This is a capital projects fund.

LOC Project Fund (Fund #10450). The project fund was created by the engagement of \$200,000,000 Line of Credit June 2008. The Line of Credit was engaged in with an adjustable rate and to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

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

Debt Service - WIPP Bonds (Fund #97200). The fund was created when the \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bond Series 1998B were issued in October 1998.

Debt Service - 1998 CHAT Bonds (Fund #54800). The fund was created when the \$105,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1998A were issued in October 1998.

Debt Service – 1999A CHAT Bonds (Fund #43400). The fund was created when the \$100,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1999 were issued in November 1999.

Debt Service - 2000 CHAT Bonds (Fund #43200). The fund was created when the \$201,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2000A were issued in May 2001.

Debt Service - 2001 CHAT Bonds (Fund #00700). The fund was created when the \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001A were issued in March 2001.

Debt Service - 2002A CHAT Bonds (Fund #54700). The fund was created when the \$95,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002A were issued in January 2002.

Debt Service - 2002B WIPP Bonds (Fund #75000). The fund was created when the \$79,920,000 New Mexico State Highway Commission Lien Tax Revenue Bonds Series 2002B were issued in January 2002.

Debt Service - 2002C HIF Bonds (Fund #36300). The fund was created when the \$67,750,000 New Mexico State Highway Commission Infrastructure Fund Revenue Bonds Series 2002C were issued in May 2002.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued****Debt Service Funds - continued**

Debt Service - 2002D CHAT Bonds (Fund #18700). The fund was created when the \$16,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002D were issued in December 2002.

Debt Service Fund - 2004A GRIP (Fund #10080). The fund was created when the \$700,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bond Series 2004A were issued through the New Mexico Finance Authority in 2004.

Debt Service Fund - 2004B/C GRIP (Fund #10090). The fund was created when the \$237,950,000 and \$200,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bonds Series 2004B and Series 2004C were issued through the New Mexico Finance Authority in May 2004. The 2004C Revenue Bond was refunded in 2008 by the 2008A and 2008C Refunding Revenue Bonds.

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

Debt Service Fund - 2006B (Fund #10240). The fund was created when the \$40,085,000 New Mexico State Highway Commission Revenue Bonds Series 2006B were issued in September 2006.

Debt Service Fund - 2006C (Fund #10260). The fund was created when the \$220,000,000 New Mexico State Highway Commission Revenue Bonds Series 2006C were issued in September 2006. This series was refunded by the 2008C Refunding Revenue Bonds.

Debt Service Fund - 2006D (Fund #10280). The fund was created when the \$50,400,000 New Mexico State Highway Commission Revenue Bonds Series 2006D were issued in September 2006. This series was refunded by the 2008D Refunding Revenue Bonds.

Debt Service Fund - 2008A (Fund #10410). The fund was created when the \$115,200,000 New Mexico State Transportation Commission Revenue Bonds Series 2008A were issued in April 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

Debt Service Fund - 2008B (Fund #10420). The fund was created when the \$220,000,000 New Mexico State Transportation Commission Revenue Bonds Series 2008B were issued in April 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued****Debt Service Funds - continued**

Debt Service Fund – 2008C (Fund #10430). The fund was created when the \$84,800,000 New Mexico State Transportation Commission Revenue Bonds Series 2008C were issued in May 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

Debt Service Fund – 2008D (Fund #10440). The fund was created when the \$50,400,000 New Mexico State Transportation Commission Revenue Bonds Series 2008D were issued in May 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

Capital Project Improvements Fund (Fund #10050) The Capital Project Improvements Fund is used to account for the purchase or construction of facilities used in the operation of the Department. It is a non-major fund. This fund reverts to the State Road Fund upon completion of the appropriation project or appropriation period. All governmental funds are accounted for using the modified accrual basis of accounting.

• Budgets and Budgetary Accounting

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, item N, “For the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration.” The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year’s budget. Encumbrances related to single year appropriations lapse at year end. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses, and encumbrances can no longer be charged to that budget.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Budgets and Budgetary Accounting - continued

The legal level of budgetary control is at the appropriation unit level at the entity-wide level, except for multiyear funds.

• Interfund and Interagency Transactions

Transfers which, because of budgetary or legal restrictions, must be expended by funds other than the fund initially receiving the revenue, are recorded as operating transfers in (out) under the other financing sources (uses) category (Note 10) in the governmental fund financial statements.

• Restricted Cash and Cash Equivalents

The funds deposited in the debt service funds are restricted to pay future principal and interest payments due under the \$50,000,000 Series 1993 Highway Bonds, the \$105,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 1998A (CHAT Bonds), the \$100,000,000 Subordinate Lien Tax Revenue Highway Bonds, Series 1998B (WIPP Bonds), the \$100,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 1999 (CHAT Bonds), the \$201,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2000A (CHAT Bonds), the \$198,800,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2001A (CHAT Bonds), the \$95,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002A (CHAT Bonds), the \$79,920,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002B (WIPP Bonds), the \$67,750,000 Highway Infrastructure Fund Revenue Highway Bonds, Series 2002C (HIF Bonds), and the \$16,000,000 Senior Subordinate Tax Revenue Highway Bonds, Series 2002D (CHAT Bonds), the \$700,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2004A (GRIP Bonds), the \$237,950,000 Subordinate Lien Tax Revenue Highway Bonds, Series 2004B (GRIP Bonds), the \$150,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2006A (GRIP Bonds), the \$40,085,000 Subordinate Lien Tax Revenue Highway Bonds, Series 2006B (GRIP Bonds), the \$115,200,000 Subordinate Lien Tax Refunding Bonds, Series 2008A (GRIP Bonds), the \$220,000,000 Subordinate Lien Tax Refunding Bonds, Series 2008B (GRIP Bonds), the \$84,800,000 Subordinate Lien Tax Refunding Bonds, Series 2008C (GRIP Bonds), the \$50,400,000 Subordinate Lien Tax Refunding Bonds, Series 2008D (GRIP Bonds). The remaining balance of the proceeds from the sale of the debentures, bonds and the NMFA loan are also classified as restricted cash because of the limited use of these funds.

Proceeds of the various bond issues are also invested through the State Treasurer's Office in securities repurchase agreements with financial institutions and a money market mutual fund that invests in U.S. Treasury securities. Cash received from the Department of Energy (for the WIPP Project fund) in advance of incurring the eligible expenditures is also reflected as restricted cash because the cash can only be used on specified road projects. Cash held in the State Infrastructure Bank is restricted for use in funding loans (Note 2).

Cash and cash equivalents, for the purpose of the cash flows, has interest in the State General Fund Investment Pool of the State Treasurer's Office.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Taxes Receivable**

Taxes receivable represent the amounts due from the New Mexico Taxation and Revenue Department for the Department's June 30 fiscal year user and fuel taxes that are received by the Department after year-end. Accordingly, no allowance for uncollectible amounts is necessary. The revenue related to taxes is recorded when the underlying transaction occurs.

- **Accounts Receivable**

Accounts receivable consists of amounts due from various entities: individuals and other state and local agencies located within the State of New Mexico for the sale of maps, brochures and other materials; federal excise taxes; and for other services performed by the Department. The Department provides an allowance for uncollectible accounts. The allowance is based on estimated collectible balances using an analysis of an aging of outstanding accounts and historical collection experience. The Department does not require collateral on these accounts receivable (Note 3).

- **Severance Tax Bonds Proceeds Receivable**

The State of New Mexico Legislature has authorized the State Board of Finance to issue and sell revenue bonds that are to be retired using future taxes levied against the extractive industries in the state. The proceeds from bonds sold are appropriated to the Department to be used for specific programs. Expenditures incurred by the Department for such programs are reimbursable from the State Board of Finance. The severance tax bonds proceeds receivable represents expenditures incurred by the Department, but not yet reimbursed by the Board of Finance (Note 4).

- **Notes and Loans Receivable**

Notes receivable represent:

- Funds advanced to various state and local agencies to promote van-pooling activities within the state. The Federal Highway Administration (FHWA) provides matching funds (90%) for the purchase of vehicles by various not-for-profit van pooling organizations.
- The funds advanced to such organizations are payable to the Department and are designated for future vehicle purchases.
- Notes issued to individuals displaced by purchases of right of way properties. The funds loaned to such individuals are provided in part by FHWA funds per FHWA guidelines.

Loans receivable represent:

Loans to other governmental entities made by the State Infrastructure Bank. Loans are stated at their principal amount. Interest on loans is accrued based on the daily principal balance outstanding, except when a loan has been past due for 90 days. All loans are to governmental entities and secured by certain pledged revenues. The loans are being repaid in accordance with their loan agreements. Management's evaluation of the loan portfolio has determined that no allowance for uncollectible loans is required at June 30, 2009. There are no loans past due for more than 90 days as of the end of the fiscal year which require placement on non-accrual status (Note 5).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Due From the U.S. Department of Transportation**

Due from the U.S. Department of Transportation represents amounts billed and unbilled in accordance with the various grant agreements. The “billed” portion represents contract expenditures incurred and billed by the Department. The “unbilled” portion represents expenditures included in accounts payable that will be billed when paid by the Department. The “excess project costs” represents costs actually incurred on a project in excess of approved amounts. The Department provides for an allowance for uncollectible accounts in excess of project costs classification. The allowance is based on an analysis of amounts that are reasonably assured of collection (Note 6).

- **Due From/To Other Funds**

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

- **Due to State General Fund (Reversions)**

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the percentage of reverting fund (to total budget for the category) to the amount unexpended for the category at fiscal year-end.

- **Inventory**

Inventory is valued at cost using the first-in, first-out method. Special Revenue Fund inventory consists of materials used in the Department’s operations.

The inventory costs are recorded as expenditures when consumed rather than when purchased. Reported inventories are equally offset by the fund balance reserve, which indicates that it does not constitute “available spendable resources” (Note 8) even though they are a component of current assets.

- **Prepaid Expense - Warranty**

The warranty represents the no-fault portion of 3 categories of costs that will meet performance criteria: The pavement, which originally cost \$36,100,000, is being amortized over 20 years. At the end of fiscal year 2009 the unamortized value was \$27,075,080. The structures, which originally cost \$15,916,345 is being amortized over 11 1/2 years. At the end of fiscal year 2009 the unamortized value was \$8,996,196. The remaining amount, which originally cost \$13,564,126, is fully amortized and has no value at the end of fiscal year 2009.

- **Property Held for Resale**

Property held for resale represents excess land acquired through condemnation and is recorded at its estimated fair value. The Department’s management estimated the fair value based upon original cost plus inflation using the Consumer Price Index (CPI). Reported property held for resale is equally offset by the fund balance reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Capital Assets**

Capital assets, which include property, plant, equipment, software in the equipment category, and infrastructure assets (which is normally immovable and of value only to the state, such as roads, streets, tunnels and similar infrastructure items), are reported in the governmental activities columns in the government-wide financial statements. The Department has no internally developed software that requires capitalization. As a result of House Bill 1074, effective date June 17, 2005, the State's capitalization policy threshold was changed from \$1,000 to \$5,000, requiring agencies to capitalize acquisitions greater than \$5,000. Assets purchased prior to June 17, 2005 were not removed and will continue to be depreciated. Purchased and constructed capital assets are valued at historical or estimated historical cost. The Department has not capitalized any construction period interest expense. Donated capital assets are recorded at their estimated fair value at the date of donation.

- The Department records as capital assets the specific roads, tunnels and other infrastructure it owns or over which it has primary responsibility for maintenance. According to GASB, if the Department has the primary responsibility for the asset's maintenance, then the capital asset would be recorded on its books.
- An estimated historical cost of the entire infrastructure on the Department's government-wide financial statements was determined as of June 2001. The Department calculated the replacement cost as of June 30, 2001 for its entire infrastructure and then deflated the cost by use of a construction price level index maintained by the Federal Highway Administration. Accumulated depreciation at June 30, 2001 was calculated based on the estimated historical cost of the infrastructure, estimated use of the assets and using a 25 to 30-year life of the infrastructure. Current year activity is shown in Note 9 to the financial statements.
- The Department follows the depreciation method to record infrastructure assets. This method requires the Department to allocate the cost of infrastructure assets over their useful lives as depreciation expense. Another allowable methodology is to use the modified approach to record infrastructure. Under this process, the Department does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. If this method was used, it would require the Department to: 1) commit to maintaining and preserving the assets at or above a condition level established by the Department, 2) maintain an inventory of the assets and perform periodic assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. The Department elected to use the depreciation method as it determined it could not meet the condition to maintain the infrastructure at a predetermined condition level due to an anticipated lack of future funding for maintenance. All major infrastructure has been recorded.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Capital Assets - continued**

- The Department records its other capital assets (buildings and machinery and equipment) at historical cost and depreciates the assets over their estimated useful lives. Capital assets acquired in the current year in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Department are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and right-of-way land. Generally, estimated useful lives are as follows:

Machinery and Equipment	7 - 14 years
Buildings and Other Improvements	40 years
Infrastructure	25 - 30 years

- **Deferred Revenue**

Deferred revenue occurs when the Department receives funds before the corresponding expense or expenditure has been incurred, or all of the eligibility requirements have been met. The Department has received funds in advance of work done from the Department of Energy (DOE) for road projects and other costs relating to the Waste Isolation Pilot Plant (WIPP). Revenue is recognized when eligible expenditures are incurred for these projects and programs and all eligibility requirements are met.

- **Compensated Absences**

The Department accounts for the accumulated vacation and sick leave on the accrual basis in accordance with GASB 16. Accrued vacation up to 240 hours is recorded in the Statement of Net Assets at 100% of the employee's hourly wage. In addition, accrued sick leave over 600 up to 720 hours less the amount classified as current is recorded in the Statement of Net Assets at 50% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour. The accrual for compensated absences is calculated at pay rates in effect at June 30, 2009, and includes direct and incremental salary related payments, such as the employees' share of social security taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Long-Term Obligations**

Premiums, Discounts and Issuance Costs - In the government-wide financial statements, long-term debt and other long-term obligations are presented in the column for governmental and business-type activities. The same is presented in the proprietary fund financial statements. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized straight line over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and also amortized straight line over the term of the related debt.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

Arbitrage Rebate Liability - Any arbitrage rebate is recorded as a liability when it is determined to be owed to the Internal Revenue Service.

- **Net Assets**

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investments in Capital Assets - is intended to reflect the portion of net assets which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Assets - are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or granting agency) limitation on their use. When there is an option, the Department spends restricted resources first.

Unrestricted Assets - are all other net assets that do not meet the definition of "restricted assets" or "investments in capital assets".

- **Encumbrances**

With the Laws of 2004, Chapter 114, "General Appropriations" establishing the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico, there are no encumbrances outstanding at year-end with the exception of the Capital Projects Fund. Encumbrances outstanding in this fund at year-end are reported as reservations of fund balance on the balance sheets (in the fund financial statement) and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Encumbrances - continued**

It is necessary to include the budgetary basis consistent with the Department's legally adopted budget as presented in the required supplementary information. Unused and excess encumbrances are adjusted in the year it is determined the funds will not be spent.

- **Reservations**

Reservations of fund balance are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Inventory - This reserve was created to represent the portion of fund balance that is not available for expenditures because the Department expects to use the resources within the next budgetary period.

Property Held for Resale - This reserve was created to represent the portion of fund balance that is not available for expenditures because the Department holds them in other assets.

Prepaid Expenses - This reserve was created to represent disbursements made that cannot be reported as expenditures in the current period for GAAP purposes.

- **Designated Fund Balance**

The Department established a designation for assets held in fund balances representing items that have not yet been utilized for their established purposes. Specific designations of fund balance accounts are summarized below:

Special Revenue Funds - This designation was created to represent fund balances for projects or special appropriations that have not been started in the governmental fund financial statements.

Capital Project Funds - This designation was created to represent fund balances for projects or special appropriations that have not been started in the governmental fund financial statements.

Debt Service Funds - This designation was created to represent fund balances for the use in satisfying future debt payments.

- **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Eliminations**

Total columns in the governmental fund financial statements are captioned "Total (Governmental Funds)" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operation or changes in financial position of the Department as a whole in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation in the governmental fund financial statements. Due from/to other funds and interfund transfers have been eliminated in the government-wide financial statements.

2. CASH AND CASH EQUIVALENTS

Cash funds, other than petty cash, are deposited by the Department into its accounts with the State Treasurer, which are pooled and invested by the State Treasurer. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Money of the Department may be deposited with the State Treasurer for a short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico, or any political subdivision of the State and other investments allowed by state law. Petty cash funds are deposited with various financial institutions and are fully insured. Some of the cash held by the trustee for the NMFA loan proceeds is also invested in a money market mutual fund that invests in short-term U.S. Treasury securities. The reconciled balances at June 30, 2009, are as follows:

	SHARE Account Number	Amount	Cash Reported in Due to Other Agencies
Unrestricted:			
Driver Improvement Fund	10020	483,736	
	20100/10040/78800/		
State Road Fund	78900/82000	(27,507,038)	
Local Government Road Fund	20300	18,031,983	
State Aviation Fund	20500	4,534,933	
Motorcycle Training Fund	20600	309,007	
DWI Prevention and Education	20700	1,168,464	
Traffic Safety Fund	20800/10020/82600	7,418,356	
Federal Planning and Development	10030	(4,079,569)	
Total Unrestricted Cash		359,872	
add back: negative cash reported in Due to Other Agencies			34,845,240
Total Unrestricted Cash Equivalents reported in Statement of Net Assets		35,205,112	
Unrestricted Petty Cash		2,600	
Total Unrestricted Cash and Cash Equivalents reported in Statement of Net Assets		35,207,712	

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

2. CASH AND CASH EQUIVALENTS - continued

	SHARE Account Number	Amount
Restricted:		
2001A CHAT Bond Project Fund	00600	8,535,823
2001A CHAT Debt Service	00700	232,893
Capital Projects Fund	10050	2,097,161
Severance Tax Appropriations Fund	10060	(15,915,241)
Gen Fund Multi-Year Projects	10070	75,029,774
2006A GRIP Bond Project Fund	10210	(6,487,953)
2006C GRIP Bond Project Fund	10250	(9,587,697)
LOC Project Fund	10450	(8,455,198)
2002D CHAT Bond Project Fund	11500	777,176
2002D CHAT Debt Service	18700	12,763
Road Fund	20200/43100	39,222,633
2004A GRIP Bond Project Fund	20400	(3,807,715)
2000A CHAT Bond Project Fund	34500	(1,886,711)
2002C HIF Bond Project Fund	36100	1,299,309
2002C HIF Debt Service Fund	36300	62,004
2002A CHAT Bond Project Fund	36800	(1,864,153)
1993 Bond Project Fund	39400	1,588,854
1999A CHAT Bond Project Fund	43000	2,110,088
2000 CHAT Debt Service	43200	203,343
1999 CHAT Debt Service	43400	142,550
2002A CHAT Debt Service	54700	83,269
1998A CHAT Debt Service	54800	141,073
2002B WIPP Debt Service	75000	110,515
ARRA Fund	89000	13,540
State Infrastructure Bank	89300	8,458,560
1998A WIPP Debt Service	97200	14,457
Total Restricted Cash Equivalents		92,131,117
add back: negative cash reported in Due to Other Agencies		48,004,668
Total Restricted Cash Equivalents reported in Statement of Net Assets		140,135,785
Other authorized bank accounts - Wells Fargo		11,064
Bond proceeds invested in Money Market Mutual Funds at Bank of Albuquerque and Wells Fargo		228,558,961
Total Restricted Cash reported in Statement of Net Assets		228,570,025
Total Restricted Cash and Cash Equivalents reported in Statement of Net Assets		368,705,810
Total Due to Other Agencies reported in Statement of Net Assets (Note 26)		82,849,908

2. CASH AND CASH EQUIVALENTS - continued

State law requires that repurchase agreements be secured by collateral with a market value greater than 102% of the value of the agreement. The securities are held by a third party in the Department's name. The fair value of the repurchase agreement approximates the cost at June 30, 2009.

Bond proceeds are invested in money market mutual funds at the Bank of Albuquerque	\$ <u>228,558,961</u>
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Money market funds are managed by New Mexico Finance Authority (fiscal agent) and held by State Treasurer authorized bank accounts at Bank of Albuquerque as trustee and paying agent for Department. The sources of funds are bond proceeds and other debt service requirements. These funds are invested in short-term money market accounts that invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, the Department will not be able to recover the value of its collateral securities that are in the possession of an outside party. All are fully collateralized and the collateral is held in the Department's name.

Credit Risk. The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government.

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer. The Department is not susceptible to concentration of credit risk.

Interest Rate Risk. Interest rate risk is the risk that interest rate fluctuations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the value of securities held in a collateral portfolio will decline if market interest rates rise. In this event, the financial institution is required to provide additional collateral necessary to comply with New Mexico State Statute. Therefore, funds are not susceptible to interest rate risk as they are all fully collateralized.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

3. ACCOUNTS RECEIVABLE

The aging of accounts receivable as of June 30, 2009, is as follows:

Number of Days Outstanding

0 - 30	\$ 7,220,792
31 - 60	4,669
61 - 120	7,133,531
Beyond 120	<u>20,328</u>
	14,379,320
Allowance for uncollectible accounts	<u>(2,479,628)</u>
	\$ <u>11,899,692</u>

4. SEVERANCE TAX BOND PROCEEDS RECEIVABLE

Severance tax bonds proceeds available as of June 30, 2009, appropriated to the Department, were held by the State Board of Finance to reimburse future expenditures incurred by the Department. The activity of this account is as follows:

Balance, beginning of year	\$ 94,177,346
Sale and reauthorization of severance tax bonds	103,579,030
Funding from the State Board of Finance	(49,215,698)
Reversion to the State Board of Finance	<u>(516,298)</u>
Balance, end of year	\$ <u>148,024,380</u>

The funding for the year ended June 30, 2009 was received under the Laws of 2000, Chapter 23 and Laws of 2002, Chapter 110; Laws of 2003, Chapter 429; Laws of 2004, Chapter 126; Laws of 2005, Chapter 347; Laws of 2006, Chapter 111; Laws of 2007, Chapter 42; Laws of 2008 Chapter 9 and 92 ; Laws of 2009, Chapter 5, for projects completed.

Receivable at year end (Note 27)	\$ <u>17,096,690</u>
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NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

5. NOTES AND LOANS RECEIVABLE

Notes receivable as of June 30, 2009 consist of the following:

A note receivable from a private entity, non-interest bearing, in accordance with federal statutes, collateralized by various property.	\$ 18,143
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Loans receivable funded by the SIB consist of the following:

City of Albuquerque, including interest at 1.5%, due during the 2009 federal fiscal year, secured by federal highway revenue.	\$ 641,087
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City of Rio Rancho, including interest at 1.5%, due during the 2009 federal fiscal year, secured by federal highway revenue.	-
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County of Bernalillo, including interest at 1.5%, due during the 2009 federal fiscal year, secured by federal highway revenue.	3,897,062
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Albuquerque Metropolitan Arroyo Flood Control Authority (AMAFCA), including interest at 1.5%, due during the 2009 federal fiscal year, secured by federal highway revenue.	7,639,704
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	\$ 12,177,853
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6. DUE FROM U.S. DEPARTMENT OF TRANSPORTATION

Due from U.S. Department of Transportation (USDOT) consists of the following at June 30, 2009:

Agency

Federal Highway Administration	\$ 49,973,568
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Less allowance for uncollectible amounts	(11,011,969)
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Total Federal Highway Administration	38,961,599
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Other USDOT Agencies	26,170,522
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Total USDOT	\$ 65,132,121
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Subsequent to June 30, 2008, portions of the Federal Highway Administration unbilled portion of \$46,788,820 was billed and the amounts were collected by the Department. Management determined that the balance relating to payroll expenditures outstanding at year end and during 2009 was not collectible and, therefore, an allowance was established in June 30, 2008 and June 30, 2009. During the 2010 fiscal year, the Department obtained permission to bill prior years payroll on a case by case basis. Consequently, management has determined that an additional allowance will not be necessary, since it is currently determined to be reasonably collectible.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

7. DUE FROM AND DUE TO OTHER FUNDS

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

- 1) The State Road Fund pays expenditures on behalf of other funds.
- 2) Grant and other funds are recorded in the State Road Fund and then transferred to the appropriate funds.

Interfund receivables and payables as of June 30, 2009 consist of the following:

	Fund Number	Due From Other Funds	Due to Other Funds	Net (Sub-totals only)
Special Revenue Funds:				
Bond Project Fund - CHAT 2001A	00600	-	87,120	
	10010,			
Traffic Safety Fund	208, 826	7,140	2,209,422	
Driver Improvement Program Fund	10020	67,920	-	
Federal Mass Transit Fund	10030	58,266	-	
Sev. Tax Multiyear Capital Project	10060	-	-	
Gen. Fund Multiyear Capital Project	10070	114,495	384,268	
Bond Project Fund - GRIP 2006A	10210	230,271	870,000	
Bond Project Fund - GRIP 2006C	10250	-	-	
Bond Project Fund - CHAT 2002D	11500	-	142,904	
	10040,			
	20100,			
	20200,			
State Road Fund	43100	68,237,760	72,764,088	
Local Government Road Fund	20300	32,803	-	
Bond Project Fund - GRIP 2004A	20400	670,000	316,177	
State Aviation Fund	20500	781,005	1,017,901	
DWI Prevention & Education Fund	20700	-	7,066	
Bond Project Fund - CHAT 2000A	34500	-	-	
Bond Project Fund - CHAT 2002A	36800	-	-	
Bond Project Fund - 1993 Bonds:	39400	-	-	
Bond Project Fund - CHAT 1999A	43000	-	-	
Rubberized Asphalt Fund	82000	-	-	
ARRA Project Fund	89000	419,000	634,638	
Total Special Revenue Funds		70,618,660	78,433,584	(7,814,924)

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

7. DUE FROM AND DUE TO OTHER FUNDS-continued

	Due From Other Funds	Due to Other Funds	Net (Sub-totals only)
Debt Service Funds:			
Debt Service Funds – 2004A GRIP	-	-	
Debt Service Funds – 2004B GRIP	-	-	
Debt Service Funds – 2006A GRIP	-	-	
Debt Service Funds – 2006B GRIP	-	-	
Debt Service Funds – 2006C GRIP	-	-	
Debt Service Funds – 2006D GRIP	-	-	
Debt Service Funds – 2008A GRIP	-	-	
Debt Service Funds – 2008B GRIP	-	-	
Debt Service Funds – 2008C GRIP	-	-	
Debt Service Funds – 2008D GRIP	-	-	
Debt Service Funds – WIPP 1998	-	-	
Total Debt Service Funds	-	-	-
Capital Projects Funds:			
Capital Projects (CIP) Fund	7,622,484	-	
Total Capital Projects Funds	7,622,484	-	7,622,484
Enterprise Funds:			
State Infrastructure Fund	627,503	435,063	
Total Enterprise Funds	627,503	435,063	192,440
Total interfund receivables and payables	78,868,647	78,868,647	-
Summary			
Total Special Revenue Funds - net due to			(7,814,924)
Total Debt Service Funds			-
Total Capital Projects Funds – net due from			7,622,484
Total Governmental – net due to			(192,440)
Total Enterprise Funds – net due from			192,440
Total all funds			-

8. INVENTORY

Inventory as of June 30, 2009 consists of the following:

Highway maintenance materials stockpiled	\$ 9,533,985
Repair Parts and expendable supplies	6,064,644
Fuel, oil and lubricants	762,400
	\$ <u>16,361,029</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

9. CAPITAL ASSETS

A summary of changes in capital assets for fiscal year ended June 30, 2009 follows:

	Beginning Balance July 1, 2008	Additions	Reclassifications/ Deletions	Ending Balance June 30, 2009
Non-depreciable assets:				
Construction in Progress		509,635,564	(489,997,809)	19,637,755
Rail System Infrastructure -				
Right of Way	\$ 71,957,100	5,295,000	-	77,252,100
Land	5,076,633	-	-	5,076,633
Right of Way	377,725,494	-	8,791,171	386,516,665
Total non-depreciable assets	454,759,227	514,930,564	(481,206,638)	488,483,153
Depreciable assets:				
Infrastructure	14,992,717,515	86,305,709	(121,740,650)	14,957,282,574
Vehicles	192,015,322	5,108,737	(9,860,431)	187,263,628
Rail System Infrastructure	108,090,835	48,961,823	154,068,430	311,121,088
Buildings	40,005,443	2,802,124	(801,461)	42,006,106
Equipment and furniture	31,472,967	1,329,965	(2,763,729)	30,039,203
Library	102,614	-	-	102,614
Total depreciable assets	15,364,404,696	144,508,358	18,902,159	15,527,815,213
Total assets	15,819,163,923	659,438,922	(462,304,479)	16,016,298,366
Less Accumulated Depreciation:				
Infrastructure	(8,562,316,519)	(540,665,716)	448,880,936	(8,654,101,299)
Vehicles	(124,229,694)	(10,366,844)	6,824,911	(127,771,627)
Rail System Infrastructure	(8,647,267)	(9,240,298)	-	(17,887,565)
Buildings	(23,904,533)	(733,111)	13,270	(24,624,374)
Equipment and furniture	(24,565,344)	(1,828,212)	2,729,619	(23,663,937)
Library	(102,614)	-	-	(102,614)
Total Accumulated Depreciation	(8,743,765,971)	(562,834,181)	458,448,736	(8,848,151,416)
Net Total	7,075,397,952	96,604,741	(3,855,743)	7,168,146,950
There were no software costs to capitalize as of year-end. Depreciation and amortization was allocated to the following functions:				
Programs and infrastructure				540,665,716
Transportation and highway operations				9,240,298
Program support				12,928,167
				562,834,181
Program support (amortization of defeased debt and issuance costs)				8,036,433
Total				570,870,614

10. OPERATING TRANSFERS

	Funds 201/202/431/10140/10150	Fund 89000	Fund 10070	Fund 82600	Fund 10060	Fund 10030
	State	ARRA	General Fund	DWI Ignition	STB	Federal Planning
	Road	Project Fund	Appropriations	Interlock	Appropriations	And Development
	Fund					Fund
(1)	\$ (162,402,789)	-	-	-	-	-
(2)	-	-	-	-	-	-
(3)	-	-	-	-	-	-
(4)	-	-	-	-	-	-
(5)	-	-	-	-	-	-
(6)	-	-	-	-	-	-
(7)	1,525,935	-	-	-	-	(1,525,935)
(8)	(419,000)	419,000	-	-	-	-
(9)	(6,667,167)	-	-	-	-	-
	(167,963,021)	419,000				(1,525,935)

Transfers to other state agencies

(10)	(6,873,708)	-	-	-	-	
(11)	419,000	-	-	-	-	
(12)	-	699,965	-	-	-	
(13)	-	-	397,886	-	-	
(14)	-	-	-	300,000	-	
(15)	-	-	-	-	53,383,093	
(16)			(3,098,918)			
	(6,454,708)	699,965	(2,701,032)	300,000	53,383,093	
Total	(174,417,729)	1,118,965	(2,701,032)	300,000	53,383,093	

- (1) The transfer from the State Road Fund to the above debt service funds are for the debt repayments required by the State of New Mexico Highway Debentures.
- (2) Transfers to correct allocation of costs
- (3) Transfers of interest earnings
- (4) Transfers to maximize use of available cash in trustee accounts
- (5) Transfer to move funds from closed fund
- (6) Transfers to allocated balances in shared trustee accounts
- (7) Railrunner fare box funds belonging in Road fund (non Federally reimbursable)
- (8) EMNR funds received by Road Fund
- (9) Capital assets purchased by capital assets fund and not reimbursed by Road fund
- (10) Transfers made to Department of Public Safety (less reversions)
- (11) Transfers in from Energy, Minerals, and Natural Resources Department
- (12) Federal funds for Salt Domes
- (13) Appropriations received
- (14) Transfer in from per MOU; Laws 2007, Chapter 65, Section 20
- (15) Annual Transfer in from Department of Finance and Administration, Board of Finance Division
- (16) Reversions to the State General Fund

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

Fund 10050	Fund 20400	Fund 10210	Fund 10230	Fund 10250	Fund 10270	Fund 10450
Capital Projects	2004A	2006A	2006B	2006C	2006D	GRIP
Fund	GRIP Bond	GRIP Bond	GRIP Bond	GRIP Bond	GRIP Bond	LOC
	Project Fund	Project Fund	Project Fund	Project Fund	Project Fund	Project Fund
-	-	-	-	-	-	289,084
-	-	-	-	-	-	68,801
-	-	-	-	-	(224,866)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,667,167	-	-	-	-	-	-
6,667,167	-	-	-	-	(224,866)	357,885

10. OPERATING TRANSFERS-continued

	Fund 97200	Fund 54800	Fund 43400	Fund 43200	Fund 00700	Fund 54700
	WIPP 1998	CHAT 1998 A	CHAT 1999	CHAT 2000A	CHAT 2001A	CHAT 2002A
	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service
	Fund	Fund	Fund	Fund	Fund	Fund
(1)	\$ 12,296,613	9,115,200	11,008,575	15,480,600	19,253,897	1,585,500
(2)	-	-	-	-	-	-
(3)	-	-	-	-	-	-
(4)	-	-	-	-	-	-
(5)	-	-	-	-	-	-
(6)	-	-	-	-	-	-
(7)	-	-	-	-	-	-
(8)	-	-	-	-	-	-
(9)	-	-	-	-	-	-
Total	12,296,613	9,115,200	11,008,575	15,480,600	19,253,897	1,585,500

- (1) The transfer from the State Road Fund to the above debt service funds are for the debt repayments required by the State of New Mexico Highway Debentures.
- (2) Transfers to correct allocation of costs
- (3) Transfers of interest earnings
- (4) Transfers to maximize use of available cash in trustee accounts
- (5) Transfer to move funds from closed fund
- (6) Transfers to allocated balances in shared trustee accounts
- (7) Railrunner farebox funds belonging in Road fund (non Federally reimbursable)
- (8) EMNR funds received by Road Fund
- (9) Capital assets purchased by capital assets fund and not reimbursed by Road fund

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

Fund 75000	Fund 36300	Fund 18700	Fund 10080	Fund 10090	Fund 10220	Fund 10240
WIPP 2002B	CHAT 2002C	CHAT 2002D	GRIP 2004A	GRIP 2004B	GRIP 2006A	GRIP 2006B
Debt Service	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service
Fund	Fund	Fund	Fund	Fund	Fund	Fund
472,250	4,709,524	194,825	37,966,759	18,082,766	7,852,407	4,368,238
-	-	-	-	-	-	-
-	-	-	-	(1,927,952)	-	-
-	-	-	-	(209,825)	-	209,825
-	-	-	-	-	(673,110)	(698,447)
-	-	-	(101,469)	101,469	(2,455)	2,455
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
472,250	4,709,524	194,825	37,865,290	16,046,458	7,176,842	3,882,071

10. OPERATING TRANSFERS-continued

	Fund 10260	Fund 10280	Fund 10410	Fund 10420	Fund 10430	Fund 10440	Total
	GRIP 2006C	GRIP 2006D	GRIP 2008A	GRIP 2008B	GRIP 2008C	GRIP 2008D	All Pages
	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service	Netting Funds
	Fund	Fund	Fund	Fund	Fund	Fund	Only
(1)	\$ -	-	4,385,566	12,017,201	2,006,256	1,317,528	-
(2)	-	-	(638,972)	(120,502)	690,673	-	-
(3)	-	-	(173,269)	2,228,766	(127,545)	224,866	-
(4)	-	-	-	(1,529,657)	1,529,657	-	-
(5)	1,772,835	(401,278)	-	-	-	-	-
(6)	-	-	808,621	(808,621)	(8,409)	8,409	-
(7)	-	-	-	-	-	-	-
(8)	-	-	-	-	-	-	-
(9)	-	-	-	-	-	-	-
Total	1,772,835	(401,278)	4,381,946	11,787,187	4,090,632	1,550,803	-

- (1) The transfer from the State Road Fund to the above debt service funds are for the debt repayments required by the State of New Mexico Highway Debentures.
- (2) Transfers to correct allocation of costs
- (3) Transfers of interest earnings
- (4) Transfers to maximize use of available cash in trustee accounts
- (5) Transfer to move funds from closed fund
- (6) Transfers to allocated balances in shared trustee accounts
- (7) Railrunner farebox funds belonging in Road fund (non Federally reimbursable)
- (8) EMNR funds received by Road Fund
- (9) Capital assets purchased by capital assets fund and not reimbursed by Road fund

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

11. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2009:

Governmental Activities	Balance at June 30, 2008	Increase	Decrease	Ending Balance June 30, 2009	Amounts due within one year
1998 CHAT Bonds	17,760,000	-	(8,205,000)	9,555,000	9,555,000
1998 WIPP Bonds	34,435,000	-	(10,545,000)	23,890,000	11,460,000
1999 CHAT Bonds	10,410,000	-	(10,410,000)	-	-
2000 CHAT Bonds	28,415,000	-	(13,810,000)	14,605,000	14,605,000
2001A CHAT Bonds	89,400,000	-	(14,630,000)	74,770,000	9,545,000
2002A CHAT Bonds	29,225,000	-	-	29,225,000	8,750,000
2002B WIPP Bonds	9,445,000	-	-	9,445,000	9,445,000
2002C HIF Bonds	32,945,000	-	(3,000,000)	29,945,000	2,000,000
2002D CHAT Bonds	4,570,000	-	-	4,570,000	1,360,000
2004A GRIP Bonds	700,000,000	-	-	700,000,000	-
2004B GRIP Bonds	149,160,000	-	(10,735,000)	138,425,000	9,230,000
2006A GRIP Bonds	150,000,000	-	-	150,000,000	-
2006B GRIP Bonds	35,510,000	-	(3,165,000)	32,345,000	2,345,000
2008A GRIP Bonds	115,200,000	-	-	115,200,000	-
2008B GRIP Bonds	220,000,000	-	-	220,000,000	-
2008C GRIP Bonds	84,800,000	-	-	84,800,000	-
2008D GRIP Bonds	50,400,000	-	-	50,400,000	-
Tax-exempt Line of Credit	-	40,028,625	-	40,028,625	-
Deferred amount on refunding	(30,869,228)	-	8,164,564	(22,704,664)	-
Compensated absences payable	7,385,466	3,712,510	(3,540,258)	7,557,718	2,850,370
Total obligations	1,738,191,238	43,741,135	(69,875,694)	1,712,056,679	81,145,370
Less current portion	(77,730,912)			(81,145,370)	
Net long-term obligations	1,660,460,326			1,630,911,309	

The State Road Fund is used to liquidate other long-term liabilities, such as compensated absences and capital leases. The Department is authorized to issue bonds from time to time, payable from the proceeds of the collection of gasoline excise taxes, motor vehicle registration fees, and other fees that are required by law to be paid into the State Road Fund and not otherwise pledged solely to the payment of outstanding bonds and debentures. The total aggregate outstanding bonds issued are in accordance with the authorizing legislation for the bonds and other debt with the approval of the State Board of Finance, which includes Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA) (1978), as amended; and the Supplemental Public Securities Act constituting Sections 6-15-8 through 6-14-11 of the NMSA (1978), as amended.

11. LONG-TERM OBLIGATIONS - continued**Series 1998A CHAT:**

The Department issued \$105,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 1998A and \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bonds Series 1998B in October 1998. The net proceeds to the Department were \$108,979,050 for the Series 1998A Bonds and \$103,753,450 for the Series 1998B Bonds, including \$3,979,050 and \$3,753,450, respectively, of original bond issue premium. The cost of issuance for the Series 1998A and Series 1998B Bonds was \$773,588 and \$767,380, respectively. The Bonds are special limited obligations of the Department, payable solely by a pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes and vehicle transaction taxes and fees that are required to be paid into the State Road Fund. The Series 1998A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature. The Series 1998B Bonds (1998 WIPP Bonds) were issued by the Department for roads relating to the Waste Isolation Pilot Project (WIPP) in the State of New Mexico.

Principal of the Series 1998A Bonds (CHAT) is payable on June 15. The interest is payable semi-annually on June 15 and December 15 through the year 2010.

The Department's future scheduled annual requirements to amortize the Series 1998A Bonds (CHAT), including interest payments of \$489,694 based on interest rates that range from 4.5% to 5.125%, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 1998A CHAT:			
2010	\$ 9,555,000	489,694	10,044,694
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 9,555,000</u>	<u>489,694</u>	<u>10,044,694</u>

11. LONG-TERM OBLIGATIONS - continued**Series 1998 WIPP:**

Principal of the Series 1998 Bonds (WIPP) is payable on June 15. The interest is payable semi-annually on June 15 and December 15 through the year 2011.

The Department's future scheduled annual requirements to amortize the Series 1998B Bonds (1998 WIPP Bonds), including interest payments of \$1,861,400 based on interest rates that range from 3.8% to 5.125%, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 1998 WIPP:			
2010	\$ 11,460,000	1,224,363	12,684,363
2011	12,430,000	637,037	13,067,037
2012	-	-	-
2013	-	-	-
2014	-	-	-
Total	\$ <u>23,890,000</u>	<u>1,861,400</u>	<u>25,751,400</u>

On October 2, 1998, the Department borrowed \$100,230,000 from the New Mexico Finance Authority (NMFA). The NMFA had issued \$100,230,000 of NMFA Federal Highway Grant Anticipation Revenue Bonds to fund the loan. The Department's obligation under the loan agreement is to repay the loan from certain federal funds payable to the Department from the Federal Highway Administration. If insufficient federal revenues are received, the Department will use good faith efforts to seek additional revenues that are otherwise not obligated and are legally available to repay the loan. After all loan payments and other payments due on any future obligations secured by these federal funds are made, any remaining federal funds received will be deposited into the State Road Fund.

Eligible federal funds that can be used for debt repayment are not available for approximately two years after the date of the loan. Accordingly, \$8,468,451 of the loan proceeds were recorded to the debt service fund to pay future debt service.

The Department was also responsible for the NMFA issuance costs and must annually pay the NMFA two basis points on the outstanding principal balance every September 1. Total issue costs were \$2,244,426, net of \$1,656,807 of the premium received from the sale of the NMFA bonds. Principal of the loan was paid in May 2004 with funds provided from the issuance of the Series 2004B and 2004C NMFA State Transportation Refunding Revenue Bonds.

11. LONG-TERM OBLIGATIONS - continued

Series 1999 CHAT:

The Department issued \$100,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 1999 in November 1999. The gross proceeds to the Department were \$101,161,999, including \$1,161,999 of an original issue premium. The cost of issuance including underwriting fees was approximately \$791,000. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes and motor vehicle registration fees that are required to be paid into the State Road Fund. The Series 1999 Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 4.75% to 5.75% per annum, is payable semi-annually on June 15 and December 15 through the year 2009. Therefore, there are no remaining obligations on the instrument after June 30, 2009.

11. LONG-TERM OBLIGATIONS - continued**Series 2000A CHAT**

The Department issued \$201,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2000A in May 2000. The gross proceeds to the Department were \$206,023,307, including \$5,023,307 of an original issue premium. The cost of issuance including underwriting fees was approximately \$1,392,000. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes and motor vehicle registration fees that are required to be paid into the State Road Fund. The Series 2000 Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 5.5% to 6.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2010.

The Department's future scheduled annual requirements to amortize the bonds, including interest payments of \$876,300, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2000A CHAT:			
2010	\$ 14,605,000	876,300	15,481,300
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
Total	<u>\$ 14,605,000</u>	<u>876,300</u>	<u>15,481,300</u>

11. LONG-TERM OBLIGATIONS - continued**Series 2001A CHAT**

The Department issued \$198,800,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2001A, in November 2001. The gross proceeds to the Department were \$209,050,033, including \$10,250,033 of an original issue premium. The cost of issuance including underwriting fees was approximately \$1,343,586. The bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2001A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the Bonds is payable annually each June 15. Interest, with rates ranging from 4.3% to 5.25% per annum, is payable semi-annually on June 15 and December 15 through the year 2013.

The Department's future scheduled annual requirements to amortize the bonds, including interest payments of \$10,844,930 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2001A CHAT			
2010	\$ 9,545,000	3,892,398	13,437,398
2011	20,645,000	3,415,147	24,060,147
2012	21,720,000	2,338,838	24,058,838
2013	22,860,000	1,198,537	24,058,537
2014	-	-	-
Total	<u>\$ 74,770,000</u>	<u>10,844,920</u>	<u>85,614,920</u>

11. LONG-TERM OBLIGATIONS - continued

On March 14, 2001, the Department borrowed \$18,535,000 from the New Mexico Finance Authority (NMFA). The NMFA had issued \$18,535,000 of NMFA Federal Highway Grant Anticipation Revenue Bonds to fund the loan. The Department's obligation under the loan agreement is to repay the loan from certain federal funds payable to the Department from the Federal Highway Administration. If insufficient federal revenues are received, the Department will use good faith efforts to seek additional revenues that are otherwise not obligated and are legally available to repay the loan. After all loan payments and other payments due on any future obligations secured by these federal funds are made, any remaining federal funds received will be deposited into the State Road Fund.

The Department was also responsible for the NMFA issuance costs and must annually pay the NMFA two basis points on the outstanding principal balance every September 1. Total issue costs were \$467,998 and there was a premium of \$704,443 from the sale of the NMFA bonds.

Principal of the loan was paid in May 2004 with funds provided from the issuance of the Series 2004B and 2004C NMFA State Transportation Refunding Revenue Bonds.

11. LONG-TERM OBLIGATIONS - continued**Series 2002A CHAT**

The Department issued \$95,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 2002A in January 2002. The gross proceeds including accrued interest to the Department were \$98,361,534, including \$3,913,043 of an original premium. The cost of issuance including underwriting fees was \$592,819. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees and, to the extent authorized, to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid in the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 5.0% to 5.5% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$5,024,100, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002A CHAT			
2010	\$ 8,750,000	1,585,500	10,335,500
2011	-	1,126,125	1,126,125
2012	9,690,000	1,126,125	10,816,125
2013	-	593,175	593,175
2014	10,785,000	593,175	11,378,175
Total	\$ <u>29,225,000</u>	<u>5,024,100</u>	<u>34,249,100</u>

11. LONG-TERM OBLIGATIONS - continued**Series 2002B WIPP**

The Department issued \$79,920,000 of the New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bonds, Series 2002B, in January 2002. The gross proceeds including accrued interest to the Department were \$82,007,147 including \$2,670,686 of an original issue premium. The cost of issuance including underwriter fees was \$614,561. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002B Bonds (WIPP Bonds) were issued to provide funds to refund the 1996 WIPP Bonds on the date of delivery of the Bonds, and to pay all costs incident thereto and to the issuance of the Bonds, including, without limitation, costs of issuance.

Principal of the bonds is payable on June 15. Interest at a rate of 5% per annum is payable semi-annually on June 15 and December 15 through the year 2010.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$472,250, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002B WIPP:			
2010	\$ 9,445,000	472,250	9,917,250
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
Total	<u>\$ 9,445,000</u>	<u>472,250</u>	<u>9,917,250</u>

11. LONG-TERM OBLIGATIONS - continued**Series 2002C HIF**

The Department issued \$67,750,000 of the New Mexico State Highway Infrastructure Fund Revenue Highway Bonds (additionally secured by a Senior Subordinate Lien on Certain State Road Fund Revenues), Series 2002C, in May 2002. The gross proceeds including accrued interest to the Department were \$69,809,036 including \$2,499,411 of an original issue premium. The cost of issuance including underwriter fees was \$440,375. The bonds are special limited obligations of the State Highway Commission, payable from and secured by a senior pledge of proceeds of the collection of leased vehicle gross receipts tax revenues and tire recycling fees, in each case that are required by law to be paid into the Highway Infrastructure Fund and interest on such amounts in the Highway Infrastructure Fund. The Bonds are additionally payable from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002C Bonds (HIF Bonds) were issued to funds projects identified by the Department and the Legislature.

Principal of the Bonds is payable on June 15. Interest, with rates ranging from 3.25% to 5.375% per annum, is payable semi-annually on June 15 and December 15 through the year 2017.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$9,028,244, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002C HIF			
2010	\$ 2,000,000	1,559,524	3,559,524
2011	-	1,459,524	1,459,524
2012	-	1,459,524	1,459,524
2013	5,040,000	1,459,524	6,499,524
2014	5,295,000	1,204,284	6,499,284
2015-2019	17,610,000	1,885,865	19,495,865
Total	\$ 29,945,000	9,028,244	38,973,244

11. LONG-TERM OBLIGATIONS - continued**Series 2002D CHAT**

The Department issued \$16,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002D, in December 2002. The gross proceeds to the Department were \$16,572,740 including \$699,498 of an original issue premium. The cost of issuance including underwriter fees was \$126,758. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002D Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable as follows on June 15. Interest, with rates ranging from 3.9% to 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds including interest payments of \$640,700 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002D CHAT			
2010	\$ 1,360,000	194,825	1,554,825
2011	-	126,825	126,825
2012	-	126,825	126,825
2013	1,575,000	126,825	1,701,825
2014	<u>1,635,000</u>	<u>65,400</u>	<u>1,700,400</u>
Total	\$ <u>4,570,000</u>	<u>640,700</u>	<u>5,210,700</u>

11. LONG-TERM OBLIGATIONS - continued**Series 2004A GRIP**

The Department issued \$700,000,000 through the New Mexico Finance Authority's (NMFA) State Transportation Revenue Bonds (Senior Lien), Series 2004A, in May 2004. The gross proceeds to the Department were \$738,787,815, including \$43,556,815 of an original issue premium. The cost of issuance including underwriter fees was \$6,368,367. The Bonds are special limited obligations of the Department, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and that the Department has determined to be necessary or desirable.

The Department is responsible for the NMFA issuance costs and must annually pay the NMFA 25 basis points on the outstanding principal balance. Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 3.8% to 5.25% per annum, is payable semi-annually on June 15 and December 15 through the year 2024.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$362,060,888, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2004A GRIP			
2010	\$ -	36,216,759	36,216,759
2011	-	36,216,759	36,216,759
2012	-	36,216,759	36,216,759
2013	-	36,216,759	36,216,759
2014	19,360,000	36,216,759	55,576,759
2015 - 2019	357,835,000	142,138,505	499,973,505
2020 - 2024	322,805,000	38,838,588	361,643,588
Total	\$ <u>700,000,000</u>	<u>362,060,888</u>	<u>1,062,060,888</u>

11. LONG-TERM OBLIGATIONS - continued**Series 2004B GRIP**

The Department issued \$237,950,000 and \$200,000,000 of bonds through the New Mexico Finance Authority's (NMFA) State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B and Series 2004C, in May 2004. The gross proceeds to the Department for both issuances were \$451,069,205, including \$16,347,187 of an original issue premium. The cost of issuance including underwriter fees was \$4,228,696. Following is the detail of the Series 2004B and Series 2004C bonds issued.

The \$237,950,000 Series 2004B Bonds are special limited obligations of the Department, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding bonds of the NMFA and the Commission.

Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 2.0% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$22,609,720, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2004B GRIP:			
2010	\$ 9,230,000	6,879,385	16,109,385
2011	36,275,000	6,421,085	42,696,085
2012	29,060,000	4,639,050	33,699,050
2013	34,120,000	3,186,800	37,306,800
2014	29,740,000	1,483,400	31,223,400
Total	\$ <u>138,425,000</u>	<u>22,609,720</u>	<u>161,034,720</u>

The Series 2004C Bonds are special limited obligations of the Department payable, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the Highway Infrastructure Fund. The lien on the bonds on such revenues is subordinate to the lien thereon securing other bonds issued concurrently with the 2004C bonds or which may hereafter be used through the NMFA. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding debt.

11. LONG-TERM OBLIGATIONS - continued

- **Refunding**

NMFA, on behalf of the Department, used the 2004B and 2004C Bonds to advance refund certain older debt issues of the Department, and the New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 2001 and New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 1998. The net proceeds of \$408,855,872 plus an additional \$7,285,997 were used to purchase U.S. Governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt is considered to be defeased and the liability for those bonds has been removed from long-term obligations. The bonds outstanding of \$363,490,000 were considered defeased as of June 30, 2007.

The Department is responsible for the issuance costs and must annually pay the 25 basis points on the outstanding principal balance, which will be \$500,000 a year through 2022 and \$339,063 during 2023. Principal of the bonds is payable on June 15, with interest payable semi-annually on June 15 and December 15 through the year 2023. Interest is based on interest rate swap agreements as disclosed below.

- **Refunding of Variable Rate Bonds**

The 2004C, 2006C, and 2006D Series bonds were issued as Auction Rate Securities ("ARS"). ARS are one of the two principal types of securities for which interest rates are reset in a periodic auction process. For each of these Series, the rates were reset in weekly auctions. All of the bonds were insured by certain municipal bond insurance companies. In late 2007 and early 2008, the market for ARS was negatively impacted by a number of factors, the principal event being downgrades of the ratings of certain insurers of ARS. These downgrades and other events caused the weekly auctions of the bonds to "fail", meaning that insufficient bids were received to permit resale of all of the bonds. In the event of a failed auction, no bonds are resold, even though some bids were received. In a failed ARS auction, the existing holders of the bonds must continue to hold their bonds until the next successful auction. The procedures applicable to a failed auction included a provision that the interest rate on the bonds resets to a default rate. In the case of the 2004C bonds, the default rate was one-month LIBOR plus 175 basis points. The default rate for the 2006C and D bonds was 12%.

The deferred amount on the refunding of \$22,704,664, recorded as a reduction of the Department's long-term obligation, is the difference between the reacquisition price (funds required to refund the old debt including call provisions) and the net carrying amount of the old debt including unamortized old bond issuance costs. The deferred amount on the refunding is recorded to the government-wide financial statements and is required to be amortized as additional interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

11. LONG-TERM OBLIGATIONS - continued

- **Refunding of Variable Rate Bonds - continued**

In April and May, 2008, NMFA, on behalf of the Department, refunded all of the ARS Series 2004C, 2006C, and 2006D, reissuing the bonds as Variable Rate Demand Notes (VRDN). As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The transaction resulted in a net loss of \$3.5 million. The interest rates for these bonds reset in weekly auctions, as was the case for the ARS. The principal difference between the ARS and the VRDN is that the ARS were credit-enhanced with insurance, while the VRDN are supported by bank letters of credit. The following bonds were issued:

	<u>Par Value</u>
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A	\$ 115,200,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B	220,000,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C	84,800,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008D (Taxable)	<u>50,400,000</u>
Total	\$ <u><u>470,400,000</u></u>

All of the above refunding bonds were issued at par. The Department provided additional funds totaling \$2,043,624 to pay for the cost of issuance of the bonds.

- **Derivative Instruments**

- At the time of the 2004 GRIP bond issuance, NMFA, on behalf of the Department, entered into interest rate exchange agreements ("swaps") with respect both to the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately-starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

11. LONG-TERM OBLIGATIONS - continued

- **Derivative Instruments - continued**

- In all of the swaps, NMFA, on behalf of the Department, receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has the effect of converting the variable rate bonds to “synthetic fixed-rate” issues.
- As in the case of the GRIP bonds, NMFA has entered into the swaps as an agent for the Department. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the 2008A through D series).

- **Objectives of the Swaps**

The objective in entering into the swap agreements was to obtain a lower interest cost for the 2004 bonds than could have been obtained at the time had they been issued as fixed-rate bonds. With respect to the planned 2006, issuance, NMFA believed in 2004 that it would be desirable to “lock in” a synthetic fixed rate of 5% or less for a portion of the bonds anticipated to be issued in 2006.

- **Significant Terms**

2004 Swaps:

Counterparty	Royal Bank of Canada	Goldman Sachs	Deutsche Bank
Notional Amount	\$100,000,000	\$50,000,000	\$50,000,000
Receipt Rate	68 % of 1 month LIBOR	68 % of 1 month LIBOR	68 % of 1 month LIBOR
Payment Rate (Synthetic Fixed Rate)	3.934%	3.934%	3.934%
Embedded Option(s)	None	None	None
Effective Date	May 20, 2004	May 20, 2004	May 20, 2004
Termination Date:	June 15, 2024	June 15, 2024	June 15, 2024

11. LONG-TERM OBLIGATIONS - continued

- Significant Terms - continued**

2006 Forward Starting Swaps:

Counterparty	JPMorgan Chase Bank	UBS AG
Notional Amount	\$110,000,000	\$110,000,000
Receipt Rate	SIFMA Municipal Swap Index	SIFMA Municipal Swap Index
Payment Rate	5.072%	5.072%
Embedded Option(s)	“Knockout” option – Counterparty may cancel if the index remains above 7% for more than 180 days	“Knockout” option – Counterparty may cancel if the index remains above 7% for more than 180 days
Option premium to NMFA	0.34%	0.34%
Net payment rate (“Synthetic Fixed Rate”), equals the payment rate less option premium	4.732%	4.732%
Effective Date	December 15, 2006	December 15, 2006
Termination Date:	December 15, 2026	December 15, 2026

No cash was paid or received at the initiation of any of the above swaps.

- Fair Value**

The estimated fair value of the swaps at June 30, 2009 was as follows:

<u>Counterparty</u>	<u>Notional Value</u>	<u>Fair Value*</u>
Goldman Sachs	\$ 50,000,000	(6,905,745)
Deutsche	50,000,000	(6,905,746)
Royal Bank of Canada	100,000,000	(13,811,493)
JPMorgan Chase Bank	110,000,000	(20,655,646)
UBS AG	<u>110,000,000</u>	<u>(20,655,646)</u>
Total \$	<u>420,000,000</u>	<u>(68,934,276)</u>

11. LONG-TERM OBLIGATIONS - continued

- **Fair Value - continued**

*The Fair Value is the estimated amount that would have been received by or paid by the Department if the agreements had been terminated at June 30, 2009 under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2009. Negative amounts indicate payments that would have been made by the Department to the counterparties.

- **Associated Debt**

<u>Variable Rate Debt*</u>			<u>2008 Debt Service</u>		<u>Net Swap</u>	<u>Total</u>	
			<u>Principal</u>	<u>Interest</u>	<u>Made (Received)</u>		
Series 2008A and C	\$	200,000,000	-	2,703,032	4,709,005	7,412,037	3.706%
Series 2008B		220,000,000	-	3,046,796	7,115,626	10,162,422	4.619%

*The interest and swap payments for these bonds include the payments for the 2004 and 2006 Series bonds that the 2008 series bonds replaced during the prior fiscal year.

- **Risks**

Credit Risk. Credit risk is the possibility that a counterparty will not fulfill its obligations.

The credit ratings of the counterparties, at June 30, 2009, were:

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
Royal Bank of Canada	Aaa	AA-	AA
Goldman Sachs	Aaa	AAA	NR
Deutsche Bank	Aa1	A+	AA-
JP Morgan Chase	Aa1	AA-	AA-
UBS AG	Aa3	A+	A+

Presently, the Department has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to the Department if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. No termination value currently exceeded these limits, and, accordingly, no collateral was posted at June 30, 2009. The swap agreements permit the netting of amounts owed between the Department and a counterparty, mitigating, to some extent, the level of credit risk. The Department believes it has an adequate degree of diversification with regard to counterparties.

11. LONG-TERM OBLIGATIONS - continued**Swap Collateral Requirements – Taxable Line of Credit**

Even though the negative balances at the end of the fiscal year were such that no collateral needed to be posted, earlier in the year the negatives were greater and collateral did need to be posted. For that purpose a short-term Taxable Line of Credit was established. During the current fiscal year \$30,000,000 was borrowed, \$20,000,000 was re-paid and \$10,000,000 was outstanding at June 30, 2009 and subsequently repaid in September of 2009. The outstanding amount is reflected in the funds to which it relates, namely:

SHARE fund 10410 - 2008A GRIP Debt Service Fund	\$ 2,742,857
SHARE fund 10420 – 2008B GRIP Debt Service Fund	5,238,095
SHARE fund 10430 – 2008C GRIP Debt Service Fund	<u>2,019,048</u>

Total Short term Notes Payable (Taxable Line of Credit)	\$10,000,000
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Interest Rate Risk.

The knock-out option in the 2006 swaps leaves the Department open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and the Department would have outstanding unhedged variable rate debt in a 7% interest rate environment.

Basis Risk.

Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. The Department has little or no such risk with respect to the 2006 bonds as the 2006 swaps pay a variable rate equal to the SIFMA Municipal Swap index which has very closely approximated, historically, the rates paid on variable rate municipal debt. The Department has basis risk, however, with respect to the 2004 swaps. The variable rate the Department receives with respect to the 2004 swaps is 68% of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2004 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated.

One event that would cause a divergence between the indices would be a significant change in U.S. income tax rates. This might result in 68% of LIBOR no longer approximating the tax-exempt rate set by the market for the Department's variable rate debt.

Termination Risk

The unplanned termination of one or more of the swaps exposes the Department to the possibility that the synthetic fixed rate expected to be obtained on the variable rate debt will not, in fact, be achieved. The swap agreements contain the standard ISDA provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, the Department, but not the counterparties, can terminate the swaps at any time with 30-day notice.

11. LONG-TERM OBLIGATIONS - continued

- **Bonds Issued by NMFA**

The following bonds were issued by the New Mexico Finance Authority (Authority) in an agency capacity on behalf of the Department of Transportation during the fiscal year:

Series 2006A GRIP

On September 19, 2006, the Authority issued \$150,000,000 of State Transportation, Series 2006A Revenue Bonds. The Series 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

Principal of the Bonds is payable as follows on December 15. Interest, with rates ranging from 3.6% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2026.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$113,669,526, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006A GRIP:			
2010	\$ -	7,477,407	7,477,407
2011	-	7,477,407	7,477,407
2012	240,000	7,472,607	7,712,607
2013	195,000	7,464,298	7,659,298
2014	255,000	7,454,413	7,709,413
2015 - 2019	17,960,000	35,011,644	52,971,644
2020 - 2024	18,695,000	30,542,875	49,237,875
2025 - 2027	112,655,000	10,768,875	123,423,875
Total	\$ 150,000,000	113,669,526	263,669,526

11. LONG-TERM OBLIGATIONS - continued

• Bonds Issued by NMFA - continued

Series 2006B GRIP

On September 19, 2006, the Authority issued \$39,005,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The Series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

Principal of the Bonds is payable as follows on December 15. Interest, with rates ranging from 3.5% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2026.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$15,024,255, is as follows:

<u>Year Ended June 30,</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006B GRIP:				
2010	\$	2,345,000	1,432,350	3,777,350
2011		2,100,000	1,346,946	3,446,946
2012		1,225,000	1,283,585	2,508,585
2013		1,270,000	1,237,288	2,507,288
2014		1,320,000	1,188,261	2,508,261
2015 - 2019		7,520,000	5,026,075	12,546,075
2020 - 2024		9,570,000	2,973,375	12,543,375
2025 - 2027		6,995,000	536,375	7,531,375
Total	\$	<u>32,345,000</u>	<u>15,024,255</u>	<u>47,369,255</u>

11. LONG-TERM OBLIGATIONS - continued

- Bonds Issued by NMFA - continued

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A in the amount of \$115,200,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008A bonds are being issued by the New Mexico Finance Authority (NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$66,520,793, is as follows:

<u>Year Ended June 30,</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008A GRIP:				
2010	\$	-	4,531,968	4,531,968
2011		-	4,531,968	4,531,968
2012		-	4,531,968	4,531,968
2013		-	4,531,968	4,531,968
2014		-	4,531,968	4,531,968
2015 - 2019		-	22,659,840	22,659,840
2020 - 2024		115,200,000	21,201,113	136,401,113
Total	\$	115,200,000	66,520,793	181,720,793

11. LONG-TERM OBLIGATIONS - continued

- Bonds Issued by NMFA - continued

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B in the amount of \$220,000,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008B bonds are being issued by the New Mexico Finance Authority (NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$171,151,708, is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008B GRIP:			
2010	\$ -	10,410,400	10,410,400
2011	-	10,410,400	10,410,400
2012	-	10,410,400	10,410,400
2013	-	10,410,400	10,410,400
2014	-	10,410,400	10,410,400
2015 - 2019	-	52,052,000	52,052,000
2020 - 2024	11,200,000	51,522,016	62,722,016
2025 - 2027	208,800,000	15,525,692	224,325,692
Total	\$ 220,000,000	171,151,708	391,151,708

11. LONG-TERM OBLIGATIONS - continued

- Bonds Issued by NMFA - continued

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C in the amount of \$84,800,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008C bonds are being issued by the New Mexico Finance Authority (NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$48,966,695, is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008C GRIP:			
2010	\$ -	3,336,032	3,336,032
2011	-	3,336,032	3,336,032
2012	-	3,336,032	3,336,032
2013	-	3,336,032	3,336,032
2014	-	3,336,032	3,336,032
2015 - 2019	-	16,680,160	16,680,160
2020 - 2024	84,800,000	15,606,375	100,406,375
Total	\$ 84,800,000	48,966,695	133,766,695

11. LONG-TERM OBLIGATIONS - continued

- Bonds Issued by NMFA - continued

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008D in the amount of \$50,400,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008D bonds are being issued by the New Mexico Finance Authority (NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The Department's future scheduled annual requirement to amortize the Bonds, including interest payments of \$17,640,000, is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008D GRIP:			
2010	\$ -	1,008,000	1,008,000
2011	-	1,008,000	1,008,000
2012	-	1,008,000	1,008,000
2013	-	1,008,000	1,008,000
2014	-	1,008,000	1,008,000
2015 - 2019	-	5,040,000	5,040,000
2020 - 2024	-	5,040,000	5,040,000
2025 - 2027	50,400,000	2,520,000	52,920,000
Total	\$ 50,400,000	17,640,000	68,040,000

11. LONG-TERM OBLIGATIONS - continued**Tax-exempt Line of Credit**

The Department contracted with the Bank of America for \$200,000,000 for a tax-exempt line of credit on June 1, 2008. As of June 30, 2009, the amount of funds drawn was \$40,028,625. The full amount of the Line of Credit is not expected to be drawn until December 2010.

The principal, interest and fees for the unused portions are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Line of Credit was engaged in through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal is payable on August 31st for 2010 and on July 1st for the subsequent years.

Interest is payable quarterly on the drawn portions and a fee is charged on the unused portions. The interest rate is 65% of the LIBOR One Monthly Floating Rate plus .65 percentage points and is estimated to average 3.25%.

The Department's future estimated scheduled annual requirement to amortize the Bonds, including interest payments of \$10,889,386, are as follows:

<u>Year Ended June 30, 2009</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008 Tax-exempt Line of Credit			
2010	\$ -	4,308,421	4,308,421
2011	50,000,000	3,255,393	53,255,393
2012	50,000,000	1,700,572	51,700,572
2013	50,000,000	1,625,000	51,625,000
2014	50,000,000	-	50,000,000
2015 - 2019	-	-	-
2020 - 2024	-	-	-
Total	\$ <u>200,000,000</u>	<u>10,889,386</u>	<u>210,889,386</u>

- **Capital Leases**

There are no future minimum lease obligations to report as of June 30, 2009.

11. LONG-TERM OBLIGATIONS - continued

Total future principal and interest obligation repayments are as follows:

<u>Year Ended June 30,</u>		<u>Bonds</u>
2010	\$	165,550,533
2011		205,463,256
2012		192,384,713
2013		185,829,605
2014		185,882,091
2015 – 2019		681,419,090
2020 – 2024		727,994,341
2025 – 2027		<u>408,200,942</u>
Total	\$	<u>2,752,724,571</u>

An obligation amounting to \$7,227,718 at June 30, 2009 has been recorded to the government-wide financial statements representing the Department's commitment for accrued vacation, sick leave and other compensated absences.

12. REVERSIONS

Current year reversions due to the State General Fund as of June 30, 2009 were as follows:

		SHARE System <u>Fund 10070</u>
2009 reversions	\$	3,098,918

13. 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.

13. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION - continued

- **Funding Policy**

Plan members are required to contribute 7.42% of their gross salary. The Department is required to contribute 16.59% of the gross covered salary. From the 2009 legislative session House Bill 854 temporarily shifts the burden of 1.5% of employer PERA contributions to state employees whose annual salaries exceed \$20,000. For the two-year period from July 1, 2009 to June 30, 2011, the employer contribution rates will be reduced by 1.5% and the employee contribution rates will be increased by 1.5%. After this temporary shift the burden will return to the employer. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2009, 2008 and 2007 were \$16,400,581, \$15,997,412 and \$14,933,952, respectively, equal to the amount of the required contribution for each year.

14. 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 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.

14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN - continued

- **Funding Policy**

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Department's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$1,245,299, \$1,218,924 and \$1,201,755, respectively, which equal the required contributions for each year.

15. COOPERATIVE AND JOINT POWERS AGREEMENTS

The State Legislature and the State Highway Commission have approved certain agreements between the Department and various counties, municipalities and other agencies to construct or improve public highways, school grounds, parking areas, and for the purpose of litter control. The Department's funding responsibility varies from zero to 100%. None of these cooperative and joint powers agreements have created legally separate organizations that need to be included as component units or joint ventures in the Department's financial statements.

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS – continued

JOINT POWERS AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2009
J00074	Pueblo of Laguna	Miscellaneous construction, to include geotechnical and engineering fees for pedestrian, bikeway and roadway improvements at entrance to new Laguna-Acoma High School on Casa Blanca Road.	-
J00131	City of Albuquerque	Bicycle/pedestrian safety program.	31,880
J00640	City of Albuquerque	Highway maintenance and beautification.	-
J00671	City of Albuquerque	Bicycle Travel Demand Management Program/ CN 7366.	-
J00698	NM Institute of Mining & Technology	Severance Tax Agreement for Water Canyon Road/CN 1339.	17,156
J00699	Pueblo of Acoma	Construction of “SP 26”, an all weather access road/CN 86581.	98,498
J00700	City of El Paso, Texas	Replacement of the bridge and culverts on Sunland Park Drive/CN 4035/TC 6301(4).	-
J00701	NM Energy, Minerals and Natural Resources Dept.	Establish a framework to acquire, enhance and maintain approximately 130 acres of wetland habitat in Santa Rosa.	-
J00703	NM Energy, Minerals and Natural Resources Dept.	Provide inmate work crews for improving natural resources and safety on public lands and roads.	-
J00704	Pueblo of Laguna	Miscellaneous construction to include geotechnical and engineering fees for pedestrian, bikeway and roadway improvements at entrances to new Laguna-Acoma High.	-
J00707	Pueblo of Zuni	A pedestrian travel demand study for Black Rock Community.	-

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2009
J00708	Navajo Nation	Road improvements and a maintenance yard at the Bread Springs Chapter of Navajo Nation in McKinley County.	-
J00709	NM Department of Cultural Affairs	Provide FY 2006 – 2010 Consultant Design Program to maintain an inventory of cultural properties in the State of New Mexico.	25,000
J00711	NM Office of Cultural Affairs	Provide FY 2006 – 2010 Consultant Design Program for the review of cultural resource documents pertinent to the completion of proposed highway construction project in New Mexico.	50,000
J00714	Pueblo of Laguna	Provide for the design and improvement of the Exit 108 Interchange on Interstate Highway 40 and BIA Road L22 on the Pueblo of Laguna Indian Reservation.	-
J00718	Pueblo of Acoma	Construction, re-construction of various streets on Pueblo of Acoma Indian Reservation.	150,000
J00721	Navajo Nation	Plan, design and construct various road improvements in McKinley, San Juan and Sandoval counties.	-
J00722	Navajo Nation	Acquire Right of Way.	-
J00724	Pueblo of Acoma	Road improvements on Skyline Road, Acoma Route 32 for 0.8 miles, to include 3 inch mill/inlay for pavement, sidewalks, new curb and gutter, street lighting, 2 crosswalks at school crossing, drainage culverts, signing, marking.	-

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2009
J00725	Pueblo of Acoma	Construction, reconstruction for various streets for the Pueblo of Acoma in Acoma Indian Reservation.	100,000
J00726	Pueblo of Acoma	Construction of Acomita Road, Pueblo of Acoma Indian Reservation, Acomita Road SP30(12)2 & 4 (clearing and grubbing, roadway excavation, Portland cement standard curb and gutter.	79,318
J00727	Pueblo of Santa Clara	Maintain traffic signal at NM 30 and Puye Road.	-
J00729	Navajo Nation	Plan, design and construct road and culvert improvements.	-
J00730	NM Corrections Department	Utilize supervised inmates to perform minor highway maintenance and beautification.	307,498
J00731	Acoma Pueblo	Road improvements on Skyline Road, Acoma Route 32 for 0.8 miles, to include 3 inch mill/inlay for pavement, sidewalks for .8 miles, new curb and gutter for .3 miles, street lighting, 2 crosswalks at school crossing, drainage culverts, signing and markings.	-
J00734	Pueblo of Zia	Acquisition of rights of way, planning, design and construction drainage and paving improvements in Zia Pueblo.	-
J00735	Tesuque Pueblo	Safety enhancements, including acquisition of rights of way, planning, design and construction for pedestrian and school areas and for the purchase of an emergency vehicle in the Pueblo of Tesuque in Santa Fe County.	-

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2009
J00736	Mescalero Apache Tribe	Study of alternate routes and the acquisition of rights of way, planning, design and construction of roadway drainage and paving improvements to Ski Apache access road in Otero County.	-
J00737	Pueblo of Sandia	Acquisition of right of way, planning, design and construction of railroad crossing safety improvement in the Pueblo of Sandia in Sandoval County.	-
J00738	Pueblo of Pojoaque	Acquisition of rights of way, planning, design and construction, drainage, safety and paving improvements, including sidewalks and new road construction for housing subdivisions and pedestrian and bike trails in the Pueblo of Pojoaque in Santa Fe County.	-
J00739	Jicarilla Apache Nation	Acquisition of rights of way, planning, design and construction, drainage, safety and paving improvements, sidewalks and street lighting to Sandhill Drive in the Jicarilla Apache Nation in Rio Arriba County.	-
J00740	NM Environment Department	Joint sponsorship of a position of employment at the NMED Surface Water Quality Bureau.	-
J00741	Pueblo of Picuris	Renovate roadways, including acquisition of right of way, planning, design and construction, drainage and paving improvements in the Pueblo of Picuris in Taos County.	-
J00743	Pueblo of Sandia	Plan, design and construct improvements to streets at the Pueblo of Sandia in Sandoval County.	13,015
J00744	Sierra County	Acquire land, plan, design, construct, furnish and equip the Southwest Regional Spaceport in Sierra County; acquire rights of way, plan, design and construct drainage and paving improvements in Sierra County and Dona Ana County that are related to the Spaceport.	-

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract Number	Contractor	Description	Expended in 2009
J00747	Taos Pueblo	Construction of Hail Road through Pueblo Land on a new alignment and signalization of the intersection with US 64 within the Town of Taos city limits.	-
J00748	Pueblo of Zuni	Acquisition of right of way, planning, study, design and construction of roadway drainage and paving improvements to BIA Route 301 in the Pueblo of Zuni in McKinley County.	-
J00749	Pueblo of Acoma	Acquisition of right of way, planning, study, design and construction of new bridge and roadway drainage and paving improvement for a railroad grade separation bridge connecting Bureau of Indian Affairs Road 30 and 36 in the Pueblo of Acoma in Cibola County.	-
J00750	Pueblo of Nambe	Acquisition of right of way, planning, study, design and construction of roadway drainage and paving improvements to Alabama Street in the Pueblo of Nambe in Santa Fe County.	-
J00751	Pueblo of San Felipe	Acquisition of right of way, planning, design and construction of roadway drainage and bridge replacement for bridge number 8 on State Road 313 in the Pueblo of San Felipe in Sandoval County.	-
J00752	US Department of Interior	To allow the Department to transfer the apportionments, contract authority and obligation authority to BIA to complete the Chaco Wash Bridge and road improvements on Navajo Route 46, in rural area of McKinley County, NM.	-

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract No.	Contractor	Description	Expended in 2009
M00009		Guidelines for Purchase of Surplus Equipment via Local Government Road Funds	379,536
M00338	Texas Dept. of Transportation	Materials Inspection and Sampling Services	782
M00369	Mid-Region Council of Governments	Transportation Planning Activities in the Albuquerque Metropolitan Area	1,237,002
M00371A	North Central New Mexico Economic District	Northern Pueblos Regional Planning Organization Annual Work Program	53,115
M00379	Mid-Region Council of Governments	Commuter Rail Implementation Project for the Belen to Bernalillo Corridor and for the Albuquerque to Santa Fe Corridor	5,749,164
M00420	National Oceanic and Atmospheric Administration	Geodetic Advisor Program in the State of New Mexico	59,350
M00455A	New Mexico State University	Develop and Deploy State-of-the-Art Single-Load Cell Weigh-In-Motion (WIM) Systems and a Commercial Vehicle Pre-Screening Management System at the Santa Teresa International Port-of-Entry	241,561
M00460	City of Farmington	Develop Annual Unified Planning Work Program (UPWP)	108,822
M00461	City of Santa Fe	Develop Annual Unified Planning Work Program (UPWP)	88,557
M00463	Mid-Region Council of Governments	Commuter Rail Operations and Maintenance for the Belen to Santa Fe Corridor	12,736,280
M00467	City of Santa Fe	Promotion of RideShare Programs	33,938
M00468A	Mid-Region Council of Governments	Establish an Operational Site for a Transportation Management Center (TMC)	140,370
M00473	North Central New Mexico Economic District	Implement Annual Work Program	62,827
M00475	Southwest New Mexico Council of Governments	Implement Annual Work Program	53,456
M00476	Eastern Plains New Mexico Council of Governments	Implement Annual Work Program	127,058
M00477	Northwest New Mexico Council of Governments	Implement Annual Work Program	49,176
M00501	South Central New Mexico Council of Governments	Implement Annual Work Program	55,534
M00513	South Eastern New Mexico Economic District	Implement Annual Work Program	55,775

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract No.	Contractor	Description	Expended in 2009
M00519	Mid-Region Council of Governments	Implement Annual Work Program	57,710
M00527	City of El Paso	Implement Annual Work Program	56,378
M00532	City of Las Cruces	Implement Annual Work Program	63,372
M00569	Citizens Committee for Historic Preservation	Conduct Conservation Workshops, Develop a Plan for Acquiring Easements, Develop and Publish Electronic Database, and Develop a Santa Fe Trail Traveling Exhibit, Economic Impact Study and Promotions Training Program	236
M00591	City of Albuquerque	Transportation Services	20,997
M00616	Mid-Region Council of Governments	Commuter Rail Implementation Project for the Albuquerque to Santa Fe Corridor	57,308,955
M00632	National Academies Press Transportation Research Board	Research Correlation Service	96,475
M00651	Mid-Region Council of Governments	Develop a Service and Financial Plan	22,597
M00652	NM Corrections Industries	Provide Optical Image Scanning	107,979
M00657	New Mexico State University	Conduct a Bi-national Transportation Infrastructure Needs Assessment and Geographic Information Study	7,423
M00662	Mid-Region Council of Governments	Public Transit Services	108,058
M00669	New Mexico State University	Creation and Development of Bridge Research Projects	68,187
M00675	New Mexico Passenger Transportation Association	Planning and Implementation of a Statewide Transit Conference	8,151
M00678	Village of Los Lunas	Public Transit Services	4,232
M00681	Ben Archer Health Center	Public Transit Services	6,493
M00683	Zia Therapy Center	Public Transit Services	1,474
M00685	Zuni Entrepreneurial Ent. Inc.	Public Transit Services	21,186
M00686	Town of Red River	Public Transit Services	25,231
M00687	Zia Therapy Center	Public Transit Services	117,162
M00688A	Golden Spread Rural Frontier	Public Transit Services	16,466
M00690	North Central Regional Transit District	Public Transit Services	58,382
M00691	North Central Regional Transit District	Public Transit Services	49,492

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract No.	Contractor	Description	Expended in 2009
M00693	City of Roswell	Public Transit Services	258,008
M00694	City of Clovis	Public Transit Services	167,002
M00695	Village of Los Lunas	Public Transit Services	70,597
M00696	Coyote Canyon Rehab Center, Inc.	Public Transit Services	54,400
M00697	City of Las Vegas	Public Transit Services	60,160
M00701	County of Los Alamos	Public Transit Services	154,942
M00707	Southwest Regional Transit District	Implement the Scope of Work and Budget Necessary to Provide a Regional Network of Safe and Efficient Public Transit Services	59,875
M00708	Village of Angel Fire	Public Transit Services	46,853
M00709	City of Carlsbad	Acquisition of right of way, planning, study, design and construction of roadway drainage and paving improvements to Alabama Street in the Pueblo of Nambe in Santa Fe County.	3,957
M00710	County of Grant	Public Transit Services	13,884
M00711	County of Grant	Public Transit Services	205,374
M00712	City of Carlsbad	Public Transit Services	126,179
M00715	Village of Milan	Public Transit Services	69,450
M00716	Department of Cultural Affairs	Traveling Van Museum Exhibits of the History of Transportation in New Mexico	97,624
M00718	Dexter Consolidated Schools	Safe Routes to School Phase 1	5,552
M00719	City of Bayard	Safe Routes to School Phase 1	60
M00720	Village of Corrales	Safe Routes to School Phase 1	6,018
M00721	Torrance County	Public Transit Services	15,457
M00722	City of Socorro	Public Transit Services	7,692
M00724	San Miguel County	Feasibility Study of Possible Public Transportation System	16,000
M00725	City of Portales	Public Transit Services	24,639
M00726	City of Hobbs	Public Transit Services	90,409
M00727A	Wagon Mound Public Schools	Safe Routes to School Phase 1	3,271
M00728	County of Sandoval	Public Transit Services	90,108
M00729	County of Sandoval	Public Transit Services	45,543
M00730	City of Las Cruces	Promotion of Ride-Share Program	8,576
M00734	New Mexico Institute of Mining and Technology		492,776
M00736	Good Shepherd Lutheran Church	Use of Parking Lot for Park and Ride	5,650

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract No.	Contractor	Description	Expended in 2009
M00737	County of Santa Fe	Traffic Forecast Model Update for NMDOT Corridor Studies	1,500
M00745	City of Albuquerque	Expansion and Revision of Existing Fixed Route Transit Service	27,747
M00746	North Central Regional Transit District	Study of Potential Expansion of Transit Services	9,299
M00748	City of Albuquerque	Promotion of RideSharing and Transportation Demand Management Activities	762,327
M00750	South Central Regional Transit District	Provide a Regional Network of Safe and Efficient Public Transit Services	130,709
M00751	Albuquerque Metropolitan Flood Control	Embudo Arroyo Maintenance	10,000
M00752	New Mexico Passenger Transportation Association	Planning and Management of a Statewide Transportation Conference; Coordinate Management and Driver Training	50,187
M00754	Town of Mesilla	Safe Routes to School Phase 1	2,052
M00756	U.S. Department of Interior	Water Resources Investigations	112,725
M00759	Village of Milan	Public Transit Services	9,138
M00760	Zia Therapy Center	Public Transit Services	12,213
M00761	County of Los Alamos	Public Transit Services	226,290
M00762	Village of Los Lunas	Public Transit Services	51,104
M00763	City of Carlsbad	Safe Routes to School Phase 1	1,049
M00766	South Central Council of Government	Public Transit Services	41,277
M00767	Ben Archer Health Center	Public Transit Services	54,148
M00770	Adelante Development Center	Public Transit Services	14,369
M00771	Torrance County	Public Transit Services	20,917
M00773	City of Roswell	Public Transit Services	13,200
M00774	City of Alamogordo	Safe Routes to School Phase 1	3,559
M00778	State Employee Commuter Association	Public Transit Services	43,369
M00783	County of Sandoval	Public Transit Services	72,328
M00784	Las Cruces Public Schools	Safe Routes to School Phase 1	11,205
M00785	City of Hobbs	Safe Routes to School Phase 1	4,019
M00787	Gallup Express	Public Transit Services	22,611
M00788	Village of Milan	Public Transit Services	32,285
M00789	Town of Red River	Public Transit Services	37,698
M00790	Village of Los Lunas	Public Transit Services	150,277

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

15. COOPERATIVE AND JOINT POWERS AGREEMENTS - continued

JOINT POWERS AGREEMENTS			
Contract No.	Contractor	Description	Expended in 2009
M00791	Zuni Entrepreneurial Ent. Inc.	Public Transit Services	74,801
M00792	City of Carlsbad	Public Transit Services	30,690
M00793	Zia Therapy Center	Public Transit Services	202,021
M00794	Golden Spread Rural Frontier	Public Transit Services	46,392
M00795	City of Belen	Public Transit Services	7,228
M00796	City of Clovis	Public Transit Services	251,664
M00799	Town of Taos	Public Transit Services	55,042
M00801	City of Las Vegas	Public Transit Services	94,954
M00802	City of Roswell	Public Transit Services	353,026
M00803	Town of Taos	Public Transit Services	169,860
M00804	Pueblo of Laguna	Public Transit Services	22,230
M00805	City of Hobbs	Public Transit Services	164,639
M00806	City of Socorro	Public Transit Services	53,661
M00807	City of Ruidoso Downs	Public Transit Services	22,285
M00808	Southwest Regional Transit District	Public Transit Services	191,812
M00809	City of Portales	Public Transit Services	38,292
M00810	Village of Angel Fire	Public Transit Services	80,313
M00812	Torrance County	Public Transit Services	94,973
M00813	North Central Regional Transit District	Public Transit Services	623,221
M00814	North Central Regional Transit District	Public Transit Services	193,667
M00815	Southwest Regional Transit District	Public Transit Services	25,720
M00816	City of Carlsbad	Public Transit Services	176,337
M00817	County of Sandoval	Public Transit Services	230,904
M00821	County of Los Alamos	Public Transit Services	526,371
M00822	City of Las Cruces	RideShare Program	19,745
M00823	City of Albuquerque	RideShare Program	365,946
M00824	Navajo Nation Records Management	Public Transit Services	183,800
M00832	City of Santa Fe	RideShare Program	32,865

16. RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the agency carries insurance (Workers' Compensation, Unemployment Compensation, Employee Liability and Transportation Property), with the State of New Mexico Risk Management Division (RMD) of the General Services Department.

There are no pending or known threatened legal proceedings involving material matters to which the Department is party.

17. FEDERAL HIGHWAY ADMINISTRATION (FHWA) AUTHORIZATIONS

The FHWA annually allocates funds to the State of New Mexico, which are available for various federally-sponsored projects. The authorizations expire within two to five years from date of authorization.

In order to obtain funding commitments from FHWA for such allotments, projects must be submitted to and be approved by the FHWA. As of June 30, 2009, the amount of authorizations granted to the State of New Mexico that had not been converted to commitments because FHWA did not award sufficient obligation authority to the Department was \$80,962,917.

18. LITIGATION

The Department is subject to various legal proceedings, claims and liabilities, including right-of-way condemnation proceedings, contractor claims and employee claims, which arise in the ordinary course of the Department's operations. There are various contractor lawsuits and claims against the Department for various reasons. The Department contests these claims and if a likelihood of a loss is probable and can be reasonably estimated, the Department accrues the loss in the accompanying financial statements. In the opinion of the Department's management and legal counsel, the ultimate resolution of the above matters will not have a material adverse impact on the financial position or results of operations of the Department.

19. OPERATING LEASE COMMITMENT

The Department leases certain equipment and premises under numerous operating leases. Leases are subject to future appropriations and as such are cancelable by the Department at the end of a fiscal year. Rental expense for the year ended June 30, 2009 was \$1,759,151.

The future minimum lease payments under operating leases as of June 30, 2009 are as follows:

Years ending June 30:	<u>Lease Amounts</u>
2010	\$ 1,283,791
2011	1,116,680
2012	613,168
2013	876,198
2014 and thereafter	<u>943,774</u>
	\$ <u>4,833,611</u>

20. COMMITMENTS AND CONTINGENCIES

- **Grant Revenue**

The Department participates in numerous federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Department has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2009 may be impaired. In the opinion of the Department, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

21. UNRESERVED, UNDESIGNATED FUND BALANCE (DEFICIT)

The unreserved, undesignated fund balance (deficit) is the component of fund balance that represents the portion of the encumbrances that have not been billed to the applicable funding source.

22. BUDGET TO GAAP RECONCILIATION

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds		1,254,450,278
Add: Net change in accruals due to accounts payable past the DFA cut-off		(14,126,518)
Add: transfer activities reported in expenses in budgeting reporting		16,603,295
Less: multi-year fund budgetary expenses not reported in agency budget and actual		
Fund 10050	(2,838,118)	
Fund 10060	(53,383,092)	
Fund 10070	(69,012,455)	
Total multi-year expenditures		(125,233,665)
Add: State Infrastructure Bank included in agency budget and actual		5,438,450
Statement of Revenues and Expenditures Budget and Actual (Modified Accrual Basis)		<u><u>1,137,131,840</u></u>

23. BUDGETED VS. ACTUAL EXPENDITURES

The Department had expenditures that exceeded the final budget expenditures as follows:

- Programs and Infrastructure, Personal Services, in the amount of \$506,119
- Programs and Infrastructure, Transfers, in the amount of \$9,081,118
- Business/Program Support, Transfers, in the amount of \$28,712,991

23. BUDGET VS. ACTUAL EXPENDITURES continued**Programs and Infrastructure, Personal Services**

The personal services extended past budget due to issues regarding how SHARE is handled in reporting payroll and benefits. Due to the unique nature of how the Department is required to capture payroll costs for federal reimbursement, payroll is first captured and posted by Department of Finance and Administration in a summarized format which is then reversed and restated in a format that allows more granularity in the payroll reporting. However, when payroll liabilities are subsequently paid by the state, the categories are paid out of the original Department of Finance and Administration categories, not the subsequent categories from the Department's restated postings. At year end during the reconciliation process of the payroll liabilities, any differences cannot be attributed to the cause due to the highly summarized format. The Department expects this issue to be corrected when we go live with a direct payroll posting system that will capture original payroll with full granularity and post at that level of detail. This will enable the Department to reconcile each payroll and analyze all differences with full attribution of discrepancies and allow for correcting entries in a timely manner.

Programs and Infrastructure, Operating Transfers

The operating transfers in the Programs and Infrastructure occurred due to the ARRA projects being implemented and expended before all of the ARRA accounting structure was in place. The Department began to capture the ARRA expenditures in the road fund and then engaged in an operating transfer of the expenditures to the ARRA fund when the ARRA fund was up and running. The Department does not expect this to occur again.

Business/Program Support, Operating Transfers

The operating transfers in the Business/Program Support is due to technical difficulties in funding debt service payments from the road fund. House Bill 2 sets the appropriation for the debt service funding payments out of the Programs and Infrastructure in the expenditure category, not the operating transfer category. However, for GAAP purposes, the Department must record the funding payments from the road fund to the debt service funds as operating transfers and the expenditures from House Bill 2 in the debt service funds. Thus, the operating transfers are not budgeted formally. The Department is working with the Budget Division of the Department of Finance and Administration for advice in rectifying this technical difficulty in acquiring budget to allow for both the cash transfers and the debt service payments together.

24. SUBSEQUENT EVENTSSeries 2009A Refunding Bonds

The Department issued \$112,345,000 through the NMFA's State Transportation Senior Lien Refunding Revenue Bonds, Series 2009A in October 2009. The gross proceeds to the Department were \$120,756,035 including the premium of \$8,411,035. The cost of issuance, including the underwriter's discount, was \$918,173. The 2009A Bonds were structured to provide upfront debt service savings in fy10 and fy11. The refunded bonds were from series 1998A, 1998B, 2001A, 2002A and 2002C. The present value of the savings was \$6,189,928 or 4.984%. Principal is payable annually on June 15 thru 2017. Interest is payable on December 15 and June 15 thru 2017 for a total of \$15,229,841.

Long-Term Note Payable (Tax-Exempt Line of Credit)

Additional draws on the tax-exempt line of credit were \$79,780,294 as of May 17, 2010 bringing the total principal outstanding to \$119,808,919 and leaving the remaining available balance of \$80,191,181.

Updated Fair Value of Swaps

The estimated fair value of the swaps at May 5, 2010 was as follows:

<u>Counterparty</u>	<u>Notional Value</u>	<u>Fair Value</u>
Goldman Sachs	\$ 50,000,000	(8,158,960)
Deutsche	50,000,000	(8,158,960)
Royal Bank of Canada	100,000,000	(16,317,920)
JPMorgan Chase Bank	110,000,000	(24,996,828)
UBS AG	110,000,000	(24,996,828)
Total	<u>\$ 420,000,000</u>	<u>(82,629,496)</u>

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

25. FUND BALANCE RESTATEMENT

	STB Appropriations SHARE 10060	State Aviation Fund SHARE 205
Beginning Fund Balance June 30, 2008	\$ (3,257,016)	6,316,973
Reason for restatement: In implementing the Government Accounting Standards Board Statements (GASB 33), <i>Accounting and Financial Reporting for Nonexchange Transactions</i> , errors in calculating certain Severance Tax Bond Appropriations balances occurred and were subsequently corrected in the 2009 fiscal year. This resulted in a restatement to fund balance, increasing it by...	251,049	
In reporting an accrual of over-allocated tax revenues at the end of 2008, the liability of the amounts owed instead increased the tax revenue reported. Subsequently in 2009, this reporting error was corrected by reducing the fund balance by...		(2,772,216)
Restated Beginning Fund Balance June 30, 2008	(3,005,967)	3,544,757

26. DUE TO OTHER AGENCIES

Federal Mass Transit Fund	10030	4,079,569
Departmental Services (Inventories)	10040	30,765,671
STB Capital Improvement Projects	10060	15,915,241
2006A GRIP Bond Project Fund	10210	6,487,953
2006C Bond Project Fund	10250	9,587,697
LOC Project Fund	10450	8,455,198
2004A GRIP Bond Project Fund	20400	3,807,715
2000A CHAT Bond Project Fund	34500	1,886,711
2002A CHAT Bond Project Fund	36800	1,864,153
Total due State Treasurer's Office		82,849,908

DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements - continued

27. DUE FROM OTHER AGENCIES

Fund	Description	Sub-total	Total	Due From
20100	Reversion from grantee agency		46,011	Dept of Public Safety
89000	ARRA reimbursement due		199,965	ENMR
10070	General Fund Reauthorizations	773,000		State General Fund
	General Fund Reauthorizations	372,750		DFA-LGD
	General Fund Reauthorizations	<u>135,000</u>		State Engineer
	Total reauthorizations due		1,280,750	
20300	Interest accrued from Local Gov't Investment Pool	3,091		State Treasurer's Office
20800	Interest accrued from Local Gov't Investment Pool	434		State Treasurer's Office
20500	Interest accrued from Local Gov't Investment Pool	777		State Treasurer's Office
20600	Interest accrued from Local Gov't Investment Pool	50		State Treasurer's Office
39400	Interest accrued from Local Gov't Investment Pool	273		State Treasurer's Office
43000	Interest accrued from Local Gov't Investment Pool	362		State Treasurer's Office
00600	Interest accrued from Local Gov't Investment Pool	1,465		State Treasurer's Office
36100	Interest accrued from Local Gov't Investment Pool	223		State Treasurer's Office
11500	Interest accrued from Local Gov't Investment Pool	134		State Treasurer's Office
97200	Interest accrued from Local Gov't Investment Pool	2		State Treasurer's Office
54800	Interest accrued from Local Gov't Investment Pool	24		State Treasurer's Office
43400	Interest accrued from Local Gov't Investment Pool	24		State Treasurer's Office
43200	Interest accrued from Local Gov't Investment Pool	35		State Treasurer's Office
54700	Interest accrued from Local Gov't Investment Pool	14		State Treasurer's Office
75000	Interest accrued from Local Gov't Investment Pool	172		State Treasurer's Office
36300	Interest accrued from Local Gov't Investment Pool	11		State Treasurer's Office
18700	Interest accrued from Local Gov't Investment Pool	<u>2</u>		State Treasurer's Office
	Total accrued interest due		7,093	
10210	Outstanding transfer from trustee account		2,670,089	State Treasurer's Office
10060	Reimbursement due from Board of Finance		<u>17,096,690</u>	DFA Board of Finance
Total Due from other agencies--government funds only			<u>21,300,598</u>	
SIB	Interest accrued from Local Gov't Investment Pool		<u>1,452</u>	
Total Due from other agencies--government wide only			<u><u>21,302,050</u></u>	

28. NEGATIVE FUND BALANCES

The Department had negative fund balances at the end of the fiscal year as follows:

Fund 10240: 2006B GRIP Debt Service fund \$73,579

This amount represents funds due to NMFA in excess of cash balance held at trustee and will reverse in 2010 upon transfers in.

Fund 10260: 2006D GRIP Debt Service Fund \$94,155

This amount represents funds due to NMFA in excess of cash balance held at trustee and will reverse in 2010 upon transfers in.

Fund 10410: 2008A GRIP Debt Service Fund \$52,142

This amount represents accounts and notes payable in excess of cash held at trustee--will reverse in 2010 upon transfers in.

Fund 10450: GRIP Line of Credit fund \$19,401,098

This amount represents cash overdrawn and due to the State Treasurer's Office, plus accounts payable in excess of cash available and will reverse in 2010 upon draw down from the line of credit.

Fund 34500: 2000 CHAT Project Fund \$1,886,711

This amount represents cash overdrawn and due to the State Treasurer's Office and will reverse in 2010 upon transfers in.

Fund 36800: 2002 CHAT Project Fund \$1,864,153

This amount represents cash overdrawn and due to the State Treasurer's Office and will reverse in 2010 upon transfers in.

Fund 89000: ARRA Projects Fund \$14,762,939

This amount represents revenue deferred due to receipt greater than 60 days past the year end and will reverse upon collection.

Fund 10030: Federal Planning and Development Fund \$3,669,693

This amount represents cash overdrawn and due to the State Treasurer's Office, plus revenue deferred due to receipt greater than 60 days past the year end, reduced by prepaid assets—part will reverse in 2010 upon collection of deferred revenue and recognition of prepaid amounts as expenditures. Part will require analysis in 2010 and corrective action as determined.

Fund 10060: Severance Tax Bond Fund \$3,055,966

This amount represents cash overdrawn and due to the State Treasurer's Office, reduced by receivables due from the State Board of Finance and will reverse in 2010 upon transfers in.

REQUIRED SUPPLEMENTARY INFORMATION

AS OF JUNE 30, 2009

		Local				
		Government	Traffic	State	Motorcycle	Driver
		Road Fund	Safety Fund	Aviation Fund	Training Fund	Improvement
		(SHARE 203)	(SHARE 208, 10010, 826)	(SHARE 205)	(SHARE 206)	Program Fund
						(SHARE 10020)
ASSETS:						
Cash						
Unrestricted	\$	-	-	-	-	-
Restricted		-	-	-	-	-
Cash equivalents						
(Interest in State General Fund Investment Pool)						
Unrestricted		18,031,983	7,418,356	4,534,933	309,007	483,736
Restricted		-	-	-	-	-
Receivables:						
Taxes receivable, net		3,322,511	184,361	811,505	15,200	-
Accounts receivable, net		-	-	565	-	-
Due from other agencies		3,091	434	777	50	-
Due from other funds		32,803	7,140	781,005	-	67,920
U.S. Department of						
Transportation		-	6,827,592	187,235	-	-
Interest receivable		-	-	-	-	-
Notes and loans receivable		-	-	-	-	-
Other receivables		-	6,311	-	-	-
Prepaid expenses		-	-	-	-	-
TOTAL ASSETS	\$	21,390,388	14,444,194	6,316,020	324,257	551,656
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable	\$	5,379,814	3,969,378	105,849	-	-
Due to other funds		-	2,209,422	1,017,901	-	-
Due to other agencies		-	-	-	-	-
Payable to Other Governments		-	-	-	-	-
Deferred Revenue		-	1,081,001	-	-	-
Other accrued expenses		-	5,980	3,276	-	-
Short-term Notes Payable		-	-	-	-	-
Other Payables		-	12,612	15,917	-	-
TOTAL LIABILITIES		5,379,814	7,278,393	1,142,943	-	-
FUND BALANCES:						
Unreserved, designated						
Special revenue funds		16,010,574	7,165,801	5,173,077	324,257	551,656
Capital projects funds		-	-	-	-	-
Debt service funds		-	-	-	-	-
TOTAL FUND BALANCES		16,010,574	7,165,801	5,173,077	324,257	551,656
TOTAL LIABILITIES AND FUND BALANCES	\$	21,390,388	14,444,194	6,316,020	324,257	551,656

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DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet-By Fund Type-Non Major Funds

DWI Prevention And Education Fund (SHARE 207)	1993 Bond Project Fund (SHARE 394)	1998/1999 CHAT Project Fund (SHARE 430)	2000 CHAT Project Fund (SHARE 345)	2001 CHAT Project Fund (SHARE 006)	2002 CHAT Project Fund (SHARE 368)	2002C HIF Project Fund (SHARE 361)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,168,464	-	-	-	-	-	-
-	1,588,854	2,110,088	-	8,535,823	-	1,299,309
40,315	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	273	362	-	1,465	-	223
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,208,779	1,589,127	2,110,450	-	8,537,288	-	1,299,532
5,850	-	-	-	-	-	-
7,066	-	-	-	87,120	-	-
-	-	-	1,886,711	-	1,864,153	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,727	-	-	-	-	-	-
-	-	-	-	-	-	-
1,885	-	-	-	-	-	-
16,528	-	-	1,886,711	87,120	1,864,153	-
1,192,251	1,589,127	2,110,450	(1,886,711)	8,450,168	(1,864,153)	1,299,532
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,192,251	1,589,127	2,110,450	(1,886,711)	8,450,168	(1,864,153)	1,299,532
1,208,779	1,589,127	2,110,450	-	8,537,288	-	1,299,532

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AS OF JUNE 30, 2009

		Federal				
	2002D CHAT	Planning and	2004A GRIP	2006A GRIP	2006B GRIP	2006 C GRIP
	Project Fund	Development Fund	Project Fund	Project Fund	Project Fund	Project Fund
	(SHARE 115)	(SHARE 10030)	(SHARE 20400)	(SHARE 10210)	(SHARE 10230)	(SHARE 10250)
ASSETS:						
Cash						
Unrestricted	\$ -	-	-	-	-	-
Restricted	-	-	34,853,490	59,624,536	2,193,406	15,302,351
Cash equivalents						
(Interest in State General Fund Investment Pool)						
Unrestricted	-	-	-	-	-	-
Restricted	777,176	-	-	-	-	-
Receivables:						
Taxes receivable, net	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-
Due from other agencies	134	-	-	2,670,089	-	-
Due from other funds	-	58,266	670,000	230,271	-	-
U.S. Department of						
Transportation	-	2,672,905	-	-	-	-
Interest receivable	-	-	6,720	218,269	121,180	74,208
Notes and loans receivable	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Prepaid expenses	-	1,374,036	-	-	-	-
TOTAL ASSETS	\$ 777,310	4,105,207	35,530,210	62,743,165	2,314,586	15,376,559
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable	\$ -	2,643,269	3,413,759	4,778,794	-	194,520
Due to other funds	142,904	-	316,177	870,000	-	-
Due to other agencies	-	4,079,569	3,807,715	6,487,953	-	9,587,697
Payable to Other Governments	-	-	-	-	-	-
Deferred Revenue	-	1,031,609	-	-	-	-
Other accrued expenses	-	20,453	-	-	-	-
Short-term Notes Payable	-	-	-	-	-	-
Other Payables	-	-	1,505,438	900,210	-	50,000
TOTAL LIABILITIES	142,904	7,774,900	9,043,089	13,036,957	-	9,832,217
FUND BALANCES:						
Unreserved, designated:						
Special revenue funds	634,406	(3,669,693)	26,487,121	49,706,208	2,314,586	5,544,342
Capital projects funds	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-
TOTAL FUND BALANCES	634,406	(3,669,693)	26,487,121	49,706,208	2,314,586	5,544,342
TOTAL LIABILITIES AND FUND BALANCES	\$ 777,310	4,105,207	35,530,210	62,743,165	2,314,586	15,376,559

See Independent Auditors' Report

DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet-By Fund Type-Non Major Funds-continued

2006D GRIP Project Fund (SHARE 10270)	GRIP LOC Project Fund (SHARE 10450)	Total Special Revenue Funds	Capital Projects Fund (SHARE 10050)	STB Appropriations (SHARE 10060)	Total Capital Projects Funds	1998 WIPP Debt Service (SHARE 972)
-	-	-	-	-	-	-
50,105,423	2,490	162,081,696	-	-	-	194,454
-	-	31,946,479	-	-	-	-
-	-	14,311,250	2,097,161	-	2,097,161	14,457
-	-	4,373,892	-	-	-	-
-	-	565	-	-	-	-
-	-	2,676,898	-	17,096,690	17,096,690	2
-	-	1,847,405	7,622,484	-	7,622,484	-
-	-	9,687,732	-	-	-	-
25	-	420,402	-	-	-	1,239
-	-	-	-	-	-	-
-	-	6,311	-	-	-	-
-	-	1,374,036	-	-	-	-
50,105,448	2,490	228,726,666	9,719,645	17,096,690	26,816,335	210,152
-	10,948,390	31,439,623	143,631	4,175,965	4,319,596	-
-	-	4,650,590	-	-	-	-
-	8,455,198	36,168,996	-	15,915,241	15,915,241	-
-	-	-	-	-	-	-
-	-	2,112,610	-	-	-	-
-	-	31,436	-	-	-	-
-	-	-	-	-	-	-
-	-	2,486,062	-	11,450	11,450	-
-	19,403,588	76,889,317	143,631	20,102,656	20,246,287	-
50,105,448	(19,401,098)	151,837,349	-	(3,005,966)	(3,005,966)	-
-	-	-	9,576,014	-	9,576,014	-
-	-	-	-	-	-	210,152
50,105,448	(19,401,098)	151,837,349	9,576,014	(3,005,966)	6,570,048	210,152
50,105,448	2,490	228,726,666	9,719,645	17,096,690	26,816,335	210,152

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AS OF JUNE 30, 2009

	1998 CHAT Debt Service (SHARE 548)	1999 CHAT Debt Service (SHARE 434)	2000 CHAT Debt Service (SHARE 432)	2001 CHAT Debt Service (SHARE 007)	2002A CHAT Debt Service (SHARE 547)
ASSETS:					
Cash					
Unrestricted	\$ -	-	-	-	-
Restricted	83,503	747,957	1,177,325	1,644,307	702,184
Cash equivalents					
(Interest in State General Fund Investment Pool)					
Unrestricted	-	-	-	-	-
Restricted	141,073	142,550	203,343	232,893	83,269
Receivables:					
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Due from other agencies	24	24	35	-	14
Due from other funds	-	-	-	-	-
U.S. Department of					
Transportation (NOTE 6)	-	-	-	-	-
Interest receivable	926	1,280	1,783	2,122	230
Notes and loans receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
TOTAL ASSETS	\$ 225,526	891,811	1,382,486	1,879,322	785,697
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ -	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other agencies	-	-	-	-	-
Payable to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Other accrued expenses	-	-	-	-	-
Short-term Notes Payable	-	-	-	-	-
Other Payables	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES:					
Unreserved, designated:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	225,526	891,811	1,382,486	1,879,322	785,697
TOTAL FUND BALANCES	225,526	891,811	1,382,486	1,879,322	785,697
TOTAL LIABILITIES AND FUND BALANCES	\$ 225,526	891,811	1,382,486	1,879,322	785,697

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DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet-By Fund Type-Non Major Funds-continued

2002B WIPP Debt Service (SHARE 750)	2002C HIF Debt Service (SHARE 363)	2002D CHAT Debt Service (SHARE 187)	2004A GRIP Debt Service (SHARE 10080)	2004B GRIP Debt Service (SHARE 10090)	2006A GRIP Debt Service (SHARE 10220)	2006B GRIP Debt Service (SHARE 10240)	2006C GRIP Debt Service (SHARE 10260)
-	-	-	-	-	-	-	-
699,112	90,726	41,198	1,856,524	46,018,646	27,424	1,176,433	-
-	-	-	-	-	-	-	-
110,515	62,004	12,763	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
172	11	2	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
19	423	19	2,628	6,955	465	358	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
809,818	153,164	53,982	1,859,152	46,025,601	27,889	1,176,791	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,250,370	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,250,370	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
809,818	153,164	53,982	1,859,152	46,025,601	27,889	(73,579)	-
809,818	153,164	53,982	1,859,152	46,025,601	27,889	(73,579)	-
809,818	153,164	53,982	1,859,152	46,025,601	27,889	1,176,791	-

AS OF JUNE 30, 2009

	2006D GRIP Debt Service (SHARE 10280)	2008A GRIP Debt Service (SHARE 10410)	2008B GRIP Debt Service (SHARE 10420)	2008C GRIP Debt Service (SHARE 10430)	2008D GRIP Debt Service (SHARE 10440)
ASSETS:					
Cash					
Unrestricted	\$ -	-	-	-	-
Restricted	-	2,765,325	5,724,807	2,748,928	713,380
Cash equivalents					
(Interest in State General Fund Investment Pool)					
Unrestricted	-	-	-	-	-
Restricted	-	-	-	-	-
Receivables:					
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Due from other agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
U.S. Department of Transportation (NOTE 6)	-	-	-	-	-
Interest receivable	-	20,228	63,345	16,373	185
Notes and loans receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
TOTAL ASSETS	\$ -	2,785,553	5,788,152	2,765,301	713,565
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ -	94,838	202,057	180,129	107,058
Due to other funds	-	-	-	-	-
Due to other agencies	-	-	-	-	-
Payable to Other Governments	94,155	-	52,951	104,401	-
Deferred Revenue	-	-	-	-	-
Other accrued expenses	-	-	-	-	-
Short-term Notes Payable	-	2,742,857	5,238,095	2,019,048	-
Other Payables	-	-	-	-	-
TOTAL LIABILITIES	94,155	2,837,695	5,493,103	2,303,578	107,058
FUND BALANCES:					
Unreserved, reported in non-major:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	(94,155)	(52,142)	295,049	461,723	606,507
TOTAL FUND BALANCES	(94,155)	(52,142)	295,049	461,723	606,507
TOTAL LIABILITIES AND FUND BALANCES	\$ -	2,785,553	5,788,152	2,765,301	713,565

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DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet-By Fund Type-Non Major Funds-continued

Total Debt Service Funds	Total Government Funds
-	-
66,412,233	228,493,929
-	31,946,479
1,002,867	17,411,278
-	4,373,892
-	565
284	19,773,872
-	9,469,889
-	9,687,732
118,578	538,980
-	-
-	6,311
-	1,374,036
67,533,962	323,076,963
584,082	36,343,301
-	4,650,590
-	52,084,237
1,501,877	1,501,877
-	2,112,610
-	31,436
10,000,000	10,000,000
-	2,497,512
12,085,959	109,221,563
-	148,831,383
-	9,576,014
55,448,003	55,448,003
55,448,003	213,855,400
67,533,962	323,076,963

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FOR THE YEAR ENDED JUNE 30, 2009

	Local Government Road Fund (SHARE 203)	Traffic Safety Fund (SHARE 208, 10010, 826)	State Aviation Fund (SHARE 205)	Motorcycle Training Fund (SHARE 206)	Driver Improvement Program Fund (SHARE 10020)
REVENUES:					
User and fuel taxes	20,760,285	-	4,728,668	130,520	260,495
U.S. Department of Transportation	-	21,778,025	324,533	-	-
Fees and fines	-	-	72,519	-	-
Licenses and permits	-	1,695,815	-	-	2,225
Miscellaneous	-	-	14	-	-
DWI Interlock Device	-	553,787	-	-	-
Interest earnings	264,539	35,542	47,968	3,803	-
TOTAL REVENUES	21,024,824	24,063,169	5,173,702	134,323	262,720
EXPENDITURES:					
Current:					
Operating costs	-	425	-	-	-
Personal services	-	545,508	315,702	-	-
Out-of-state travel	-	27,145	4,767	-	-
Grants and services	22,479,358	20,051,792	2,404,019	104,977	3,959
travel	-	1,662	3,383	-	-
Maintenance and repairs	-	-	34,509	-	-
Supplies	-	-	9,581	-	-
Contractual services	-	1,340,539	584,116	-	-
Other costs	-	-	82,444	-	-
Employee benefits	-	210,548	106,864	-	-
Capital outlay	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Swap interest	-	-	-	-	-
Trustee and broker fees	-	-	-	-	-
Debt issuance costs	-	-	-	-	-
TOTAL EXPENDITURES	22,479,358	22,177,619	3,545,385	104,977	3,959
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,454,534)	1,885,550	1,628,317	29,346	258,761
OTHER FINANCING SOURCES (USES):					
Proceeds from appropriations, net of reversions	-	-	-	-	-
Proceeds from LT Notes Payable (LOC)	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Transfers in (out)	-	300,000	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	300,000	-	-	-
NET CHANGES IN FUND BALANCES	(1,454,534)	2,185,550	1,628,317	29,346	258,761
FUND BALANCES, June 30, 2008	17,465,108	4,980,251	6,316,976	294,911	292,895
RESTATEMENT (Note 25)	-	-	(2,772,216)	-	-
RESTATED FUND BALANCES, June 30, 2008	17,465,108	4,980,251	3,544,760	294,911	292,895
FUND BALANCES, June 30, 2009	16,010,574	7,165,801	5,173,077	324,257	551,656

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DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures and Changes in Fund Balance-By Fund Type-Non Major Funds

DWI Prevention And Education Fund (SHARE 207)	1993 Bond Project Fund (SHARE 394)	1998/1999 CHAT Project Fund (SHARE 430)	2000 CHAT Project Fund (SHARE 345)	2001 CHAT Project Fund (SHARE 006)	2002A CHAT Project Fund (SHARE 368)	2002C HIF Project Fund (SHARE 361)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
457,901	-	-	-	-	-	-
-	-	-	-	-	-	-
-	21,345	5,369	71	11,784	1,872	17,084
457,901	21,345	5,369	71	11,784	1,872	17,084
-	-	-	-	-	-	-
55,964	-	-	-	-	-	-
-	-	-	-	-	-	-
197,025	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
22,890	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
275,879	-	-	-	-	-	-
182,022	21,345	5,369	71	11,784	1,872	17,084
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
182,022	21,345	5,369	71	11,784	1,872	17,084
1,010,229	1,567,782	2,105,081	(1,886,782)	8,438,384	(1,866,025)	1,282,448
-	-	-	-	-	-	-
1,010,229	1,567,782	2,105,081	(1,886,782)	8,438,384	(1,866,025)	1,282,448
1,192,251	1,589,127	2,110,450	(1,886,711)	8,450,168	(1,864,153)	1,299,532

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FOR THE YEAR ENDED JUNE 30, 2009

	2002D CHAT	Federal Planning and Development Fund	2004A GRIP	2006A GRIP	2006B GRIP	2006C GRIP
	Project Fund (SHARE 115)	Fund (SHARE 10030)	Project Fund (SHARE 20400)	Project Fund (SHARE 10210)	Project Fund (SHARE 10230)	Project Fund (SHARE 10250)
REVENUES:						
User and fuel taxes	-	-	-	-	-	-
U.S. Department of Transportation	-	24,644,061	-	-	-	-
Fees and fines	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
DWI Interlock Device	-	-	-	-	-	-
Interest earnings	10,220	-	548,179	3,909,062	2,164,801	1,325,674
TOTAL REVENUES	10,220	24,644,061	548,179	3,909,062	2,164,801	1,325,674
EXPENDITURES:						
Current:						
Operating costs	-	-	-	-	-	-
Personal services	-	337,911	-	-	-	-
Out-of-state travel	-	-	-	-	-	-
Grants and services	-	23,338,601	-	-	-	-
travel	-	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Contractual services	-	-	122,373	-	-	-
Other costs	-	179	-	-	-	-
Employee benefits	-	104,869	-	-	-	-
Capital outlay	-	-	60,418,133	59,594,539	-	77,787,286
Debt Service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Swap interest	-	-	-	-	-	-
Trustee and broker fees	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-
TOTAL EXPENDITURES	-	23,781,560	60,540,506	59,594,539	-	77,787,286
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,220	862,501	(59,992,327)	(55,685,477)	2,164,801	(76,461,612)
OTHER FINANCING SOURCES (USES):						
Proceeds from appropriations, net of reversions	-	-	-	-	-	-
Proceeds from LT Notes Payable (LOC)	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-
Transfers in (out)	-	(1,525,935)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(1,525,935)	-	-	-	-
NET CHANGES IN FUND BALANCES	10,220	(663,434)	(59,992,327)	(55,685,477)	2,164,801	(76,461,612)
FUND BALANCES, June 30, 2008	624,186	(3,006,259)	86,479,448	105,391,685	149,785	82,005,954
RESTATEMENT (Note 25)	-	-	-	-	-	-
RESTATED FUND BALANCE, June 30, 2008	624,186	(3,006,259)	86,479,448	105,391,685	149,785	82,005,954
FUND BALANCES, June 30, 2009	634,406	(3,669,693)	26,487,121	49,706,208	2,314,586	5,544,342

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balance-By Fund Type-Non Major Funds-continued

2006D GRIP Project Fund (SHARE 10270)	GRIP LOC Project Fund (SHARE 10450)	Total Special Revenue Funds	Capital Projects Fund (SHARE 10050)	STB Appropriations (SHARE 10060)	Total Capital Projects Funds	1998 WIPP Debt Service (SHARE 972)
-	-	25,879,968	-	-	-	-
-	-	46,746,619	-	-	-	-
-	-	72,519	-	-	-	-
-	-	2,155,941	-	-	-	-
-	-	14	-	-	-	-
-	-	553,787	-	-	-	-
230,964	491	8,598,768	-	-	-	54,958
230,964	491	84,007,616	-	-	-	54,958
-	-	425	-	-	-	-
-	-	1,255,085	-	-	-	-
-	-	31,912	-	-	-	-
-	-	68,579,731	-	-	-	-
-	-	5,045	-	-	-	-
-	-	34,509	-	-	-	-
-	-	9,581	-	4,643,611	4,643,611	-
-	357,885	2,404,913	-	26,552,773	26,552,773	-
1,282	-	83,905	296,027	-	296,027	-
-	-	445,171	-	-	-	-
-	59,335,469	257,135,427	2,542,091	22,186,708	24,728,799	-
-	-	-	-	-	-	10,545,000
-	-	-	-	-	-	1,751,613
-	94,745	94,745	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,282	59,788,099	330,080,449	2,838,118	53,383,092	56,221,210	12,296,613
229,682	(59,787,608)	(246,072,833)	(2,838,118)	(53,383,092)	(56,221,210)	(12,241,655)
-	-	-	-	-	-	-
-	40,028,625	40,028,625	-	-	-	-
-	-	-	-	-	-	-
(224,866)	357,885	(1,092,916)	6,667,167	53,383,093	60,050,260	12,296,613
(224,866)	40,386,510	38,935,709	6,667,167	53,383,093	60,050,260	12,296,613
4,816	(19,401,098)	(207,137,124)	3,829,049	1	3,829,050	54,958
50,100,632	-	361,746,689	5,746,965	(3,257,016)	2,489,949	155,194
-	-	(2,772,216)	-	251,049	251,049	-
50,100,632	(19,401,098)	358,974,473	5,746,965	(3,005,967)	2,740,998	155,194
50,105,448	(19,401,098)	151,837,349	9,576,014	(3,005,966)	6,570,048	210,152

See Independent Auditors' Report

FOR THE YEAR ENDED JUNE 30, 2009

	1998 CHAT Debt Service (SHARE 548)	1999 CHAT Debt Service (SHARE 434)	2000 CHAT Debt Service (SHARE 432)	2001 CHAT Debt Service (SHARE 007)	2002A CHAT Debt Service (SHARE 547)
REVENUES:					
User and fuel taxes	-	-	-	-	-
U.S. Department of Transportation	-	-	-	-	-
Fees and fines	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Miscellaneous	-	-	-	-	-
DWI Interlock Device	-	-	-	-	-
Interest earnings	43,939	61,638	86,139	102,939	15,152
TOTAL REVENUES	43,939	61,638	86,139	102,939	15,152
EXPENDITURES:					
Current:					
Operating costs	-	-	-	-	-
Personal services	-	-	-	-	-
Out-of-state travel	-	-	-	-	-
Grants and services	-	-	-	-	-
travel	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-
Supplies	-	-	-	-	-
Contractual services	-	-	-	-	-
Other costs	-	-	-	-	-
Employee benefits	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service:					
Principal	8,205,000	10,410,000	13,810,000	14,630,000	-
Interest and other charges	910,200	598,575	1,670,600	4,623,897	1,585,500
Swap interest	-	-	-	-	-
Trustee and broker fees	-	-	-	-	-
Debt issuance costs	-	-	-	-	-
TOTAL EXPENDITURES	9,115,200	11,008,575	15,480,600	19,253,897	1,585,500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,071,261)	(10,946,937)	(15,394,461)	(19,150,958)	(1,570,348)
OTHER FINANCING SOURCES (USES):					
Proceeds from appropriations, net of reversions	-	-	-	-	-
Proceeds from LT Notes Payable (LOC)	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Transfers in (out)	9,115,200	11,008,575	15,480,600	19,253,897	1,585,500
TOTAL OTHER FINANCING SOURCES (USES)	9,115,200	11,008,575	15,480,600	19,253,897	1,585,500
NET CHANGES IN FUND BALANCES	43,939	61,638	86,139	102,939	15,152
FUND BALANCES, June 30, 2008	181,587	830,173	1,296,347	1,776,383	770,545
RESTATEMENT (Note 25)	-	-	-	-	-
RESTATED FUND BALANCE, June 30, 2008	181,587	830,173	1,296,347	1,776,383	770,545
FUND BALANCES, June 30, 2009	225,526	891,811	1,382,486	1,879,322	785,697

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance-By Fund Type-Non
Major Funds-continued**

See Independent Auditors' Report

FOR THE YEAR ENDED JUNE 30, 2009

	2006D GRIP Debt Service (SHARE 10280)	2008A GRIP Debt Service (SHARE 10410)	2008B GRIP Debt Service (SHARE 10420)	2008C GRIP Debt Service (SHARE 10430)	2008D GRIP Debt Service (SHARE 10440)
REVENUES:					
User and fuel taxes	-	-	-	-	-
U.S. Department of Transportation	-	-	-	-	-
Fees and fines	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Miscellaneous	-	-	-	-	-
DWI Interlock Device	-	-	-	-	-
Interest earnings	-	1,362,708	3,810,581	1,003,827	9,320
TOTAL REVENUES	-	1,362,708	3,810,581	1,003,827	9,320
EXPENDITURES:					
Current:					
Operating costs	-	-	-	-	-
Personal services	-	-	-	-	-
Out-of-state travel	-	-	-	-	-
Grants and services	-	-	-	-	-
travel	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-
Supplies	-	-	-	-	-
Contractual services	-	-	-	-	-
Other costs	-	-	-	-	-
Employee benefits	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	1,540,922	3,046,796	1,162,110	1,113,668
Swap interest	-	4,063,286	10,886,527	2,991,030	-
Trustee and broker fees	-	536,682	1,587,584	480,713	399,997
Debt issuance costs	-	-	-	-	-
TOTAL EXPENDITURES	-	6,140,890	15,520,907	4,633,853	1,513,665
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(4,778,182)	(11,710,326)	(3,630,026)	(1,504,345)
OTHER FINANCING SOURCES (USES):					
Proceeds from appropriations, net of reversions	-	-	-	-	-
Proceeds from LT Notes Payable (LOC)	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Transfers in (out)	(401,278)	4,381,946	11,787,187	4,090,632	1,550,803
TOTAL OTHER FINANCING SOURCES (USES)	(401,278)	4,381,946	11,787,187	4,090,632	1,550,803
NET CHANGES IN FUND BALANCES	(401,278)	(396,236)	76,861	460,606	46,458
FUND BALANCES, June 30, 2008	307,123	344,094	218,188	1,117	560,049
RESTATEMENT (Note 25)	-	-	-	-	-
RESTATED FUND BALANCE, June 30, 2008	307,123	344,094	218,188	1,117	560,049
FUND BALANCES, June 30, 2009	(94,155)	(52,142)	295,049	461,723	606,507

See Independent Auditors' Report

DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures and Changes in Fund Balance-By Fund Type-Non Major Funds-continued

Total Debt Service Funds	Total Governmental Funds
-	25,879,968
-	46,746,619
-	72,519
-	2,155,941
-	14
-	553,787
9,588,104	18,186,872
9,588,104	93,595,720
-	425
-	1,255,085
-	31,912
-	68,579,731
-	5,045
-	34,509
-	4,653,192
-	28,957,686
-	379,932
-	445,171
-	281,864,226
74,500,000	74,500,000
72,960,649	72,960,649
17,940,843	17,940,843
5,214,796	5,309,541
-	-
170,616,288	556,917,947
(161,028,184)	(463,322,227)
-	-
-	40,028,625
-	-
162,269,770	221,227,114
162,269,770	261,255,739
1,241,586	(202,066,488)
54,206,417	418,443,055
-	(2,521,167)
54,206,417	415,921,888
55,448,003	213,855,400

See Independent Auditors' Report

SUPPLEMENTARY INFORMATION

Budget to Actual Schedules

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

STATE ROAD FUND (SHARE 20100/20200/43100/82000)				
	Budgeted Amounts		Actual	Variance
			Amounts	
	Original	Final	(Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ 327,982,900	331,833,443	335,175,323	3,341,880
Other state funds	416,928,000	408,458,244	398,515,354	(9,942,890)
State General Fund	-	-	-	-
Interagency Transfer	-	7,328,000	4,181,385	(3,146,615)
Interest Revenue	1,600,000	1,608,700	547,074	(1,061,626)
TOTAL REVENUES	746,510,900	749,228,387	738,419,136	(10,809,251)
PRIOR YEAR FUNDS REBUDGETED				
	11,800,000	220,886,161		
	\$ 758,310,900	970,114,548		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	27,359,600	27,331,600	28,143,663	(812,063)
Contractual Services	273,078,600	463,708,090	325,483,706	138,224,384
Other	6,953,658	8,253,110	14,126,233	(5,873,123)
Transfers (In) Out	-	(1,721,000)	7,086,167	(8,807,167)
	307,391,858	497,571,800	374,839,769	122,732,031
Transportation and Highway Ops:				
Personal Services/Employee Benefits	103,892,400	115,523,559	102,732,038	12,791,521
Contractual Services	51,895,000	59,387,547	3,352,156	56,035,391
Other	74,527,400	74,527,400	74,463,147	64,253
	230,314,800	249,438,506	180,547,341	68,891,1645
Business/Program Support				
Personal Services/Employee Benefits	27,664,800	27,664,800	27,627,765	37,035
Contractual Services	6,557,100	6,557,100	4,886,892	1,670,208
Other	17,089,100	17,089,100	24,147,119	(7,058,019)
Transfers (In) Out	169,293,242	171,793,242	171,512,947	280,295
	220,604,242	223,104,242	228,174,723	(5,070,481)
TOTAL ANNUAL BUDGETED EXPENDITURES	758,310,900	970,114,548	783,561,833	186,552,715

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

GENERAL FUND APPROPRIATIONS FUND (SHARE 10070)					
	Life-to-Date Budgeted Amounts	FY 09 Actual Amounts (Modified Accrual)	Adjustments	Life-to-Date Actual Amounts (Modified Accrual)	Variance Over (Under)
REVENUES:					
State General Fund	\$ 172,646,202	-	15,065,711	172,646,202	-
Inter-Agency Transfers	3,531,547	1,604,433	1,388,237	3,531,547	-
TOTAL REVENUES	\$ 176,177,749	1,604,433	16,453,948	176,177,749	-
EXPENDITURES - current and capital outlay:					
Programs and Infrastructure					
Personal Services/Employee Benefits	\$ -	-	-	-	-
Contractual Services	-	-	-	-	-
Other	-	-	-	-	-
Transfers (In) Out	-	-	-	-	-
Reversions	-	-	-	-	-
Transportation and Highway Ops:					
Personal Services/Employee Benefits	\$ -	-	-	-	-
Contractual Services	158,363,780	53,379,369	2,152,007	93,174,263	65,189,516
Other	14,282,422	10,633,086	-	14,274,882	7,541
Transfers (In) Out	2,610,807	1,206,547	1,044,160	2,610,807	-
Reversions	1,645,000	3,098,918	400,624	3,499,542	(1,854,542)
	176,902,009	73,317,920	3,596,791	113,559,494	63,342,515
Business/Program Support					
Personal Services/Employee Benefits	\$ -	-	-	-	-
Contractual Services	-	-	-	-	-
Other	-	-	-	-	-
Transfers (In) Out	-	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ 176,902,009	73,317,920	3,596,791	113,559,494	63,342,515

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

	ARRA Project Fund (89000)			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	260,686,161	1,719,850	(258,966,311)
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	-	-
TOTAL REVENUES	-	260,686,161	1,719,850	(258,966,311)
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	260,686,161		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	176,000	-	176,000
Contractual Services	-	259,510,161	9,565,344	249,944,817
Other	-	1,000,000	634,638	365,362
Transfers (In) Out	-	-	(1,118,965)	1,118,965
	-	260,686,161	9,081,017	251,605,144
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	-	260,686,161	9,081,017	251,605,144

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

NON-MAJOR GOVERNMENTAL FUNDS				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ 30,698,900	42,378,900	47,521,875	5,142,975
Other state funds	229,759,000	231,766,900	68,698,054	(163,068,847)
State General Fund	2,928,000	2,928,000	-	(2,928,000)
Inter-Agency Transfers	300,000	300,000	300,000	-
Interest Revenue	1,316,000	1,109,000	18,391,316	17,282,316
TOTAL REVENUES	265,001,900	278,482,800	134,911,245	(143,571,556)
PRIOR YEAR FUNDS REBUDGETED	335,744,678	371,639,326		
	\$ 600,746,578	650,122,126		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	1,462,300	1,830,200	1,700,255	129,945
Contractual Services	90,858,550	94,928,579	68,115,784	26,512,795
Other	481,469,228	511,965,977	242,806,472	269,159,505
Transfers (In) Out	-	-	1,392,916	(1,392,916)
	573,490,078	608,424,756	314,015,427	294,409,329
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	27,256,500	41,904,370	22,479,358	19,425,012
Transfers (In) Out	-	-	-	-
	27,256,500	41,904,370	22,479,358	19,425,012
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	191,263,056	191,263,056	170,711,033	20,552,023
Transfers In (Out)	(191,263,056)	(191,263,056)	(162,269,770)	(28,993,286)
	-	-	8,441,263	(8,441,263)
TOTAL ANNUAL BUDGETED EXPENDITURES	600,746,578	650,329,126	344,936,048	305,393,078

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

LOCAL GOVERNMENT ROAD FUND (SHARE 20300)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	23,345,000	23,345,000	20,760,285	(2,584,715)
State General Fund	-	-	-	-
Interest Revenue	870,000	870,000	264,539	(605,461)
TOTAL REVENUES	24,215,000	24,215,000	21,024,824	(3,190,176)
PRIOR YEAR FUNDS REBUDGETED	3,041,500	17,689,370		
	\$ 27,256,500	41,904,370		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	27,256,500	41,904,370	22,479,358	19,425,012
	27,256,500	41,904,370	22,479,358	19,425,012
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers In (Out)	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	27,256,500	41,904,370	22,479,358	19,425,012

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2004A GRIP BOND PROJECT FUND (SHARE 20400)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	548,179	548,179
TOTAL REVENUES	-	-	548,179	548,179
PRIOR YEAR FUNDS REBUDGETED	86,479,450	86,479,450		
	\$ 86,479,450	86,479,450		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	86,479,450	86,479,450	60,540,506	25,938,944
Transfers (In) Out	-	-	-	-
	86,479,450	86,479,450	60,540,506	25,938,944
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	86,479,450	86,479,450	60,540,506	25,938,944

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

AVIATION FUND (SHARE 20500)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	324,533	324,533
Other state funds	1,479,000	1,479,000	4,801,201	3,322,201
State General Fund	2,928,000	2,928,000	-	(2,928,000)
Interest Revenue	129,000	129,000	47,968	(81,032)
TOTAL REVENUES	4,536,000	4,536,000	5,173,702	637,702
PRIOR YEAR FUNDS REBUDGETED	-	1,441,123		
	\$ 4,536,000	5,977,123		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	546,300	546,300	422,566	123,734
Contractual Services	262,000	262,000	584,116	(322,116)
Other	3,727,700	5,168,823	2,538,703	2,630,120
	4,536,000	5,977,123	3,545,385	2,431,738
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	4,536,000	5,977,123	3,545,385	2,431,738

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

MOTORCYCLE TRAINING FUND (SHARE 20600)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	100,000	100,000	130,520	30,520
State General Fund	-	-	-	-
Interest Revenue	5,000	5,000	3,803	(1,197)
TOTAL REVENUES	105,000	105,000	134,323	29,323
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ 105,000	105,000		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	105,000	105,000	104,977	23
	105,000	105,000	104,977	23
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	105,000	105,000	104,977	23

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

DWI PREVENTION AND EDUCATION FUND (SHARE 20700)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	300,000	380,900	457,901	77,001
State General Fund	-	-	-	-
Interest Revenue	-	-	-	-
TOTAL REVENUES	300,000	380,900	457,901	77,001
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ 300,000	380,900		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	80,900	78,854	2,046
Contractual Services	300,000	300,000	197,025	102,975
Other	-	-	-	-
	300,000	380,900	275,879	105,021
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	300,000	380,900	275,879	105,021

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

TRAFFIC SAFETY FUND (SHARE 20800/10010/82600)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ 9,482,100	15,762,100	21,778,025	6,015,925
Other state funds	1,250,000	3,177,000	2,249,602	(927,398)
State General Fund	-	-	-	-
Inter-Agency Transfers	300,000	300,000	300,000	-
Interest Revenue	82,000	82,000	35,542	(46,458)
TOTAL REVENUES	11,114,100	19,321,100	24,363,169	5,042,069
PRIOR YEAR FUNDS REBUDGETED	-	11,169,783		
	\$ 11,114,100	30,490,883		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	472,100	759,100	756,055	3,045
Contractual Services	502,100	1,422,100	1,100,081	322,019
Other	10,139,900	28,309,683	19,552,137	8,757,546
	11,114,100	30,490,883	21,408,274	9,082,609
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	11,114,100	30,490,883	21,408,274	9,082,609

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2001 CHAT BOND PROJECT FUND (SHARE 00600)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	11,784	11,784
TOTAL REVENUES	-	-	11,784	11,784
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
TOTAL ANNUAL BUDGETED	-	-	-	-
EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2002D CHAT BOND PROJECT FUND (SHARE 11500)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	10,220	10,220
TOTAL REVENUES	-	-	10,220	10,220
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
TOTAL ANNUAL BUDGETED	-	-	-	-
EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2000 CHAT BOND PROJECT FUND (SHARE 34500)					
	Budgeted Amounts		Actual	Variance	
	Original	Final	Amounts (Modified Accrual)	Over (Under)	
REVENUES:					
Federal funds	\$ -	-	-	-	-
Other state funds	-	-	-	-	-
State General Fund	-	-	-	-	-
Interest Revenue	-	-	71	71	
TOTAL REVENUES	-	-	71	71	
PRIOR YEAR FUNDS REBUDGETED	-	-			
	\$ -	-			
EXPENDITURES - current and capital outlay:					
Programs and Infrastructure	-	-	-	-	
Personal Services/Employee Benefits	-	-	-	-	
Contractual Services	-	-	-	-	
Other	-	-	-	-	
	-	-	-	-	
Transportation and Highway Ops:					
Personal Services/Employee Benefits	-	-	-	-	
Contractual Services	-	-	-	-	
Other	-	-	-	-	
	-	-	-	-	
Business/Program Support					
Personal Services/Employee Benefits	-	-	-	-	
Contractual Services	-	-	-	-	
Other	-	-	-	-	
Transfers (In) Out	-	-	-	-	
	-	-	-	-	
TOTAL ANNUAL BUDGETED					
EXPENDITURES	-	-	-	-	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2002C HIF BOND PROJECT FUND (SHARE 36100)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	17,084	17,084
TOTAL REVENUES	-	-	17,084	17,084
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
TOTAL ANNUAL BUDGETED	-	-	-	-
EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2002A CHAT BOND PROJECT FUND (SHARE 36800)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	1,872	1,872
TOTAL REVENUES	-	-	1,872	1,872
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

1993 BOND PROJECT FUND (SHARE 39400)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
	-	-	21,345	21,345
TOTAL REVENUES	-	-	21,345	21,345
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

1998/1999 CHAT BOND PROJECT FUND (SHARE 43000)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	5,369	5,369
TOTAL REVENUES	-	-	5,369	5,369
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
TOTAL ANNUAL BUDGETED	-	-	-	-
EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2006A GRIP BOND PROJECT FUND (SHARE 10210)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	3,909,062	3,909,062
TOTAL REVENUES	-	-	3,909,062	3,909,062
PRIOR YEAR FUNDS REBUDGETED	164,217,774	164,217,774		
	\$ 164,217,774	164,217,774		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	164,217,774	164,217,774	59,594,539	104,623,235
Transfers (In) Out	-	-	-	-
	164,217,774	164,217,774	59,594,539	104,623,235
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	164,217,774	164,217,774	59,594,539	104,623,235

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2006B GRIP BOND PROJECT FUND (SHARE 10230)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	2,164,801	2,164,801
TOTAL REVENUES	-	-	2,164,801	1,164,801
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2006C GRIP BOND PROJECT FUND (SHARE 10250)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	1,325,674	1,325,674
TOTAL REVENUES	-	-	1,325,674	1,325,674
PRIOR YEAR FUNDS REBUDGETED	82,005,954	82,005,954		
	\$ 82,005,954	82,005,954		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	82,005,954	82,005,954	77,787,286	4,218,668
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	82,005,954	82,005,954	77,787,286	4,218,668
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	82,005,954	82,005,954	77,787,286	4,218,668

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2006D GRIP BOND PROJECT FUND (SHARE 10270)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Bond Proceeds	-	-	-	-
Interest Revenue	-	-	230,964	230,964
TOTAL REVENUES	-	-	230,964	230,964
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	1,282	(1,282)
Transfers (In) Out	-	-	244,866	(244,866)
	-	-	246,148	(246,148)
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	-	-	246,148	(246,148)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

GRIP LINE OF CREDIT PROJECT FUND (SHARE 10450)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	200,000,000	200,000,000	40,028,625	(159,971,375)
State General Fund	-	-	-	-
Interest Revenue	-	-	491	491
TOTAL REVENUES	200,000,000	200,000,000	40,029,116	(159,970,884)
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ 200,000,000	200,000,000		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	452,630	(452,630)
Other	200,000,000	200,000,000	59,335,469	140,664,537
Transfers (In) Out	-	-	(357,885)	357,885
	200,000,000	200,000,000	59,430,214	140,569,786
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	200,000,000	200,000,000	59,430,213	140,569,787

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

DRIVER IMPROVEMENT PROGRAM FUND (SHARE 10020)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	200,000	200,000	262,720	62,720
State General Fund	-	-	-	-
Interest Revenue	-	-	-	-
TOTAL REVENUES	200,000	200,000	262,720	62,720
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ 200,000	200,000		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	200,000	200,000	3,959	196,041
	200,000	200,000	3,959	196,041
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	200,000	200,000	3,959	196,041

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

	FEDERAL PLANNING AND DEVELOPMENT FUND (SHARE 10030)			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ 21,216,800	26,616,800	24,644,061	(1,972,739)
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	-	-
TOTAL REVENUES	21,216,800	26,616,800	24,644,061	(1,972,739)
PRIOR YEAR FUNDS REBUDGETED	-	5,485,843		
	\$ 21,216,800	32,102,643		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	443,900	443,900	442,780	1,120
Contractual Services	-	-	-	-
Other	20,772,900	31,658,743	23,338,783	8,319,960
Transfers (In) Out	-	-	1,525,935	(1,525,935)
	21,216,800	32,102,643	25,307,498	6,795,145
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	21,216,800	32,102,643	25,307,498	6,795,145

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2004A DEBT SERVICE FUND (SHARE 10080)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	156,899	156,899
TOTAL REVENUES	-	-	156,899	156,899
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	37,966,759	37,966,759	37,966,759	-
Transfers (In) Out	(37,966,759)	(37,966,759)	(37,865,290)	(101,469)
TOTAL ANNUAL BUDGETED	-	-	101,469	(101,469)
EXPENDITURES	-	-	101,469	(101,469)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2004B DEBT SERVICE FUND (SHARE 10090)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	2,789,074	2,789,074
TOTAL REVENUES	-	-	2,789,074	2,789,074
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	18,082,765	18,082,765	18,082,765	-
Transfers (In) Out	(18,082,765)	(18,082,765)	(16,046,458)	(2,036,307)
TOTAL ANNUAL BUDGETED	-	-	2,036,307	(2,036,307)
EXPENDITURES	-	-	2,036,307	(2,036,307)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2001 CHAT DEBT SERVICE FUND (SHARE 00700)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	102,939	102,939
TOTAL REVENUES	-	-	102,939	102,939
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	19,253,897	19,253,897	19,253,897	-
Transfers (In) Out	(19,253,897)	(19,253,897)	(19,253,897)	-
TOTAL ANNUAL BUDGETED	-	-	-	-
EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2002D CHAT DEBT SERVICE FUND (SHARE 18700)					
	Budgeted Amounts		Actual	Variance	
	Original	Final	Amounts (Modified Accrual)	Over (Under)	
REVENUES:					
Federal funds	\$ -	-	-	-	-
Other state funds	-	-	-	-	-
State General Fund	-	-	-	-	-
Interest Revenue	-	-	1,537	1,537	
TOTAL REVENUES	-	-	1,537	1,537	
PRIOR YEAR FUNDS REBUDGETED	-	-			
	\$ -	-			
EXPENDITURES - current and capital outlay:					
Programs and Infrastructure					
Personal Services/Employee Benefits	-	-	-	-	-
Contractual Services	-	-	-	-	-
Other	-	-	-	-	-
Transportation and Highway Ops:					
Personal Services/Employee Benefits	-	-	-	-	-
Contractual Services	-	-	-	-	-
Other	-	-	-	-	-
Business/Program Support					
Personal Services/Employee Benefits	-	-	-	-	-
Contractual Services	-	-	-	-	-
Other	194,825	194,825	194,825	-	-
Transfers (In) Out	(194,825)	(194,825)	(194,825)	-	-
TOTAL ANNUAL BUDGETED	-	-	-	-	-
EXPENDITURES	-	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2002C HIF DEBT SERVICE FUND (SHARE 36300)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	21,545	21,545
TOTAL REVENUES	-	-	21,545	21,545
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	4,709,524	4,709,524	4,709,524	-
Transfers (In) Out	(4,709,524)	(4,709,524)	(4,709,524)	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2000 CHAT DEBT SERVICE FUND (SHARE 43200)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	86,139	86,139
TOTAL REVENUES	-	-	86,139	86,139
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	15,480,600	15,480,600	15,480,600	-
Transfers (In) Out	(15,480,600)	(15,480,600)	(15,480,600)	-
TOTAL ANNUAL BUDGETED EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

1999 CHAT DEBT SERVICE FUND (SHARE 43400)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	61,638	61,638
TOTAL REVENUES	-	-	61,638	61,638
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	11,008,575	11,008,575	11,008,575	-
Transfers (In) Out	(11,008,575)	(11,008,575)	(11,008,575)	-
TOTAL ANNUAL BUDGETED	-	-	-	-
EXPENDITURES	-	-	-	-

The level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2002A CHAT DEBT SERVICE FUND (SHARE 54700)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	15,152	15,152
TOTAL REVENUES	-	-	15,152	15,152
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	1,585,500	1,585,500	1,585,500	-
Transfers (In) Out	(1,585,500)	(1,585,500)	(1,585,500)	-
TOTAL ANNUAL BUDGETED EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

1998 CHAT DEBT SERVICE FUND (SHARE 54800)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	43,939	43,939
TOTAL REVENUES	-	-	43,939	43,939
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	9,115,200	9,115,200	9,115,200	-
Transfers (In) Out	(9,115,200)	(9,115,200)	(9,115,200)	-
TOTAL ANNUAL BUDGETED	-	-	-	-
EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2002B WIPP DEBT SERVICE FUND (SHARE 75000)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	11,883	11,883
TOTAL REVENUES	-	-	11,883	11,883
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	472,250	472,250	472,250	-
Transfers (In) Out	(472,250)	(472,250)	(472,250)	-
TOTAL ANNUAL BUDGETED EXPENDITURES	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

1998 WIPP DEBT SERVICE FUND (SHARE 97200)					
	Budgeted Amounts		Actual	Variance	
	Original	Final	Amounts (Modified Accrual)	Over (Under)	
REVENUES:					
Federal funds	\$ -	-	-	-	-
Other state funds	-	-	-	-	-
State General Fund	-	-	-	-	-
Interest Revenue	-	-	54,958	54,958	54,958
TOTAL REVENUES	-	-	54,958	54,958	54,958
PRIOR YEAR FUNDS REBUDGETED	-	-			
	\$ -	-			
EXPENDITURES - current and capital outlay:					
Programs and Infrastructure					
Personal Services/Employee Benefits	-	-	-	-	-
Contractual Services	-	-	-	-	-
Other	-	-	-	-	-
Transportation and Highway Ops:					
Personal Services/Employee Benefits	-	-	-	-	-
Contractual Services	-	-	-	-	-
Other	-	-	-	-	-
Business/Program Support					
Personal Services/Employee Benefits	-	-	-	-	-
Contractual Services	-	-	-	-	-
Other	12,296,613	12,296,613	12,296,613	-	-
Transfers (In) Out	(12,296,613)	(12,296,613)	(12,296,613)	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	-	-	-	-	-

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2006A GRIP DEBT SERVICE FUND (SHARE 10220)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	27,387	27,387
TOTAL REVENUES	-	-	27,387	27,387
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	36,591,759	36,591,759	7,852,407	28,739,352
Transfers (In) Out	(36,591,759)	(36,591,759)	(7,176,842)	(29,414,917)
	-	-	675,565	(675,565)
TOTAL ANNUAL BUDGETED				
EXPENDITURES	-	-	675,565	(675,565)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2006B GRIP DEBT SERVICE FUND (SHARE 10240)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	28,578	28,578
TOTAL REVENUES	-	-	28,578	28,578
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	4,368,237	4,368,237	4,788,057	(419,820)
Transfers (In) Out	(4,368,237)	(4,368,237)	(3,882,071)	(486,166)
TOTAL ANNUAL BUDGETED	-	-	905,986	(905,986)
EXPENDITURES	-	-	905,986	(905,986)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2006C GRIP DEBT SERVICE FUND (SHARE 10260)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	-	-
TOTAL REVENUES	-	-	-	-
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	1	(1)
Transfers (In) Out	-	-	(1,772,835)	1,772,835
TOTAL ANNUAL BUDGETED	-	-	(1,772,834)	1,772,834
EXPENDITURES	-	-	(1,772,834)	1,772,834

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2006D GRIP DEBT SERVICE FUND (SHARE 10280)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	-	-
TOTAL REVENUES	-	-	-	-
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	401,278	(401,278)
	-	-	401,278	(401,278)
TOTAL ANNUAL BUDGETED				
EXPENDITURES	-	-	401,278	(401,278)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2008A GRIP DEBT SERVICE FUND (SHARE 10410)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	1,362,708	1,362,708
TOTAL REVENUES	-	-	1,362,708	1,362,708
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	4,385,566	4,385,566	6,140,890	(1,755,324)
Transfers (In) Out	(4,385,566)	(4,385,566)	(4,381,946)	(3,620)
TOTAL ANNUAL BUDGETED	-	-	1,758,944	(1,758,944)
EXPENDITURES	-	-	1,758,944	(1,758,944)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2008B GRIP DEBT SERVICE FUND (SHARE 10420)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	3,810,581	3,810,581
TOTAL REVENUES	-	-	3,810,581	3,810,581
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	12,017,202	12,017,202	15,520,907	(3,503,703)
Transfers (In) Out	(12,017,202)	(12,017,202)	(11,787,187)	(230,015)
TOTAL ANNUAL BUDGETED	-	-	3,733,720	(3,733,720)
EXPENDITURES	-	-	3,733,720	(3,733,720)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2008C GRIP DEBT SERVICE FUND (SHARE 10430)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	1,003,827	1,003,827
TOTAL REVENUES	-	-	1,003,827	1,003,827
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	2,006,256	2,006,256	4,633,853	(2,627,597)
Transfers (In) Out	(2,006,256)	(2,006,256)	(4,090,632)	2,084,376
	-	-	543,223	(543,223)
TOTAL ANNUAL BUDGETED				
EXPENDITURES	-	-	543,223	(543,223)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

2008D GRIP DEBT SERVICE FUND (SHARE 10440)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	-	-	-	-
State General Fund	-	-	-	-
Interest Revenue	-	-	9,320	9,320
TOTAL REVENUES	-	-	9,320	9,320
PRIOR YEAR FUNDS REBUDGETED	-	-		
	\$ -	-		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	1,317,528	1,317,528	1,513,665	(196,137)
Transfers (In) Out	(1,317,528)	(1,317,528)	(1,550,803)	233,275
	-	-	(37,138)	37,138
TOTAL ANNUAL BUDGETED				
EXPENDITURES	-	-	(37,138)	37,138

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

STATE INFRASTRUCTURE BANK (SHARE 89300)				
	Budgeted Amounts		Actual	Variance
	Original	Final	(Modified Accrual)	Over (Under)
REVENUES:				
Federal funds	\$ -	-	-	-
Other state funds	3,085,000	3,085,000	-	(3,085,000)
State General Fund	-	-	-	-
Interest Revenue	230,000	23,000	204,444	181,444
TOTAL REVENUES	3,315,000	3,108,000	204,444	(2,903,556)
PRIOR YEAR FUNDS REBUDGETED	-	3,357,029		
	\$ 3,315,000	6,465,029		
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	3,315,000	6,465,029	5,438,450	1,026,579
Other	-	-	-	-
	3,315,000	6,465,029	5,438,450	1,026,579
Transportation and Highway Ops:				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	3,315,000	6,465,029	5,438,450	1,026,579

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

CAPITAL PROJECTS FUND (SHARE 10050)				
	Life-to-Date Budgeted Amounts	FY09 Actual Amounts (Modified Accrual)	Life-to-Date Actual Amounts (Modified Accrual)	Variance Over (Under)
REVENUES:				
Other state funds	\$ 5,417,426	-	5,417,426	-
State General Fund	-	-	-	-
Inter-Agency Transfers	-	-	-	-
TOTAL REVENUES	\$ 5,417,426	-	5,417,426	-
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	14,000,000	296,027	13,748,225	251,775
Other	17,420,415	2,542,091	7,851,561	9,568,854
Transfers (In) Out	(26,002,989)	(6,667,167)	(26,019,489)	16,500
Reversions	-	-	-	-
	5,417,426	(3,829,049)	(4,419,703)	9,837,129
Transportation and Highway Ops:				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal Services/Employee Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Transfers (In) Out	-	-	-	-
	-	-	-	-
TOTAL ANNUAL BUDGETED				
EXPENDITURES	\$ 5,417,426	(3,829,049)	(4,419,703)	9,837,129

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

DEPARTMENT OF TRANSPORTATION

Schedule of Revenues and Expenditures-Other Governmental Funds-Budget and Actual (Modified Accrual Basis)-continued

YEAR ENDED JUNE 30, 2009

SEVERANCE TAX BOND APPROPRIATIONS FUND (SHARE 10060)					
	Life-to-Date Budgeted Amounts	FY 09 Actual Amounts (Modified Accrual)	Adjustments	Life-to-Date Actual Amounts (Modified Accrual)	Variance Over (Under)
REVENUES:					
Other state funds	\$ -	-	-	-	-
State General Fund	-	-	-	-	-
Inter-Agency Transfers	252,093,041	53,383,093	(5,059,329)	104,068,660	(148,024,381)
TOTAL REVENUES	\$ 252,093,041	53,383,093	(5,059,329)	104,068,660	(148,024,381)
EXPENDITURES - current and capital outlay:					
Programs and Infrastructure					
Personal Services/Employee Benefits	\$ -	-	-	-	-
Contractual Services	-	-	-	-	-
Other	-	-	-	-	-
Transfers (In) Out	-	-	-	-	-
Reversions	-	-	-	-	-
Transportation and Highway Ops:					
Personal Services/Employee Benefits	\$ -	-	-	-	-
Contractual Services	244,302,250	48,739,481	69,100	113,374,559	130,927,691
Other	7,790,791	4,643,611	-	7,790,791	-
Transfers (In) Out	-	-	-	-	-
	252,093,041	53,383,092	69,100	121,165,350	130,927,691
Business/Program Support					
Personal Services/Employee Benefits	\$ -	-	-	-	-
Contractual Services	-	-	-	-	-
Other	-	-	-	-	-
Transfers (In) Out	-	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ 252,093,041	53,383,092	69,100	121,165,350	130,927,691

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

SUPPLEMENTAL SCHEDULES

AS OF JUNE 30, 2009

	Budgeted Amounts		Current Year Expenditures
	Original	Final	
Expenditures for 2004 multi-year projects			
Capital outlay	\$ 2,000,000	1,804,124	-
Expenditures for 2001 multi-year projects			
Capital outlay	2,238,000	2,135,499	-
Expenditures for 2000 multi-year projects			
Capital outlay	2,094,300	1,920,052	-
Expenditures for 2005 multi-year projects			
Capital outlay	2,250,000	2,250,000	18,322
Expenditures for 2006 multi-year projects			
Capital outlay	13,000,000	15,033,000	1,356,348
Expenditures for 2007 multi-year projects			
Capital outlay	2,750,000	2,750,000	866,408
Expenditures for 2008 multi-year projects			
Capital outlay	6,017,426	6,017,426	597,040
Expenditures for 2009 multi-year projects			
Capital outlay	1,450,000	1,450,000	-
Total Expenditures	31,799,726	33,360,101	2,838,118

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Capital Projects

CAPITAL PROJECTS FUND				
Life-to-Date Outstanding Encumbrances	Total Actual	Prior Year Actual	Total Expenditures	Variance From Final Budget (Over) Under
-	-	1,804,124	1,804,124	-
-	-	2,135,499	2,135,499	-
-	-	1,920,052	1,920,052	-
199,078	217,399	1,364,287	1,581,686	668,314
366,987	1,723,335	12,681,848	14,405,183	627,817
601,071	1,467,480	1,049,058	2,516,537	233,461
2,960	600,000	-	600,000	5,417,426
-	-	-	-	1,450,000
1,170,096	4,008,214	20,954,868	24,963,081	8,397,018

AS OF JUNE 30, 2009

Chapter	Laws		Bonds Appropriated	Bonds Sold	Amounts AIPP	Funds Reauthorized
148	1994	\$	50,000	50,000	-	-
2	1999		5,161,415	4,719,721	-	-
2/23	2000		7,518,079	7,193,284	-	-
110	2002		9,492,863	9,491,910	-	-
429	2003		7,394,100	7,394,100	(1,250)	170,500
126	2004		23,209,750	23,159,750	-	(2,227,000)
347	2005		15,595,000	15,501,835	(1,500)	(1,509,634)
111	2006		25,889,900	25,889,900	-	(7,851,500)
42	2007		79,455,992	79,455,992	(170,000)	(3,000,000)
92	2008		19,978,000	19,198,000	(9,600)	-
9	2008		100,012,260	75,000,000	-	-
5	2009		1,500,000	1,500,000	-	-
			295,257,359	268,554,492	(182,350)	(14,417,634)

**Supplemental Schedule of
Severance Tax Bonds**

Funds Reverted	Bond Balance After Reauthorization	Funds Received	Expended To Date	Balance Available	Due from Board of Finance
(50)	49,950	49,950	49,950	-	-
(485,348)	4,234,373	4,234,373	4,234,373	-	-
(324,795)	6,868,489	6,702,217	6,702,217	166,272	-
(499,940)	8,991,970	8,773,160	8,843,160	148,810	70,000
(296,935)	7,266,415	6,807,391	6,924,803	341,612	117,412
(204,398)	20,678,352	20,007,822	20,603,352	75,000	595,530
-	13,990,701	11,269,489	11,453,786	2,536,915	184,297
-	18,038,400	11,153,406	11,850,239	6,188,161	696,833
-	76,285,992	31,886,924	42,484,358	33,801,634	10,597,434
-	19,188,400	1,333,882	4,049,678	15,138,722	2,715,796
-	75,000,000	1,850,048	3,969,436	71,030,564	2,119,388
-	1,500,000	-	-	1,500,000	-
(1,811,466)	252,093,042	104,068,662	121,165,352	130,927,690	17,096,690

Balance Available	130,927,690
Due from Board of Finance	17,096,690
Total(Note 4)	148,024,380

AS OF JUNE 30, 2009

	Appropriation Amount	Expenditures Inception to June 30, 2009
<u>Special Revenue Funds</u>		
Laws of 2003, Chapter 385	975,500	431,612
Laws of 2004, Chapter 126	10,643,657	9,600,588
Laws of 2005, Chapter 347	16,082,810	9,716,905
Laws of 2006, Chapter 111	22,564,500	14,250,769
Laws of 2007, Chapter 42	38,915,552	16,563,402
Laws of 2007 Special Session, Chapter 3	35,000,000	12,546,504
Laws of 2008, Chapter 2	42,577,900	41,617,170
Laws of 2008, Chapter 92	8,051,673	1,801,455
	174,811,592	106,528,405
<u>Capital Projects Funds</u>		
Laws of 1999, Chapter 2	2,943,000	2,821,941
Laws of 2004, Chapter 126	2,000,000	1,804,124
Laws of 2005, Chapter 347	2,250,000	1,382,608
Laws of 2006, Chapter 111	15,033,000	14,038,196
Laws of 2007, Chapter 42	2,750,000	1,915,466
Laws of 2008, Chapter 92	6,017,426	597,040
Laws of 2009, Chapter 125	1,450,000	-
	32,443,426**	22,559,375
Total all fund types	207,255,018	129,087,780

* Note: State House and Senate Memorials are directions on how appropriated monies should be spent. They are not laws.

**Appropriation Amount—Capital Project funds	32,443,426
Less: reversion reported as a reduction in budget	(319,935)
Plus: timing differences in 1999-2001 appropriations reported	1,233,610
Budgeted amounts	33,360,101

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Supplemental Schedule of
Special Appropriations**

Encumbrance Balance as of June 30, 2009	Re-appropriation Amount	Reversion Amount	Balance as of June 30, 2009
-	-	(543,888)	-
402,445	260,526	(493,188)	407,962
3,473,271	(706,123)	(167,584)	2,018,927
8,621,702	1,132,750	-	824,779
18,073,742	(1,532,893)	-	2,745,514
22,453,496	-	-	-
-	-	(960,730)	-
-	(75,000)	-	6,175,218
53,024,656	(920,740)	(2,165,390)	12,172,402
-	-	(121,059)	-
-	-	(195,876)	-
199,078	-	-	668,314
366,987	-	-	627,817
601,072	-	-	233,461
2,960	-	-	5,417,426
-	-	-	1,450,000
1,170,097	-	(316,935)	8,397,018
54,194,753	(920,740)	(2,482,325)	20,569,420

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Supplemental Schedule of Special Appropriations

• **Special Revenue Fund**

Under the Laws of 2003, Chapter 385, the Department was appropriated \$975,500 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2008 fiscal year reverted to the State General Fund.

Under the Laws of 2004, Chapter 126, the Department was appropriated \$10,643,657 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2009 fiscal year reverted to the State General Fund.

Under the Laws of 2005, Chapter 347, the Department was appropriated \$16,082,810 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2010 fiscal year will revert to the State General Fund.

Under the Laws of 2006, Chapter 111, the Department was appropriated \$22,564,500 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2010 fiscal year will revert to the State General Fund.

Under the Laws of 2007, Chapter 42, the Department was appropriated \$38,915,552 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2011 fiscal year will revert to the State General Fund.

Under the Laws of Special Session 2007, Chapter 3, the Department was appropriated \$35,000,000 for GRIP 1 and New Mexico Spaceport projects. Any unexpended or unencumbered balance remaining at the end of the 2011 fiscal year will revert to the State General Fund.

Under the Laws of 2008, Chapters 2 and 92, the Department was appropriated \$42,577,900 and \$8,051,673, respectively, for highway maintenance and certain infrastructure projects and improvements, respectively. Any unexpended or unencumbered balance remaining at the end of the 2012 fiscal year will revert to the State General Fund.

Capital Projects Fund

Under the Laws of 1999, Chapter 2, the Department was appropriated \$2,943,000 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2003 fiscal year was reverted to the State Road Fund. Under the Laws of 2004, Chapter 126, the appropriation end date was extended for one capital project that totaled \$712,000 through the end of the 2009 fiscal year. Any unexpended or unencumbered balance remaining at the end of the 2009 fiscal year for this project reverted to the State Road Fund.

Under the Laws of 2004, Chapter 126, the Department was appropriated \$2,000,000 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2009 fiscal year reverted to the State Road Fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Notes to Supplemental Schedule of Special Appropriations-continued

Capital Projects Fund - continued

Under the Laws of 2005, Chapter 347, the Department was appropriated \$2,250,000 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2010 fiscal year will revert to the State Road Fund.

Under the Laws of 2006, Chapter 111, the Department was appropriated \$15,033,000 from the State Road Fund for patrol buildings and rest stop construction. Any unexpended or unencumbered balance remaining at the end of the 2010 fiscal year will revert to the State Road Fund.

Under the Laws of 2007, Chapter 42, the Department was appropriated \$2,750,000 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2011 fiscal year will revert to the State Road Fund.

Under the Laws of 2008, Chapter 92, the Department was appropriated \$6,017,426 from the State Road Fund for construction of Salt Domes. Any unexpended or unencumbered balance remaining at the end of the 2012 fiscal year will revert to the State Road Fund.

Under the Laws of 2009, Chapter 125, the Department was appropriated \$1,450,000 from the State Road Fund for D3 hilltop building roof replacement. Any unexpended or unencumbered balance remaining at the end of the 2013 fiscal year will revert to the State Road Fund.

DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Individual Bank Accounts

Fund	Fund Description	Total Cash and Cash Equivalents	Cash Equivalents	Unrestricted Cash	Restricted Cash	
			Investment in State General Fund Investment Pool	Petty Cash	Bond Proceeds Invested in Money Market Mutual Funds at Bank of Albuquerque and Wells Fargo	Other Authorized Bank Accounts - Wells Fargo
00600	2001A CHAT Bond Project Fund	8,535,823	8,535,823			
00700	2001A CHAT Debt Service	1,877,200	232,893		1,644,307	
10010	Federal Traffic Safety Fund	4,367,458	4,367,458			
10020	Driver Improvement Fund	483,736	483,736			
10030	Federal Mass Transit Fund	(4,079,569)	(4,079,569)			
10040	Departmental Services (Inventories)	(30,765,671)	(30,765,671)			
10050	Capital Projects Fund	2,097,161	2,097,161			
10060	STB Capital Improvement Projects	(15,915,241)	(15,915,241)			
10070	Gen Fund Multi-Year Projects	75,029,774	75,029,774			
10080	2004A GRIP Debt Service	1,856,524			1,856,524	
10090	2004B GRIP Debt Service	46,018,646			46,018,646	
10140	1998A Bond Fund (US 70)	11,064				11,064
10150	1998A Bond Fund (NMFA)	0				
10210	2006A GRIP Bond Project Fund	53,136,583	(6,487,953)		59,624,536	
10220	2006A GRIP Debt Service	27,424			27,424	
10230	2006B Bond Project Fund	2,193,406			2,193,406	
10240	2006B GRIP Debt Service	1,176,433			1,176,433	
10250	2006C Bond Project Fund	5,714,654	(9,587,697)		15,302,351	
10260	2006C GRIP Debt Service	0				
10270	2006D Bond Project Fund	50,105,423			50,105,423	
10280	2006D GRIP Debt Service	0				
10410	2008A GRIP Debt Service	2,765,325			2,765,325	
10420	2008B GRIP Debt Service	5,724,807			5,724,807	
10430	2008C GRIP Debt Service	2,748,928			2,748,928	
10440	2008D GRIP Debt Service	713,380			713,380	
10450	LOC Project Fund	(8,452,708)	(8,455,198)		2,490	
11500	2002D CHAT Bond Project Fund	777,176	777,176			
18700	Debt Service Fund - CHAT 2002D	53,961	12,763		41,198	
20100	State Road Fund	1,310,355	1,245,323		65,032	
	Petty Cash: District 1	400		400		
	Petty Cash: District 2	400		400		
	Petty Cash: District 3	400		400		
	Petty Cash: District 4	400		400		
	Petty Cash: District 5	400		400		
	Petty Cash: District 6	400		400		
	Petty Cash: General Office (Santa Fe)	200		200		

DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Individual Bank Account - continued

Fund	Fund Description	Total Cash and Cash Equivalents	Investment in State General Fund Investment Pool	Cash Equivalents	Unrestricted Cash Petty Cash	Restricted Cash	
						Bond Proceeds Invested in Money Market Mutual Funds at Bank of Albuquerque and Wells Fargo	Other Authorized Bank Accounts - Wells Fargo
20200	HIF Fund	12,103,640	12,103,640				
20300	Local Government Road Fund	18,031,983	18,031,983				
20400	2004A GRIP Bond Project Fund	31,045,775	(3,807,715)			34,853,490	
20500	State Aviation Fund	4,534,933	4,534,933				
20600	Motorcycle Training Fund	309,007	309,007				
20700	DWI Prevention and Education	1,168,464	1,168,464				
20800	Traffic Safety Fund	2,556,237	2,556,237				
34500	2000A CHAT Bond Project Fund	(1,886,711)	(1,886,711)				
36100	2002C HIF Bond Project Fund	1,299,309	1,299,309				
36300	2002C HIF Debt Service Fund	152,730	62,004			90,726	
36800	2002A CHAT Bond Project Fund	(1,864,153)	(1,864,153)				
39400	1993 Bond Project Fund	1,588,854	1,588,854				
43000	1999A CHAT Bond Project Fund	2,110,088	2,110,088				
43100	WIPP Bond Project	27,118,993	27,118,993				
43200	2000 CHAT Debt Service	1,380,668	203,343			1,177,325	
43400	1999 CHAT Debt Service	890,507	142,550			747,957	
54700	2002A CHAT Debt Service	785,453	83,269			702,184	
54800	1998A CHAT Debt Service	224,576	141,073			83,503	
75000	2002B WIPP Debt Service	809,627	110,515			699,112	
78800	Road Fund Payroll	292,179	292,179				
78900	Road Fund...	60	60				
82000	Rubberized Asphalt Fund	1,721,071	1,721,071				
82600	Traffic Safety Fund	494,661	494,661				
89000	ARRA Fund	13,540	13,540				
97200	1998A WIPP Debt Service	208,911	14,457			194,454	
Total Cash in Balance Sheet - Governmental Funds		312,605,054	84,032,429		2,600	228,558,961	11,064
89300	State Infrastructure Bank	8,458,560	8,458,560				
Total Cash and Cash Equivalents		321,063,614	92,490,989		2,600	228,558,961	11,064
Plus: Negative cash reported in Due to Other Agencies		82,849,908	82,849,908				
Total Cash and Cash Equivalents in Statement of Net Assets		403,913,522	175,340,897			228,572,625	
Less: Unrestricted Cash and Cash Equivalents		(35,207,712)					
Restricted Cash and Cash Equivalents		368,705,810					

See Independent Auditor's Report

DEPARTMENT OF TRANSPORTATION**Supplemental Schedule of
State Road Fund Pledged Revenues**

Pledged State Road Fund Revenues**Year ended June 30, 2009****Pledged User & Fuel Taxes**

Gasoline Excise	\$	108,023,766
Motor Vehicle Registrations		72,282,562
Special Fuel		85,644,615
Vehicle Transaction		5,519,702
Drivers License		3,826,385
Trip (Mileage) Tax		5,775,718
Tire recycling fees		1,765,785
Weight/Distance Tax		80,024,609
Total pledged user & fuel taxes		<u>362,863,142</u>

Other Pledged Revenue

HIF interest income		98,864
Misc Fees		2,286,395
Permits & licenses		4,349,400
Total other pledged revenue		<u>6,734,659</u>
Total pledged state road fund revenues	\$	<u><u>369,597,801</u></u>

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AS OF JUNE 30, 2009

	1998B-WIPP (SHARE 972)	1998-CHAT (SHARE 548)	1999-CHAT (SHARE 434)
Gasoline Excise Taxes	\$ 6,501,961	6,501,961	6,501,961
Motor Vehicle Registration Fees	4,251,915	4,251,915	4,251,915
Special Fuel Excise Taxes	5,566,143	5,566,143	5,566,143
Vehicle Transaction Fees	531,878	531,878	531,878
Driver's License Fees	566,369	566,369	566,369
Oversize/Oversight Permit Fees	394,745	394,745	394,745
Public Regulation Commission Fees	-	-	-
Trip (Mileage) Tax	339,748	339,748	339,748
Weight/Distance Taxes	4,707,330	4,707,330	4,707,330
Leased Vehicle Gross Receipts Taxes	-	-	-
Tire Recycling Fees	-	-	-
FHWA Revenues	-	-	-
SUBTOTAL	22,860,089	22,860,089	22,860,089
Interest on Cash Balances*	206,751	1,330	1,330
TOTAL PLEDGED REVENUES RECEIVED	\$ 23,066,840	22,861,419	22,861,419
	1998B-WIPP	1998-CHAT	1999-CHAT
Debt Service Principal Expenditures	\$ 10,545,000	8,205,000	10,410,000
Debt Service Interest Expenditures	1,751,613	910,200	598,575
TOTAL DEBT SERVICE	12,296,613	9,115,200	11,008,575
DEBT SERVICE COVERAGE	1.88	2.51	2.08

*NOTE: In addition to state road fund revenues, pledged revenues on 2004A and 2004B GRIP include FHWA revenues, tire recycling fees, leased vehicle gross receipts tax, and interest earned in the HIF fund.

DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Debt Service and Coverage

2000-CHAT (SHARE 432)	2001-CHAT (SHARE 007)	2002A-CHAT (SHARE 547)	2002B-WIPP (SHARE 750)	2002C-HIF (SHARE 363)	2002D-CHAT (SHARE 187)
6,501,961	6,501,961	6,501,961	6,501,961	6,501,961	6,501,961
4,251,915	4,251,915	4,251,915	4,251,915	4,251,915	4,251,915
5,566,143	5,566,143	5,566,143	5,566,143	5,566,143	5,566,143
531,878	531,878	531,878	531,878	531,878	531,878
566,369	566,369	566,369	566,369	566,369	566,369
394,745	394,745	394,745	394,745	394,745	394,745
-	-	-	-	-	-
339,748	339,748	339,748	339,748	339,748	339,748
4,707,330	4,707,330	4,707,330	4,707,330	4,707,330	4,707,330
-	-	-	-	814,944	-
-	-	-	-	-	-
-	-	-	-	-	-
22,860,089	22,860,089	22,860,089	22,860,089	23,675,033	22,860,089
1,330	1,330	1,330	206,751	50,762	1,330
22,861,419	22,861,419	22,861,419	23,066,840	23,725,795	22,861,419
2000-CHAT	2001-CHAT	2002A-CHAT	2002B-WIPP	2002-HIF	2002D-CHAT
13,810,000	14,630,000	-	-	3,000,000	-
1,670,600	4,623,898	1,585,500	472,250	1,709,524	194,825
15,480,600	19,253,898	1,585,500	472,250	4,709,524	194,825
1.48	1.19	14.42	48.84	5.04	117.34

See Independent Auditor's Report

AS OF JUNE 30, 2009

	2004A-GRIP (SHARE 1008)	2004B-GRIP (SHARE 1009)	2006A-GRIP (SHARE 1022)
Gasoline Excise Taxes	\$ 6,507,914	6,507,914	6,507,914
Motor Vehicle Registration Fees	4,235,797	4,235,797	4,235,797
Special Fuel Excise Taxes	5,566,143	5,566,143	5,566,143
Vehicle Transaction Fees	531,878	531,878	531,878
Driver's License Fees	566,369	566,369	566,369
Oversize/Oversight Permit Fees	394,745	394,745	394,745
Public Regulation Commission Fees	-	-	-
Trip (Mileage) Tax	339,748	339,748	339,748
Weight/Distance Taxes	4,707,330	4,707,330	4,707,330
Leased Vehicle Gross Receipts Taxes	814,944	814,944	814,944
Tire Recycling Fees	196,198	196,198	196,198
FHWA Revenues	37,803,503	37,803,503	37,803,503
SUBTOTAL	61,664,569	61,664,569	61,664,569
Interest on Cash Balances*	50,762	1,330	1,330
TOTAL PLEDGED REVENUES RECEIVED	\$ 61,715,331	61,665,899	61,665,899
	2004A-GRIP	2004C-GRIP	2006A-GRIP
Debt Service Principal Expenditures	\$ -	10,735,000	-
Debt Service Interest Expenditures	36,216,759	7,347,765	7,477,408
TOTAL DEBT SERVICE	36,216,759	18,082,765	7,477,408
DEBT SERVICE COVERAGE	1.70	3.41	8.25

*NOTE: In addition to state road fund revenues, pledged revenues on 2004A and 2004B GRIP include FHWA revenues, tire recycling fees, leased vehicle gross receipts tax, and interest earned in the HIF fund.

DEPARTMENT OF TRANSPORTATION

**Supplemental Schedule of
Debt Service and Coverage continued**

2006B-GRIP (SHARE 1024)	2008A-GRIP (SHARE 1041)	2008B-GRIP (SHARE 1042)	2008C-GRIP (SHARE 1043)	2008D-GRIP (SHARE 1044)	TOTAL
6,501,961	6,501,961	6,501,961	6,501,961	6,501,961	110,533,345
4,251,915	4,251,915	4,251,915	4,251,915	4,251,915	72,282,562
5,566,143	5,566,143	5,566,143	5,566,143	5,566,143	94,624,431
531,878	531,878	531,878	531,878	531,878	9,041,925
566,369	566,369	566,369	566,369	566,369	9,628,269
394,745	394,745	394,745	394,745	394,745	6,710,668
-	-	-	-	-	-
339,748	339,748	339,748	339,748	339,748	5,775,718
4,707,330	4,707,330	4,707,330	4,707,330	4,707,330	80,024,609
814,944	814,944	814,944	814,944	814,944	7,334,496
196,198	196,198	196,198	196,198	196,198	1,765,785
37,803,503	37,803,503	37,803,503	37,803,503	37,803,503	302,428,023
61,674,734	61,674,734	61,674,734	61,674,734	61,674,734	700,149,831
1,330	1,330	1,330	1,330	1,330	532,313
61,676,064	61,676,064	61,676,064	61,676,064	61,676,064	700,682,144

2006B-GRIP	2008A-GRIP	2008B-GRIP	2008C-GRIP	2008D-GRIP	TOTAL
3,165,000	-	-	-	-	74,500,000
1,538,238	5,604,209	13,933,323	4,153,140	1,113,668	90,901,495
4,703,238	5,604,209	13,933,323	4,153,140	1,113,668	165,401,495
13.11	11.01	4.43	14.85	55.38	4.24

See Independent Auditor's Report

DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Pledged Collateral

AS OF JUNE 30, 2009

	<u>Wells Fargo</u>
Deposits in bank or savings and loan:	
Bank deposits (MRCOG/Railrunner)	\$ 65,032
Less FDIC or FSLIC coverage	<u>250,000</u>
Total uninsured public funds	<u>(184,968)</u>
Collateral requirement @ 50%	32,516
Collateral requirement @ 102%	<u>-</u>
Total required collateralization	<u>32,516</u>
Pledges and securities:	
FGIOH00895, 3128M57G9, 5.5%, due 06/01/2037	2,018,255
FNCL 31371NNV3, 6.0%, due 10/01/2037	<u>275,447</u>
Total pledged securities	<u>2,293,702</u>
(Over) under pledged	\$ <u><u>(2,478,670)</u></u>

Safekeeping locations for the above securities are as follows:

Wells Fargo : Wells Fargo (California)

See Independent Auditor's Report

SINGLE AUDIT

DEPARTMENT OF TRANSPORTATION

Supplemental Schedule of Expenditures of Federal Awards

YEAR ENDED JUNE 30, 2009

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participation Expenditures
Direct Assistance Programs:		
U.S. Department of Energy:		
ARRA - State Energy Program (pass-through from NMEMNR)	81.041	\$ 699,965
Waste Isolation Pilot Plant 2004	81.106	32,747,299
Total U.S. Department of Energy		33,447,264
U.S. Department of Transportation:		
Federal Highway Administration highway research, planning and construction (FHWA):		
FHWA	20.205	290,515,122
ARRA - FHWA	20.205	16,901,789
		307,416,911
National Highway Traffic Safety Administration (NHTSA):		
Highway Safety Grant	20.600	6,049,177
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	-
Occupant Protection Program	20.602	294,661
Safety Incentive Grant for Use of Seatbelts	20.604	-
Vehicles by Intoxicated Persons	20.605	-
Section 164 Transfer Funds	20.608	11,355,582
Safety Belt Performance Grants	20.609	645,729
Safety Information Improvement Grants	20.610	500,000
Incentive Program to Increase Motorcycle Safety	20.612	50,706
		18,895,855
Federal Aviation Division:		
State Planning	20.106	324,533
Federal Transit Administration (FTA):		
Capital Program Grants and Loans	20.500	273,841
Federal Transit Metropolitan Planning Grants	20.505	335,830
Urbanized Area Formula Program	20.507	14,685,139
Formula Grants for Other Than Urbanized Areas	20.509	8,395,749
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	650,233
Job Access Reverse Commute Job Access	20.516	797,568
New Freedom Program	20.521	16,837
		25,155,197
Total U.S. Department of Transportation		351,792,495
Total Federal Financial Assistance		\$ 385,239,760

See Independent Auditor's Report

DEPARTMENT OF TRANSPORTATION

Notes to Supplemental Schedule of Expenditures of Federal Awards

- **General**

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

- **Basis of Accounting**

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

Federal grant revenues collected in advance of the period they are intended to finance expenditures are recorded as deferred revenues, except for the amounts for the State Infrastructure Bank, which are recorded as contributions when they are received. The Department did not receive non-cash assistance from federal sources during the current year.

- **Reconciliation of Federal Awards -**

Statement of Revenues, Expenditures and
Changes in Fund Balances:

U.S. Department of Transportation	\$350,894,493
U.S. Department of Energy - WIPP	32,747,299
Transfer in of ARRA from Other Agency	1,118,965
Deferred U.S. Department of Transportation (2009)	54,981,812
Deferred U.S. Department of Transportation (2008)	<u>(54,502,809)</u>
Supplemental Schedule of Expenditures, of Federal Awards	\$ <u><u>385,239,760</u></u>

See Independent Auditor's Report

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

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the Department as a whole and the aggregate remaining fund information of the State of New Mexico Department of Transportation (Department) as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds presented as supplementary information in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2009, as listed in the table of contents, and have issued our report thereon dated June 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our 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.

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

A **control deficiency** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A **significant deficiency** is a



Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

Internal Control Over Financial Reporting - continued

control deficiency, or a combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control over financial reporting. We consider items 07-3, 07-7, 07-13, 07-14, 08-4, 08-7, 08-8, 09-1 and 09-2 in the attached schedule of findings and questioned costs to be significant deficiencies.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-13 and 07-14 to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 07-3, 07-10, 07-13, 07-14, 08-3, 08-5, 08-8, 09-3 and 09-4.

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

Compliance and Other Matters - continued

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

This report is intended solely for the information and use of the Commissioners, the Department, the Office of the State Auditor, the New Mexico State Legislature, the New Mexico Department of Finance and Administration and 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.

Meyers + Company, LLC

June 8, 2010

**REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of our audit disclosed no instances of noncompliance with those requirements.

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Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A **control deficiency** in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-13 and 08-7 to be significant deficiencies.

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 07-13 to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses.

The Department's response to the findings 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 it.

Members of the Commission
New Mexico Department of Transportation and
Mr. Hector H. Balderas
New Mexico State Auditor

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

Meyers + Company, LLC

June 8, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Department of Transportation (Department).
2. Nine significant deficiencies relating to the audit of financial statements were reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, two of which were considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the Department were disclosed during the audit.
4. There were two significant deficiencies, one of which was a material weakness, in the internal control over major programs disclosed by the Department.
5. There were two audit findings that the auditor is required to report under 510(a) of Circular A-133.
6. The auditors' report on compliance for the major federal award programs for the Department expresses an unqualified opinion.
7. The programs tested as the major programs included:

Program	CFDA #
Federal Highway Administration Programs (FHWA)	20.205
National Highway Traffic Safety Administration (NHTSA Cluster)	20.600, 20.602, 20.609 20.610, 20.612
National Highway Traffic Safety Administration (NHTSA)	20.608
U.S. Department of Energy	81.106, 81.041
Federal Transit Administration (FTA Cluster)	20.500, 20.507
Federal Transit Administration (FTA)	20.509

8. The threshold for distinguishing Types A and B programs was \$3,000,000.
9. The Department is considered a high risk auditee.

Schedule of Findings and Questioned Costs - continued

Findings – Financial Statement Audit**07-3 CAPITAL ASSETS (Significant Deficiency) - Repeated and Modified**

Condition – During our testwork over capital assets, it was noted that 11 out of 35 capital assets were disposed of without including them in the letters addressed to the Office of the State Auditor to verify approval of the disposal. Of these deletions 7 were due to property loss. While the department did follow their internal administrative directives surrounding property loss, they failed to submit these items to the State Auditor.

Criteria – Deleted assets are to be identified in a letter addressed to the Office of the State Auditor 30 days prior to deletion per NM Audit Rule Section 2.2.2.10 V.

Cause – Management neglected to ensure proper documentation and recordation of deleted assets in compliance with NM State Audit Rule.

Effect – The Department deleted assets in violation of NM State Audit Rule.

Recommendation – Assets scheduled for deletion must be identified to the Office of the State Auditor 30 days prior to deletion. Assets that are unusable due to loss should be identified as such when reporting to the Office of the State Auditor before removing from the capital asset listing.

Management Response:

Of the eleven (11) assets listed above, seven (7) were “retired” due to property loss and should not be subject to NM audit rule 2.2.2.10 V, “written notification of the official finding and proposed disposition”.

The procedure we follow for an Inspection and Condemnation report (I&C), 13-6-1 NMSA “Disposition of obsolete, worn-out or unusable tangible personal property” requires the Department to still be in possession of the property in order to follow the process. The Department uses this procedure when filing an I & C. This statute does not contain specific language regarding property loss.

The Department disagrees with the auditors’ interpretation of 2.2.2.10V. In this case, the statute is silent when dealing with property loss. The Department uses Administrative Directive 607 to cover this area. This AD requires the staff to file a Certification of Property Loss (CPL). That report requires a supplemental supervisor investigation report, police report (if necessary), and then submittal of the package to Capital Assets, Office of the Inspector General and NMDOT’s Risk Management. All of the divisions must review the reports and the Cabinet Secretary must sign approval of the removal of the asset from the Capital Asset system.

Regarding the other assets:

Two of the capital assets are Betterments for 33649-00. These items were written up for disposal in FY05. We were unable locate an FY05 Binder to validate if the OSA was notified.

15684-00 was not on the spreadsheet attached to the notification that was sent to the OSA in June of 2006. This item was “retired” when the final disposition certification was provided in FY09.

34337-00 was “pulled” from the I&C and subsequently was not on the listing provided to the OSA in November 2006. This item was “retired” when the final disposition certification was provided in FY09.

Action to correct issue: Record archive material more efficiently. When retiring an asset we will note on the I&C the exhibit # issued to the OSA notification. This will not only ensure that we are double checking that the items were presented to OSA but will also create a more effective audit trail.

Schedule of Findings and Questioned Costs - continued

Findings – Financial Statement Audit– continued

07-7 ACCOUNTS PAYABLE (Significant Deficiency)-Repeated and Modified

Condition: When performing a search for unrecorded liabilities test work, it was noted that all items sampled had an invoice date subsequent to June 30, 2009 for services performed prior to the fiscal year end. Payment for these items was not made until after June 30, 2009; however, the vouchers were not properly accrued at June 30, 2009. Instead, the accounting date which set up the payable was the same as the entry date. Additionally, when performing internal control testwork over cash disbursements, two of twenty-five cash disbursements transactions were not recorded in the proper reporting period. One transaction contained expenses that had a start date of 06/26/09 and a completion date of 07/25/09. The Department recorded the total amount of \$1,901,723.87 to the 2009 fiscal year. The second transaction contained expenses that had a start date of 07/06/09 and a completion date of 07/27/09. The Department recorded the total amount of \$23,630.50 to the 2009 fiscal year.

Criteria: In accordance with the matching principle expenditures should be recorded in the same period as the receipt and consumption of the goods or services.

Cause: Lack of proper tracking of accounts payable at year end and detective controls to identify key entry errors.

Effect: Material adjustments of approximately \$27 million were required to properly state accounts payable at year end.

Recommendation: (1) We recommend an improved process in detective controls over key/data entry errors. (2) Liabilities should only be recorded for goods or services received prior to year end.

Management Response:

Of the \$28.7 million accrued into FY2009, \$5.5 million was due to invoices received after the SHARE cutoff for accepting accruals into the system. These items would be required to be found by the post audit process and manually accrued for financial statement purposes. The Department expects detection and capture of invoices submitted subsequent to the SHARE cutoff to be during a reasonable amount of time. For the timely production and publication of financial statements for the deadline of December 15th every year, the determined reasonable cutoff of detection and manual accrual is October 31st.

Of the total \$28.7 million, \$8.7 represent project invoices that spanned a period of time that crossed the fiscal years and was calculated on a average-per-day basis for accrual by the auditor. The Department does not have a policy of accruing an average-per-day for these types of invoices. The allocation of the invoice is at the discretion of the accounting technician and is usually assigned either in one fiscal year or the other depending on where the majority of the work occurred. In the case of an invoice received after the SHARE accrual cutoff, naturally all invoices must be posted into the subsequent fiscal year.

Pertaining to the cash disbursements tested during internal control, the first item above did not have enough information on the work progress to enable a accurate allocation of the invoice between the fiscal years. Because there were only 5 days of the 30 cited in the invoice in the 2009 fiscal year, DOT chose to report all of the expenditures in the 2010 fiscal year. If a pro-rata allocation was utilized in this case, the estimate of \$316,954 would have been immaterial to the fund. The second item was an error in the payment voucher entry. This example was used as an education tool by the Financial Control Unit in the regular communications with the Districts.

Findings – Financial Statement Audit– continued

07-7 ACCOUNTS PAYABLE (Significant Deficiency)-Repeated and Modified - continued

Management Response - continued

The Department accepts as findings errors in which an operator failed to properly accrue an invoice into a fiscal year during the 2 months that SHARE allows accruals. The Department also accepts as finding errors in which Funding Control failed to capture and manually accrue invoices in a reasonable window of time subsequent to the SHARE close. However, the Department does not believe that calculating and accruing based on an average-per-day cost is cost-beneficial, particularly on projects spanning several years, nor does the Department believe that the detection and accrual of invoices beyond a reasonable amount of time qualifies as a finding.

Management will continue to counsel and train staff in the year-end cutoff procedures and remind all operators of the procedures as part of the year end planning and routine communications.

Findings – Financial Statement Audit– continued**07-10 Per Diem Reimbursements (Control Deficiency) -Repeated and Modified**

Condition: During our testwork over per diem reimbursements, we identified 3 out of 35 reimbursements were not in accordance with the New Mexico Travel and Mileage Act.

- For one voucher, the hours exceeded an 8 hour work day by 6 hours so should have been paid \$20 for partial day per diem but instead was only paid \$12. Additionally, the employee was reimbursed for a \$40 airline ticket upgrade without any justification as to how it was an economically practical choice
- The second voucher had a reimbursement for registration fees and airline fees without any supporting documentation for this out of pocket expenses.
- The third voucher had reimbursement for “other expenses without receipts” in excess of the trip amount of \$30.

Criteria: Travel and per diem expenditures should be reimbursed in accordance with the New Mexico Administrative Code Travel and Mileage Act (2.42.2).

Cause: Lack of thorough review process of reimbursement packets. Additionally, the Department’s internal administrative policies do not comply with the New Mexico Travel and Mileage Act.

Effect: Non-compliance with the New Mexico Administrative Code.

Recommendation: We recommend the Department perform a thorough review of all reimbursement requests and update their internal administrative policies to ensure compliance with the New Mexico Administrative code.

Management’s Response:

Currently in process, the department is requiring the originator of the payment voucher to enter the per diem payments into the system, but the payment voucher then has to be pre-audited by a second individual at that office to verify that the per diem is accurate, entered into the system correctly and to assure proper documentation is sent in with the payment voucher. During the pre-audit any per diem error should be caught and entered correctly verification of the pre-audit is conducted and request for approval is sent to Financial Control.

In this case when the voucher is sent to Post Audit and verified that it is not in accordance with the NMAC Travel and Mileage Act, an exception is sent out to the originator requesting a correction via a journal voucher.

This language discrepancy between the Department’s Administrative Directive and NMAC Section 2.42.2.12 has been brought to the attention of management and our OIG’s office. We will bring this to the Policies and Procedures Committee for discussion and resolution.

Schedule of Findings and Questioned Costs - continued

Findings – Financial Statement Audit– continued**07-13 TIMELINESS OF AUDIT AND ACCOUNTING PROCEDURES (Material Weakness) – Repeated and Modified**

Condition: Significant accounting adjustments and reclassifications continued to be required through April 2010 to the June 30, 2009 trial balance. These adjustments were necessary to comply with U.S. Generally Accepted Accounting Principles and to prepare the accounting records for audit. As a result, financial information provided during the interim period to management for purposes of making financial decisions was not accurate.

Criteria: A financial reporting system should generate timely, accurate information to ensure that decision makers are not misled by poor information. Additionally, the annual financial audit report is due to the State Auditor's Office on or by December 15, 2009, per 2.2.2.9 NMAC.

Cause: Sufficient staff with appropriate experience with accounting concepts and procedures were not available to close 2008 timely. As a result, 2009 was delayed.

Effect: Financial and business decisions were made based on incorrect financial reporting throughout fiscal year 2009. Noncompliance with the December 15, 2009 State Auditor deadline. Additionally, the Data Collection Form was not submitted to the Federal Clearinghouse within nine months after year end, or March 31, 2010.

Recommendation: We recommend that the Department take appropriate measures to ensure that all audit adjustments are properly recorded, that beginning funds/accounts and that adequate resources are allocated to the accounting and reporting function.

Management Response:

Because the 2008 and restated 2007 audited financial statements were not released until the last week of September, there was not adequate financial staff resources available to submit the upload of audit adjustments to the CAFR Unit of the Department of Finance and Administration and not enough available time to adjust the 2009 financial statements within the window of time that SHARE was still open for year end adjustments.

Management will submit both 2008 and 2009 audit adjustments to the CAFR unit with enough remaining time to formally adjust and close the funds within SHARE's available window of time.

Management also intends to aggressively recruit more financial staff within the confines of the budgetary limits.

Findings – Financial Statement Audit– continued**07-14 OVER-EXPENDED APPROPRIATION UNITS (Material Weakness)—Repeated and Modified**

Condition: The Department exceeded budgeted expenditures for the following funds/categories as of June 30, 2009:

- Programs and Infrastructure, Personal Services, in the amount of \$506,119
- Programs and Infrastructure, Transfers, in the amount of \$9,081,118
- Business/Program Support, Transfers, in the amount of \$28,712,991

Criteria: Per (2.2.2.10 NMAC), all actual expenditures exceeding budgeted expenditures at level of budgetary compliance must be reported as a finding.

Cause: Failure of internal controls to detect or prevent over-expenditures of allowed budget per expenditure category timely.

Effect: The Department is not in compliance with statutory requirements to obtain approval prior to making expenditures.

Recommendation: We recommend the Department tracks legal budgets, applicable adjustments to budgets and expenditures properly to comply with all legal requirements.

Management Response:

The variance in the personal services is due to the issue of the issue of differing payroll benefits paid from categories posted by DFA and reversed the by Department and replaced with updated categories. Because this is done on a summarized level, it is not currently capable of being properly reconciled. Thus, at year end when the payroll liabilities are reconciled on a summarized level, the liability corrections were posted against expenditures and caused the overage. This is expected to be resolved with the new reconciliation procedures when payroll starts direct-posting into SHARE. The new procedures will allow reconciliation on a detailed level to allow timely correction of any payroll liability postings, either in the payroll posting or in the cash disbursement cycle.

The variance in the transfers is due to budgetary issues related to how debt service payments are categorized. FHWA requires all debt service expenditures to be billed through the Road Fund. However, for GAAP purposes, the expenditure needs to occur in the debt service funds. Currently, the budget is set up in the road fund and is reclassified at year end into the debt service funds. However, there is no budget allowing the operating transfer between the funds and the ultimate expenditure in the debt service funds. The Department will solve this issue in FY2010 with a Budget Adjustment Request that will allow the budget in the other categories as well. In FY2011, the Department will issue OpBud3s to categorize all of the aspects of this debt service cycle.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**08-3 INTERNAL CONTROL OVER PAYROLL (Control Deficiency)—Repeated and Modified**

Condition: During internal control testwork over 30 personnel files and time records, we noted the following:

- 1 file did not have a completed I-9 form
- 3 files did not contain a copy of the employee's application for Public Employees Retirement Association of New Mexico membership, or documentation the employee elected out.
- 1 file did not have the employee's completed W-4
- An employee was not paid the correct rate for overtime worked during the pay period ending December 26, 2008.

Criteria: The following criteria are applicable to the exceptions identified above:

- In accordance with the Immigration Reform and Control Act of 1986, employers are to have employees fill out a Form I-9 and keep it on file.
- Membership with the Public Employees Retirement Act is mandatory (Section 10-11-1 to 10-11-141 NMSA 1978), unless specifically excluded by the Act. In which case, a form stating exclusion from the Act is required.
- To ensure the Department is withholding the appropriate amount of federal income tax from an employee's paycheck, the Department should maintain a copy of the employee's W-4 in their personnel file.
- Employees should be paid at their hourly rate unless they are non-exempt employees who work overtime at which point they should be paid at 1.5 times their hourly rate. Departures from the standard overtime rate should be identified and justified.

Cause: Lack of review of personnel files to ensure completeness and accuracy of employee records and lack of review of payroll information and time records.

Effect: Non-compliance with the Immigration Reform and Control Act of 1986, Public Employees Retirement Act, potential errors when deducting federal withholding amounts, and overpayment to the employee based on incorrect overtime rates.

Recommendation: We recommend the Department review employee files to ensure the accuracy of record retention and compliance with applicable laws. We also recommend the Department review time records and payroll information to ensure employees are paid accurately.

Management's Response:

- The Department's Human Resources Staff have been reminded that they need to ensure that all forms filled out completely and correctly. In this case, all aspects of the I-9 were completed correctly with the exception of the citizenship section which was an oversight on both the part of the employee who completed the form and the Human Resources Staff person who certified the form.
- Original PERA membership forms are completed and submitted to PERA upon hire or when changes are made. Copies are normally kept in the employees' files, however, if a copy is needed they are obtained from PERA. The Department has converted to an electronic imaging record keeping system for personnel documentation and in the scanning process some of the documents may have been misfiled. We are currently auditing the electronic files in an attempt to correct this issue.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

08-3 INTERNAL CONTROL OVER PAYROLL (Control Deficiency) – continued

Management's Response - continued

- The Department has converted to an electronic imaging record keeping system for personnel documentation and in the scanning process some of the documents may have been misfiled. We are currently auditing the electronic files in an attempt to correct this issue.
- This is a SHARE (PeopleSoft) issue within the payroll system. The calculation and pay for this employee are correct, however, the additional pay rate showing up for this employee is being generated by the system. The SHARE administrators of the State have been notified of this issue and they are attempting to resolve it.

B. FINDINGS - FINANCIAL STATEMENT AUDIT – continued**08-4 DEBT COVENANTS (Significant Deficiency) Repeated and Modified**

Condition: Per review of the bond indentures for outstanding bonds, it was noted that the protective covenants require a completed audit of the Department's books within a range of 210 days to 270 days after the close of the fiscal year end. For FY 2008 and FY2009, the Department is in non-compliance with this covenant.

Criteria: Per the bond indentures, the Department's Transportation Commission shall cause an audit of its books and accounts to be completed by an Independent Accountant licensed and in good standing in the State within the prescribed range outlined in the bond indenture agreements. The range is from 210 days to 270 days.

Cause: The Department's records for audit were not provided timely in order to meet the deadline as required by the bond indentures.

Effect: The Department is in non-compliance with outstanding bonds per requirements.

Recommendation: We recommend the Department provide the Independent Auditors with completed records in a timely manner that will allow the audit of books to be completed as required per the bond agreements.

Management Response:

Due to issues regarding the rollforward of the capital asset module and its coordination with the Department of Finance and Administration, the Department could not make its intended deadline of December 15, 2009 for submission of the audited financial statements. The completion of fieldwork and release of the audited financial statements have also been delayed by a prolonged discussion of a release of a material liability assessment with the Federal Highway Administration.

Management is already in the process of pre-planning the 2010 audit in order to prevent future coordination errors in closing the SHARE modules.

B. FINDINGS - FINANCIAL STATEMENT AUDIT – continued**08-5 INTERFUND BALANCES (Control Deficiency) -Repeated and Modified**

Condition: During our testwork over interfund balances, we noted that there were several interfund balances that have not been paid out and have been on the books for a period greater than one year.

Criteria: GASB 34, Par. 112(a)(1) states that, “If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.”

Cause: Lack of management oversight.

Effect: The Department is not in compliance with GASB 34, Par. 112 (a)(1).

Recommendation: We recommend that the Department’s management analyze all interfund balances and make the appropriate transfers/repayments. We further recommend that the Department establish policies and procedures with regards to oversight and administration of interfund balances.

Management’s Response:

The Department disagrees with this repeat finding that several interfund balances have not been paid out and have been on the books for greater than one year. The initial finding in FY07 revealed that the interfunds had not been liquidated. The Department responded to that finding that we would wait until the FY07 audit adjustments had been loaded into SHARE and, with the close of the 2008 financial statements, management will again bring SHARE up to the audited balances and relieve the interfund balances. The Department liquidated all the interfund balances on November 25th of 2008 (FY09). The liquidation was based on the existing trial balances as of October 31, 2008 (FY09) which included all the FY07 audit adjustments. The FY08 audit was not finalized until September of 2009 and any FY08 audit adjustments had not been loaded into SHARE as of yet. The Department recognizes that the remaining FY09 interfund balances that need to be liquidated consist of the unposted FY08 audit adjustments and any transactions that occurred after October of 2008 through June 30, 2009. The Department intends to liquidate the remaining interfund balances once the FY08 audit adjustments have posted to SHARE and sufficient cash balances exist.

B. FINDINGS - FINANCIAL STATEMENT AUDIT – continued**08-7 TIMELINESS OF BILLINGS (Significant Deficiency) Repeated and Modified**

Condition: During our evaluation of federal receivables, it was noted that there were material amounts related to 2009 expenditures that had not been billed to the federal agency as of the date of our request.

Criteria: Billings for federal expenditures should be performed on a timely basis and reconciled to the general ledger monthly for proper cash management.

Cause: Reconciliations for federal expenditures were not performed on a timely basis and delayed the federal billing process

Effect: The federal agency can deny funding for expenditures if they are not received within a certain time period. The Department had to write off approximately \$7 million relating to federal payroll expenditures as a result of billing not being made timely. The Department had approximately \$40 Million in unbilled Federal receivables as of June 30, 2009.

Recommendation: We recommend the Department perform timely reconciliations of federal expenditures to federal billings in order to ensure that all amounts are billed within an efficient time period

Management Response:

The Department reconciled all FHWA projects, determined the unbilled amounts and would have had all the receivables billed prior to the WYDOT implementation (May 19, 2009) but FHWA issued a billing suspension on April 14, 2009. NMDOT was not allowed to process any corrections until October 2009. NMDOT will have all outstanding prior year receivables cleared by FY10 end.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**08-8 UNTIMELY REVERSION TO THE STATE GENERAL FUND (Significant Deficiency)—
Repeated and Modified**

Condition: The Department did not revert the FY09 reversion of \$1.4 million on a timely basis to the New Mexico State General Fund.

Criteria: Section 6-5-10(A) NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds as of June 30 to be reverted to the New Mexico State General Fund by September 30. The FY09 reversion was due on September 30, 2009.

Cause: The Department did not calculate reversions until performing the FY09 closing process after September 2009. The FY08 financial statement audit was not completed until September 16, 2009.

Effect: The Department is not in compliance with Section 6-5-10(A) NMSA 1978.

Recommendation: The Department should establish procedures to ensure timely calculation and submission of reversions to the New Mexico State General Fund.

Management Response:

The General Appropriations fund was assigned to the General Ledger Unit for routine monthly reconciliations to include review of the expiration dates and follow up with the Budget Unit for assuring correct balances and timing for reversions. The Department fully expects to revert funds on a timely basis in the future.

B. FINDINGS - FINANCIAL STATEMENT AUDIT – continued**09-1 INVENTORY OBSERVATION (Significant Deficiency)**

Condition: An inventory observation was conducted for the year ended 6/30/2009 in conjunction with the Office of the Inspector General during the week of June 15, 2009. We visited District 5 and District 3 sites.

We noted at District 5 there were several items that were determined to be obsolete, however those items were not removed from the inventory listing or the stores facility. Also, during the physical count, there were 88 items that did not appear on the count sheets. These items totaled \$113,019. It was noted that there were items in the yard that did not have tag identification and did not appear to be counted as part of the inventory process.

We noted at District 3 that the patrol yard gate was left opened and unattended.

It was noted at District 1 that a stockpile was not assigned an inventory number and was not surveyed. Also, two stockpiles were added together and assigned different inventory numbers.

It was noted at District 2 that inventory in the sign shop is not accounted for in the SHARE reporting system. This totaled \$375,435 of unaccounted for inventory.

It was noted at District 6 that inventory tracking is a manual process. Adjustments to inventory are not accounted for in SHARE. Also, stockpiles located in the Reserve patrol were not labeled or fenced off.

It was noted in all locations that there were varying units of measure for the same items within the inventory reports.

Criteria: According to the State of New Mexico's Manual of Model Accounting Practices, FIN 10, Section 6-5-2, NMSA 1978 requires state agencies to account for and report significant inventories of materials, goods, and supplies on the balance sheet at fiscal year end. Inventory management should provide for a timely and accurate accounting of materials and supplies on hand. State agencies should develop written controls and apply those controls to provide safeguards against pilferage, fraud, fire, vandalism, theft, and irregularities caused by employees, customers, or vendors.

Cause: Lack of effective internal controls that provide for a timely and accurate accounting of materials and supplies on hand.

Effect: Potential misstatement at both the fund level and government-wide level financial statements due to errors in accounting for inventory activity.

B. FINDINGS - FINANCIAL STATEMENT AUDIT – continued**09-1 INVENTORY OBSERVATION (Significant Deficiency) - continued**

Recommendation: We recommend the following:

- Reconciliations and inventory counts are done frequently to identify any potential misstatements and allow timely corrections to be made to the inventory balances.
- All inventory items be entered into the SHARE system and properly tracked through the inventory module. This would minimize any adjustments necessary at year end and the potential of misstatement of inventory values.
- Review inventory item numbers and correct varying units of measurement for the same item numbers.
- Immediately remove obsolete inventory from the inventory listing and from NMDOT facilities to reduce the possibility over overstating inventory values.

Management's Response

The notes above regarding Districts 1, 2 and 6 were derived from the inventory observation report made by the Department's Office of the Inspector General for internal reporting and process improvement. The Department is concerned that an observation, not an audit, was used in part in this finding. The observation conducted for inventory was not an audit conducted under Generally Accepted Government Auditing Standards and was meant to be a tool for training and recommendations for process improvements. If observations made by the Department's OIG were of a nature to cause concern, the OIG would have followed up with a full audit of the District and its processes under Generally Accepted Government Auditing Standards.

We will address each District's first with the OIG observations, then the auditor's observations:

OIG REPORT:

District 1: Stockpiles are mixed from materials for particular purposes. The typical results of mixing different stockpiles for a third stockpile is a different inventory component and should receive a different inventory number. This observation is not a finding. The District at this time cannot respond to the observation of 2 stockpiles without an assigned number

District 2: District 2 has a sign shop and has purchased traffic signs for distribution to their sixteen patrols. Although the District has consistently directly expended all sign purchases in the past, the District will begin to follow the sign shop inventory processes already in place at other Districts in order to be consistent with the policies and procedures for signs.

District 6: Because there are 2 types of software that track inventory activity (SHARE and HMMS) the District manually reconciles the activities reported in both. HMMS is a valuable cost accounting tool for road maintenance, but is not a software that reports activities under Generally Accepted Accounting Standards. However, it is a valuable tool for the road maintenance and the District takes the extra time to reconcile both software systems to maintain control over the activities of both. The District at this time cannot respond to the observation of stockpiles not labeled or fenced off.

B. FINDINGS - FINANCIAL STATEMENT AUDIT – continued**09-1 INVENTORY OBSERVATION (Significant Deficiency) - continued****AUDITOR OBSERVATION:**

District 3: This finding is due to the necessity of the folks who are working in the new building in Bernalillo. The staff at Bernalillo had a need for using state vehicles and had no way to secure them. Management asked D-3 to fence an area within the patrol yard to secure the vehicles. This was done, but the gate to the state vehicles was inside the patrol yard. The Bernalillo staff had difficulties accessing the state vehicles with the patrol yard gate being locked up because of the hours they were coming and going. They were not able to put the vehicle back and pick up their own vehicle. At this time D3 was instructed to leave the area unlocked so they could utilize the area as they needed. It should be noted that the risk of loss at that patrol yard is small since the only inventory items held in that yard are stockpiles, which are difficult to pilfer. Also, a state police family lives in a trailer at that property and monitors activity there. The District is considering installing a gate to the state vehicles that is accessed directly from the outside rather than the inside of the patrol yard.

District 5: Regarding the obsolete items, District Five was unable to transfer these items to the Auction Yard due to the Auction being cancelled for that year. The normal practice is to go through the Stores and identify obsolete items each year, however for this period of time we experienced a change in the Department's auction process due to its cancellation. We have completed the I & C paperwork and have relocated these items to another building awaiting this year's auction.

Regarding the items not showing up on the reports, District 5 has been proactively reporting those issues and was instrumental in bringing the problem up with management and has received a solution from the Department's IT unit that has satisfactorily corrected the problem.

The items within the District Five yard have been tagged and identified.

B. FINDINGS - FINANCIAL STATEMENT AUDIT – continued**09-2 STATE INFRASTRUCTURE BANK PAYMENTS (Significant Deficiency)**

Condition: During FY09 the Department disbursed \$1,445,971.35 to AMAFCA in excess of the loan agreement.

Criteria: The amount of disbursement in total should not exceed the agreed loan amount without prior amendment and recordation of the loan agreement.

Cause: Excess disbursement was made to AMAFCA

Effect: A disbursement of \$1,445,971.35 was made to AMAFCA without loan documentation

Recommendation: Management must be familiar with loan documentation to ensure accurate accounting and treatment of loan disbursements.

Management Response:

The AMAFCA loan is unique in that the disbursements were not made directly to AMAFCA, but disbursed to pay for infrastructure project expenditures on behalf of AMAFCA for their participating amount. As such, excess disbursements were actually made to contractors on behalf of the infrastructure project that AMAFCA participated in. These excess payments should have been coded to the Department's infrastructure portion of expenditures for that project rather than to the AMAFCA participating amount.

The policy of budgetary funding is based on projected loan repayment and interest revenues for the entire fund, not on actual individual loan agreements. As a result, the periodic disbursements for the project extended beyond AMAFCA's loan amount and into the Department's portion of project costs by using SIB budget available for other loans. Due to this error, the Department will transfer the excess project payments to the correct fund for the Department's portion of project expenditures.

The Department will re-visit the budgetary funding policy for this particular fund and refine the process to reflect budgetary availability on the individual loan agreements rather than an overall budget that includes all activity under one umbrella.

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT – continued

09-3 POST AUDIT PROCESS (Control Deficiency)

Condition: During our walk thru of the post audit process and review of the post audit instructions completed by management of the Department, we identified a voucher that did not undergo the post audit and review process in timely fashion, as outlined in the Department's procedures.

Criteria: In order to mitigate voucher errors, a post audit of the cash disbursements should be performed in a timely fashion.

Cause: Lack of adequate staffing to perform the post audit process as required.

Effect: Vouchers and account balances could be misstated.

Recommendation: We recommend the department enforce their internal policies of conducting a post audit on a regular basis.

Management Response:

An internal reorganization has occurred to place 3 staff on full time post audit duties to assure post audit occurs in a timely fashion. We also have 2 staff on a part time basis performing post audit functions. This compares to having only 2 full time post auditors for most of fiscal year 2009. In addition, the newly implemented scanning of voucher packets in to EDMS will relieve the need to assign staff to manually pull payment vouchers from boxes, which takes away from productive time conducting post audit.

B. FINDINGS - FINANCIAL STATEMENT AUDIT – continued**09-4 OPERATING LEASES (Control Deficiency)**

Condition: During testwork over the operating leases for the Department, we identified 14 operating leases which were not included in the original schedule of future minimum lease payments. The total variance between the original and corrected schedule of future minimum lease payments was approximately \$1.4 million.

Criteria: The New Mexico State Auditor Rule, Section 2.2.2.10 Subsection K, states that good accounting practices should be followed, which includes maintaining adequate accounting records for all transactions. The operating lease schedules maintained should be reviewed and updated on a regular basis to ensure completeness of the lease schedule.

Cause: Lack of review of the lease amendments and original agreements to the schedule of future minimum lease payments.

Effect: The footnote disclosure for the future minimum lease payments could have been misstated.

Recommendation: We recommend the Department implement a more thorough review process surrounding this schedule of future minimum lease payments when compared to the lease amendments and original agreements.

Management Response:

The Department is in the process of creating a spreadsheet that will aid in tracking all lease agreements for equipment and property. At the start of the new fiscal year the Department will require that all new lease agreements and amendments to existing lease agreements will be submitted to the Procurement Services Bureau for record and audit purposes.

DEPARTMENT OF TRANSPORTATION

Schedule of Findings and Questioned Costs - continued

Findings and Questioned Costs – Major Federal Award Programs Audit

Federal Highway Administration Programs (FHWA)	20.205
National Highway Traffic Safety Administration (NHTSA Cluster)	20.600, 20.602, 20.609, 20.610, 20.612
National Highway Traffic Safety Administration (NHTSA)	20.608
U.S. Department of Energy	81.106, 81.041
Federal Transit Administration (FTA Cluster)	20.500, 20.507
Federal Transit Administration (FTA)	20.509

07-13 TIMELINESS OF AUDIT AND ACCOUNTING PROCEDURES (Material Weakness) – Repeated and Modified

Condition: Significant accounting adjustments and reclassifications continued to be required through April 2010 to the June 30, 2009 trial balance. These adjustments were necessary to comply with U.S. Generally Accepted Accounting Principles and to prepare the accounting records for audit. As a result, financial information provided during the interim period to management for purposes of making financial decisions was not accurate.

Criteria: A financial reporting system should generate timely, accurate information to ensure that decision makers are not misled by poor information. Additionally, the annual financial audit report is due to the State Auditor's Office on or by December 15, 2009, per 2.2.2.9 NMAC.

Cause: Sufficient staff with appropriate experience with accounting concepts and procedures were not available to close 2008 timely. As a result, 2009 was delayed.

Effect: Financial and business decisions were made based on incorrect financial reporting throughout fiscal year 2009. Noncompliance with the December 15, 2009 State Auditor deadline. Additionally, the Data Collection Form was not submitted to the Federal Clearinghouse within nine months after year end, or March 31, 2010.

Recommendation: We recommend that the Department take appropriate measures to ensure that all audit adjustments are properly recorded, that beginning funds/accounts and that adequate resources are allocated to the accounting and reporting function.

Management Response:

Because the 2008 and restated 2007 audited financial statements were not released until the last week of September, there was not adequate financial staff resources available to submit the upload of audit adjustments to the CAFR Unit of the Department of Finance and Administration and not enough available time to adjust the 2009 financial statements within the window of time that SHARE was still open for year end adjustments.

Management submit both 2008 and 2009 audit adjustments to the CAFR unit with enough remaining time to formally adjust and close the funds within SHARE's available window of time.

Management also intends to aggressively recruit more financial staff within the confines of the budgetary limits.

Findings and Questioned Costs – Major Federal Award Programs Audit

Federal Highway Administration Programs (FHWA)

20.205

08-7 TIMELINESS OF BILLINGS (Significant Deficiency) Repeated and Modified

Condition: During our evaluation of federal receivables, it was noted that there were material amounts related to 2009 expenditures that had not been billed to the federal agency as of the date of our request.

Criteria: Billings for federal expenditures should be performed on a timely basis and reconciled to the general ledger monthly for proper cash management.

Cause: Reconciliations for federal expenditures were not performed on a timely basis and delayed the federal billing process

Effect: The federal agency can deny funding for expenditures if they are not received within a certain time period. The Department had to write off approximately \$7 million relating to federal payroll expenditures as a result of billing not being made timely. The Department had approximately \$40 Million in unbilled Federal receivables as of June 30, 2009.

Recommendation: We recommend the Department perform timely reconciliations of federal expenditures to federal billings in order to ensure that all amounts are billed within an efficient time period

Management Response:

The Department reconciled all FHWA projects and determined the unbilled amounts and would have had all the receivables billed prior to the WYDOT implementation (May 19, 2009) but FHWA issued a billing suspension on April 14, 2009. NMDOT was not allowed to process any corrections until October 2009. NMDOT will have all outstanding prior year receivables cleared by FY10 end.

DEPARTMENT OF TRANSPORTATION

Summary Schedule of Prior Year Audit Findings

05-3	GRIP Posting Errors (Material Weakness) – Cleared
07-3	Capital Assets (Material Weakness) – Repeated and Modified
07-7	Accounts Payable (Material Weakness) – Repeated and Modified
07-8	Journal Entries (Material Weakness) – Cleared
07-9	Misposting of Expenditures – Cleared
07-10	Per Diem Reimbursements – Repeated and Modified
07-13	Timeliness of Audit and Accounting Procedures (Material Weakness) – Repeated and Modified
07-14	Over-Expended Appropriation Units – Repeated and Modified
08-1	Financial Accounting Staff Training (Significant Deficiency) –Cleared
08-2	Inventory – Cleared
08-3	Internal Control over Payroll – Repeated and Modified
08-4	Debt Covenants (Significant Deficiency) – Repeated and Modified
08-5	Interfund Balances – Repeated and Modified
08-6	NHTSA Cash Management (Material Weakness) – Cleared
08-7	Timeliness of Billings (Material Weakness) – Repeated and Modified
08-8	Untimely Reversion to State General Fund (Significant Deficiency) – Repeated and Modified

An exit conference was held with the Department on May 3, 2010. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO DEPARTMENT OF TRANSPORTATION

Gary Giron, Cabinet Secretary
Domingo Sanchez III, Deputy Secretary
Greg Geisler, Comptroller
Roman Maes, Commissioner
Kathleen Pinyan, Comptroller's Office
Alexandra Williams, Comptroller's Office
Art Gottlieb, Inspector General's Office
Julie Atencio, Inspector General's Office
Larry Viarreal, Finance
Bridgette Long, Accounting Services Manager

MEYNNERS + COMPANY, LLC

Georgie Ortiz, CPA, CGFM, Assurance Principal
Janet Pacheco-Morton, CPA, CGFM, Assurance Director
Laura Beltran-Schmitz, CPA, CFE, Senior Accountant
Tasha Bochkova, CPA, Assurance Staff

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by Department and are the responsibility of management.

**NM Department of Transportation
Financial Statements
for the Year Ended
June 30, 2010
and Independent
Auditors' Report**

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Official Roster

Year Ended June 30, 2010

Commission

Johnny Cope	Chairperson	Hobbs
Jim Franken	Vice-Chairperson	Las Vegas
Norman Assed	Secretary	Albuquerque
John Hummer	Member	Las Cruces
Roman Maes III	Member	Santa Fe
Jackson Gibson	Member	Thoreau

Administrative Officers

Gary Giron	Cabinet Secretary
Domingo Sanchez III	Deputy Secretary



Independent Auditors' Report

Mr. Gary Giron, Secretary
State of New Mexico
Department of Transportation
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the Department as a whole, and the aggregate remaining fund information of the State of New Mexico Department of Transportation (Department) as of and for the year ended June 30, 2010, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's nonmajor governmental funds and the budgetary comparisons for each fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, 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 of America. 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 for our opinions.

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, major funds and aggregate remaining fund information 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 State of New Mexico as of June 30, 2010, and the changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the Department as a whole for the year then ended in conformity with

Mr. Gary Giron, Secretary
State of New Mexico
Department of Transportation
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

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 fund of the Department as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparisons for the major capital project funds and nonmajor funds for the year then ended in the conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2010 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 22 is not a required part of the basic financial statements but is supplementary information required by 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 Department's basic financial statements, the combining and individual financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Additional schedules listed as other supplemental information in the table of contents is 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mess Adams LLP

Albuquerque, New Mexico
December 13, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of New Mexico Department of Transportation (Department), we offer the readers of the Department's financial statement this narrative overview and analysis of the financial activities of the Department for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in footnotes to the basic financial statements, which start on page 41 of this audit report.

1. Overview of the Financial Statements

Financial Highlights

The Department's net assets declined by \$86,117,992, mainly due to depreciation and amortization expense of \$588,860,211. The net assets of the Department's governmental activities decreased by \$86,161,125 due to increases in contractual services, capital outlay and debt service expenditures related to GRIP Bond Projects.

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to private sector business.

The Statement of Net Assets presents information on all of the Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the Department's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The Department's primary purpose is the construction and maintenance of the infrastructure of the State of New Mexico. Thus, in the government-wide financial statements, the primary function is public works.

The government-wide financial statements start on page 24 of this report.

1. Overview of the Financial Statements - continued

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department are divided into two categories: governmental funds and proprietary fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current resources and use of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheets and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department has 44 governmental funds. Governmental funds are reported as major funds in the accompanying financial statements if they meet both of the following criteria:

- 1) Ten percent criterion - An individual governmental fund reports as least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund expenditures.
- 2) Five percent criterion - An individual governmental fund reports at least 5 percent of the total for both governmental and enterprise funds of any of the items for which it met the 10 percent criterion.

The Department's major governmental funds are the following:

State Road Fund - The state road fund was created by Section 67-3-65, NMSA 1978. The state road fund is the operating fund of the Department and is used to account for substantially all the Department's financial activities.

General Fund Appropriations Fund - The General Fund Appropriations fund was created to separately account for the construction of infrastructure on behalf of other governments in annual legislative appropriations. This is funded through the transfer of funds from the State General Fund. This fund reverts to the State General Fund upon completion of the appropriation project or upon expiration of the appropriation period.

1. Overview of the Financial Statements - continued

ARRA Project Fund - The ARRA Fund was created under the American Recovery and Reinvestment Act of 2009, a federal economic stimulus program. This fund tracks the expenditure and reimbursement of projects which qualify under the terms of the Act. This is a non-reverting fund.

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the three major funds. Data from the other 43 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report. See pages 121 through 137.

Enterprise Funds

The Department has one type of proprietary fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Department uses its enterprise fund to account for the State Infrastructure Bank, since its purpose is to make loans for road projects.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the State Infrastructure Bank since it is considered to be a major fund of the Department.

The basic proprietary fund financial statements can be found on pages 36 through 37 and the cash flows statement is on page 38 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 41.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information including the Schedule of Severance Tax Bonds, Schedule of Special Appropriations, Schedule of Petty Cash Deposit Accounts, Schedule of State Road Fund User and Fuel Taxes, Schedule of Debt Service and Coverage Ratios and the Schedule of Expenditures of Federal Awards.

1. Overview of the Financial Statements - continued

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Department's financial position. At June 30, 2010, the Department's assets exceeded liabilities by \$5,717,022,268.

The largest portion of the Department's net assets reflect its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure) less any debt and unspent bond proceeds used to acquire those assets that are still outstanding. Although the Department's investment in its capital assets is reported net of related debt and unspent bond proceeds, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

As of June 30, 2010 and 2009, the Department has positive balances in two categories of net assets, both for the government fund financial statement as a whole, as well as for its separate categories - governmental and business-type activities. Table A-1 summarizes the Department's net assets for the fiscal years ended June 30, 2010 and 2009.

Table A-1 The Department's Net Assets

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Assets:				
Current and other assets	\$ 485,058,128	\$ 588,138,929	\$ 20,718,458	\$ 21,277,419
Capital assets and other	7,253,383,083	7,208,713,391	-	-
Total assets	\$ 7,738,441,211	\$ 7,796,852,320	\$ 20,718,458	\$ 21,277,419
Liabilities:				
Current liabilities	\$ 317,740,132	\$ 335,889,963	\$ 209,020	\$ 811,114
Long-term liabilities	1,724,188,249	1,678,288,402	-	-
Total liabilities	\$ 2,041,928,381	\$ 2,014,178,365	\$ 209,020	\$ 811,114
Net assets:				
Invested in capital assets, net of related debt and unspent bond proceeds	\$ 5,390,883,051	\$ 5,234,861,006	\$ -	\$ -
Restricted	305,629,779	547,812,949	20,509,438	20,466,305
Total net assets	\$ 5,696,512,830	\$ 5,782,673,955	\$ 20,509,438	\$ 20,466,305

1. Overview of the Financial Statements - continued

Total	
2010	2009
\$ 505,776,586	\$ 609,416,348
7,253,383,083	7,208,713,391
<u>\$ 7,759,159,669</u>	<u>\$ 7,818,129,739</u>
\$ 317,949,152	\$ 336,701,077
1,724,188,249	1,678,288,402
<u>\$ 2,042,137,401</u>	<u>\$ 2,014,989,479</u>
\$ 5,390,883,051	\$ 5,234,861,006
326,139,217	568,279,254
<u>\$ 5,717,022,268</u>	<u>\$ 5,803,140,260</u>

1. Overview of the Financial Statements - continued

Changes in Net Assets

Table A-2 provides a summary of the Department's operations for the years ended June 30, 2010 and 2009. Governmental activities decreased the Department's net assets by \$86,161,125 in 2010 and by \$195,917,925 in 2009. Business-type activities increased the Department's net assets by \$43,133 in 2010 and by \$204,444 in 2009, due to interest income earned during the year.

Table A-2 Changes in the Department's Net Assets

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Revenues:				
Program revenues:				
Charges for services	\$ 54,053,261	\$ 38,434,473	\$ -	\$ -
Operating grants	-	-	-	-
Capital grants	472,185,843	402,823,566	-	-
General revenues:				
User and fuel taxes	376,607,413	388,743,110	-	-
Interest income	12,164,824	18,733,946	43,133	204,444
Loss on disposal of assets	53,850,793	(3,855,743)	-	-
Total revenues	968,862,134	844,879,352	43,133	204,444
Expenses:				
Programs and infrastructure	132,771,676	77,447,730	-	-
Transportation and highway operations	206,341,438	289,556,180	-	-
Program support	132,853,220	147,515,433	-	-
ARRA	8,945,745	634,638	-	-
Depreciation and amortization	588,860,211	570,870,614	-	-
Total expenses	1,069,772,290	1,086,024,595	-	-
Net revenues before transfers (loss) and reversions	(100,910,156)	(241,145,243)	43,133	204,444
Transfers and reversions	14,749,031	45,227,318	-	-
(Decrease) increase in net assets	(86,161,125)	(195,917,925)	43,133	204,444
Net assets, beginning of year	5,782,673,955	5,981,113,047	20,466,305	20,261,861
Restatements	-	(2,521,167)	-	-
Net assets, end of year	\$ 5,696,512,830	\$ 5,782,673,955	\$ 20,509,438	\$ 20,466,305

1. Overview of the Financial Statements - continued

Total	
2010	2009
\$ 54,053,261	\$ 38,434,473
-	-
472,185,843	402,823,566
376,607,413	388,743,110
12,207,957	18,938,390
53,850,793	(3,855,743)
968,905,267	845,083,796
132,771,676	77,447,730
206,341,438	289,556,180
132,853,220	147,515,433
8,945,745	634,638
588,860,211	570,870,614
1,069,772,290	1,086,024,595
(100,867,023)	(240,940,799)
14,749,031	45,227,318
(86,117,992)	(195,713,481)
5,803,140,260	6,001,374,908
-	(2,521,167)
\$ 5,717,022,268	\$ 5,803,140,260

1. Overview of the Financial Statements - continued

Governmental Funds

The Department's governmental funds are designed to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2010 fiscal year, the Department's governmental funds reported combined ending fund balances of \$311,606,058 a decrease of \$7,305,566 from the prior year. Fund balance is reserved to indicate that it is not available for new spending because it has already been committed to provide for inventories, long-term assets and prepaid items and other reserved items of \$54,925,645.

The changes in fund balance for the Department's major funds for 2010 are as follows:

State Road Fund	\$ 59,019,145
General Fund Appropriations	(54,070,739)
ARRA Fund	<u>9,197,867</u>
Major funds, net change in fund balances	<u>\$ 14,146,273</u>

The net increase in the State Road Fund is due to some road projects postponed.

The net decrease in the General Fund Appropriations Fund is due to reversions to the State General Fund of \$25,351,263 and \$28,890,545 of expended funds on road projects.

The net increase in the ARRA Fund is due to collections of prior year receivables.

1. Overview of the Financial Statements - continued

Budgetary Highlights

The Department budgets are on a modified accrual basis and not all funds are budgeted. The Department made revisions to the original approved budget by \$125,128,145. Overall, these changes were caused by the following significant budget adjustments:

Increase--ARRA funding--9 lead projects, 71 local projects	\$ 6,713,818
Transfer--from contractual services to other costs	4,000,000
Increase--Extend Park & Ride Services from Las Cruces to El Paso	257,803
Transfer--from FHWA to WIPP (correction of budget load)	7,000,000
Increase--Navajo Nation contribution--US 491 Corridor Project	8,000,000
Transfer--from personal and contractual services to other costs	673,859
Increase--DOE WIPP US 285 Corridor Project	2,000,000
Increase--Second half of 2 year budget agreement--ARRA LED project	2,500,000
Increase--Sandia Pueblo contribution--I 25-Tranway intersection	1,750,000
Decrease--Budget freeze	(40,000,000)
Increase--US 550 Warranty reimbursements	3,264,517
Decrease--align budget with latest local government revenue forecast	(6,428,008)
Increase--Four year NHTSA cooperative agreement--pedestrian safety	80,182
Increase--FTA--CMAQ funding--Railrunner	750,000
Transfer--from Operation and Business Support to Programs	3,720,000
Increase--FHWA budget authority	83,890,900
Transfer--from personal services to contractual services	733,751
Increase--HIF to make construction payment settlement	3,000,000
Increase--NHTSA--alcohol countermeasure projects--Section 164	5,683,208
Increase--SIB loan--City of Rio Rancho--widen Unser Blvd	4,700,000
Increase--ARRA Tiger 1 Funds--safety improvements to US 491	31,000,000
Transfer--from personal services to contractual services	1,838,115
	<u>\$ 125,128,145</u>

The road fund (general fund) original budget for fiscal year 2010 was \$738,248,400. The final budget for the fiscal year was \$915,929,317. The \$177,680,917 increase in budget was due to available fund balances from fiscal year 2009 rolled forward to utilize for anticipated road construction projects.

Capital Assets Overview

The Department's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$7,125,545,190 (net of accumulated depreciation). This investment in capital assets includes land, right of way, buildings, equipment, improvement and the infrastructure. Business-type activities have no capital assets.

1. Overview of the Financial Statements - continued

Major Infrastructure Projects

The Department develops plans to build a transportation system that will better serve the State of New Mexico. Advanced and innovative strategies include building roads using a corridor approach, where an entire route between communities is built. By designing and constructing entire corridors, the Department has been able to realize efficiencies to benefit the state. The Department also employs innovative project development techniques, warranty agreements and highly advanced financing techniques to accomplish the objectives of the Major Investment Program.

Fiscal Year 2009-2010 Active Projects with a contract amount of \$10 million or more:

I-40/San Mateo Interchange - Bernalillo County
I-40/West Interchange - Bernalillo County
I-40, MP 173.730 to MP 177.177 - Bernalillo County
I-40, MP 54.000 to MP 58.000 - McKinley County
US 491, MP 59.000 to MP 67.700 - San Juan County
I-40/San Mateo Interchange - Bernalillo County
I-40/West Interchange - Bernalillo County
I-40, MP 173.730 to MP 177.177 - Bernalillo County
I-40, MP 54.000 to MP 58.000 - McKinley County
US 491, MP 59.000 to MP 67.700 - San Juan County
I-40, MP 126.244 to MP 130.760 - Cibola County
I-40, Interchange at MP 102.000 - Cibola County
US 62/180, MP 0.240 to MP 16.250 - Eddy County
US 62/180, MP 16.250 to MP 25.980 - Eddy County
US 64/87, MP 390.332 to MP 400.000 - Union County
NM 26, MP 25.900 to MP 45.300 - Luna County
NM 128, MP 38.810 to MP 48.990 - Lea County
NM 128, MP 24.700 to MP 38.810 - Lea County
I-40, MP 124.000 to MP 133.700 - Dona Ana County
NM 83, MP 0.200 to MP 12.900 - Lea County
US 84/285, MP 184.910 to MP 186.180 - Santa Fe County
US 285, MP 250.000 to MP 280.000 - Torrance, San Miguel, Santa Fe Counties
I-25, MP 220.500 to MP 222.860 - Bernalillo County
US 550, MP 64.780 to MP 115.300 - Sandoval, Rio Arriba, San Juan Counties

1. Overview of the Financial Statements - continued

Equipment

For fiscal year 2010, the Equipment modified accrual basis budget total was approximately \$13.4 million. Of this budget, approximately \$1.2 million was fully expended at June 30, 2010. Equipment purchased includes pickups, dump trucks, rollers, excavators, mowers, tractors, loaders, snowplows, brooms, dozers, motor graders, spreaders, millers, trailers, motor vehicles, etc. All items are approved during the legislative session prior to July of each fiscal year. The Department holds several sales and public auctions during the year to liquidate old and obsolete equipment to public and private entities.

Table A-3

	Department's Capital Assets	
	2010	2009
Land	\$ 5,205,375	\$ 5,076,633
Construction in Process	65,953,737	19,637,755
Right of Way	474,077,800	463,768,765
Infrastructure	15,281,018,047	15,268,403,662
Equipment and furniture	29,174,992	30,039,203
Library	102,614	102,614
Buildings	44,051,133	42,006,106
Vehicles	192,107,225	187,263,628
Accumulated depreciation	(8,966,145,733)	(8,848,151,416)
Total	<u>\$ 7,125,545,190</u>	<u>\$ 7,168,146,950</u>

Additional information on the Department's capital assets can be found in Note 10 of this report.

1. Overview of the Financial Statements - continued

Debt Administration

The Department is authorized to issue bonds by authority of Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA)(1978), as amended. The focus of the Department's bond program is to accelerate transportation construction projects while maintaining strong debt service coverage ratios and minimizing the costs of borrowing.

At June 30, 2010, the Department had a total outstanding debt (bonds) of \$1,608,115,000. Outstanding bond debt is backed by the Department's state tax revenues and FHWA revenues.

Table A-4
Department's Outstanding Debt

	2010	2009
Bonds (excludes deferred amounts on refunding)	\$ 1,608,115,000	\$ 1,687,175,000

The Department's total bond debt decreased by 4.7%, or \$79,060,000. Total outstanding bond debt at the end of the 2010 fiscal year was \$1,608,115,000 compared to \$1,687,175,000 at the end of the 2009 fiscal year. Key factors affecting the Department's outstanding bonds during the current fiscal year included bond principal repayments totaling \$191,405,000. See Note 14 for a detail of all outstanding bonds.

The Department did not pay any arbitrage to the Internal Revenue Service for any excess income earned on bond proceeds during the fiscal year, and did not have any arbitrage liability at the end of the fiscal year.

2. Economic Factors and Revenue Forecasts

Economic and Demographic Characteristics

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of July 1, 2009 was 2,009,671. In the 1990s, the State was the twelfth fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515,069. Over the same period of time, the national population grew 13.2 percent. Most of this population growth is occurring in or near the larger cities. There are four Metropolitan Statistical Areas (MSA) in the state. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is Dona Ana County; the Santa Fe MSA is Santa Fe County, and the Farmington MSA is San Juan County. The fastest growing counties in the state are Sandoval, Dona Ana, Bernalillo and Santa Fe.

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing and mining. In 2008, New Mexico was the 4th largest producing state of natural gas and the 7th largest producing state of petroleum crude oil. That same year coal, copper and potash production topped \$600 million each and the state ranked 12th, 3rd and 1st respectively in the US. The mining industry employed about 21,000 New Mexicans in 2008 and represented 15.6% of the state's GDP. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The state's major transportation routes include Interstate-25, running north-south from El Paso, Texas through Las Cruces, Albuquerque, Santa Fe, Las Vegas and Raton, New Mexico toward Pueblo and Denver, Colorado. Major east-west routes, especially important to interstate commercial carrier traffic, include Interstate-10 from El Paso, Texas to Tucson and Phoenix, Arizona, and Interstate-40 from Amarillo, Texas through Tucumcari, Albuquerque and Gallup, New Mexico to Flagstaff, Arizona.

Revenue Forecasts and Budgets

Federal Revenue:

FHWA Revenue - The amount of FHWA revenue (obligation authority) available to all states has slightly increased as a result of the passage of the new 5 year transportation reauthorization bill entitled "Safe, Accountable, Flexible, and Efficient Transportation Equity Act for the 21st Century – A Legacy for Users" "SAFETEA-LU" in 2005. The amounts of "obligation limitation" available to New Mexico are \$287.5 million in FY2005, \$292.8 million in FY2006, \$271.1 million in FY2007, \$253.5 million in FY2008, \$372.5 million in FY2009, and \$314.8 million in FY2010. This compares to previous amounts of \$278.9 million in FY2002, \$263.2 million in FY2003, and \$243.5 million in FY2004. The reauthorization bill provides "apportionment" amounts, but the real spending amount (the "obligation limitation") is determined by the appropriation levels in each year's federal budget bill.

2. Economic Factors and Revenue Forecasts - continued

Federal Transit Administration Funds - NMDOT reported revenue of \$13,670,119 in FY 2010 Federal Transit Administration grant funds.

National Highway Traffic Safety Administration Funds - NMDOT reported revenue of \$11,488,718 in FY 2010 of National Highway Traffic Safety Administration grant funds.

DOE Revenue - The Department of Energy will continue to provide New Mexico with more than \$20 million per year through FY2011 pursuant to an agreement in connection with the Waste Isolation Pilot Project in Carlsbad, New Mexico. The amount of this revenue budgeted for debt service was \$20.7 million in FY 2004, \$21.1 million in FY 2005, \$19.8 million in FY 2006, \$15.7 million in FY 2007, \$14.7 million in FY 2008, \$15.9 million in FY 2009, and \$25.1 million in FY 2010.

ARRA Revenue - NMDOT reported revenue of \$1,273,652 of FY 2010 ARRA funds passed through from the New Mexico Energy, Mineral and Natural Resources Department. NMDOT also reported \$115,755,592 revenue of FY 2010 ARRA funds from FHWA.

State Revenue:

Revenues for the New Mexico Department of Transportation over the long-term (20 years) are characterized as being steady and growing at rates associated with the Consumer Price Index (CPI). There have been periods of stronger and slower, even declining, rates of growth. From fiscal years 1988 to 2000, the average annual compound growth rate was 2.7% and from 2003 to 2007 it was 7.5%. In fiscal year 2001, there was a contraction and then a slowdown due to economic recession that lasted three years.

Department of Transportation revenues have not been exempted from the current recession. However, there is sufficient diversity of type that not all are being impacted to the same extent. State Road Fund revenues are about half and half passenger car to trucking activity. Those associated with passenger cars (gasoline and registrations) have been virtually flat while trucking (special fuel and weight/distance) revenues, influenced by economic recession activity, has been impacted negatively by almost 20%. With recent current improvements in the US economy, trucking activity has begun to improve and concurrently there has been an increase in the trucking related revenues. FY 2007 was the peak year for Road Fund revenues before the recession; FY 2010 was the trough with revenues falling some \$40 million or 10%; and, FY 2014 is forecast to be the year that revenues return to the FY 2007 level. Peak-to-return is 7 years: 3 years down by 10% and 4 years back up.

State Revenue Forecasts - Major Revenue Sources

In the fall of 2003, a special session of the New Mexico Legislature was held and transportation rates and fees were raised on special fuels (primarily diesel), weight/distance trucking rates and motor vehicle registration fees. The basis of these increases was to provide \$40 million annually for the debt service on GRIP, a large, multi-year road construction program. The increases were designed also to add \$20 million for road maintenance. These rate/fee increases, along with strong economy, added almost \$100 million annually (36%) from FY 2003 to FY 2007 to the State Road Fund.

2. Economic Factors and Revenue Forecasts - continued

The budget estimate for state tax and fee revenue is prepared in July/August and December/January for each year for the budget year ending 24 months (or 18 months) later. Each fiscal year's revenue estimate is assessed six times: twice before the year begins, twice during the fiscal year and twice after the end, with the final numbers being the actual audit.

In fiscal years 2005 through 2007, state revenues from gasoline, special fuels, weight/distance and vehicle registrations grew by \$47.7, \$15.9, \$18.7, million each year, respectively. In fiscal years 2008 through 2010, these same revenues declined \$13.2, \$19.0 and \$5.6 million each year. These four revenue sources constitute 93% of the state road fund. These revenues were consistent with the forecasts for the periods and did add the expected \$60 million for GRIP and maintenance. Strong economic trends, particularly in the trucking industry, also helped to provide for strength in revenue growth in FY 2005 through FY 2007 and have led the decline in FY 2008 through FY 2010, and are now the primary contributors to the return to historic levels.

Due to the size and importance of each of these four sources, a look at each individually helps to provide a more complete picture of the Department's revenues.

Gasoline tax is the largest of State's revenue sources, providing \$109.2 million in revenue in FY 2010. This tax is 17 cents per gallon of gasoline sold, with about three-fourths going to the state road fund and the remainder going primarily to municipalities and counties. It is the one major tax that was not increased during the special session of 2003. Historically, gasoline gallons sold increased until 1995, plateaued from 1995 to 1999, and decreased to 2001, when they plateaued again. The peak years were 1995 to 1999, with 1998 providing \$117.9 million. When increases, slowing and plateaus are discussed in conjunction with gasoline revenues, it should be noted that they are very moderate changes.

Of much interest and frequent query, is how the gasoline usage (gallons) has fared during the large price fluctuations in 2008 and in light of the economic slowdown. Somewhat surprisingly, for New Mexico, there has been, surprisingly, little, to no change in gasoline usage.

Special fuels (primarily diesel) are the second largest of the state's revenue sources, providing \$88.0 million in FY 2010, down from \$101.5 in FY 2008. The tax per gallon was raised from 18 to 21 cents per gallon effective FY 2005. Of the 21 cents, the Department receives 19 cents, with the remainder going to local governments. Including the 2003 special legislative session rate increase, special fuels grew by \$27.0 million, or 36%, from FY 2004 to FY 2008. Special fuels, over time, have been strongly growing revenue with an average annual compound growth rate of 5.2% from 1988 to 2008.

2. Economic Factors and Revenue Forecasts - continued

Weight/Distance tax is charged on trucks over 26,000 pounds and varies by load carried and distance traveled in New Mexico. It is historically the third largest revenue producer, with \$69.6 million in revenue in FY 2010, down from \$77.4 million in FY 2008. Its rates, too, were raised in the fall 2003 special session. Prior to the increases, revenues averaged \$50 million. From FY 2004, an additional \$25.9 million, or 50% in revenue is received annually. (It should be noted that a "bump" increase occurred in 2007 because of an accounting time period changes.)

In the current recession, declining consumer durable goods expenditures led to a fairly steep and sudden reduction in freight of all types including air, ship, rail and truck. That decline was in the range of 20% and began in December, 2008. Corresponding reductions in NMDOT trucking related revenues began in March, 2009 and, in only four months, dropped the annual rate of revenues by some \$35 million. This significant step-down in the last half of the FY 2009 manifested itself in the reduced full year revenue.

Motor vehicle registration fees are the historically the fourth largest revenue at \$72.9 million in FY 2010, down from \$73.7 million in FY 2008. These fees were raised also in the 2003 Special Legislative session and have represented an increase of \$20.7 million, or 39%, from FY 2004 to FY 2008. The fees are based on three weight classes for passenger vehicles and 14 weight classes for trucks and commercial carriers. The annual registration fees for trucks over 26,000 pounds are low because those vehicles are subject to the weight/distance taxes above. This revenue, like gasoline, has remained stable during the current recession.

Two revenue sources have been impacted negatively by recent federal procedure rulings and legislation. One is the trip tax and the other is New Mexico Public Regulation Commission common carrier registration fees. Trip tax was charged on trucks in lieu of the weight/distance for those trucks/companies not registered for weight/distance. What was called a cab card and carried in each truck was used for weight/distance registration identification. Federal regulations now prevent states from requiring the showing of the cards. Trip tax rose to a peak of \$8.6 million in FY 2006 and provided revenues of \$5.5 million in FY 2010. New Mexico is one of four states that has a weight/distance tax and its associated trip tax. There have been strong investments in reporting enforcement and optical scanning computer truck identification interface with the weight/distance tax data base. These have included penalty increases for not or for improper weight/distance tax filing, capital improvements at ports of entry and statewide enhanced documentation checks.

The New Mexico Public Regulation Commission previously collected common carrier registration fees. Because of efforts by the trucking industry to centralize registrations (because so many trucks are on the road and prorating registrations in so many states), a new common system and procedures were passed into law in the fall of 2006. In FY 2006, the Department received \$3.7 million in revenue. Under the new national system, the total fees across the country were capped at \$100 million and then apportioned such that the maximum New Mexico can now receive is \$3.2 million. Because of delays in getting the system up and running, revenue for FY 2007 came in at \$377,000, \$866,000 for FY 2008, and \$2.3 million in FY 2009 and \$1.4 million in FY 2010. As the system improves over time, it is hoped that the cap maximum will be reached.

2. Economic Factors and Revenue Forecasts - continued

Background - Gasoline Tax and Tribal Tax Sharing Agreements

The state permits gasoline to be sold at retail by registered Indian tribal distributors on Indian land free of State gasoline tax to the extent that the applicable Indian government imposes a similar tax (for its own benefit) on retail gasoline sales. The growth in tribal market share initially out-paced the overall growth rate of gasoline sales as a result of competitive pricing, casino traffic, and new tribal travel centers. Currently the tribal sales have been stabilized to slowly growing.

In 2003 and 2004, legislation allowed the state to enter into "tax sharing agreements" with the two Native American Pueblos that were previously entitled to market a limited amount of state-tax-free gasoline outside reservation boundaries. Under the agreements, 40% of the tax collected on 30 million gallons of gasoline per year will be shared with each of the two Pueblos, in exchange for the Pueblos ceasing their wholesale sales activities outside reservation boundaries. The result of these agreements (entered into on January 1, 2004 and July 1, 2004) is revenue gain for the state and significantly more predictable gasoline revenues.

3. 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:

Attn: Deputy Comptroller
New Mexico Department of Transportation
1120 Cerrillos Road
P.O. Box 1149
Santa Fe, New Mexico 87504-1149
(505) 827-5340

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FINANCIAL STATEMENTS

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Net Assets

As of June 30, 2010

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Current Assets:			
Cash (Note 2):			
Unrestricted	\$ 2,600	\$ -	\$ 2,600
Restricted	65,032	-	65,032
Cash equivalents (Note 2): (Investment in state general fund investment pool)			
Unrestricted	82,861,172	-	82,861,172
Restricted	70,959,753	11,993,450	82,953,203
Managed by NMFA	156,754,995	-	156,754,995
Receivables:			
Taxes receivable, net	67,720,757	-	67,720,757
Accounts receivable, net (Note 3)	9,603,866	-	9,603,866
Interest receivable	297,559	249,177	546,736
Notes and loans receivable (Note 5)	14,497	6,291,109	6,305,606
Other receivables	289,439	-	289,439
Due from other funds (Note 7)	(2,182,954)	2,182,954	-
Due from other state agencies (Note 8)	8,245,019	1,768	8,246,787
U.S. Department of Transportation (Note 6)	64,351,048	-	64,351,048
Capitalized issuance costs	837,922	-	837,922
Inventories (Note 9)	13,197,998	-	13,197,998
Prepaid expense - other	4,994	-	4,994
Prepaid expense - risk management	-	-	-
Prepaid expense - NM44 warranty	3,189,030	-	3,189,030
Property held for resale, net	8,845,401	-	8,845,401
Total Current Assets	485,058,128	20,718,458	505,776,586
Non-Current Assets:			
Deferred outflow of resources	90,591,479	-	90,591,479
Capitalized issuance costs, net	7,553,198	-	7,553,198
Prepaid expense - NM44 warranty, net	29,693,216	-	29,693,216
Capital assets, net (Note 10)	7,125,545,190	-	7,125,545,190
Total Non-Current Assets	7,253,383,083	-	7,253,383,083
Total Assets	\$ 7,738,441,211	\$ 20,718,458	\$ 7,759,159,669

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Net Assets

As of June 30, 2010

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Current Liabilities:			
Due to state treasurer's office (Note 12)	\$ 69,121,930	\$ -	\$ 69,121,930
Accounts payable and contracts payable, including retainage of \$8,140,966	66,865,983	-	66,865,983
Due to other agencies (Note 13)	66,934	-	66,934
Due to state general fund	2,388,163	-	2,388,163
Payable to other governments	1,501,877	209,020	1,710,897
Deferred revenue	35,360,043	-	35,360,043
Other accrued expenses	6,114,451	-	6,114,451
Accrued interest	3,467,645	-	3,467,645
Other liabilities	1,357,204	-	1,357,204
Short-term note payable (taxable line of credit) (Note 14)	2,000,000	-	2,000,000
Current portion of long-term obligations (Note 14):			
Tax-exempt line of credit	50,000,000	-	50,000,000
Compensated absences	6,407,802	-	6,407,802
Debentures payable	67,359,977	-	67,359,977
Capitalized bond premium	5,728,123	-	5,728,123
Total Current Liabilities	317,740,132	209,020	317,949,152
Long-Term Liabilities:			
Long-term obligations (Note 14):			
Derivative instruments interest rate swap	90,591,479	-	90,591,479
Tax-exempt line of credit	70,562,692	-	70,562,692
Debentures payable	1,514,537,707	-	1,514,537,707
Capitalized bond premium, net	48,496,371	-	48,496,371
Total Long-Term Liabilities	1,724,188,249	-	1,724,188,249
Total Liabilities	\$ 2,041,928,381	\$ 209,020	\$ 2,042,137,401
Net Assets:			
Invested in capital assets, net of any related debt and unspent debt proceeds	\$ 5,390,883,051	\$ -	\$ 5,390,883,051
Restricted for:			
Loans	-	20,509,438	20,509,438
Specific purposes	305,629,779	-	305,629,779
Total Net Assets	\$ 5,696,512,830	\$ 20,509,438	\$ 5,717,022,268
Total Liabilities and Net Assets	\$ 7,738,441,211	\$ 20,718,458	\$ 7,759,159,669

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Activities

For the Year Ended June 30, 2010

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Program Expenses:			
Programs and infrastructure	\$ 132,771,676	\$ -	\$ 132,771,676
Transportation and highway operations	206,341,438	-	206,341,438
Program support	132,853,220	-	132,853,220
ARRA	8,945,745	-	8,945,745
Depreciation and amortization	588,860,211	-	588,860,211
Total Program Expenses	1,069,772,290	-	1,069,772,290
Program Revenues:			
Charges for services	54,053,261	-	54,053,261
Operating grants	-	-	-
Capital grants	472,185,843	-	472,185,843
Total Program Revenues	526,239,104	-	526,239,104
Net Program Revenue (Expense)	(543,533,186)	-	(543,533,186)
General Revenues (Expenses):			
User and fuel taxes	376,607,414	-	376,607,414
Interest income	12,164,824	43,133	12,207,957
Gain (loss) on disposal of assets and adjustments	53,850,793	-	53,850,793
Total General Revenues (Expenses)	442,623,031	43,133	442,666,164
Transfers:			
Reversions to state general fund (Note 16)	(25,351,260)	-	(25,351,260)
Transfers from – severance tax bond appropriation (Note 11)	45,101,333	-	45,101,333
Transfers from (to) other state agencies and local governments, net (Note 11)	(5,001,043)	-	(5,001,043)
Transfers (Note 11)	-	-	-
Total Transfers	14,749,030	-	14,749,030
Net General Revenues and Transfers	457,372,061	43,133	457,415,194
Change in Net Assets/Operating Income	(86,161,125)	43,133	(86,117,992)
Net Assets, Beginning of Fiscal Year	5,782,673,955	20,466,305	5,803,140,260
Net Assets, End of Fiscal Year	\$ 5,696,512,830	\$ 20,509,438	\$ 5,717,022,268

See Independent Auditors' Report and Notes to Financial Statements

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Balance Sheet - Governmental Funds

As of June 30, 2010

	Major Funds			Other	Total
	State Road Fund	General Fund Appropriations	ARRA Project Fund	Governmental	Governmental
Assets:					
Cash:					
Unrestricted	\$ 2,600	\$ -	\$ -	\$ -	\$ 2,600
Restricted	65,032	-	-	-	65,032
Cash Equivalents:					
(Investment in state general fund investment pool)					
Unrestricted	51,406,239	-	-	31,454,933	82,861,172
Restricted	35,810,647	19,106,294	-	16,042,812	70,959,753
Managed by NMFA	11,066	-	-	156,743,929	156,754,995
Receivables:					
Taxes receivable, net	63,103,772	-	-	4,616,984	67,720,756
Accounts receivable, net	9,603,866	-	-	-	9,603,866
Interest receivable	195,582	-	-	101,974	297,556
Notes and loans receivable	14,497	-	-	-	14,497
Other receivables	173,982	114,964	-	493	289,439
Due from:					
Other funds	82,259,422	427,301	429,532	15,739,441	98,855,696
Other State agencies	416,608	160,000	36,149	7,632,262	8,245,019
U.S. Department of Transportation	33,374,733	-	22,048,055	8,928,260	64,351,048
Inventories	13,197,998	-	-	-	13,197,998
Prepaid expenses - other	4,994	-	-	-	4,994
Prepaid expenses - risk management	-	-	-	-	-
Prepaid expense - NM44 warranty	32,882,246	-	-	-	32,882,246
Property held for resale	8,845,401	-	-	-	8,845,401
 Total Assets	 \$ 331,368,685	 \$ 19,808,559	 \$ 22,513,736	 \$ 241,261,088	 \$ 614,952,068

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Balance Sheet - Governmental Funds

As of June 30, 2010

	Major Funds			Other	Total
	State Road Fund	General Fund Appropriations	ARRA Project Fund	Governmental	Governmental
Liabilities and Fund Balances:					
Liabilities:					
Due to state treasurer's office	\$ 47,191,814	\$ -	\$ 10,983,593	\$ 10,946,523	\$ 69,121,930
Accounts payable	30,150,302	5,727,417	10,873,648	20,114,613	66,865,980
Due to other funds	90,263,386	384,268	1,164,565	9,226,431	101,038,650
Due to other agencies	-	61,400	5,534	-	66,934
Due to state general fund	-	2,273,810	-	114,353	2,388,163
Payable to other governments	-	-	-	1,501,877	1,501,877
Deferred revenue	43,267,296	-	5,036,198	4,587,328	52,890,822
Other accrued expenses	6,023,639	-	15,270	75,541	6,114,450
Other liabilities	1,066,343	-	-	290,861	1,357,204
Short-term notes payable (taxable line of credit)	-	-	-	2,000,000	2,000,000
Total Liabilities	217,962,780	8,446,895	28,078,808	48,857,527	303,346,010
Fund Balances:					
Reserved for:					
Inventories	13,197,998	-	-	-	13,197,998
Prepaid expenses	32,882,246	-	-	-	32,882,246
Property held for resale	8,845,401	-	-	-	8,845,401
Unreserved, reported in:					
Special revenue funds	-	11,361,664	(5,565,072)	130,634,103	136,430,695
Capital projects funds	-	-	-	6,602,750	6,602,750
Debt service funds	-	-	-	55,166,708	55,166,708
Unreserved	58,480,260	-	-	-	58,480,260
Total Fund Balances	113,405,905	11,361,664	(5,565,072)	192,403,561	311,606,058
Total Liabilities and Fund Balances	\$ 331,368,685	\$ 19,808,559	\$ 22,513,736	\$ 241,261,088	\$ 614,952,068

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

As of June 30, 2010

Total Fund Balances - Governmental Funds (Governmental Fund Balance Sheet)	\$	311,606,058
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

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

Balance sheet	52,890,822	
Statement of net assets	(35,360,043)	
Change in deferred revenue		17,530,779

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

The cost of capital assets is	16,091,690,923	
Accumulated depreciation is	(8,966,145,733)	
Total capital assets		7,125,545,190

Long-term debt not recorded as liabilities in the governmental
funds, but recorded as long-term liabilities in the Statement of
Net Assets:

Long-term notes payable (tax-exempt line of credit)	(120,562,692)
Debentures payable (bonds only)	(1,608,115,000)
Deferred loss on refunding (net of current period amortization)	26,217,316
Compensated absences	(6,407,802)

Accrued interest on long-term obligations not recorded by the governmental funds until paid:	(3,487,645)
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Capitalized issuance costs not recorded in the governmental funds as an asset, net of amortization:	8,391,120
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Capitalized bond premiums not recorded in the governmental funds as a liability, net of amortization:	(54,224,494)
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Net Assets of Governmental Activities (Statement of Net Assets)	\$	5,696,512,830
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See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

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

For the Year Ended June 30, 2010

	Major Funds				Total Governmental
	State Road Fund	General Fund Appropriations	ARRA Project Fund	Other Governmental	
Revenues:					
User and fuel taxes	\$ 357,789,549	\$ -	\$ -	\$ 18,817,869	\$ 376,607,418
U.S. Department of Transportation	325,561,484	-	133,383,248	25,570,404	484,515,136
U.S. Department of Energy	25,126,707	-	-	-	25,126,707
Fees and fines	-	-	-	70,287	70,287
Licenses and permits	8,012,084	-	-	10,537,318	18,549,402
Charges for services	5,184,881	-	-	-	5,184,881
DWI interlock device	-	-	-	-	-
Other revenue	11,164,294	-	-	21,681,035	32,845,329
Interest earnings	63,095	-	-	6,136,535	6,199,630
Total Revenues	732,902,094	-	133,383,248	82,813,448	949,098,790
Expenditures:					
Current:					
Operating costs	12,733,447	-	-	46,562	12,780,009
Personal services	96,695,194	-	67,736	1,010,232	97,773,162
Out-of-state travel	45,547	-	-	18,309	63,856
Grants and services	4,064,434	-	7,672,093	51,431,024	63,167,551
Travel	16,797,592	-	12,278	12,749	16,822,619
Maintenance and repairs	6,884,108	-	-	294,070	7,178,178
Supplies	31,934,879	-	384,451	818,365	33,137,695
Contractual services	36,772,649	19,538,772	788,541	45,100,953	102,200,915
Other costs	2,197,185	-	-	15,504,811	17,701,996
Employee benefits	46,768,614	-	20,646	358,466	47,147,726
Capital outlay	254,800,837	9,351,775	116,513,288	105,877,504	486,543,404
Debt service:					
Principal	14,000,628	-	-	177,404,372	191,405,000
Interest	72,333,329	-	-	14,877,684	87,211,013
Debt issuance costs	-	-	-	899,329	899,329
Total Expenditures	596,028,443	28,890,547	125,459,033	413,654,430	1,164,032,453

See Independent Auditors' Report and Notes to Financial Statements

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

For the Year Ended June 30, 2010

	Major Funds			Other	Total
	State Road Fund	General Fund Appropriations	ARRA Project Fund	Governmental	Governmental
Excess (Deficiency) of Revenues Over (Under) Expenditures	136,873,651	(28,890,547)	7,924,215	(330,840,982)	(214,933,663)
Other Financing Sources (Uses):					
Appropriations, net of reversions	-	(25,351,260)	-	-	(25,351,260)
Transfers from – Severance					
Tax Bond Appropriation	-	-	-	45,101,333	45,101,333
Transfers from (to) other agencies	(6,745,763)	171,068	1,273,652	300,000	(5,001,043)
Transfers	(71,108,743)	-	-	71,108,743	-
Proceeds from LT notes payable	-	-	-	80,534,067	80,534,067
Proceeds from debentures payable	-	-	-	112,345,000	112,345,000
Total Other Financing Sources (Uses)	(77,854,506)	(25,180,192)	1,273,652	309,389,143	207,628,097
Net Changes in Fund Balances	59,019,145	(54,070,739)	9,197,867	(21,451,839)	(7,305,566)
Fund Balances June 30, 2009	54,386,760	65,432,403	(14,762,939)	213,855,400	318,911,624
Fund Balances June 30, 2010	\$ 113,405,905	\$ 11,361,664	\$ (5,565,072)	\$ 192,403,561	\$ 311,606,058

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental
Funds to the Statement of Activities

For the Year Ended June 30, 2010

Net Changes in Fund Balances - Total Governmental Funds

(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (7,305,566)

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

Net change in deferred revenue adjustments from prior to current year (reported as
deferred revenue in the Balance Sheet-Governmental funds and reported as revenue in
the Statement of Activities.) (37,456,000)

In the Statement of Activities, certain operating expenses - compensated absences
(sick and annual leave) - are measured by the amounts earned during the year to the
Governmental Funds, however, expenditure for these items are measured by the
amounts of financial resources used (essentially, the amounts actually paid). The
increase (decrease) in the compensated absences liabilities for the fiscal year was: 1,149,916

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

Capital outlay	486,543,404	
Depreciation expense	(582,995,958)	
Sale of capital asset and adjustments, net book value	53,850,793	
Excess of depreciation expense over capital outlay		(42,601,761)

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

Bond proceeds	(112,345,000)	
Principal payments	191,405,000	
		79,060,000

Net change in deferred loss on refunding which is recorded as a reduction of long-term
liabilities in the Statement of Net Assets: 3,512,652

NEW MEXICO DEPARTMENT OF TRANSPORTATION

Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental
Funds to the Statement of Activities

Additional bond premiums recorded in the Statement of Activities as an other financing source, recorded as a liability of \$54,224,493 is recorded in the Statement of Net Assets, net of \$5,965,194 of amortization, recorded as a decrease to interest expense in the Statement of Net Assets:

Amortization of bond premium	5,965,194	
Premium of new bonds issued	<u>(8,411,035)</u>	
		(2,445,841)

Current year long-term note payable (tax-exempt line of credit) proceeds of \$80,534,068 reported as other financing sources in the Statement of Revenues, Expenditures and Changes in Fund Balances.

(80,534,068)

Net increase in accrued interest on long-term debt (exclusive of the swaps) recorded in the Statement of Net Assets

(66,309)

Net write-off of unamortized issuance costs and bond premiums related to bonds refunded

518,999

Bond issuance costs recorded as debt issuance costs in the Statement of Revenues, Expenditures and Changes in Fund Balances, recorded as an asset of \$8,391,120 in the Statement of Net Assets, net of amortization of \$892,476 recorded as an expense in the Statement of Activities:

Bond issuance costs reported in governmental funds as debt issuance costs	899,329	
Amortization of issuance cost	<u>(892,476)</u>	
		<u>6,853</u>

Change in Net Assets of Governmental Activities (Statement of Activities)

\$ (86,161,125)

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

As of June 30, 2010

	<u>State Infrastructure Bank</u>
Assets:	
Current Assets:	
Cash equivalents (Note 2):	
Unrestricted	\$ -
Restricted	-
Cash equivalents (Note 2):	
(Investment in state general fund investment pool)	
Unrestricted	-
Restricted	11,993,450
Receivables:	
Due from other funds	2,618,016
Due from other state agencies	1,768
Interest receivable	249,177
Notes and loans receivable (Note 5)	6,291,109
Total Current Assets	<u>21,153,520</u>
Total Assets	<u>\$ 21,153,520</u>
Liabilities:	
Current Liabilities:	
Accounts payable and contracts payable	\$ -
Due to other funds	435,062
Due to other state agencies	-
Due to other governments	209,020
Total Current Liabilities	<u>644,082</u>
Total Liabilities	<u>\$ 644,082</u>
Net Assets:	
Restricted for:	
Loans	\$ 20,509,438
Total Net Assets	<u>\$ 20,509,438</u>
Total Liabilities and Net Assets	<u>\$ 21,153,520</u>

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Activities-Proprietary Fund

For the Year Ended June 30, 2010

	<u>State Infrastructure Bank</u>
Nonoperating Revenues (Expenses):	
Interest income	\$ 43,133
Expense	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>43,133</u>
Change in Net Assets/Operating Income	43,133
Net Assets, Beginning of Fiscal Year	<u>20,466,305</u>
Net Assets, End of Fiscal Year	<u>\$ 20,509,438</u>

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Cash Flows-Proprietary Fund

For the Year Ended June 30, 2010

	<u>State Infrastructure Bank</u>
Cash flows provided from operating activities:	\$ (2,351,855)
Cash flows from financing activities:	
Loans issued	-
Loans repaid	5,886,745
Net increase in cash and cash equivalents	<u>3,534,890</u>
Cash and cash equivalents at June 30, 2009	<u>8,458,560</u>
Cash and cash equivalents at June 30, 2010	<u><u>\$ 11,993,450</u></u>
Reconciliation of operating income to net cash provided from operating activities:	
Operating income	\$ 43,133
Adjustment to reconcile operating income to net cash by operating activities:	
Decrease in interest receivable	197,938
Increase from due from other funds	(1,990,513)
Increase from due from other agency	(317)
Decrease in accounts payable	(573,039)
Decrease in due to other funds	-
Decrease in due to local governments	<u>(29,057)</u>
Cash flows provided by operating activities:	<u><u>\$ (2,351,855)</u></u>

See Independent Auditors' Report and Notes to Financial Statements

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

For the Year Ended June 30, 2010

	DEPARTMENT OF TRANSPORTATION			
	agency wide including enterprise fund excluding multi-year funds			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 608,621,544	\$ 730,839,652	\$ 509,641,844	\$ (221,197,808)
Other state funds, inc. line of credit	576,193,044	534,772,839	513,758,681	(21,014,158)
State general fund	-	-	-	-
Inter-agency transfers	1,381,035	3,881,035	1,777,789	(2,103,246)
Interest revenue	3,340,002	3,340,002	6,242,763	2,902,761
Bond proceeds	-	-	112,345,000	112,345,000
Total Revenues:	1,189,535,625	1,272,833,528	\$ 1,143,766,077	\$ (129,067,451)
 Prior Year Funds Rebudgeted	 139,301,519	 301,568,606		
	\$ 1,328,837,144	\$ 1,574,402,134		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 28,898,444	\$ 27,071,993	\$ 25,007,820	\$ 2,064,173
Contractual services	756,290,480	913,243,597	475,893,150	437,350,447
Other	232,353,220	261,879,092	204,018,555	57,860,537
Transfers (in) out	-	-	1	(1)
Reversions	-	-	-	-
	1,017,542,144	1,202,194,682	704,919,526	497,275,156
 Transportation and Highway Ops:				
Personal services/employee benefits	108,992,000	97,909,438	95,292,729	2,616,709
Contractual services	45,943,900	122,371,096	39,882,489	82,488,607
Other	100,863,900	100,715,418	81,511,988	19,203,430
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	255,799,800	320,995,952	216,687,206	104,308,746
 Business/Program Support				
Personal services/employee benefits	26,986,900	25,282,100	24,620,339	661,761
Contractual services	6,345,200	5,461,811	3,861,865	1,599,946
Other	75,634,379	74,338,868	218,416,525	(144,077,657)
Transfers (in) out	(53,471,279)	(53,471,279)	(60,810,673)	7,339,394
Reversions	-	-	-	-
	55,495,200	51,611,500	186,088,056	(134,476,556)
 Total Annual Budgeted				
Expenditures	\$ 1,328,837,144	\$ 1,574,802,134	\$ 1,107,694,788	\$ 467,107,346

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

See Independent Auditors' Report and Notes to Financial Statements

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

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NOTES TO FINANCIAL STATEMENTS

NATURE OF ORGANIZATION

The New Mexico Department of Transportation (Department), formerly known as the New Mexico State Highway and Transportation Department, within the State of New Mexico is responsible for planning, organizing and directing a comprehensive transportation network. The Department was created by the Constitution of New Mexico, Article V, Section 14; and Sections 67-3-1 through 67-3-70, New Mexico Statutes Annotated, 1978 Compilation. The Highway & Transportation Department Reorganization Bill (House Bill 210) created the Department as of July 1, 1987. Under this reorganization act, portions of the Transportation Department were merged into the Department to create the Department's Aviation and Transportation Divisions. On April 4, 2003, the Governor signed a bill changing the Department's name to the New Mexico Department of Transportation.

The governing body of the Department is a six person State Highway Commission. Commissioners are appointed by the Governor, with the advice and consent of the Senate, and each serves for staggered six-year terms.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The 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.

Financial Reporting Entity

The accompanying financial statements of the Department include all funds and activities over which the Department has oversight responsibility. The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Governor appoints the Commission, the Commission has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. Effective July 1, 2003, GASB 39, *Determining Whether Certain Organizations are Component Units*, expands the criteria of component units. GASB 39 has no impact on the Department and the Department has no blended or discretely presented component units during the year ended June 30, 2010.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Reporting Entity - continued

The Department, the New Mexico Finance Authority (NMFA) and the Federal Highway Administration (FHWA) established a State Infrastructure Bank (SIB) on September 30, 1997. The SIB is a revolving loan program accounted for as a business-type operation - enterprise fund and is administered by the Department to finance highway projects. The initial capitalization for the SIB came from the Highway Department's allotment of federal funds. The Department matched the federal funds based on the required matching percentage from state funds.

Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information of all of the activities, except for fiduciary and component units, of the Department. The effect of material interfund activity has been removed from these government-wide statements. Governmental activities, primarily the construction and maintenance of the State's road system, which normally is supported by taxes and intergovernmental revenues, are reported separately from the business-type activities of the SIB, which to a significant extent acts as a business, loaning funds to other entities and charging interest on the loans. Operating income for the SIB is interest income. All other income, if any, would be non-operating income to the SIB.

Basis of Presentation

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department function of building and maintaining the State's road system (public works). Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a department. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements for public works. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Department does not allocate general government expenses to other functions except for depreciation (in direct) (Note 10).

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, it is generally the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental funds are reported as major funds in the accompanying financial statements if they meet **both** of the following criteria:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation - continued

Ten percent criterion- An individual governmental fund reports at least ten percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.

Five percent criterion- An individual governmental fund reports at least five percent of the total for both governmental and enterprise funds of any of the items for which it met the ten percent criterion.

The Department's major governmental funds are the following:

State Road Fund (Fund #20100). The state road fund was created by Section 67-3-65, NMSA 1978. The state road fund is the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Section 67-3-59 NMSA establishes that this is a non-reverting fund. This is a special revenue fund.

General Fund Appropriations Fund (Fund #10070). The General Fund Appropriations fund was created to separately account for the construction of infrastructure on behalf of other governments in annual legislative appropriations. This is funded through the transfer of funds from the State General Fund. This fund reverts to the State General Fund upon completion of the appropriation project or upon expiration of the appropriation period. This is a special revenue fund.

ARRA Project Fund (Fund #89000). The ARRA Fund was created under the American Recovery and Reinvestment Act of 2009, a federal economic stimulus program. This fund tracks the expenditure and reimbursement of projects which qualify under the terms of the Act. This is a non-reverting fund. This is a special revenue fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Business Type - Proprietary Fund - State Infrastructure Bank (SIB) Financial Statements. The financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

A proprietary fund has the option under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The SIB has elected to not apply FASB pronouncements issued after the applicable date.

Governmental Fund Financial Statements. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

Employees' vested compensated absences are recorded as an expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2010, has been reported only in the government-wide financial statements.

Interest and principal payments on general long-term obligations is recognized as expenditures when paid.

Executory purchase orders and contracts are recorded as a reservation of fund balance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

The financial activities of the Department are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Department uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The measurement focus is on the flow of expendable financial resources, rather than on net income determination. All governmental funds are accounted for using the modified accrual basis of accounting. The funds' revenues are recognized in the period in which they become susceptible to accrual (i.e., when they are both measurable and available to pay liabilities in the current period). "Available" is defined as collectible within the current period or soon enough thereafter, within 60 days after year-end, to be used to pay liabilities of the current period. Intergovernmental revenues, including Federal allotments and grants, are recorded in accordance with their legal or contractual requirements if collected in the current period or if collectability is assured subsequent to year-end. Grant revenues are collected in advance of the period intended to finance expenditures. If the eligibility requirements are not met, they are recorded as deferred revenues.

The following are the governmental fund types used:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The State Road Fund is the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Resources are generated primarily from user and fuel taxes and federal grants. Expenditures are incurred to build and improve the transportation system within the State of New Mexico. These funds do not receive state general fund appropriations that are subject to reversion.

Local Government Road Fund (Fund #20300). The local government road fund was created by Section 67-3-28.2, NMSA 1978. This fund is used to account for monies received for (1) cooperative agreements program for construction and improvement of public highways and streets, and public school parking lots; (2) a municipal arterial program for construction for reconstruction of highways and streets not on the state highway systems; (3) a school bus route program for maintaining, repairing, improving and paving school bus routes, and public school parking lots; and (4) a county arterial program for construction, reconstruction, improvement and maintenance of county roads. Funding is received from state excise taxes. The fund does not receive state general fund appropriations that are subject to reversion.

Federal Planning and Development Fund (Fund #10030). This fund is authorized by the Commission to account for the planning and administration of federal grant monies and state matching funds for mass transportation and railroad improvements. The Highway Safety Act of 1966, as amended, 23 U.S.C. 401 Et. Seq. and 23 U.S.C. 410, authorizes the establishment of this fund. The fund does not receive state general fund appropriations that are subject to reversion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Special Revenue Funds – continued

Traffic Safety Fund (Fund #20800). This fund is authorized by the Commission to account for federal grant monies and state matching monies received for various traffic safety programs. This is a non-reverting fund.

State Aviation Fund (Fund #20500). The State Aviation Fund was created by Section 64-1-15, NMSA 1978. This fund is used to account for planning, construction and maintenance of a system of airports, navigation aids and related facilities serving New Mexico. Financing is provided from all unrefunded taxes collected on the sale of motor fuel sold for use in aircraft. This is a non-reverting fund.

Motorcycle Training Fund (Fund #20600). The motorcycle training fund was created by Section 66-10-10, NMSA 1978. This fund is used to account for the operation of a motorcycle safety training program. Financing is provided from motorcycle registration fees and student training fees. All money in the motorcycle training fund in excess of amounts budgeted revert to the State Road Fund.

Driver Improvement Program Fund (Fund #10020). The driver improvement program fund was created by Executive Order 87-20. This fund is used to account for the operation of a driver improvement program. Financing is provided from fees collected for drivers' manuals and admissions to driver training courses. This is a non-reverting fund.

DWI Prevention and Education Fund (Fund #20700). The DWI prevention and education fund was created by Section 66-5-35, NMSA 1978. This fund is used to account for the operation of a DWI (Driving While Intoxicated) prevention and education program for elementary and secondary school students. Financing is provided from limited license and permit fees. This is a non-reverting fund.

Bond Project Fund (1993 Bonds) (Fund #39400). The bond project fund was created due to the issuance of the December 1993 \$50,000,000 State of New Mexico Highway Debentures. The funds from the sale of all of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations held by the State Treasurer with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Special Revenue Funds – continued

Bond Project Fund (1998 & 1999 CHAT) (Fund #43000). The bond project fund was created due to the issuance of the October 1998 \$105,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1998A and the \$100,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1999 issued in November 1999. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Also, proceeds can be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (2000 CHAT) (Fund #34500). The bond project fund was created due to the issuance of the May 2000 \$201,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2000A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (2001 CHAT) (Fund #00600). The bond project fund was created due to the issuance of the March 2001 \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (2002A CHAT) (Fund #36800). The bond project fund was created due to the issuance of the January 2002 \$95,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002A. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Special Revenue Funds – continued

Bond Project Fund (2002C HIF) (Fund #36100). The bond project fund was created due to the issuance of the May 2002 \$67,750,000 New Mexico State Highway Commission Infrastructure Fund Revenue Highway Bonds Series 2002C. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund (2002D CHAT) (Fund #11500). The bond project fund was created due to the issuance of the December 2002 \$16,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002D. The funds from the sale of the Debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund 2004A GRIP (Fund #20400). The bond project fund was created when \$700,000,000 New Mexico State Transportation Senior Lien Revenue Bonds Series 2004A were issued through the New Mexico Finance Authority in May 2004. The funds from the sale of the Debentures were required to be deposited in a special account with NMFA. Unspent proceeds are on deposit with the NMFA and recorded as restricted cash. The funds are used to finance transportation projects, pay expenses incurred to issue the Debentures and payments of rebate, penalty, interest and other obligations relating to the Debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversions.

Bond Project Fund 2006A (Fund #10210). The bond project fund was created due to the issuance of the September 2006 \$150,000,000 Revenue Bond Series 2006A. The 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has deemed necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund 2006B (Fund #10230). The bond project fund was created due to the issuance of the September 2006 \$40,085,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Special Revenue Funds – continued

Bond Project Fund 2006C (Fund #10250). The bond project fund was created due to the issuance of the September 2006 \$220,000,000 of State Transportation, Series 2006C Revenue Bonds. The series 2006C Bonds were issued as adjustable rate securities and were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion.

Bond Project Fund 2006D (Fund #10270). The bond project fund was created due to the issuance of the September 2006 \$50,400,000 of State Transportation, Series 2006D Revenue Bonds. The series 2006D Bonds were issued to provide funds for an escrow account required to be maintained by the Department pursuant to a Joint Use Agreement between the Department and the BNSF Contingent Liability Fund. The fund does not receive state general fund appropriations that are subject to reversion.

LOC Project Fund (Fund #10450). The project fund was created by the engagement of \$200,000,000 Line of Credit June 2008. The Line of Credit was engaged in with an adjustable rate and to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion.

Severance Tax Bond Appropriations Fund (Fund #10060). The Severance Tax Bond fund was created to separately account for the construction of infrastructure on behalf of other governments in annual legislative appropriations. This is funded through the sale of Severance Tax Bonds and is distributed through the Board of Finance of the Department of Finance and Administration. This fund reverts upon completion of the appropriation project or upon expiration of the appropriation period. Appropriations are received on a reimbursement basis as expenditures occur; therefore only budgetary reversions are made when applicable. This is a capital projects fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

Debt Service - WIPP Bonds (Fund #97200). The fund was created when the \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bond Series 1998B were issued in October 1998.

Debt Service - 1998 CHAT Bonds (Fund #54800). The fund was created when the \$105,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1998A were issued in October 1998.

Debt Service - 1999A CHAT Bonds (Fund #43400). The fund was created when the \$100,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1999 were issued in November 1999.

Debt Service - 2000 CHAT Bonds (Fund #43200). The fund was created when the \$201,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2000A were issued in May 2001.

Debt Service - 2001 CHAT Bonds (Fund #00700). The fund was created when the \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001A were issued in March 2001.

Debt Service - 2002A CHAT Bonds (Fund #54700). The fund was created when the \$95,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002A were issued in January 2002.

Debt Service - 2002B WIPP Bonds (Fund #75000). The fund was created when the \$79,920,000 New Mexico State Highway Commission Lien Tax Revenue Bonds Series 2002B were issued in January 2002.

Debt Service - 2002C HIF Bonds (Fund #36300). The fund was created when the \$67,750,000 New Mexico State Highway Commission Infrastructure Fund Revenue Bonds Series 2002C were issued in May 2002.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Debt Service Funds - continued

Debt Service - 2002D CHAT Bonds (Fund #18700). The fund was created when the \$16,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002D were issued in December 2002.

Debt Service Fund - 2004A GRIP (Fund #10080). The fund was created when the \$700,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bond Series 2004A were issued through the New Mexico Finance Authority in 2004.

Debt Service Fund - 2004B/C GRIP (Fund #10090). The fund was created when the \$237,950,000 and \$200,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bonds Series 2004B and Series 2004C were issued through the New Mexico Finance Authority in May 2004. The 2004C Revenue Bond was refunded in 2008 by the 2008A and 2008C Refunding Revenue Bonds.

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

Debt Service Fund - 2006B (Fund #10240). The fund was created when the \$40,085,000 New Mexico State Highway Commission Revenue Bonds Series 2006B were issued in September 2006.

Debt Service Fund - 2006C (Fund #10260). The fund was created when the \$220,000,000 New Mexico State Highway Commission Revenue Bonds Series 2006C were issued in September 2006. This series was refunded by the 2008C Refunding Revenue Bonds.

Debt Service Fund - 2006D (Fund #10280). The fund was created when the \$50,400,000 New Mexico State Highway Commission Revenue Bonds Series 2006D were issued in September 2006. This series was refunded by the 2008D Refunding Revenue Bonds.

Debt Service Fund - 2008A (Fund #10410). The fund was created when the \$115,200,000 New Mexico State Transportation Commission Revenue Bonds Series 2008A were issued in April 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

Debt Service Fund - 2008B (Fund #10420). The fund was created when the \$220,000,000 New Mexico State Transportation Commission Revenue Bonds Series 2008B were issued in April 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Debt Service Funds - continued

Debt Service Fund – 2008C (Fund #10430). The fund was created when the \$84,800,000 New Mexico State Transportation Commission Revenue Bonds Series 2008C were issued in May 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

Debt Service Fund – 2008D (Fund #10440). The fund was created when the \$50,400,000 New Mexico State Transportation Commission Revenue Bonds Series 2008D were issued in May 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

Debt Service Fund - 2009A (11130). The fund was created when the \$112,345,000 NMFA's State Transportation Senior Lien Refunding Revenue Bonds, Series 2009A were issued in November 2009 to refund portions of series 1998A, 1998B, 2001A, 2002A and 2002C.

Debt Service Fund - 2008 Ex LOC (Fund # 11140). The fund was created in fiscal year 2010 to separate out the costs of the debt from the expenditures for the projects for which the debt was incurred.

Capital Project Improvements Fund (Fund #10050). The Capital Project Improvements Fund is used to account for the purchase or construction of facilities used in the operation of the Department. It is a non-major fund. This fund reverts to the State Road Fund upon completion of the appropriation project or appropriation period. All governmental funds are accounted for using the modified accrual basis of accounting.

Budgets and Budgetary Accounting

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, item N, "For the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses, and encumbrances can no longer be charged to that budget.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Budgets and Budgetary Accounting - continued

The legal level of budgetary control is at the appropriation unit level at the entity-wide level, except for multiyear funds.

Interfund and Interagency Transactions

Transfers which, because of budgetary or legal restrictions, must be expended by funds other than the fund initially receiving the revenue, are recorded as operating transfers in (out) under the other financing sources (uses) category (Note 11) in the governmental fund financial statements.

Restricted Cash and Cash Equivalents

The funds deposited in the debt service funds are restricted to pay future principal and interest payments due under the \$50,000,000 Series 1993 Highway Bonds, the \$105,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 1998A (CHAT Bonds), the \$100,000,000 Subordinate Lien Tax Revenue Highway Bonds, Series 1998B (WIPP Bonds), the \$100,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 1999 (CHAT Bonds), the \$201,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2000A (CHAT Bonds), the \$198,800,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2001A (CHAT Bonds), the \$95,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002A (CHAT Bonds), the \$79,920,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002B (WIPP Bonds), the \$67,750,000 Highway Infrastructure Fund Revenue Highway Bonds, Series 2002C (HIF Bonds), and the \$16,000,000 Senior Subordinate Tax Revenue Highway Bonds, Series 2002D (CHAT Bonds), the \$700,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2004A (GRIP Bonds), the \$237,950,000 Subordinate Lien Tax Revenue Highway Bonds, Series 2004B (GRIP Bonds), the \$150,000,000 Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2006A (GRIP Bonds), the \$40,085,000 Subordinate Lien Tax Revenue Highway Bonds, Series 2006B (GRIP Bonds), the \$115,200,000 Subordinate Lien Tax Refunding Bonds, Series 2008A (GRIP Bonds), the \$220,000,000 Subordinate Lien Tax Refunding Bonds, Series 2008B (GRIP Bonds), the \$84,800,000 Subordinate Lien Tax Refunding Bonds, Series 2008C (GRIP Bonds), the \$50,400,000 Subordinate Lien Tax Refunding Bonds, Series 2008D (GRIP Bonds). The \$200,000,000 2008 Tax-Exempt Line of Credit, and the \$112,345,000 NMFA State Transportation Senior Lien Refunding Revenue Bonds, Series 2009A. The remaining balance of the proceeds from the sale of the debentures, bonds and the NMFA loan are also classified as restricted cash because of the limited use of these funds. Proceeds of the various bond issues are also invested through the State Treasurer's Office in securities repurchase agreements with financial institutions and a money market mutual fund that invests in U.S. Treasury securities. Cash received from the Department of Energy (for the WIPP Project fund) in advance of incurring the eligible expenditures is also reflected as restricted cash because the cash can only be used on specified road projects. Cash held in the State Infrastructure Bank is restricted for use in funding loans (Note 2).

Cash and cash equivalents, for the purpose of the cash flows, has interest in the State General Fund Investment Pool of the State Treasurer's Office.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Taxes Receivable

Taxes receivable represent the amounts due from the New Mexico Taxation and Revenue Department for the Department's June 30 fiscal year user and fuel taxes that are received by the Department after year-end. Accordingly, no allowance for uncollectible amounts is necessary. The revenue related to taxes is recorded when the underlying transaction occurs.

Accounts Receivable

Accounts receivable consists of amounts due from various entities: individuals and other state and local agencies located within the State of New Mexico for the sale of maps, brochures and other materials; federal excise taxes; and for other services performed by the Department. The Department provides an allowance for uncollectible accounts. The allowance is based on estimated collectible balances using an analysis of an aging of outstanding accounts and historical collection experience. The Department does not require collateral on these accounts receivable (Note 3).

Severance Tax Bonds Proceeds Receivable

The State of New Mexico Legislature has authorized the State Board of Finance to issue and sell revenue bonds that are to be retired using future taxes levied against the extractive industries in the state. The proceeds from bonds sold are appropriated to the Department to be used for specific programs. Expenditures incurred by the Department for such programs are reimbursable from the State Board of Finance. The severance tax bonds proceeds receivable represents expenditures incurred by the Department, but not yet reimbursed by the Board of Finance (Note 4).

Notes and Loans Receivable

Notes receivable represent:

Funds advanced to various state and local agencies to promote van-pooling activities within the state. The Federal Highway Administration (FHWA) provides matching funds (90%) for the purchase of vehicles by various not-for-profit van pooling organizations.

The funds advanced to such organizations are payable to the Department and are designated for future vehicle purchases.

Notes issued to individuals displaced by purchases of right of way properties. The funds loaned to such individuals are provided in part by FHWA funds per FHWA guidelines.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Loans receivable represent:

Loans to other governmental entities made by the State Infrastructure Bank. Loans are stated at their principal amount. Interest on loans is accrued based on the daily principal balance outstanding, except when a loan has been past due for 90 days. All loans are to governmental entities and secured by certain pledged revenues. The loans are being repaid in accordance with their loan agreements. Management's evaluation of the loan portfolio has determined that no allowance for uncollectible loans is required at June 30, 2010. There are no loans past due for more than 90 days as of the end of the fiscal year which require placement on non-accrual status (Note 5).

Due From the U.S. Department of Transportation

Due from the U.S. Department of Transportation represents amounts billed and unbilled in accordance with the various grant agreements. The "billed" portion represents contract expenditures incurred and billed by the Department. The "unbilled" portion represents expenditures included in accounts payable that will be billed when paid by the Department. The "excess project costs" represents costs actually incurred on a project in excess of approved amounts. The Department provides for an allowance for uncollectible accounts in excess of project costs classification. The allowance is based on an analysis of amounts that are reasonably assured of collection (Note 6).

Due From/To Other Funds

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

Due to State Treasurer's Office

The amount of negative cash balances are reported in the Due to State Treasurer's Office by fund.

Due to State General Fund (Reversions)

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the percentage of reverting fund (to total budget for the category) to the amount unexpended for the category at fiscal year-end.

Inventory

Inventory is valued at cost using the first-in, first-out method. Special Revenue Fund inventory consists of materials used in the Department's operations.

The inventory costs are recorded as expenditures when consumed rather than when purchased. Reported inventories are equally offset by the fund balance reserve, which indicates that it does not constitute "available spendable resources" (Note 9) even though they are a component of current assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Prepaid Expense - Warranty

The warranty represents the no-fault portion of 3 categories of costs that will meet performance criteria: The pavement, which originally cost \$36,100,000, is being amortized over 20 years. At the end of fiscal year 2010 the unamortized value was \$25,270,000. The structures, which originally cost \$15,916,345 is being amortized over 11 1/2 years. At the end of fiscal year 2010 the unamortized value was \$7,612,165. The remaining amount, which originally cost \$13,564,126, is fully amortized and has no net book value after fiscal year ending June 30, 2006 when it became fully amortized.

Property Held for Resale

Property held for resale represents excess land acquired through condemnation and is recorded at its estimated fair value. The Department's management estimated the fair value based upon original cost plus inflation using the Consumer Price Index (CPI). Reported property held for resale is equally offset by the fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of assets.

Capital Assets

Capital assets, which include property, plant, equipment, software in the equipment category, and infrastructure assets (which is normally immovable and of value only to the state, such as roads, streets, tunnels and similar infrastructure items), are reported in the governmental activities columns in the government-wide financial statements. The Department has no internally developed software that requires capitalization. As a result of House Bill 1074, effective date June 17, 2005, and Section 12-6-10 NMSA 1978 the State's capitalization policy threshold was changed from \$1,000 to \$5,000, requiring agencies to capitalize acquisitions greater than \$5,000. Assets purchased prior to June 17, 2005 were not removed and will continue to be depreciated. Purchased and constructed capital assets are valued at historical or estimated historical cost. The Department has not capitalized any construction period interest expense. Donated capital assets are recorded at their estimated fair value at the date of donation.

The Department records as capital assets the specific roads, tunnels and other infrastructure it owns or over which it has primary responsibility for maintenance. According to GASB, if the Department has the primary responsibility for the asset's maintenance, then the capital asset would be recorded on its books.

An estimated historical cost of the entire infrastructure on the Department's government-wide financial statements was determined as of June 2001. The Department calculated the replacement cost as of June 30, 2001 for its entire infrastructure and then deflated the cost by use of a construction price level index maintained by the Federal Highway Administration. Accumulated depreciation at June 30, 2001 was calculated based on the estimated historical cost of the infrastructure, estimated use of the assets and using a 25 to 30-year life of the infrastructure. Current year activity is shown in Note 10 to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - continued

The Department follows the depreciation method to record infrastructure assets. This method requires the Department to allocate the cost of infrastructure assets over their useful lives as depreciation expense. Another allowable methodology is to use the modified approach to record infrastructure. Under this process, the Department does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. If this method was used, it would require the Department to: 1) commit to maintaining and preserving the assets at or above a condition level established by the Department, 2) maintain an inventory of the assets and perform periodic assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. The Department elected to use the depreciation method as it determined it could not meet the condition to maintain the infrastructure at a predetermined condition level due to an anticipated lack of future funding for maintenance. All major infrastructure has been recorded.

The Department records its other capital assets (buildings and machinery and equipment) at historical cost and depreciates the assets over their estimated useful lives. Capital assets acquired in the current year in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Department are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and right-of-way land. Generally, estimated useful lives are as follows:

Machinery and Equipment	7 - 14 years
Buildings and Other Improvements	40 years
Infrastructure	25 - 30 years

Deferred Revenue

Deferred revenue occurs when the Department receives funds before the corresponding expense or expenditure has been incurred, or all of the eligibility requirements have been met. The Department has received funds in advance of work done from the Department of Energy (DOE) for road projects and other costs relating to the Waste Isolation Pilot Plant (WIPP). Revenue is recognized when eligible expenditures are incurred for these projects and programs and all eligibility requirements are met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Compensated Absences

The Department accounts for the accumulated vacation and sick leave on the accrual basis in accordance with GASB 16. Accrued vacation up to 240 hours is recorded in the Statement of Net Assets at 100% of the employee's hourly wage. In addition, accrued sick leave over 600 up to 720 hours less the amount classified as current is recorded in the Statement of Net Assets at 50% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour. The accrual for compensated absences is calculated at pay rates in effect at June 30, 2010, and includes direct and incremental salary related payments, such as the employees' share of social security taxes.

Long-Term Obligations

Premiums, Discounts and Issuance Costs - In the government-wide financial statements, long-term debt and other long-term obligations are presented in the column for governmental and business-type activities. The same is presented in the proprietary fund financial statements. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized straight line over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and also amortized straight line over the term of the related debt.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

Arbitrage Rebate Liability - Any arbitrage rebate is recorded as a liability when it is determined to be owed to the Internal Revenue Service.

Net Assets

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investments in Capital Assets - is intended to reflect the portion of net assets which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Assets - continued

Restricted Assets - are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or granting agency) limitation on their use. When there is an option, the Department spends restricted resources first.

Unrestricted Assets - are all other net assets that do not meet the definition of "restricted assets" or "investments in capital assets".

Encumbrances

With the Laws of 2004, Chapter 114, "General Appropriations" establishing the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico, there are no encumbrances outstanding at year-end with the exception of the Capital Projects Fund. Encumbrances outstanding in this fund at year-end are reported as reservations of fund balance on the balance sheets (in the fund financial statement) and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

It is necessary to include the budgetary basis consistent with the Department's legally adopted budget as presented in the required supplementary information. Unused and excess encumbrances are adjusted in the year it is determined the funds will not be spent.

Reservations

Reservations of fund balance are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Inventory - This reserve was created to represent the portion of fund balance that is not available for expenditures because the Department expects to use the resources within the next budgetary period.

Property Held for Resale - This reserve was created to represent the portion of fund balance that is not available for expenditures because the Department holds them in other assets.

Prepaid Expenses - This reserve was created to represent disbursements made that cannot be reported as expenditures in the current period for GAAP purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Designated Fund Balance

The Department established a designation for assets held in fund balances representing items that have not yet been utilized for their established purposes. Specific designations of fund balance accounts are summarized below:

Special Revenue Funds - This designation was created to represent fund balances for projects or special appropriations that have not been started in the governmental fund financial statements.

Capital Project Funds - This designation was created to represent fund balances for projects or special appropriations that have not been started in the governmental fund financial statements.

Debt Service Funds - This designation was created to represent fund balances for the use in satisfying future debt payments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Eliminations

Total columns in the governmental fund financial statements are captioned "Total (Governmental Funds)" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operation or changes in financial position of the Department as a whole in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation in the governmental fund financial statements. Due from/to other funds and interfund transfers have been eliminated in the government-wide financial statements.

2. CASH AND CASH EQUIVALENTS

The Department has two types of cash equivalents--those that are deposited with the State Treasurer's Office and those that are held with trustees that are managed by NMFA.

Cash equivalents on deposit with State Treasurer's Office:

Cash funds, other than petty cash, which are deposited by the Department into its accounts with the State Treasurer, are pooled and invested by the State Treasurer. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Money of the Department may be deposited with the State Treasurer for a short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico, or any political subdivision of the State and other investments allowed by state law. Petty cash funds are deposited with various financial institutions and are fully insured. Some of the cash held by the trustee for the NMFA loan proceeds is also invested in a money market mutual fund that invests in short-term U.S. Treasury securities.

Credit Risk. The LGIP, a government investment pool, is rated AAAM by Standard & Poor's. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

Concentration of Credit Risk. GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk.

Interest rate risk. According to GASB Statement No.40, an acceptable method for reporting interest rate risk is weighted average maturity ("WAM"). The State Treasurer's Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at www.stonm.org. As of June 30, 2010, the LGIP WAM is 50 days.

The reconciled balances at June 30, 2010, are as follows:

	SHARE Account Number	Amount (+)	Amount (-)
Cash:			
Unrestricted	20100	\$ 2,600	
Balance Sheet - Governmental Funds Cash, Unrestricted and Statement of Net Assets Cash, Unrestricted		\$ 2,600	

2. CASH AND CASH EQUIVALENTS (continued)

	SHARE Account Number	Amount (+)	Amount (-)
Restricted:			
State Road Fund	10040/10140/10150/20100/20200/ 43100/78800/78900/82000	\$ 65,032	
Balance Sheet - Governmental Funds Cash, Restricted and Statement of Net Assets Cash, Restricted		<u>\$ 65,032</u>	
Cash Equivalents:			
Unrestricted.			
Traffic Safety Fund	10010, 20800, 82600	\$ 5,870,708	\$ 121,653
Driver Improvement Program	10020	331,640	-
Federal Planning and Development	10030	-	3,721,465
State Road Fund	10040/10140/10150/20100/20200/ 43100/78800/78900/82000	51,406,239	47,191,814
Local Government Road Fund	20300	16,390,798	-
State Aviation Fund	20500	7,009,303	-
Motorcycle Training Fund	20600	294,977	-
DWI Prevention and Education	20700	<u>1,557,507</u>	-
Balance Sheet - Governmental Funds Cash Equivalents, Unrestricted and Statement of Net Assets Cash Equivalents, Unrestricted		<u>\$ 82,861,172</u>	
Cash Equivalents:			
Restricted:			
2001A CHAT Project Fund	600	\$ 4,794,831	-
2001A CHAT Debt Service	700	233,268	-
State Road Fund	10040/10140/10150/20100/20200/ 43100/78800/78900/82000	35,810,647	-
Capital Projects Fund	10050	278,627	-
STB Capital Improvement Projects	10060	-	3,607,609
General Fund Appropriations	10070	19,106,294	-
2006A GRIP Bond Project Fund	10210	-	844,034
2006C GRIP Project Fund	10250	47,777	-
GRIP LOC Project Fund	10450	4,010,570	-
2002D CHAT Bond Project Fund	11500	778,300	-
2002D CHAT Debt Service	18700	12,781	-
2004A GRIP Bond Project Fund	20400	-	2,651,762
2002C HIF Bond Project Fund	36100	1,301,188	-
2002C HIF Debt Service Fund	36300	62,093	-
1993 Bond Project Fund	39400	<u>1,591,153</u>	-

2. CASH AND CASH EQUIVALENTS (continued)

	SHARE Account Number	Amount (+)	Amount (-)
1999A CHAT Bond Project Fund	43000	2,113,141	-
2000 CHAT Debt Service	43200	203,637	-
1999 CHAT Debt Service	43400	265,627	-
2002A CHAT Debt Service	54700	83,389	-
1998A CHAT Debt Service	54800	141,277	-
2002B WIPP Debt Service	75000	110,675	-
ARRA Fund	89000	-	10,983,593
1998A WIPP Debt Service	97200	14,478	-
Balance Sheet - Governmental Funds Cash Equivalents, Restricted		70,959,753	
State Infrastructure Bank:			
Restricted Cash Equivalents	89300	11,993,450	
Statement of Net Assets Cash Equivalents, Restricted		\$ 82,953,203	
Balance Sheet-Governmental Funds and Statement of Net Assets Due to State Treasurer's Office		\$ 69,121,930	

State law requires that repurchase agreements be secured by collateral with a market value greater than 102% of the value of the agreement. The securities are held by a third party in the Department's name. The fair value of the repurchase agreement approximates the cost at June 30, 2010.

Cash equivalents managed by New Mexico Finance Authority

Money market funds are managed by New Mexico Finance Authority (fiscal agent) and held by State Treasurer authorized bank accounts at Bank of Albuquerque and Bank of New York as trustees and paying agents for Department. The sources of funds are bond proceeds and other debt service requirements. These funds are invested in short-term money market accounts that invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, the Department will not be able to recover the value of its collateral securities that are in the possession of an outside party. All are fully collateralized and the collateral is held in the Department's name.

Credit Risk. The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government.

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer. The Department is not susceptible to concentration of credit risk.

2. CASH AND CASH EQUIVALENTS (continued)

Interest Rate Risk. Interest rate risk is the risk that interest rate fluctuations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the value of securities held in a collateral portfolio will decline if market interest rates rise. In this event, the financial institution is required to provide additional collateral necessary to comply with New Mexico State Statute. Therefore, funds are not susceptible to interest rate risk as they are all fully collateralized.

	SHARE Account Number	Amount
Cash Equivalents:		
Managed by NMFA:		
2001A CHAT Debt Service	700	\$ 1,650,619
Slate Road Fund	10040/10140/10150/20100/20200/ 43100/78800/78900/82000	11,066
2004A GRIP Debt Service	10080	1,874,391
2004B GRIP Debt Service	10090	46,088,635
2006A GRIP Bond Project Fund	10210	25,296,048
2006A GRIP Debt Service	10220	30,572
2006B GRIP Project Fund	10230	2,414,297
2006B GRIP Debt Service	10240	3,297
2006C GRIP Project Fund	10250	6,652,128
2006D GRIP Project Fund	10270	50,011,079
2008A GRIP Debt Service	10410	1,711,571
2008B GRIP Debt Service	10420	1,480,537
2008C GRIP Debt Service	10430	890,550
2008D GRIP Debt Service	10440	1,227,406
GRIP LOC Project Fund	10450	2,605
2009A Refunding	11130	49,109
LOC Debt Service	11140	23
2002D CHAT Debt Service	18700	41,619
2004A GRIP Bond Project Fund	20400	13,601,093
2002C HIF Debt Service Fund	36300	91,981
2000 CHAT Debt Service	43200	1,183,729
1999 CHAT Debt Service	43400	749,777
2002A CHAT Debt Service	54700	705,362
1998A CHAT Debt Service	54800	86,138
2002B WIPP Debt Service	75000	702,208
1998A WIPP Debt Service	97200	199,155
Balance Sheet - Governmental Funds and Statement of Net Assets Cash Equivalents, Managed by NMFA		<u>\$ 156,754,995</u>

3. ACCOUNTS RECEIVABLE

The aging of accounts receivable as of June 30, 2010 is as follows:

<u>Number of Days Outstanding</u>	
0 - 30	\$ 55,083
31 - 60	7,358,616
61 - 120	2,711,720
Beyond 120	1,851,529
	<u>11,976,948</u>
Allowance for uncollectible accounts	<u>(2,373,082)</u>
	<u><u>\$ 9,603,866</u></u>

4. SEVERANCE TAX BOND PROCEEDS RECEIVABLE

Severance tax bonds proceeds available as of June 30, 2010, appropriated to the Department, were held by the State Board of Finance to reimburse future expenditures incurred by the Department. The activity of this account is as follows:

Balance, beginning of year	\$ 148,024,380
Sale and reauthorization of severance tax bonds	97,776,242
Funding from the State Board of Finance	(3,590,317)
Reversion to the State Board of Finance	<u>(56,286,183)</u>
Balance, end of year	<u><u>\$ 185,924,122</u></u>

The funding for the year ended June 30, 2010 was received under the Laws of 1999, Chapter 2; Laws of 2000, Chapter 2 and 23; Laws of 2002, Chapter 110; Laws of 2003, Chapter 429; Laws of 2004, Chapter 126; Laws of 2005, Chapter 347; Laws of 2006, Chapter 111; Laws of 2007, Chapter 42; Laws of 2008 Chapter 9 and 92 ; Laws of 2009, Chapter 5 and 7; and Laws of 2010, Chapter 7, for projects completed.

Receivable at year end (Note 8)	<u><u>\$ 7,626,650</u></u>
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5. NOTES AND LOANS RECEIVABLE

Notes receivable as of June 30, 2010 consist of the following:

A note receivable from a private entity, non-interest bearing, in accordance with federal statutes, collateralized by various property.

\$ 14,497

Loans receivable funded by the SIB consist of the following:

City of Albuquerque, including interest at 1.5%, due during the 2009 federal fiscal year, secured by federal highway revenue.

\$ 641,087

County of Bernalillo, including interest at 1.5%, due during the 2009 federal fiscal year, secured by federal highway revenue.

-

Albuquerque Metropolitan Arroyo Flood Control Authority (AMAFCA), including interest at 1.5%, due during the 2009 federal fiscal year, secured by federal highway revenue

5,650,022

\$ 6,291,109

6. DUE FROM U.S. DEPARTMENT OF TRANSPORTATION

Due from U.S. Department of Transportation (USDOT) consists of the following at June 30, 2010:

Agency

Federal Highway Administration	\$ 33,374,733
Less allowance for uncollectible amounts	<u>-</u>
Total Federal Highway Administration	33,374,733
Other USDOT Agencies	<u>30,976,315</u>
Total USDOT	<u><u>\$ 64,351,048</u></u>

Subsequent to June 30, 2008, portions of the Federal Highway Administration unbilled portion of \$46,788,820 was billed and the amounts were collected by the Department. Management determined that the balance relating to payroll expenditures outstanding at year end and during 2009 was not collectible and, therefore, an allowance was established in June 30, 2008 and June 30, 2009. During the 2010 fiscal year, the Department obtained permission to bill prior years payroll on a case by case basis. Consequently, management has determined that an additional allowance will not be necessary, since it is currently determined to be reasonably collectible.

7. DUE FROM AND DUE TO OTHER FUNDS

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

- 1) The State Road Fund pays expenditures on behalf of other funds.
- 2) Grant and other funds are recorded in the State Road Fund and then transferred to the appropriate funds.

Interfund receivables and payables as of June 30, 2010 consist of the following:

	Fund Number	Due From Other Funds	Due to Other Funds	Net (Sub-totals only)
Special Revenue Funds:				
Bond Project Fund - CHAT 2001A	00600	\$ -	\$ 87,120	
Traffic Safety Fund	10010, 20800, 82600	672,246	2,208,886	
Driver Improvement Program Fund	10020	69,920	-	
Federal Planning and Development	10030	142,010	-	
Gen. Fund Multiyear Capital Project	10070	427,301	384,268	
Bond Project Fund - GRIP 2006A	10210	230,271	870,000	
Bond Project Fund - CHAT 2002D	11500	-	142,904	
State Road Fund	10040/10140/10150/20100/20200/ 43100/78800/78900/82000	82,259,422	90,263,386	
Local Government Road Fund	20300	32,803	-	
Bond Project Fund - GRIP 2004A	20400	670,000	419,757	
State Aviation Fund	20500	1,241,327	1,565,765	
Motorcycle Training	20600	-	189,007	
DWI Prevention & Education Fund	20700	48,769	7,066	
ARRA Project Fund	89000	429,532	1,164,565	
Total Special Revenue Funds		86,223,601	97,302,724	(11,079,123)
Debt Service Funds:				
Debt Service Funds - 2006A GRIP	10220	1,437,084	-	
Debt Service Funds - 2008A GRIP	10410	1,155,560	2,269,036	
Debt Service Funds - 2008B GRIP	10420	148,890	-	
Debt Service Funds - 2008C GRIP	10430	593,175	1,065,673	
Total Debt Service Funds		3,334,709	3,334,709	-

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Financial Statements

7. DUE FROM AND DUE TO OTHER FUNDS - continued

	Fund Number	Due From Other Funds	Due to Other Funds	Net (Sub-totals only)
Capital Projects Funds:				
Capital Projects (CIP) Fund	10050	9,297,386	-	
STB Appropriations	10060	-	401,217	
Total Capital Projects Funds		9,297,386	401,217	8,896,169
Enterprise Funds:				
State Infrastructure Fund	89300	2,618,016	435,062	
Total Enterprise Funds		2,618,016	435,062	2,182,954
Total interfund receivables and payables		\$ 101,473,712	\$ 101,473,712	\$ -
Summary				
Total Special Revenue Funds - net				\$ (11,079,123)
Total Debt Service Funds - net				-
Total Capital Projects Funds - net				8,896,169
Total Governmental - net				(2,182,954)
Total Enterprise Funds - net				2,182,954
Total all funds				\$ -

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Financial Statements

8. DUE FROM OTHER AGENCIES

Fund	Description	Sub-total	Total	Due From
20100	Fees which should have been transferred	\$ 405,763		Public Regulation Commission
89000	ARRA reimbursement due	36,149		ENMR
10070	General Fund Reauthorizations	160,000		State General Fund
	Total reauthorizations due		601,912	
00600	Interest accrued from Local Gov't Investment Pool	707		State Treasurer's Office
00700	Interest accrued from Local Gov't Investment Pool	34		State Treasurer's Office
11500	Interest accrued from Local Gov't Investment Pool	115		State Treasurer's Office
18700	Interest accrued from Local Gov't Investment Pool	2		State Treasurer's Office
20100	Interest accrued from Local Gov't Investment Pool	5,611		State Treasurer's Office
20200	Interest accrued from Local Gov't Investment Pool	2,055		State Treasurer's Office
20300	Interest accrued from Local Gov't Investment Pool	2,468		State Treasurer's Office
20500	Interest accrued from Local Gov't Investment Pool	1,054		State Treasurer's Office
20600	Interest accrued from Local Gov't Investment Pool	41		State Treasurer's Office
20800	Interest accrued from Local Gov't Investment Pool	323		State Treasurer's Office
36100	Interest accrued from Local Gov't Investment Pool	192		State Treasurer's Office
36300	Interest accrued from Local Gov't Investment Pool	9		State Treasurer's Office
39400	Interest accrued from Local Gov't Investment Pool	235		State Treasurer's Office
43000	Interest accrued from Local Gov't Investment Pool	312		State Treasurer's Office
43100	Interest accrued from Local Gov't Investment Pool	3,179		State Treasurer's Office
43200	Interest accrued from Local Gov't Investment Pool	30		State Treasurer's Office
43400	Interest accrued from Local Gov't Investment Pool	39		State Treasurer's Office
54700	Interest accrued from Local Gov't Investment Pool	12		State Treasurer's Office
54800	Interest accrued from Local Gov't Investment Pool	21		State Treasurer's Office
75000	Interest accrued from Local Gov't Investment Pool	16		State Treasurer's Office
97200	Interest accrued from Local Gov't Investment Pool	2		State Treasurer's Office
	Total accrued interest due		16,457	
10060	Reimbursement due from Board of Finance		7,626,650	DFA Board of Finance
	Total Due from other agencies—government funds only		8,245,019	
SIB	Interest accrued from Local Gov't Investment Pool		1,768	
	Total Due from other agencies—government wide only		<u>\$ 8,246,787</u>	

9. INVENTORY

Inventory as of June 30, 2010 consists of the following:

Highway maintenance materials stockpiled	\$ 6,805,733
Repair Parts and expendable supplies	5,652,744
Fuel, oil and lubricants	739,521
	<u>\$ 13,197,998</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Financial Statements

10. CAPITAL ASSETS

A summary of changes in capital assets for fiscal year ended June 30, 2010 follows:

	Beginning Balance June 30, 2009	Additions	Adjustments & Transfers	Retirements
Non-depreciable assets:				
Construction in Progress	\$ 19,637,755	\$ 477,136,538	\$ 15,644,519	\$ -
Rail System Infrastructure -				
Right of Way	77,252,100	-	-	-
Land	5,076,633	-	182,273	(53,531)
Right of Way	386,516,665	-	-	(2,000)
Total non-depreciable assets	488,483,153	477,136,538	15,826,792	(55,531)
Depreciable assets:				
Infrastructure	14,957,282,574	-	-	(459,777,520)
Vehicles	187,263,628	8,248,240	45,400	(3,450,043)
Rail System Infrastructure	311,121,088	-	36,258,645	-
Buildings	42,006,106	-	2,040,803	(16,556)
Equipment and furniture	30,039,203	1,158,627	1,467,730	(3,490,568)
Library	102,614	-	-	-
Total depreciable assets	15,527,815,213	9,406,867	39,812,578	(466,734,687)
Total Assets	16,016,298,366	486,543,405	55,639,370	(466,790,218)
Less Accumulated Depreciation:				
Infrastructure	(8,654,101,299)	(556,015,121)	-	459,777,520
Vehicles	(127,771,627)	(10,166,713)	(812,183)	3,395,699
Rail System Infrastructure	(17,887,565)	(14,341,850)	-	-
Buildings	(24,624,374)	(768,632)	(235,089)	16,556
Equipment and furniture	(23,663,937)	(1,703,642)	(543,189)	3,402,327
Library	(102,614)	-	-	-
Total Accumulated Depreciation	(8,848,151,416)	(582,995,958)	(1,590,461)	466,592,102
Net Total	\$ 7,168,146,950	\$ (96,452,553)	\$ 54,048,909	\$ (198,116)

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

Depreciation:

Programs and Infrastructure	\$ 556,015,121
Transportation and highway operations	14,341,850
Program support	12,638,987
	<u>582,995,958</u>

Amortization

Total depreciation and amortization	<u>\$ 588,860,211</u>
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10. CAPITAL ASSETS (continued)

CIP Reclassifications	Ending Balance June 30, 2010
\$ (446,465,075)	\$ 65,953,737
-	-
-	77,252,100
-	5,205,375
10,311,035	396,825,700
(436,154,040)	545,236,912
424,966,760	14,922,471,814
-	192,107,225
11,166,500	358,546,233
20,780	44,051,133
-	29,174,992
-	102,614
436,154,040	15,546,454,011
-	16,091,690,923
-	(8,750,338,900)
-	(135,354,824)
-	(32,229,415)
-	(25,611,539)
-	(22,508,441)
-	(102,614)
-	(8,966,145,733)
\$ -	\$ 7,125,545,190

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Financial Statements

11. OPERATING TRANSFERS

	Funds 201/202/431/10140/10150	Fund 89000	Fund 10070	Fund 10060	Fund 82600
	State	ARRA	General Fund	STB	DWI Ignition
	Road Fund	Project Fund	Appropriations	Appropriations	Interlock
(1)	\$ (69,623,664)	\$ -	\$ -	\$ -	\$ -
(2)	-	-	-	-	-
(3)	-	-	-	-	-
(4)	-	-	-	-	-
(5)	-	-	-	-	-
(6)	189,007	-	-	-	-
(7)	(1,674,086)	-	-	-	-
(8)	-	-	-	-	-
(9)	-	-	-	-	-
	(71,108,743)	-	-	-	-
Transfers to other state agencies					
(10)	(6,801,763)	-	-	-	-
(11)	56,000	1,273,652	-	-	-
(12)	-	-	171,068	-	-
(13)	-	-	-	45,101,333	300,000
(14)	-	-	(25,351,260)	-	-
	(6,745,763)	1,273,652	(25,180,192)	45,101,333	300,000
Total	\$ (77,854,506)	\$ 1,273,652	\$ (25,180,192)	\$ 45,101,333	\$ 300,000

- (1) The transfer from the State Road Fund to the above debt service funds are for the debt repayments required by the State of New Mexico Highway Debentures.
- (2) Correction of debt service amounts originally sent to incorrect fund
- (3) Transfers of interest earnings
- (4) Transfers to maximize use of available cash in trustee accounts
- (5) Transfer to move funds from closed fund
- (6) Reversions from 20600 Motorcycle Training Fund
- (7) Capital assets purchased by capital assets fund and not reimbursed by Road fund
- (8) Outstanding debt refunded by 2009A
- (9) Trustee cash used for debt refunded by 2009A
- (10) Transfers made to Department of Public Safety (less reversions)
- (11) Transfers in from Energy, Minerals, and Natural Resources Department
- (12) Appropriations Reauthorized-net transfers in from and out to other agencies
- (13) Annual Transfer in from Department of Finance and Administration
- (14) Reversions to the State General Fund

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Financial Statements

11. OPERATING TRANSFERS - continued

	Fund 10050 Capital Projects Fund	Fund 97200 WIPP 1998 Debt Service Fund	Fund 54800 CHAT 1998 A Debt Service Fund	Fund 00700 CHAT 2001A Debt Service Fund	Fund 54700 CHAT 2002A Debt Service Fund	Fund 36300 CHAT 2002C Debt Service Fund
(1)	\$ -	\$ 9,513,272	\$ 7,533,520	\$ 12,464,298	\$ 9,989,556	\$ 3,169,643
(2)	-	(4,228,121)	(3,348,231)	(1,019,070)	(75)	(72,436)
(3)	-	-	-	-	-	-
(4)	-	-	-	-	-	-
(5)	-	-	-	-	-	-
(6)	-	-	-	-	-	-
(7)	1,674,086	-	-	-	-	-
(8)	-	23,890,000	9,555,000	65,225,000	10,785,000	14,745,000
(9)	-	(5,285,151)	(4,185,289)	(1,422,978)	(247,156)	(330,227)
	<u>1,674,086</u>	<u>23,890,000</u>	<u>9,555,000</u>	<u>75,247,250</u>	<u>20,527,325</u>	<u>17,511,980</u>

	Fund 11130 2009A Refunding Debt Service Fund	Fund 20400 2004A GRIP Bond Project Fund	Fund 10210 2006A GRIP Bond Project Fund	Fund 10230 2006B GRIP Bond Project Fund	Fund 10250 2006C GRIP Bond Project Fund	Fund 10270 2006D GRIP Bond Project Fund
(1)	-	-	-	-	-	-
(2)	8,667,933	-	-	-	-	-
(3)	-	-	-	-	-	(60,972)
(4)	-	-	-	-	-	-
(5)	-	(185,980)	(1,509,810)	(38,058)	89,732	(86,774)
(6)	-	-	-	-	-	-
(7)	-	-	-	-	-	-
(8)	(124,200,000)	-	-	-	-	-
(9)	11,470,801	-	-	-	-	-
	<u>(104,061,266)</u>	<u>(185,980)</u>	<u>(1,509,810)</u>	<u>(38,058)</u>	<u>89,732</u>	<u>(147,746)</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Financial Statements

11. OPERATING TRANSFERS - continued

	Fund 10450 GRIP Bond LOC Project Fund	Fund 34500 CHAT 2000A Bond Project Fund	Fund 00600 CHAT 2001A Bond Project Fund	Fund 36800 CHAT 2002A Bond Project Fund	Fund 43200 CHAT 2000A Debt Service Fund	Fund 75000 WIPP 2002B Debt Service Fund
(1)	-	-	-	-	15,481,300	9,917,250
(2)	-	-	-	-	-	-
(3)	-	-	-	-	-	-
(4)	-	1,886,711	(3,750,864)	1,864,153	-	-
(5)	(23)	-	-	-	-	-
(6)	-	-	-	-	-	-
(7)	-	-	-	-	-	-
(8)	-	-	-	-	-	-
(9)	-	-	-	-	-	-
	(23)	1,886,711	(3,750,864)	1,864,153	15,481,300	9,917,250

	Fund 18700 CHAT 2002D Debt Service Fund	Fund 10090 GRIP 2004B Debt Service Fund	Fund 10220 GRIP 2006A Debt Service Fund	Fund 10280 GRIP 2006D Debt Service Fund	Fund 10410 GRIP 2008A Debt Service Fund	Fund 10430 GRIP 2008C Debt Service Fund
(1)	\$ 1,554,825	\$ -	\$ -	\$ -	\$ -	\$ -
(2)	-	-	-	-	-	-
(3)	-	(2,228,766)	-	-	1,283,769	944,997
(4)	-	-	-	-	-	-
(5)	-	-	1,437,084	94,155	-	185,980
(6)	-	-	-	-	-	-
(7)	-	-	-	-	-	-
(8)	-	-	-	-	-	-
(9)	-	-	-	-	-	-
	1,554,825	(2,228,766)	1,437,084	94,155	1,283,769	1,130,977

- (1) The transfer from the State Road Fund to the above debt service funds are for the debt repayments required by the State of New Mexico Highway Debentures.
- (2) Correction of debt service amounts originally sent to incorrect fund
- (3) Transfers of interest earnings
- (4) Transfers to maximize use of available cash in trustee accounts
- (5) Transfer to move funds from closed fund
- (6) Reversions from 20600 Motorcycle Training Fund
- (7) Capital assets purchased by capital assets fund and not reimbursed by Road fund
- (8) Outstanding debt refunded by 2009A
- (9)

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Financial Statements

11. OPERATING TRANSFERS - continued

	Fund 10440 GRIP 2008D Debt Service Fund	Fund 11140 GRIP LOC Debt Service Fund	Fund 206 Motorcycle Training Fund	Total All Pages Netting Funds Only
(1)	-	-	-	-
(2)	-	-	-	-
(3)	60,972	-	-	-
(4)	-	-	-	-
(5)	13,671	23	-	-
(6)	-	-	(189,007)	-
(7)	-	-	-	-
(8)	-	-	-	-
(9)	-	-	-	-
	<u>\$ 74,643</u>	<u>\$ 23</u>	<u>\$ (189,007)</u>	<u>\$ -</u>

12. DUE TO STATE TREASURER'S OFFICE

Traffic Safety Fund	10010/20800/82600	\$ 121,653
Federal Planning and Development	10030	3,721,465
STB Capital Improvement Projects	10060	3,607,609
2006A GRIP Bond Project Fund	10210	844,034
State Road Fund	10040/10140/10150/20100/20200/ 43100/78800/78900/82000	47,191,814
2004A GRIP Bond Project Fund	20400	2,651,762
ARRA Fund	89000	10,983,593
Total due to State Treasurer's Office		<u>\$ 69,121,930</u>

13. DUE TO OTHER AGENCIES

General Fund Appropriations	10070	Due to Department of Education	\$ 61,400
ARRA Fund	89000	Due to ENMR	5,534
Total due to other agencies			<u>\$ 66,934</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Financial Statements

14. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2010:

Governmental Activities	Balance at June 30, 2009	Increase	Decrease	Ending Balance June 30, 2010	Amounts due within one year
1998 CHAT Bonds	\$ 9,555,000	\$ -	\$ (9,555,000)	\$ -	\$ -
1998 WIPP Bonds	23,890,000	-	(23,890,000)	-	-
2000 CHAT Bonds	14,605,000	-	(14,605,000)	-	-
2001 CHAT Bonds	74,770,000	-	(74,770,000)	-	-
2002A CHAT Bonds	29,225,000	-	(19,535,000)	9,690,000	-
2002B WIPP Bonds	9,445,000	-	(9,445,000)	-	-
2002C HIF Bonds	29,945,000	-	(16,745,000)	13,200,000	-
2002D CHAT Bonds	4,570,000	-	(1,360,000)	3,210,000	-
2004A GRIP Bonds	700,000,000	-	-	700,000,000	-
2004B GRIP Bonds	138,425,000	-	(9,230,000)	129,195,000	36,275,000
2006A GRIP Bonds	150,000,000	-	-	150,000,000	-
2006B GRIP Bonds	32,345,000	-	(2,345,000)	30,000,000	2,100,000
2008A GRIP Bonds	115,200,000	-	-	115,200,000	-
2008B GRIP Bonds	220,000,000	-	-	220,000,000	-
2008C GRIP Bonds	84,800,000	-	-	84,800,000	-
2008D GRIP Bonds	50,400,000	-	-	50,400,000	-
2009A Refunding Bonds	-	112,345,000	(9,925,000)	102,420,000	30,705,000
Gross Debentures	1,687,175,000	112,345,000	(191,405,000)	1,608,115,000	69,080,000
Deferred amount on refunding	(22,704,664)	(4,829,914)	1,317,262	(26,217,316)	(1,720,023)
Net Debentures	1,664,470,336	107,515,086	(190,087,738)	1,581,897,684	67,359,977
Tax-exempt Line of Credit	40,028,625	80,534,067	-	120,562,692	50,000,000
Compensated absences payable	7,557,718	2,776,141	(3,926,057)	6,407,802	6,407,802
Total obligations	1,712,056,679	\$ 190,825,294	\$ (194,013,795)	1,708,868,178	\$ 123,767,779
Less current portion	(81,145,370)			(123,767,779)	
Net long-term obligations	<u>\$ 1,630,911,309</u>			<u>\$ 1,585,100,399</u>	

14. LONG-TERM OBLIGATIONS - continued

The State Road Fund is used to liquidate other long-term liabilities, such as compensated absences and capital leases. The Department is authorized to issue bonds from time to time, payable from the proceeds of the collection of gasoline excise taxes, motor vehicle registration fees, and other fees that are required by law to be paid into the State Road Fund and not otherwise pledged solely to the payment of outstanding bonds and debentures. The total aggregate outstanding bonds issued are in accordance with the authorizing legislation for the bonds and other debt with the approval of the State Board of Finance, which includes Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA) (1978), as amended; and the Supplemental Public Securities Act constituting Sections 6-15-8 through 6-14-11 of the NMSA (1978), as amended.

Series 1998A CHAT:

The Department issued \$105,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 1998A and \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bonds Series 1998B in October 1998. The net proceeds to the Department were \$108,979,050 for the Series 1998A Bonds and \$103,753,450 for the Series 1998B Bonds, including \$3,979,050 and \$3,753,450, respectively, of original bond issue premium. The cost of issuance for the Series 1998A and Series 1998B Bonds was \$773,588 and \$767,380, respectively. The Bonds are special limited obligations of the Department, payable solely by a pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes and vehicle transaction taxes and fees that are required to be paid into the State Road Fund. The Series 1998A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature. The Series 1998B Bonds (1998 WIPP Bonds) were issued by the Department for roads relating to the Waste Isolation Pilot Project (WIPP) in the State of New Mexico.

In November 2009, \$9,555,000, was refunded by the 09A Senior Lien Refunding Revenue Bonds.

Principal of the Series 1998A Bonds (CHAT) was payable on June 15. The interest was payable semi-annually on June 15 and December 15 through the year 2010. Therefore, there are no remaining obligations on the instrument after June 30, 2010.

14. LONG-TERM OBLIGATIONS - continued

Series 1998 WIPP:

On October 2, 1998, the Department borrowed \$100,230,000 from the New Mexico Finance Authority (NMFA). The NMFA had issued \$100,230,000 of NMFA Federal Highway Grant Anticipation Revenue Bonds to fund the loan. The Department's obligation under the loan agreement is to repay the loan from certain federal funds payable to the Department from the Federal Highway Administration. If insufficient federal revenues are received, the Department will use good faith efforts to seek additional revenues that are otherwise not obligated and are legally available to repay the loan. After all loan payments and other payments due on any future obligations secured by these federal funds are made, any remaining federal funds received will be deposited into the State Road Fund.

Eligible federal funds that can be used for debt repayment are not available for approximately two years after the date of the loan. Accordingly, \$8,468,451 of the loan proceeds were recorded to the debt service fund to pay future debt service.

The Department was also responsible for the NMFA issuance costs and must annually pay the NMFA two basis points on the outstanding principal balance every September 1. Total issue costs were \$2,244,426, net of \$1,656,807 of the premium received from the sale of the NMFA bonds.

In November 2009, \$23,890,000, was refunded by the 09A Senior Lien Refunding Revenue Bonds.

14. LONG-TERM OBLIGATIONS - continued

Series 2000A CHAT

The Department issued \$201,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2000A in May 2000. The gross proceeds to the Department were \$206,023,307, including \$5,023,307 of an original issue premium. The cost of issuance including underwriting fees was approximately \$1,392,000. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes and motor vehicle registration fees that are required to be paid into the State Road Fund. The Series 2000 Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds was payable annually each June 15. Interest, with rates ranging from 5.5% to 6.0% per annum, was payable semi-annually on June 15 and December 15 through the year 2010. Therefore, there are no remaining obligations on the instrument after June 30, 2010.

14. LONG-TERM OBLIGATIONS - continued

Series 2001A CHAT

The Department issued \$198,800,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2001A, in November 2001. The gross proceeds to the Department were \$209,050,033, including \$10,250,033 of an original issue premium. The cost of issuance including underwriting fees was approximately \$1,343,586. The bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2001A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

In November 2009, \$65,225,000 was refunded by the 09A Senior Lien Refunding Revenue Bonds.

14. LONG-TERM OBLIGATIONS - continued

On March 14, 2001, the Department borrowed \$18,535,000 from the New Mexico Finance Authority (NMFA). The NMFA had issued \$18,535,000 of NMFA Federal Highway Grant Anticipation Revenue Bonds to fund the loan. The Department's obligation under the loan agreement is to repay the loan from certain federal funds payable to the Department from the Federal Highway Administration. If insufficient federal revenues are received, the Department will use good faith efforts to seek additional revenues that are otherwise not obligated and are legally available to repay the loan. After all loan payments and other payments due on any future obligations secured by these federal funds are made, any remaining federal funds received will be deposited into the State Road Fund.

The Department was also responsible for the NMFA issuance costs and must annually pay the NMFA two basis points on the outstanding principal balance every September 1. Total issue costs were \$467,998 and there was a premium of \$704,443 from the sale of the NMFA bonds.

Principal of the loan was paid in May 2004 with funds provided from the issuance of the Series 2004B and 2004C NMFA State Transportation Refunding Revenue Bonds.

14. LONG-TERM OBLIGATIONS - continued

Series 2002A CHAT

The Department issued \$95,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds Series 2002A in January 2002. The gross proceeds including accrued interest to the Department were \$98,361,534, including \$3,913,043 of an original premium. The cost of issuance including underwriting fees was \$592,819. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees and, to the extent authorized, to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid in the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002A Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

In November 2009, \$10,785,000 was refunded by the 09A Senior Lien Refunding Revenue Bonds.

Principal of the bonds is payable annually each June 15. Interest, with rates ranging from 5.0% to 5.5% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$1,065,900, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002A CHAT:			
2011	\$ -	\$ 532,950	\$ 532,950
2012	9,690,000	532,950	10,222,950
2013	-	-	-
2014	-	-	-
2015	-	-	-
Total	<u>\$ 9,690,000</u>	<u>\$ 1,065,900</u>	<u>\$ 10,755,900</u>

14. LONG-TERM OBLIGATIONS - continued

Series 2002B WIPP

The Department issued \$79,920,000 of the New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bonds, Series 2002B, in January 2002. The gross proceeds including accrued interest to the Department were \$82,007,147 including \$2,670,686 of an original issue premium. The cost of issuance including underwriter fees was \$614,561. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002B Bonds (WIPP Bonds) were issued to provide funds to refund the 1996 WIPP Bonds on the date of delivery of the Bonds, and to pay all costs incident thereto and to the issuance of the Bonds, including, without limitation, costs of issuance.

Principal of the bonds was payable on June 15. Interest at a rate of 5% per annum was payable semi-annually on June 15 and December 15 through the year 2010. Therefore, there are no remaining obligations on the instrument after June 30, 2010.

14. LONG-TERM OBLIGATIONS - continued

Series 2002C HIF

The Department issued \$67,750,000 of the New Mexico State Highway Infrastructure Fund Revenue Highway Bonds (additionally secured by a Senior Subordinate Lien on Certain State Road Fund Revenues), Series 2002C, in May 2002. The gross proceeds including accrued interest to the Department were \$69,809,036 including \$2,499,411 of an original issue premium. The cost of issuance including underwriter fees was \$440,375. The bonds are special limited obligations of the State Highway Commission, payable from and secured by a senior pledge of proceeds of the collection of leased vehicle gross receipts tax revenues and tire recycling fees, in each case that are required by law to be paid into the Highway Infrastructure Fund and interest on such amounts in the Highway Infrastructure Fund. The Bonds are additionally payable from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002C Bonds (HIF Bonds) were issued to funds projects identified by the Department and the Legislature.

In November 2009, \$14,745,000 was refunded by the 09A Senior Lien Refunding Revenue Bonds.

Principal of the Bonds is payable on June 15. Interest, with rates ranging from 3.25% to 5.375% per annum, is payable semi-annually on June 15 and December 15 through the year 2017.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$2,696,258, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002C HIF:			
2011	\$ -	\$ 666,980	\$ 666,980
2012	-	666,980	666,980
2013	5,040,000	666,980	5,706,980
2014	5,295,000	411,740	5,706,740
2015	890,000	134,353	1,024,353
2016-2020	<u>1,975,000</u>	<u>149,225</u>	<u>2,124,225</u>
Total	<u>\$ 13,200,000</u>	<u>\$ 2,696,258</u>	<u>\$ 15,896,258</u>

14. LONG-TERM OBLIGATIONS - continued

Series 2002D CHAT

The Department issued \$16,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002D, in December 2002. The gross proceeds to the Department were \$16,572,740 including \$699,498 of an original issue premium. The cost of issuance including underwriter fees was \$126,758. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002D Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

Principal of the bonds is payable as follows on June 15. Interest, with rates ranging from 3.9% to 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$445,875, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2002D CHAT:			
2011	\$ -	\$ 126,825	\$ 126,825
2012	-	126,825	126,825
2013	1,575,000	126,825	1,701,825
2014	1,635,000	65,400	1,700,400
2015	-	-	-
Total	<u>\$ 3,210,000</u>	<u>\$ 445,875</u>	<u>\$ 3,655,875</u>

14. LONG-TERM OBLIGATIONS - continued

Series 2004A GRIP

The Department issued \$700,000,000 through the New Mexico Finance Authority's (NMFA) State Transportation Revenue Bonds (Senior Lien), Series 2004A, in May 2004. The gross proceeds to the Department were \$738,787,815, including \$43,556,815 of an original issue premium. The cost of issuance including underwriter fees was \$6,368,367. The Bonds are special limited obligations of the Department, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and that the Department has determined to be necessary or desirable.

The Department is responsible for the NMFA issuance costs and must annually pay the NMFA 25 basis points on the outstanding principal balance. Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 3.8% to 5.25% per annum, is payable semi-annually on June 15 and December 15 through the year 2024.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$325,844,131, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2004A GRIP:			
2011	\$ -	\$ 36,216,759	\$ 36,216,759
2012	-	36,216,759	36,216,759
2013	-	36,216,759	36,216,759
2014	19,360,000	36,216,759	55,576,759
2015	61,305,000	35,269,879	96,574,879
2016-2020	384,850,000	123,550,778	508,400,778
2021-2025	234,485,000	22,156,438	256,641,438
Total	\$ 700,000,000	\$ 325,844,131	\$ 1,025,844,131

14. LONG-TERM OBLIGATIONS - continued

Series 2004B GRIP

The Department issued \$237,950,000 and \$200,000,000 of bonds through the New Mexico Finance Authority's (NMFA) State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B and Series 2004C, in May 2004. The gross proceeds to the Department for both issuances were \$451,069,205, including \$16,347,187 of an original issue premium. The cost of issuance including underwriter fees was \$4,228,696. Following is the detail of the Series 2004B and Series 2004C bonds issued.

The \$237,950,000 Series 2004B Bonds are special limited obligations of the Department, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding bonds of the NMFA and the Commission.

Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 2.0% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$15,730,335, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2004B GRIP:			
2011	\$ 36,275,000	\$ 6,421,085	\$ 42,696,085
2012	29,060,000	4,639,050	33,699,050
2013	34,120,000	3,186,800	37,306,800
2014	29,740,000	1,483,400	31,223,400
2015	-	-	-
Total	<u>\$ 129,195,000</u>	<u>\$ 15,730,335</u>	<u>\$ 144,925,335</u>

The Series 2004C Bonds are special limited obligations of the Department payable, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the Highway Infrastructure Fund. The lien on the bonds on such revenues is subordinate to the lien thereon securing other bonds issued concurrently with the 2004C bonds or which may hereafter be used through the NMFA. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding debt.

14. LONG-TERM OBLIGATIONS - continued

Refunding

NMFA, on behalf of the Department, used the 2004B and 2004C Bonds to advance refund certain older debt issues of the Department, and the New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 2001 and New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 1998. The net proceeds of \$408,855,872 plus an additional \$7,285,997 were used to purchase U.S. Governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt is considered to be defeased and the liability for those bonds has been removed from long-term obligations. The bonds outstanding of \$363,490,000 were considered defeased as of June 30, 2007.

The Department is responsible for the issuance costs and must annually pay the 25 basis points on the outstanding principal balance, which will be \$500,000 a year through 2022 and \$339,063 during 2023. Principal of the bonds is payable on June 15, with interest payable semi-annually on June 15 and December 15 through the year 2023. Interest is based on interest rate swap agreements as disclosed below.

Refunding of Variable Rate Bonds

The 2004C, 2006C, and 2006D Series bonds were issued as Auction Rate Securities ("ARS"). ARS are one of the two principal types of securities for which interest rates are reset in a periodic auction process. For each of these Series, the rates were reset in weekly auctions. All of the bonds were insured by certain municipal bond insurance companies. In late 2007 and early 2008, the market for ARS was negatively impacted by a number of factors, the principal event being downgrades of the ratings of certain insurers of ARS. These downgrades and other events caused the weekly auctions of the bonds to "fail", meaning that insufficient bids were received to permit resale of all of the bonds. In the event of a failed auction, no bonds are resold, even though some bids were received. In a failed ARS auction, the existing holders of the bonds must continue to hold their bonds until the next successful auction. The procedures applicable to a failed auction included a provision that the interest rate on the bonds resets to a default rate. In the case of the 2004C bonds, the default rate was one-month LIBOR plus 175 basis points. The default rate for the 2006C and D bonds was 12%.

The deferred amount on the refunding of \$34,637,302, recorded as a reduction of the Department's long-term obligation, is the difference between the reacquisition price (funds required to refund the old debt including call provisions) and the net carrying amount of the old debt including unamortized old bond issuance costs. The deferred amount on the refunding is recorded to the government-wide financial statements and is required to be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

14. LONG-TERM OBLIGATIONS - continued

Refunding of Variable Rate Bonds - continued

In April and May, 2008, NMFA, on behalf of the Department, refunded all of the ARS Series 2004C, 2006C, and 2006D, reissuing the bonds as Variable Rate Demand Notes (VRDN). As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The transaction resulted in a net loss of \$3.5 million. The interest rates for these bonds reset in weekly auctions, as was the case for the ARS. The principal difference between the ARS and the VRDN is that the ARS were credit-enhanced with insurance, while the VRDN are supported by bank letters of credit.

The following bonds were issued:

	<u>Par Value</u>
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A	\$ 115,200,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B	220,000,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C	84,800,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008D (Taxable)	<u>50,400,000</u>
Total	<u>\$ 470,400,000</u>

All of the above refunding bonds were issued at par. The Department provided additional funds totaling \$2,043,624 to pay for the cost of issuance of the bonds.

In October, 2009, NMFA, on behalf of the Department, refunded portions of Series 1998A, 1998B, 2001A, 2002A and 2002C, with the 2009A Senior Lien Refunding Revenue Bond. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Assets. The transaction resulted in a net gain of \$1.3 million from unamortized premiums and issuance costs.

Derivative Instruments

At the time of the 2004 GRIP bond issuance, NMFA, on behalf of the Department, entered into interest rate exchange agreements ("swaps") with respect both to the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately-starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

14. LONG-TERM OBLIGATIONS - continued

Derivative Instruments - continued

In all of the swaps, NMFA, on behalf of the Department, receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has the effect of converting the variable rate bonds to "synthetic fixed-rate" issues.

As in the case of the GRIP bonds, NMFA has entered into the swaps as an agent for the Department. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the 2008A through D series).

Objectives of the Swaps

The objective in entering into the swap agreements was to obtain a lower interest cost for the 2004 bonds than could have been obtained at the time had they been issued as fixed-rate bonds. With respect to the planned 2006, issuance, NMFA believed in 2004 that it would be desirable to "lock in" a synthetic fixed rate of 5% or less for a portion of the bonds anticipated to be issued in 2006.

Significant Terms

2004 Swaps:

Counterparty	Royal Bank of Canada	Goldman Sachs	Deutsche Bank
Notional Amount	\$100,000,000	\$50,000,000	\$50,000,000
Receipt Rate	68 % of 1 month LIBOR	68 % of 1 month LIBOR	68 % of 1 month LIBOR
Payment Rate (Syn- thetic Fixed Rate)	3.934%	3.934%	3.934%
Embedded Option(s)	None	None	None
Effective Date	May 20, 2004	May 20, 2004	May 20, 2004
Termination Date:	June 15, 2024	June 15, 2024	June 15, 2024

14. LONG-TERM OBLIGATIONS - continued

Significant Terms - continued

2006 Forward Starting Swaps:

Counterparty	JP Morgan Chase Bank	UBS AG
Notional Amount	\$110,000,000	\$110,000,000
Receipt Rate	SIFMA Municipal Swap Index	SIFMA Municipal Swap Index
Payment Rate	5.072%	5.072%
Embedded Option(s)	"Knockout" option – Counterparty may cancel if the index remains above 7% for more than 180 days	"Knockout" option – Counterparty may cancel if the index remains above 7% for more than 180 days
Option premium to NMFA	0.34%	0.34%
Net payment rate ("Synthetic Fixed Rate"), equals the payment rate less option premium	4.732%	4.732%
Effective Date	December 15, 2006	December 15, 2006
Termination Date:	December 15, 2026	December 15, 2026

No cash was paid or received at the initiation of any of the above swaps.

Fair Value

The estimated fair value of the swaps at June 30 2010 was as follows:

Counterparty	Notional Value	Fair Value *
Goldman Sachs	\$ 50,000,000	\$ (19,056,437)
Deutsche	50,000,000	(9,528,219)
Royal Bank of Canada	100,000,000	(9,528,219)
JPMorgan Chase Bank	110,000,000	(26,239,302)
UBS AG	110,000,000	(26,239,302)
	<u>\$ 420,000,000</u>	<u>\$ (90,591,479)</u>

14. LONG-TERM OBLIGATIONS - continued

Fair Value - continued

*The Fair Value is the estimated amount that would have been received by or paid by the Department if the agreements had been terminated at June 30, 2010 under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2010. Negative amounts indicate payments that would have been made by the Department to the counterparties.

Fiscal Year 2010 was the initial year for the implementation of GASB 53, which requires the Department to disclose its interest rate swap valuations in the audited financial statements. For the fiscal year ended June 30, 2010 the cumulative changes since inception have been recorded in the Department's accounting records. These swaps have been deemed a hedge, and as such, the total amount entered as a liability was \$90,591,479 with an offsetting entry classified as a deferred cash outflow. In future years only the year to year change in fair market valuation will be recorded.

Associated Debt

Variable Rate Debt*	Par Value	2010 Debt Service		Net Variable Made (Received)	Total Net Interest Paid	Effective Interest Rate
		Principal	Fixed Interest			
Series 2008A and C	\$ 200,000,000	\$ -	\$ 7,868,000	\$ 64,621	\$ 7,932,621	3.966%
Series 2008B	220,000,000	-	11,158,400	(957,304)	10,201,096	4.637%

*The interest and swap payments for these bonds include the payments for the 2004 and 2006 Series bonds that that the 2008 series bonds replaced during the prior fiscal year.

The interest includes amounts paid within the fiscal year without regard to the costs associated with the swap collateral (Taxable) Line of Credit.

14. LONG-TERM OBLIGATIONS - continued

Risks

Credit Risk. Credit risk is the possibility that a counterparty will not fulfill its obligations.

The credit ratings of the counterparties, at June 30, 2010, were:

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
Royal Bank of Canada	Aaa	AA-	AA
Goldman Sachs	Aa1	AAA	N/A
Deutsche Bank	Aa3	A+	AA-
JP Morgan Chase	Aa1	AA-	AA-
UBS AG	Aa3	A+	A+

Presently, the Department has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to the Department if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. No termination value currently exceeded these limits, and, accordingly, no collateral was posted at June 30, 2010. The swap agreements permit the netting of amounts owed between the Department and a counterparty, mitigating, to some extent, the level of credit risk. The Department believes it has an adequate degree of diversification with regard to counterparties.

Swap Collateral Requirements – Taxable Line of Credit

Even though the negative balances at the end of the fiscal year were such that no collateral needed to be posted, earlier in the year the negatives were greater and collateral did need to be posted. For that purpose a short-term Taxable Line of Credit was established. The outstanding amount is reflected in the funds to which it relates, namely:

SHARE fund 10410 - 2008A GRIP Debt Service Fund	\$ 548,571
SHARE fund 10420 - 2008B GRIP Debt Service Fund	1,047,619
SHARE fund 10430 - 2008C GRIP Debt Service Fund	403,810
Total Short term Notes Payable (Taxable Line of Credit)	<u>\$ 2,000,000</u>

Interest Rate Risk.

The knock-out option in the 2006 swaps leaves the Department open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and the Department would have outstanding unhedged variable rate debt in a 7% interest rate environment.

14. LONG-TERM OBLIGATIONS - continued

Basis Risk.

Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. The Department has little or no such risk with respect to the 2006 bonds as the 2006 swaps pay a variable rate equal to the SIFMA Municipal Swap index which has very closely approximated, historically, the rates paid on variable rate municipal debt. The Department has basis risk, however, with respect to the 2004 swaps. The variable rate the Department receives with respect to the 2004 swaps is 68% of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2004 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated.

One event that would cause a divergence between the indices would be a significant change in U.S. income tax rates. This might result in 68% of LIBOR no longer approximating the tax-exempt rate set by the market for the Department's variable rate debt.

Termination Risk

The unplanned termination of one or more of the swaps exposes the Department to the possibility that the synthetic fixed rate expected to be obtained on the variable rate debt will not, in fact, be achieved. The swap agreements contain the standard ISDA provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, the Department, but not the counterparties, can terminate the swaps at any time with 30-day notice.

Bonds Issued by NMFA

The following bonds were issued by the New Mexico Finance Authority (Authority) in an agency capacity on behalf of the Department of Transportation during the fiscal year:

14. LONG-TERM OBLIGATIONS - continued

Series 2006A GRIP

On September 19, 2006, the Authority issued \$150,000,000 of State Transportation, Series 2006A Revenue Bonds. The Series 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

Principal of the Bonds is payable as follows on December 15. Interest, with rates ranging from 3.6% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2026.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$106,192,121, are as follows:

<u>Year Ended June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006A GRIP:			
2011	\$ -	\$ 7,477,408	\$ 7,477,408
2012	240,000	7,472,608	7,712,608
2013	195,000	7,464,298	7,659,298
2014	255,000	7,454,413	7,709,413
2015	3,715,000	7,355,163	11,070,163
2016-2020	17,850,000	34,128,856	51,978,856
2021-2025	36,945,000	29,156,875	66,101,875
2026-2027	90,800,000	5,682,500	96,482,500
Total	<u>\$ 150,000,000</u>	<u>\$ 106,192,121</u>	<u>\$ 256,192,121</u>

14. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2006B GRIP

On September 19, 2006, the Authority issued \$39,005,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The Series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

Principal of the Bonds is payable as follows on December 15. Interest, with rates ranging from 3.5% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2026.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$13,591,906, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006B GRIP:			
2011	\$ 2,100,000	\$ 1,346,946	\$ 3,446,946
2012	1,225,000	1,283,585	2,508,585
2013	1,270,000	1,237,288	2,507,288
2014	1,320,000	1,188,261	2,508,261
2015	1,375,000	1,135,288	2,510,288
2016-2020	7,875,000	4,670,538	12,545,538
2021-2025	10,055,000	2,488,000	12,543,000
2026-2027	4,780,000	242,000	5,022,000
Total	<u>\$ 30,000,000</u>	<u>\$ 13,591,906</u>	<u>\$ 43,591,906</u>

14. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2008A GRIP

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A in the amount of \$115,200,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008A bonds are being issued by the New Mexico Finance Authority (NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$61,988,825, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008A GRIP:			
2011	\$ -	\$ 4,531,968	\$ 4,531,968
2012	-	4,531,968	4,531,968
2013	-	4,531,968	4,531,968
2014	-	4,531,968	4,531,968
2015	-	4,531,968	4,531,968
2016-2020	-	22,659,840	22,659,840
2021-2025	<u>115,200,000</u>	<u>16,669,145</u>	<u>131,869,145</u>
Total	<u>\$ 115,200,000</u>	<u>\$ 61,988,825</u>	<u>\$ 177,188,825</u>

14. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2008B GRIP

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B in the amount of \$220,000,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008B bonds are being issued by the New Mexico Finance Authority (NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$160,741,308, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008B GRIP:			
2011	\$ -	\$ 10,410,400	\$ 10,410,400
2012	-	10,410,400	10,410,400
2013	-	10,410,400	10,410,400
2014	-	10,410,400	10,410,400
2015	-	10,410,400	10,410,400
2016-2020	-	52,052,000	52,052,000
2021-2025	106,900,000	50,992,032	157,892,032
2026-2027	113,100,000	5,645,276	118,745,276
Total	<u>\$ 220,000,000</u>	<u>\$ 160,741,308</u>	<u>\$ 380,741,308</u>

14. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2008C GRIP

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C in the amount of \$84,800,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008C bonds are being issued by the New Mexico Finance Authority (NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$45,630,663, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008C GRIP:			
2011	\$ -	\$ 3,336,032	\$ 3,336,032
2012	-	3,336,032	3,336,032
2013	-	3,336,032	3,336,032
2014	-	3,336,032	3,336,032
2015	-	3,336,032	3,336,032
2016-2020	-	16,680,160	16,680,160
2021-2025	<u>84,800,000</u>	<u>12,270,343</u>	<u>97,070,343</u>
Total	<u>\$ 84,800,000</u>	<u>\$ 45,630,663</u>	<u>\$ 130,430,663</u>

14. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2008D GRIP

The NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008D in the amount of \$50,400,000 were issued in May of 2008 and are payable, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2008D bonds are being issued by the New Mexico Finance Authority (NMFA) at the direction of the New Mexico State Transportation Commission to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$16,632,000, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008D GRIP:			
2011	\$ -	\$ 1,008,000	\$ 1,008,000
2012	-	1,008,000	1,008,000
2013	-	1,008,000	1,008,000
2014	-	1,008,000	1,008,000
2015	-	1,008,000	1,008,000
2016-2020	-	5,040,000	5,040,000
2021-2025	-	5,040,000	5,040,000
2026-2027	50,400,000	1,512,000	51,912,000
Total	<u>\$ 50,400,000</u>	<u>\$ 16,632,000</u>	<u>\$ 67,032,000</u>

14. LONG-TERM OBLIGATIONS - continued

Series 2009A Refunding

The Department issued \$112,345,000 of bonds through the New Mexico Finance Authority's (NMFA) State Transportation Refunding Revenue Bonds (Senior Lien) Series 2009A, in November 2009. The gross proceeds to the Department were \$120,756,035, including \$8,411,035 of an original issue premium. The cost of issuance, including the underwriter's discount, was \$918,173.

The Series 2009A Bonds, together with additional bonds hereafter issued, are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal of the Bonds is payable as follows on June 15. Interest is payable semi-annually on June 15 and December 15 through the year 2017.

The Department's future estimated scheduled annual requirement to amortize the Bonds, including interest payments of \$12,292,750, based on interest rates from 2.0% to 5.0%, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2009A Refunding:			
2011	\$ 30,705,000	\$ 4,607,650	\$ 35,312,650
2012	22,370,000	3,072,400	25,442,400
2013	23,190,000	2,253,900	25,443,900
2014	11,075,000	1,094,400	12,169,400
2015	4,820,000	651,400	5,471,400
2016-2020	10,260,000	613,000	10,873,000
2021-2025	-	-	-
2026-2027	-	-	-
Total	<u>\$ 102,420,000</u>	<u>\$ 12,292,750</u>	<u>\$ 114,712,750</u>

14. LONG-TERM OBLIGATIONS - continued

2008 Exempt Line of Credit

The Department contracted with the Bank of America for \$200,000,000 for a tax-exempt line of credit on June 1, 2008. As of June 30, 2010, the amount of funds drawn was \$120,562,693. The full amount of the Line of Credit is not expected to be drawn until December 2010.

The principal, interest and fees for the unused portions are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Line of Credit was engaged in through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal is payable on August 31st for 2010 and on July 1st for the subsequent years. Interest is payable quarterly on the drawn portions and a fee is charged on the unused portions. The interest rate is 65% of the LIBOR One Monthly Floating Rate plus .65 percentage points.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$4,386,493, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008 Exempt Line of Credit			
2011	\$ 50,000,000	\$ 1,754,597	\$ 51,754,597
2012	50,000,000	1,315,948	51,315,948
2013	50,000,000	877,299	50,877,299
2014	50,000,000	438,649	50,438,649
2015	-	-	-
2016-2020	-	-	-
2021-2025	-	-	-
Total	<u>\$ 200,000,000</u>	<u>\$ 4,386,493</u>	<u>\$ 204,386,493</u>

14. LONG-TERM OBLIGATIONS - continued

Total future principal and interest obligation repayments are as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2011	\$ 197,517,600
2012	187,198,505
2013	186,706,549
2014	186,319,422
2015	135,937,483
2016-2020	682,354,397
2021-2025	727,157,833
2026-2027	272,161,776
Total	<u>\$ 2,575,353,565</u>

Long-Term Debt Interest Expense

The total amount of interest expense included in direct expenses in the Statement of Activities is \$90,678,658 for the year-ended June 30, 2010.

Capital Leases

There are no future minimum lease obligations to report as of June 30, 2010.

15. NEGATIVE FUND BALANCES

The Department had negative fund balances at the end of the fiscal year as follows:

Fund 10240: 2006B GRIP Debt Service fund \$1,247,032

This amount represents funds due to NMFA in excess of cash balance held at trustee.

Fund 10410: 2008A GRIP Debt Service Fund \$192,071

This amount represents accounts payable and amounts due to other funds in excess of cash held at trustee.

Fund 10430: 2008C GRIP Debt Service Fund \$342,416

This amount represents accounts payable and amounts due to other funds in excess of cash held at trustee.

Fund 89000: ARRA Projects Fund \$5,565,073

This amount represents revenue deferred due to receipt greater than 60 days past the year end and will reverse upon collection.

Fund 10030: Federal Planning and Development Fund \$1,674,448

This amount represents cash overdrawn and due to the State Treasurer's Office, reduced by receivables from USDOT and other funds.

Fund 10060: Severance Tax Bond Fund \$2,973,264

This amount represents cash overdrawn and due to the State Treasurer's Office, reduced by receivables due from the State Board of Finance and will reverse in 2010 upon transfers in.

16. REVERSIONS

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

Current year reversions due to the State General Fund as of June 30, 2010 were as follows:

	SHARE System Fund 10070
	<hr/>
2010 reversions	<u><u>\$ 25,351,260</u></u>

17. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 15.09% 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, 2010, 2009 and 2008 were \$14,156,554, \$16,400,581 and \$15,997,412, respectively, equal to the amount of the required contribution for each year.

18. 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 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.

18. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN - continued

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. During the fiscal year ended June 30, 2010, statute required 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, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	0.833%
FY12	1.834%	0.917%
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Department's contributions to the RHCA for the years ended June 30, 2010, 2009, 2008 were \$1,197,245, \$1,245,299, and \$1,218,924, respectively, which equal the required contributions for each year.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Financial Statements

19. CONTRACTS

The State Legislature and the State Highway Commission have approved certain agreements between the Department and various counties, municipalities and other agencies to construct or improve public highways, school grounds, parking areas, and for the purpose of litter control. The Department's funding responsibility varies from zero to 100%. None of these cooperative and joint powers agreements have created legally separate organizations that need to be included as component units or joint ventures in the Department's financial statements.

Contract Number	Contractor	Description	Expended in 2010
C04922A	Cambridge Systematics	Provide technical support to the Safety Planning Unit, with the implementation of the engineering related safety improvement strategies documented in the New Mexico Comprehensive Transportation Safety Plan (NMCTSP)	\$ 21,898
C05152A	Catanach, David R.	Mineral Rights Revenues Services	11,455
C05174A	HDR Engineering Inc.	Environmental Oversight Services	91,156
C05193A	Leppa Inc.	Serve as a member of the Department's Claim Board to hear claims submitted on highway construction projects and make recommendations to the Department.	6,233
C05201A	IT PAS LLC	Review/Facilitate IT Contract	5,888
C05227/2	Meyners + Company	Audit Services	267,022
C05246	Wet Water Environmental Services	Bule Hole Cienega Monitoring	5,704
C05284	Pecos Valley Aviation Photography	Provide a monthly report to the Department to analyze the current passenger air service program.	1,080
C05286	The Change Companies	DWI School Curriculum	50,582
C05289A	Blue Skies Consulting LLC	Provide Aerial and Photography Services Statewide.	30,629
C05290	Radian Engineering LLC	Provide Engineering Services to conduct an Alignment Study of the Cambry Bridge on NM 549 in Luna County.	271,463
C05293	Sulin Thayer & Browne	Legal Services	14,674
C05295	Bohannon Huston Inc.	Provide Base mapping and Supplemental Surveying	295,819
C05296	Newberry, Susan J	Safe Routes to School Training	3,656
C05297	Colorado Safety Association	National Safety 4 day Course	11,706
C05298	Lee Engineering LLC	Engineering and design components of Safe Routes to School (SRTS) trainings	39,705
C05299/A	University of New Mexico	Study of DWI offenders	11,780
C05300	MA Strategies LLC	Commercial Motor Vehicle Project	212,998
C05301	University of New Mexico	Traffic Safety Reporting	58,467
C05302	University of New Mexico	Training/DWI-Related Laws	13,951
C05303	University of New Mexico	Cipre Action Plan	56,258

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Financial Statements

19. CONTRACTS - continued

Contract Number	Contractor	Description	Expended in 2010
C05304	Safer New Mexico Now	Injury Prevention	239,344
C05305	Glorieta Geoscience Inc	Evaluation Of Water Rights	2,488
C05306	Kardas, Abeyta & Weiner PC	Preparation Of Audit Work-Papers	25,408
C05307	Mountain Top Consultant	Review/Update Strategic Plan	4,054
C05308	Ch2m Hill Inc	Dona Ana County Road A-017/Strauss Road Alignment Study And Final Design	219,633
C05309	New Mexico Institute of Mining & Tech	Watercourse Aggradation/Degradation	5,922
C05310	Engelage Mai, Travis D	Appraisal Review & Feasibility	128,327
C05311	Harvey Cornell	Appraisal Review & Feasibility	20,610
C05312	Commercial Appraisal Inc	Appraisal Review & Feasibility	1,919
C05319	Basham & Basham PC	Legal Services	10,810
C05323	Kardas, Abeyta & Weiner PC	Annual Financial Statement Audit	54,004
C05329	Louis Berger & Associates	Engineering services for the study of I-25/South Raton interchange	159,993
C05330	Intera Inc	Evaluation of Water Rights	4,058
C05332	New Mexico State University	Bridge Inspection & Load Rate	244,951
C05333	Sheehan & Sheehan PA	Legal Services	51,339
C05335	Computational Analysis & Network	Information Technology Services	48,038
C05337	Department Of Cultural Affairs	Archaeological Data Recovery Plans for Testing and Excavation	401,471
C05340	Lee Engineering LLC	Administrative, Environmental, Survey, Utility, Right of Way, Traffic, and General Engineering Services	5,971
C05343	Pendleton Appraisal Ltd	Appraisal Services	5,000
C05344	Wilson & Company Inc	Administrative Support and Complete Engineering Service:	13,368
C05347	Molzen-Corbin & Associates PA	NM 185 Valley Drive Roadway Engineering Design (Phase IC, ID, and Phase II)	170,052
C05352	Hdr Engineering Inc	Statewide Highway Safety Improvement Program Support	5,828
C05353	Varela, Ellen Marie	DBE Certification Applications	13,913
C05354	BM Consulting Service	Financial Grant Management	57,412
C05355	Pricehall Research Inc	Technical Grant Writing Services	11,656
C05356	Brownstein Hyatt Farber Schreck LLP	Bond Review	20,670
C05384	C M Enterprises	Assist with Ignition Interlocks	3,246
C05392	MA Strategies LLC	Traffic Records Support Program	3,470
SS0035	New Mexico Activities Assoc	Chemical Health Program	92,766
SS0036	Montgomery & Andrews PA	Legal Services	61,219
SS0037	Sheehan & Sheehan PA	Legal Services	50,000

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Financial Statements

19. CONTRACTS - continued

Contract Number	Contractor	Description	Expended In 2010
EX01100010	RT Electric Inc	HSIP-1166(10)19	152
EX01100090	CMC Construction Inc	SP-GA-1146(201)06 CN 1100090	735,583
EX01311	El Terrero Construction LLC	BR-(TPM)-0187(9)	206,098
EX01495	AUI Inc	BR-0377(1)01	129,722
EX02100010	Bixby Electric Inc	HSIP-020-1(44)64	15,160
EX02100020	American Pavement Solutions Inc	TPM-9992(40) CN 2100020	157,380
EX02100030	David Montoya Construction Inc	TPE-082-1(27)86 CN 2100030	272,393
EX02133	James Hamilton Construction CO	IM-010-2(106)78 CN 2133	723,863
EX02763A	Kirkland Construction RLLP	EBS-IM-NH-TPA-WIPP-040-2(58)10	13,330,442
EX03031	Salls Brothers Construtions Inc	CAQ-CBIP-EBS-TPA-TPE-TPU-0273(5,757,156
EX03052	Fisher Sand & Gravel Co Inc	TPA-(NH)-285-1(37)54	117,695
EX03100070	A S Horner Inc	ST-025-3(212)195 CN 3100070	2,965,957
EX03136	James Hamilton Construcclon CO	NH-070-7(138)417	80,035
EX03187	Northern Mountain Constructors	HSIP-TPE-TPO-064-8(10)254	117,854
EX03269	Star Paving Company	EBS-0003-5(11)66 CN 3269	2,328,666
EX03435	A S Horner Inc	BR-0104(16)52 CN 3435	1,886,087
EX03933	Fisher Sand & Gravel Nm Inc	IM-040-6(57)340 CN 3933	5,908,144
EX04050	Constructors Inc	STP-0176-1(4)20 CN 4050	2,810,290
EX04063	Mountain States Constructors Inc.	IM-010-2(122)130	1,491,409
EX04075	Nationwide Construction Group	SP-P-9997(203) CN 4075	237,197
EX04080	Hout Fencing Of Wyoming Inc	HSIP-025-4(135)243 CN 4080	80,859
EX04082	Reiman Corp	BR-O-GFG2-9997-(1)	2,042,037
EX04084	A S Horner Inc	TPU-025-4(136)227	18,855
EX04085	J-H Supply Co Inc	CAQ-025-4(138)243	61,225
EX04089R	Bixby Electric Inc	HSIP-025-5(106)331 CN 4089R	515,658
EX04091	El Terrero Construction LLC	BR-O-BR-S-EBS-1151(10)06	1,242,973
EX04097	Mountain States Constructors Inc.	IM-025-4(138)228 CN 4097	504,947
EX04100010	Mountain States Constructors Inc.	SP-025-5(205)308	(4,000)
EX04100020	Mountain States Constructors Inc.	HSIP-025-5(107)301 CN 4100020	144,377
EX05100060	Apache Construction	HSIP-040-3(194)182 CN 5100060	728,682
EX05100070	FNF Construction Inc	NH-285-1(21)356 CN 5100070	3,749,221
EX06100010R	Khani Company	HSIP-038-1(19)24	74,897
EX06100040	Mountain States Constructors Inc.	HSIP-1301(35)47	169,048
EX06100070	Khani Company	ESB-037-1(16)12 CN 6100070	799,949
EX06100100B	FNF Construction Inc	NH-033-2(50)64 CN 6100100B	10,470,987
EX087354	Reiman Corp	SP-5-09(384)	(30,000)
EX088574	A S Homer Inc	SP-6-09(320) CN 88574	1,341,516

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Financial Statements

19. CONTRACTS - continued

Contract Number	Contractor	Description	Expended In 2010
EX0A300011	Bixby Electric Inc	ESB-HSIP-4001(16)09 CN A300011	249,694
EX0BR406	Harmon Contractors Inc	BR-0402(15)05 CN BR406	719,191
EX0D2047	K Barnett & Sons Inc	TPM-209-1(23)12 CN D2047	4,065,680
EX0D2048	Constructors Inc	HSIP-0208(1)02	16,324
EX0D2410	James Hamilton Construction CO	NH-070-7(5)412 CN D2410	664,478
EX0D3017C	A S Horner Inc	IM-NH-025-4(123)221	6,073,377
EX0D4017	A S Horner Inc	BR-IBRC-IM-025-5(105)307	157,526
EX0D4078R	WWC Inc	EBS-043-1(19)307	-
EX0D4087	WWC Inc	EBE-TPA-044-1(14)11 CN D4087	148,783
EX0D6156	Hasse Contracting Company Inc	HSIP-0134(1)11	8,784
EX0ESG5B66	Skanska USA Cvl West Rocky Mountain Dist Inc	AC-GRIP-(NH)-491-1(11)59	13,751,939
EX0G1036C	FNF Construction Inc	AC-GRIP-(IM)-040-1(133)53	13,461,147
EX0G1143	A S Horner Inc	AC-GRIP-BR-EB-NH-040-3(155)161	16,600,088
EX0G1233A	Mountain States Constructors Inc.	AC-GRIP-IM-(IM)-040-3(149)174	16,876,408
EX0G1436ER	Fisher Sand & Gravel Co Inc	AC-GRIP-(NH)-040-2(68)126	10,985,857
EX0G1945	Star Paving Company	AC-GRIP-(NH)-285-1(97)187	7,730,127
EX0G1955	Mountain States Constructors Inc.	AC-GRIP-(NH)-051-1(97)186	10,815,276
EX0G1965	Northern Mountain Constructors	AC-GRIP-HSIP-(NH)-084-1(107)18	4,615,913
EX0G2132A	James Hamilton Construction CO	TPM-(GRIP)-1271(14)22 CNG2132A	15,829,662
EX0G2142A	James Hamilton Construction CO	SP-GRSS-GRIP-(TPM)-1271(208)08	11,211,737
EX0G2735	A S Horner Inc	AC-GRIP-(R)-064-4(24)106	2,396,090
EX0G3111	James Hamilton Construction CO	AC-GRIP-(TPM)-026-1(12)25	9,880,042
EX0G3212	Constructors Inc	SP-GA-(GRIP)-(TPM)-083-1(201)	7,776,861
EX0G3625	Mountain States Constructors Inc.	WA-NH-285-1(33)250 CN G3625	3,200,823
EX0G4013A	Mountain States Constructors Inc.	AC-GRIP-IMD-(IM-NH)-040-3(168)	26,717,416
EX0G4044BR	David Montoya Construction Inc	AC-GRIP-(NH)-064-9(37)390	8,006,933
EX0G5B07	FNF Construction Inc	STG2-(GRIP)-(NH)-491-1(206)15	6,352,884
EX0G7022C	James Hamilton Construction CO	AC-GRIP-TC-062-1(3) CN G7022C	11,935,655
EX0G7032A	James Hamilton Construction CO	AC-GRIP-HPP-TC-(NH)-062-1(2)16	14,522,301
EX0HE204	AUI Inc	HSIP-082-1(25)13 CN HE204	772,081
EX0L2039/M200098	Constructors Inc	TPE-1231(7)/SP-2-09(361)	839,953
EX0M200092	Versatile Construction Co Inc	SP-2-09(364) CN M200092	328,390
EX0M300010	Salls Brothers Constructions Inc	M300010	453,214
EX0M300105	Salls Brothers Constructions Inc	SP-3-09(335) CN M300105	172,178
EX0M400090	Versatile Construction Co Inc	SP-4-09(979) CN M400090	738,240
EX0M500005A	Star Paving Company	SP-5-09(306)	4,396
EX0T400010	Star Paving Company	Project No. T400010 CN T400010	913,322

20. RISK MANAGEMENT

The Department, as a state agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the state of New Mexico. The Department pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the state of New Mexico.
2. Coverage to protect the state of New Mexico's property and assets.
3. Fringe benefit coverage's for state of New Mexico employees.

During the 2008-2009 fiscal year, the Department paid Risk Management \$6,642,639 in insurance premiums. In the fiscal year 2009-2010, the Department paid Risk Management \$4,318,445. The Department's exposure is limited to \$1,000 per any first-party incurred property loss, with the exception of theft, which has a \$5,000 deductible.

After conferring with legal counsel concerning pending litigation and claims, the Department believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the Department. In addition, for the years ended June 30, 2008, 2009 and 2010, the Department had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Department.

21. FEDERAL HIGHWAY ADMINISTRATION (FHWA) AUTHORIZATIONS

The FHWA annually allocates funds to the State of New Mexico, which are available for various federally-sponsored projects. The authorizations expire within two to five years from date of authorization.

In order to obtain funding commitments from FHWA for such allotments, projects must be submitted to and be approved by the FHWA. As of June 30, 2010, the amount of authorizations granted to the State of New Mexico that had not been converted to commitments because FHWA did not award sufficient obligation authority to the Department was \$152,586,193.

22. LITIGATION

The Department is subject to various legal proceedings, claims and liabilities, including right-of-way condemnation proceedings, contractor claims and employee claims, which arise in the ordinary course of the Department's operations. There are various contractor lawsuits and claims against the Department for various reasons. The Department contests these claims and if a likelihood of a loss is probable and can be reasonably estimated, the Department accrues the loss in the accompanying financial statements. In the opinion of the Department's management and legal counsel, the ultimate resolution of the above matters will not have a material adverse impact on the financial position or results of operations of the Department.

23. OPERATING LEASE COMMITMENT

The Department leases certain equipment and premises under numerous operating leases. Leases are subject to future appropriations and as such are cancelable by the Department at the end of a fiscal year. Rental expense for the year ended June 30, 2010 was \$994,455.

The future minimum lease payments under operating leases as of June 30, 2010 are as follows:

Years ending June 30:	Lease Amounts
2011	\$ 960,148
2012	418,707
2013	332,643
2014	209,604
2015 and thereafter	119,700
	<u>\$ 2,040,802</u>

24. COMMITMENTS AND CONTINGENCIES

Grant Revenue

The Department participates in numerous federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Department has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2010 may be impaired. In the opinion of the Department, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

25. UNRESERVED, UNDESIGNATED FUND BALANCE (DEFICIT)

The unreserved, undesignated fund balance (deficit) is the component of fund balance that represents the portion of the encumbrances that have not been billed to the applicable funding source.

26. BUDGET TO GAAP EXPENDITURES RECONCILIATION

Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds

\$ 1,164,032,453

Add: Net change in accruals due to accounts payable past
the DFA cut-off

Road Fund	4,413,010
ARRA Fund	7,095,087
Traffic Safety Fund	333,451
Fund 10030	(1,374,036)
Fund 10210	1,923,634
Fund 10250	194,520
Fund 10410	(169,873)
Fund 10420	(110,191)
Fund 10450	1,368,693
Fund 20400	(77,878)
Fund 20500	103,120
Fund 20700	4,804

13,704,341

Add: transfer activities reported in expenses in budgeting
reporting

Road Fund	7,138,902
Fund 10050	1,674,086

8,812,988

Less: multi-year fund budgetary expenses not reported in
agency budget and actual

Fund 10050	(275,843)
Fund 10060	(46,499,576)
Fund 10070	(28,890,545)

Total multi-year expenditures

(75,665,964)

Less: amortization expense in Fund 20100

(3,189,030)

Add: State Infrastructure Bank included in agency budget
and actual

-

Statement of Revenues and Expenditures Budget and Actual
(Modified Accrual Basis)

\$ 1,107,694,788

27. BUDGETED VS. ACTUAL EXPENDITURES

The Department had expenditures that exceeded the final budget expenditures as follows:

Business/Program Support, Transfers, in the amount of	\$ 144,077,657
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Business/Program Support, Operating Transfers

The operating transfers in the Business/Program Support is due to technical difficulties in funding debt service payments from the road fund. House Bill 2 sets the appropriation for the debt service funding payments out of the Programs and Infrastructure in the expenditure category, not the operating transfer category. However, for GAAP purposes, the Department must record some of the funding payments from the road fund to the debt service funds as operating transfers and the expenditures from House Bill 2 in the debt service funds. Thus, the operating transfers are not budgeted formally. The Department has met with the Department of Finance and Administration to arrive at a solution. Although some of the debt service payments will be recognized as HB2 has funded, some are still required to be recorded in the debt service funds. In the case of these ones, the Department will be required to budget additional amounts for activities in those debt service funds in excess of cash distributed from the road fund. The Department will begin budgeting for these activities in fiscal year 2011. Also, in order to gain a better interest rate, the Department has also defeased some bonded debt by selling refunding bonds. The amount also reflects the amount of the bonds defeased.

28. RELATED PARTY TRANSACTIONS

During 2006-2009, the Department performed the scope requirements, approved the related study and required improvements, and issued a traffic control permit for a development in Albuquerque. At the conclusion of the construction in July 2009, the Department inspected the work and found the roadway improvement did not meet Department specifications.

Subsequently, in October 2009, a part owner of the developer became a Commissioner of the Department. Discussions continued with the developer and in May 2010, in lieu of reconstruction the improvements, it was agreed to allow the developer to provide the Department with a 10 year written warranty that the improvements would endure as if they met Department specifications.

29. SUBSEQUENT EVENTS

Series 2010A Refunding Bonds

The Department issued \$175,625,000 through the NMFA State Transportation Senior Lien Refunding Revenue Bonds, Series 2010A-1 for \$95,525,000 and NMFA State Transportation Subordinate Lien Revenue Bonds, Series 2010 A-2 for \$79,100,000 in September 2010. The gross proceeds to the Department were \$200,494,152 including the premium of \$26,745,858. The cost of issuance, including the underwriter's discount, was \$1,370,859. Series 2010A Bonds were issued to refinance the existing 200,000,000 Tax Exempt Line of Credit being used to fund specific projects as designated by the department. At the time of the refunding, the outstanding balance on the LOC was \$ 122,588,067.62.

Series 2010B Refunding Bonds

The Department issued \$ 461,075,000 through the NMFA State Transportation Senior Lien Refunding Revenue Bonds, Series 2010B in October 2010. The gross proceeds to the Department were \$543,315,911.25 including the premium of \$84,632,801.80. The cost of issuance, including the underwriter's discount, was \$3,309,457.09. The bonds were issued to refund \$470.3 million of outstanding closed lien and senior lien bonds for debt service savings. The transaction resulted in \$26.7 million in cash flow savings (\$22.4 million in present value savings).

Updated Fair Value of Swaps

The estimated fair value of the swaps at November 23, 2010 was as follows:

Counterparty	Notional Value	Fair Value
Goldman Sachs	\$ 50,000,000	\$ (10,364,955)
Deutsche	50,000,000	(10,364,955)
Royal Bank of Canada	100,000,000	(20,729,910)
JPMorgan Chase Bank	110,000,000	(28,763,773)
UBS AG	110,000,000	(28,763,773)
Total	<u>\$ 420,000,000</u>	<u>\$ (98,987,366)</u>

30. CHANGE IN ACCOUNTING METHOD

Due to findings in prior years, management met with the Department of Finance and Administration to discuss solutions to budget and technical problems. Under their advisement, we have changed from reporting all debt service expenditures in the debt service funds to recording the expenditures for the newer issuances (issued in 2004 or later) in the road fund. The debt service expenditures for the older issuances continue to be reported in the debt service funds.

31. INSURANCE COVERAGE

The Department obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Department are covered by blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2009, through June 30, 2010.

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REQUIRED SUPPLEMENTARY INFORMATION

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

As of June 30, 2010

	Traffic Safety Fund (SHARE 10010, 20800, 82600)	Driver Improvement Program Fund (SHARE 10020)	Federal Planning and Development Fund (SHARE 10030)	Local Government Road Fund (SHARE 20300)	State Aviation Fund (SHARE 20500)
Assets:					
Cash:					
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Cash Equivalents:					
fund investment pool)					
Unrestricted	5,870,707	331,641	-	16,390,798	7,009,303
Restricted	-	-	-	-	-
Managed by NMFA	-	-	-	-	-
Receivables:					
Taxes receivable, net	140,375	-	-	3,857,075	542,151
Accounts receivable, net	-	-	-	-	-
Interest receivable	-	-	-	-	-
Notes and loans receivable	-	-	-	-	-
Other receivables	-	-	-	-	493
Due from:					
Other funds	672,246	69,920	142,010	32,803	1,241,327
Other State agencies	323	-	-	2,468	1,054
U.S. Department of Transportation	5,740,779	-	2,978,531	-	208,950
Inventories	-	-	-	-	-
Prepaid expenses - other	-	-	-	-	-
Prepaid expenses - risk management	-	-	-	-	-
Prepaid expense - NM44 warranty	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total Assets	\$ 12,424,430	\$ 401,561	\$ 3,120,541	\$ 20,283,144	\$ 9,003,278
Liabilities and Fund Balances:					
Liabilities:					
Due to state treasurer's office	\$ 121,653	\$ -	\$ 3,721,465	\$ -	\$ -
Accounts payable	4,113,352	-	893,986	1,486,704	132,869
Due to other funds	2,208,886	-	-	-	1,565,765
Due to other agencies	-	-	-	-	-
Due to state general fund	-	-	114,353	-	-
Payable to other governments	-	-	-	-	-
Deferred revenue	4,432,162	-	46,341	-	108,825
Other accrued expenses	24,337	-	18,844	-	28,513
Other liabilities	-	-	-	-	-
Short-term notes payable (taxable line of credit)	-	-	-	-	-
Total Liabilities	10,900,390	-	4,794,989	1,486,704	1,835,972
Fund Balances:		142,010			
Reserved for:					
Inventories	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Property held for resale	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	1,524,040	401,561	(1,674,448)	18,796,440	7,167,306
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Unreserved	-	-	-	-	-
Total Fund Balances	1,524,040	401,561	(1,674,448)	18,796,440	7,167,306
Total Liabilities and Fund Balances	\$ 12,424,430	\$ 401,561	\$ 3,120,541	\$ 20,283,144	\$ 9,003,278

See Independent Auditors' Report

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

Motorcycle Training Fund	DWI Prevention and Education Fund	1993 Bond Project Fund	1999A CHAT Project Fund	2000A CHAT Project Fund	2001A CHAT Project Fund	2002A CHAT Project Fund
(SHARE 20600)	(SHARE 20700)	(SHARE 39400)	(SHARE 43000)	(SHARE 34500)	(SHARE 00600)	(SHARE 36800)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
294,977	1,557,507	-	-	-	-	-
-	-	1,591,152	2,113,140	-	4,794,832	-
-	-	-	-	-	-	-
16,388	60,995	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	48,769	-	-	-	-	-
41	-	235	312	-	707	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 311,406</u>	<u>\$ 1,667,271</u>	<u>\$ 1,591,387</u>	<u>\$ 2,113,452</u>	<u>\$ -</u>	<u>\$ 4,795,539</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
189,007	7,066	-	-	-	87,120	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,847	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>189,007</u>	<u>10,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,120</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
122,399	1,656,358	1,591,387	2,113,452	-	4,708,419	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>122,399</u>	<u>1,656,358</u>	<u>1,591,387</u>	<u>2,113,452</u>	<u>-</u>	<u>4,708,419</u>	<u>-</u>
<u>\$ 311,406</u>	<u>\$ 1,667,271</u>	<u>\$ 1,591,387</u>	<u>\$ 2,113,452</u>	<u>\$ -</u>	<u>\$ 4,795,539</u>	<u>\$ -</u>

See Independent Auditors' Report

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

As of June 30, 2010

	2002C HIF Project Fund	2002D CHAT Project Fund	2004A GRIP Project Fund	2006A GRIP Project Fund	2006B GRIP Project Fund
	(SHARE 36100)	(SHARE 11500)	(SHARE 20400)	(SHARE 10210)	SHARE (10230)
Assets:					
Cash:					
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Cash Equivalents:					
fund investment pool)					
Unrestricted	-	-	-	-	-
Restricted	1,301,188	778,300	-	-	-
Managed by NMFA	-	-	13,601,093	25,296,048	2,414,296
Receivables:					
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Interest receivable	-	-	1,486	4,029	-
Notes and loans receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Due from:					
Other funds	-	-	670,000	230,271	-
Other State agencies	192	115	-	-	-
U.S. Department of Transportation	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid expenses - other	-	-	-	-	-
Prepaid expenses - risk management	-	-	-	-	-
Prepaid expense - NM44 warranty	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total Assets	\$ 1,301,380	\$ 778,415	\$ 14,272,579	\$ 25,530,348	\$ 2,414,296
Liabilities and Fund Balances:					
Liabilities:					
Due to state treasurer's office	\$ -	\$ -	\$ 2,651,762	\$ 844,034	\$ -
Accounts payable	-	-	830,388	1,936,990	-
Due to other funds	-	142,904	419,757	870,000	-
Due to other agencies	-	-	-	-	-
Due to state general fund	-	-	-	-	-
Payable to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Other accrued expenses	-	-	-	-	-
Other liabilities	-	-	-	-	-
Short-term notes payable (taxable line of credit)	-	-	-	-	-
Total Liabilities	-	142,904	3,901,907	3,651,024	-
Fund Balances:					
Reserved for:					
Inventories	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Property held for resale	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	1,301,380	635,511	10,370,672	21,879,324	2,414,296
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Unreserved	-	-	-	-	-
Total Fund Balances	1,301,380	635,511	10,370,672	21,879,324	2,414,296
Total Liabilities and Fund Balances	\$ 1,301,380	\$ 778,415	\$ 14,272,579	\$ 25,530,348	\$ 2,414,296

See Independent Auditors' Report

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

2006C GRIP Project Fund (SHARE 10250)	2006D GRIP Project Fund (SHARE 10270)	GRIP LOC Project Fund (SHARE 10450)	Total Special Revenue Funds	Capital Projects Fund (SHARE 10050)	STB Capital Improvements Projects (SHARE 10060)	Total Capital Projects Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	31,454,933	-	-	-
47,777	-	4,010,570	14,636,959	278,628	-	278,628
6,652,129	50,011,079	2,605	97,977,250	-	-	-
-	-	-	-	-	-	-
-	-	-	4,616,984	-	-	-
-	-	-	-	-	-	-
-	6	3	5,524	-	-	-
-	-	-	-	-	-	-
-	-	-	493	-	-	-
-	-	-	-	-	-	-
-	-	-	3,107,346	9,297,386	-	9,297,386
-	-	-	5,447	-	7,626,650	7,626,650
-	-	-	8,928,260	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 6,699,906</u>	<u>\$ 50,011,085</u>	<u>\$ 4,013,178</u>	<u>\$ 160,733,196</u>	<u>\$ 9,576,014</u>	<u>\$ 7,626,650</u>	<u>\$ 17,202,664</u>
\$ -	\$ -	\$ -	\$ 7,338,914	\$ -	\$ 3,607,609	\$ 3,607,609
-	-	3,098,163	12,492,452	-	6,591,088	6,591,088
-	-	-	5,490,505	-	401,217	401,217
-	-	-	-	-	-	-
-	-	-	114,353	-	-	-
-	-	-	-	-	-	-
-	-	-	4,587,328	-	-	-
-	-	-	75,541	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	3,098,163	30,099,093	-	10,599,914	10,599,914
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,699,906	50,011,085	915,015	130,634,103	-	-	-
-	-	-	-	9,576,014	(2,973,264)	6,602,750
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>6,699,906</u>	<u>50,011,085</u>	<u>915,015</u>	<u>130,634,103</u>	<u>9,576,014</u>	<u>(2,973,264)</u>	<u>6,602,750</u>
<u>\$ 6,699,906</u>	<u>\$ 50,011,085</u>	<u>\$ 4,013,178</u>	<u>\$ 160,733,196</u>	<u>\$ 9,576,014</u>	<u>\$ 7,626,650</u>	<u>\$ 17,202,664</u>

See Independent Auditors' Report

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

As of June 30, 2010

	1998A WIPP Debt Service	1998A CHAT Debt Service	1999 CHAT Debt Service	2000 CHAT Debt Service	2001A CHAT Debt Service
	(SHARE 97200)	(SHARE 54800)	(SHARE 43400)	(SHARE 43200)	(SHARE 00700)
Assets:					
Cash:					
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Cash Equivalents:					
fund investment pool)					
Unrestricted	-	-	-	-	-
Restricted	14,478	141,277	265,627	203,637	233,268
Managed by NMFA	199,155	86,138	749,777	1,183,729	1,650,619
Receivables:					
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Interest receivable	4	2	17	167	128
Notes and loans receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Due from:					
Other funds	-	-	-	-	-
Other State agencies	2	21	39	30	34
U.S. Department of Transportation	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid expenses - other	-	-	-	-	-
Prepaid expenses - risk management	-	-	-	-	-
Prepaid expense - NM44 warranty	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total Assets	\$ 213,639	\$ 227,438	\$ 1,015,460	\$ 1,387,563	\$ 1,884,049
Liabilities and Fund Balances:					
Liabilities:					
Due to state treasurer's office	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other agencies	-	-	-	-	-
Due to state general fund	-	-	-	-	-
Payable to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Other accrued expenses	-	-	-	-	-
Other liabilities	-	-	-	-	-
Short-term notes payable (taxable line of credit)	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Fund Balances:					
Reserved for:					
Inventories	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Property held for resale	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	213,639	227,438	1,015,460	1,387,563	1,884,049
Unreserved	-	-	-	-	-
Total Fund Balances	213,639	227,438	1,015,460	1,387,563	1,884,049
Total Liabilities and Fund Balances	\$ 213,639	\$ 227,438	\$ 1,015,460	\$ 1,387,563	\$ 1,884,049

See Independent Auditors' Report

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

2002A CHAT Debt Service (SHARE 54700)	2002B WIPP Debt Service (SHARE 75000)	2002C HIF Debt Service (SHARE 36300)	2002D CHAT Debt Service (SHARE 18700)	2004A GRIP Debt Service (SHARE 10080)	2004B GRIP Debt Service (SHARE 10090)	2006A GRIP Debt Service (SHARE 10220)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
83,389	110,675	62,093	12,781	-	-	-
705,362	702,208	91,981	41,619	1,874,391	46,088,635	30,572
-	-	-	-	-	-	-
103	107	25	15	1,279	1,944	230
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,437,084
12	16	9	2	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 788,866</u>	<u>\$ 813,006</u>	<u>\$ 154,108</u>	<u>\$ 54,417</u>	<u>\$ 1,875,670</u>	<u>\$ 46,090,579</u>	<u>\$ 1,467,886</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
788,866	813,006	154,108	54,417	1,875,670	46,090,579	1,467,886
<u>788,866</u>	<u>813,006</u>	<u>154,108</u>	<u>54,417</u>	<u>1,875,670</u>	<u>46,090,579</u>	<u>1,467,886</u>
<u>\$ 788,866</u>	<u>\$ 813,006</u>	<u>\$ 154,108</u>	<u>\$ 54,417</u>	<u>\$ 1,875,670</u>	<u>\$ 46,090,579</u>	<u>\$ 1,467,886</u>

See Independent Auditors' Report

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

As of June 30, 2010

	2006B GRIP Debt Service	2006C GRIP Debt Service	2006D GRIP Debt Service	2008A GRIP Debt Service	2008B GRIP Debt Service
	(SHARE 10240)	(SHARE 10260)	(SHARE 10280)	(SHARE 10410)	(SHARE 10420)
Assets:					
Cash:					
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Cash Equivalents:					
fund investment pool)					
Unrestricted	-	-	-	-	-
Restricted	-	-	-	-	-
Managed by NMFA	3,297	-	-	1,711,571	1,480,537
Receivables:					
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Interest receivable	41	-	-	23,116	51,528
Notes and loans receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Due from:					
Other funds	-	-	-	1,155,560	148,890
Other State agencies	-	-	-	-	-
U.S. Department of Transportation	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid expenses - other	-	-	-	-	-
Prepaid expenses - risk management	-	-	-	-	-
Prepaid expense - NM44 warranty	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total Assets	\$ 3,338	\$ -	\$ -	\$ 2,890,247	\$ 1,680,955
Liabilities and Fund Balances:					
Liabilities:					
Due to state treasurer's office	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	264,711	312,248
Due to other funds	-	-	-	2,269,036	-
Due to other agencies	-	-	-	-	-
Due to state general fund	-	-	-	-	-
Payable to other governments	1,250,370	-	-	-	52,951
Deferred revenue	-	-	-	-	-
Other accrued expenses	-	-	-	-	-
Other liabilities	-	-	-	-	-
Short-term notes payable (taxable line of credit)	-	-	-	548,571	1,047,619
Total Liabilities	1,250,370	-	-	3,082,318	1,412,818
Fund Balances:					
Reserved for:					
Inventories	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Property held for resale	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	(1,247,032)	-	-	(192,071)	268,137
Unreserved	-	-	-	-	-
Total Fund Balances	(1,247,032)	-	-	(192,071)	268,137
Total Liabilities and Fund Balances	\$ 3,338	\$ -	\$ -	\$ 2,890,247	\$ 1,680,955

See Independent Auditors' Report

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

2008C GRIP Debt Service (SHARE 10430)	2008D GRIP Debt Service (SHARE 10440)	2008 EX LOC Debt Service (SHARE 11140)	2009A Refunding Debt Service (SHARE 11130)	Total Debt Service Funds	Total Government Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	31,454,933
890,550	1,227,406	23	49,109	1,127,225 58,766,679	16,042,812 156,743,929
-	-	-	-	-	-
-	-	-	-	-	4,616,984
16,891	140	-	713	96,450	101,974
-	-	-	-	-	-
-	-	-	-	-	493
593,175	-	-	-	3,334,709	15,739,441
-	-	-	-	165	7,632,262
-	-	-	-	-	8,928,260
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,500,616</u>	<u>\$ 1,227,546</u>	<u>\$ 23</u>	<u>\$ 49,822</u>	<u>\$ 63,325,228</u>	<u>\$ 241,261,088</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,946,523
269,148	159,966	-	25,000	1,031,073	20,114,613
1,065,673	-	-	-	3,334,709	9,226,431
-	-	-	-	-	-
-	-	-	-	-	114,353
104,401	94,155	-	-	1,501,877	1,501,877
-	-	-	-	-	4,587,328
-	-	-	-	-	75,541
-	290,861	-	-	290,861	290,861
403,810	-	-	-	2,000,000	2,000,000
<u>1,843,032</u>	<u>544,982</u>	<u>-</u>	<u>25,000</u>	<u>8,158,520</u>	<u>48,857,527</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	130,634,103
-	-	-	-	-	6,602,750
(342,416)	682,564	23	24,822	55,166,708	55,166,708
-	-	-	-	-	-
<u>(342,416)</u>	<u>682,564</u>	<u>23</u>	<u>24,822</u>	<u>55,166,708</u>	<u>192,403,561</u>
<u>\$ 1,500,616</u>	<u>\$ 1,227,546</u>	<u>\$ 23</u>	<u>\$ 49,822</u>	<u>\$ 63,325,228</u>	<u>\$ 241,261,088</u>

See Independent Auditors' Report

DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures and Changes in Fund Balance-By Type-Non Major Funds

For the Year Ended June 30, 2010

	Traffic Safety Fund (SHARE 20800, 10010, 82600)	Driver Improvement Program Fund (SHARE 10020)	Federal Planning and Development Fund (SHARE 10030)	Local Government Road Fund (SHARE 20300)	State Aviation Fund (SHARE 20500)
Revenues:					
User and fuel taxes	\$ -	\$ -	\$ -	\$ 13,143,342	\$ 5,674,527
U.S. Department of Transportation	11,187,736	-	14,144,750	-	237,918
U.S. Department of Energy	-	-	-	-	-
Fees and fines	-	-	-	-	70,287
Licenses and permits	1,955,328	365,573	-	7,431,275	-
Charges for services	-	-	-	-	-
DWI interlock device	-	-	-	-	-
Other revenue	232,736	-	2,894,649	-	1,200
Interest earnings	3,030	-	-	23,960	8,117
Total Revenues	13,378,830	365,573	17,039,399	20,598,577	5,992,049
Expenditures:					
Current:					
Operating costs	-	-	-	-	46,562
Personal services	393,610	-	303,014	-	259,565
Out-of-state travel	8,938	-	751	-	8,620
Grants and services	15,788,887	514,193	14,645,145	17,812,711	2,411,268
Travel	3	-	15	-	12,731
Maintenance and repairs	-	-	-	-	38,175
Supplies	-	-	177	-	11,415
Contractual services	958,889	-	-	-	1,103,905
Other costs	2,017,155	1,475	-	-	16,746
Employee benefits	153,109	-	95,052	-	88,833
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Debt issuance costs	-	-	-	-	-
Total Expenditures	19,320,591	515,668	15,044,154	17,812,711	3,997,820
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,941,761)	(150,095)	1,995,245	2,785,866	1,994,229
Other Financing Sources (Uses):					
Appropriations, net of reversions	-	-	-	-	-
Transfers from – Severance	-	-	-	-	-
Tax Bond Appropriation	-	-	-	-	-
Transfers from (to) other agencies	300,000	-	-	-	-
Transfers	-	-	-	-	-
Proceeds from LT notes payable	-	-	-	-	-
Proceeds from debentures payable	-	-	-	-	-
Total Other Financing Sources (Uses)	300,000	-	-	-	-
Net Changes in Fund Balances	(5,641,761)	(150,095)	1,995,245	2,785,866	1,994,229
Fund Balances June 30, 2009	7,165,801	551,656	(3,669,693)	16,010,574	5,173,077
Fund Balances June 30, 2010	\$ 1,524,040	\$ 401,561	\$ (1,674,448)	\$ 18,796,440	\$ 7,167,306

See Independent Auditors' Report

DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures and Changes in Fund Balance-By Type-Non Major
Funds

Motorcycle Training Fund	DWI Prevention and Education Fund	1993 Bond Project Fund	1999A CHAT Project Fund	2000A CHAT Project Fund	2001A CHAT Project Fund	2002A CHAT Project Fund
(SHARE 20600)	(SHARE 20700)	(SHARE 39400)	(SHARE 43000)	(SHARE 34500)	(SHARE 00600)	(SHARE 36800)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
127,762	657,380	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
449	-	2,260	3,002	-	9,115	-
128,211	657,380	2,260	3,002	-	9,115	-
-	-	-	-	-	-	-
-	54,043	-	-	-	-	-
-	-	-	-	-	-	-
141,062	117,758	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	21,472	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
141,062	193,273	-	-	-	-	-
(12,851)	464,107	2,260	3,002	-	9,115	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(189,007)	-	-	-	1,886,711	(3,750,864)	1,864,153
-	-	-	-	-	-	-
(189,007)	-	-	-	1,886,711	(3,750,864)	1,864,153
(201,858)	464,107	2,260	3,002	1,886,711	(3,741,749)	1,864,153
324,257	1,192,251	1,589,127	2,110,450	(1,886,711)	8,450,168	(1,864,153)
\$ 122,399	\$ 1,656,358	\$ 1,591,387	\$ 2,113,452	\$ -	\$ 4,708,419	\$ -

See Independent Auditors' Report

DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures and Changes in Fund Balance-By Type-Non Major Funds

For the Year Ended June 30, 2010

	2002C HIF Project Fund	2002D CHAT Project Fund	2004A GRIP Project Fund	2006A GRIP Project Fund	2006B GRIP Project Fund
	(SHARE 36100)	(SHARE 11500)	(SHARE 20400)	(SHARE 10210)	SHARE (10230)
Revenues:					
User and fuel taxes	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Department of Transportation	-	-	-	-	-
U.S. Department of Energy	-	-	-	-	-
Fees and fines	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
DWI interlock device	-	-	-	-	-
Other revenue	-	-	-	-	-
Interest earnings	1,848	1,105	194,128	547,119	137,768
Total Revenues	<u>1,848</u>	<u>1,105</u>	<u>194,128</u>	<u>547,119</u>	<u>137,768</u>
Expenditures:					
Current:					
Operating costs	-	-	-	-	-
Personal services	-	-	-	-	-
Out-of-state travel	-	-	-	-	-
Grants and services	-	-	-	-	-
Travel	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-
Supplies	-	-	-	-	-
Contractual services	-	-	77,878	-	-
Other costs	-	-	4,077	9,500	-
Employee benefits	-	-	-	-	-
Capital outlay	-	-	16,042,642	26,854,693	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Debt issuance costs	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>16,124,597</u>	<u>26,864,193</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,848</u>	<u>1,105</u>	<u>(15,930,469)</u>	<u>(26,317,074)</u>	<u>137,768</u>
Other Financing Sources (Uses):					
Appropriations, net of reversions	-	-	-	-	-
Transfers from - Severance	-	-	-	-	-
Tax Bond Appropriation	-	-	-	-	-
Transfers from (to) other agencies	-	-	-	-	-
Transfers	-	-	(185,980)	(1,509,810)	(38,058)
Proceeds from LT notes payable	-	-	-	-	-
Proceeds from debentures payable	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(185,980)</u>	<u>(1,509,810)</u>	<u>(38,058)</u>
Net Changes in Fund Balances	<u>1,848</u>	<u>1,105</u>	<u>(16,116,449)</u>	<u>(27,826,884)</u>	<u>99,710</u>
Fund Balances June 30, 2009	<u>1,299,532</u>	<u>634,406</u>	<u>26,487,121</u>	<u>49,706,208</u>	<u>2,314,586</u>
Fund Balances June 30, 2010	<u>\$ 1,301,380</u>	<u>\$ 635,511</u>	<u>\$ 10,370,672</u>	<u>\$ 21,879,324</u>	<u>\$ 2,414,296</u>

See Independent Auditors' Report

DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures and Changes in Fund Balance-By Type-Non Major Funds

2006C GRIP Project Fund	2006D GRIP Project Fund	GRIP LOC Project Fund	Total Special Revenue Funds	Capital Projects Fund	STB Capital Improvements Projects	Total Capital Projects Funds
(SHARE 10250)	(SHARE 10270)	(SHARE 10450)		(SHARE 10050)	(SHARE 10060)	
\$ -	\$ -	\$ -	\$ 18,817,869	\$ -	\$ -	\$ -
-	-	-	25,570,404	-	-	-
-	-	-	-	-	-	-
-	-	-	70,287	-	-	-
-	-	-	10,537,318	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	3,128,585	-	32,702	32,702
1,071,756	57,086	141	2,060,884	-	-	-
1,071,756	57,086	141	60,185,347	-	32,702	32,702
-	-	-	46,562	-	-	-
-	-	-	1,010,232	-	-	-
-	-	-	18,309	-	-	-
-	-	-	51,431,024	-	-	-
-	-	-	12,749	-	-	-
-	-	-	38,175	255,895	-	255,895
-	-	-	11,592	19,948	786,825	806,773
-	3,703	-	2,144,375	-	42,956,578	42,956,578
-	-	-	2,048,953	-	-	-
-	-	-	358,466	-	-	-
5,924	-	60,218,072	103,121,331	1,398,243	1,357,930	2,756,173
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,924	3,703	60,218,072	160,241,768	1,674,086	45,101,333	46,775,419
1,065,832	53,383	(60,217,931)	(100,056,421)	(1,674,086)	(45,068,631)	(46,742,717)
-	-	-	-	-	-	-
-	-	-	-	-	45,101,333	45,101,333
-	-	-	300,000	-	-	-
89,732	(147,746)	(23)	(1,980,892)	1,674,086	-	1,674,086
-	-	80,534,067	80,534,067	-	-	-
-	-	-	-	-	-	-
89,732	(147,746)	80,534,044	78,853,175	1,674,086	45,101,333	46,775,419
1,155,564	(94,363)	20,316,113	(21,203,246)	-	32,702	32,702
5,544,342	50,105,448	(19,401,098)	151,837,349	9,576,014	(3,005,986)	6,570,048
\$ 6,699,906	\$ 50,011,085	\$ 915,015	\$ 130,634,103	\$ 9,576,014	\$ (2,973,264)	\$ 6,602,750

See Independent Auditors' Report

DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures and Changes in Fund Balance-By Type-Non Major
Funds

For the Year Ended June 30, 2010

	1998A WIPP Debt Service	1998A CHAT Debt Service	1999 CHAT Debt Service	2000 CHAT Debt Service	2001A CHAT Debt Service
	(SHARE 97200)	(SHARE 54800)	(SHARE 43400)	(SHARE 43200)	(SHARE 00700)
Revenues:					
User and fuel taxes	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Department of Transportation	-	-	-	-	-
U.S. Department of Energy	-	-	-	-	-
Fees and fines	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
DWI interlock device	-	-	-	-	-
Other revenue	-	-	122,854	-	-
Interest earnings	3,487	1,912	795	5,077	4,727
Total Revenues	3,487	1,912	123,649	5,077	4,727
Expenditures:					
Current:					
Operating costs	-	-	-	-	-
Personal services	-	-	-	-	-
Out-of-state travel	-	-	-	-	-
Grants and services	-	-	-	-	-
Travel	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-
Supplies	-	-	-	-	-
Contractual services	-	-	-	-	-
Other costs	-	-	-	-	-
Employee benefits	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	23,890,000	9,555,000	-	14,605,000	74,770,000
Interest	-	-	-	876,300	477,250
Debt issuance costs	-	-	-	-	-
Total Expenditures	23,890,000	9,555,000	-	15,481,300	75,247,250
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,886,513)	(9,553,088)	123,649	(15,476,223)	(75,242,523)
Other Financing Sources (Uses):					
Appropriations, net of reversions	-	-	-	-	-
Transfers from – Severance	-	-	-	-	-
Tax Bond Appropriation	-	-	-	-	-
Transfers from (to) other agencies	-	-	-	-	-
Transfers	23,890,000	9,555,000	-	15,481,300	75,247,250
Proceeds from LT notes payable	-	-	-	-	-
Proceeds from debentures payable	-	-	-	-	-
Total Other Financing Sources (Uses)	23,890,000	9,555,000	-	15,481,300	75,247,250
Net Changes in Fund Balances	3,487	1,912	123,649	5,077	4,727
Fund Balances June 30, 2009	210,152	225,526	891,811	1,382,486	1,879,322
Fund Balances June 30, 2010	\$ 213,639	\$ 227,438	\$ 1,015,460	\$ 1,387,563	\$ 1,884,049

See Independent Auditors' Report

DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures and Changes in Fund Balance-By Type-Non Major
Funds

2002A CHAT Debt Service	2002B WIPP Debt Service	2002C HIF Debt Service	2002D CHAT Debt Service	2004A GRIP Debt Service	2004B GRIP Debt Service	2006A GRIP Debt Service
(SHARE 54700)	(SHARE 75000)	(SHARE 36300)	(SHARE 18700)	(SHARE 10080)	(SHARE 10090)	(SHARE 10220)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,169	3,188	944	435	16,518	2,293,757	2,913
3,169	3,188	944	435	16,518	2,293,757	2,913
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	13	-
-	-	-	-	-	-	-
19,535,000	9,445,000	16,745,000	1,360,000	-	-	-
992,325	472,250	766,980	194,825	-	-	-
-	-	-	-	-	-	-
20,527,325	9,917,250	17,511,980	1,554,825	-	13	-
(20,524,156)	(9,914,062)	(17,511,036)	(1,554,390)	16,518	2,293,744	2,913
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,527,325	9,917,250	17,511,980	1,554,825	-	(2,228,766)	1,437,084
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,527,325	9,917,250	17,511,980	1,554,825	-	(2,228,766)	1,437,084
3,169	3,188	944	435	16,518	64,978	1,439,997
785,697	809,818	153,164	53,982	1,859,152	46,025,601	27,889
\$ 788,866	\$ 813,006	\$ 154,108	\$ 54,417	\$ 1,875,670	\$ 46,090,579	\$ 1,467,886

See Independent Auditors' Report

DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures and Changes in Fund Balance-By Type-Non Major Funds

For the Year Ended June 30, 2010

	2006B GRIP Debt Service	2006C GRIP Debt Service	2006D GRIP Debt Service	2008A GRIP Debt Service	2008B GRIP Debt Service
	(SHARE 10240)	(SHARE 10260)	(SHARE 10280)	(SHARE 10410)	(SHARE 10420)
Revenues:					
User and fuel taxes	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Department of Transportation	-	-	-	-	-
U.S. Department of Energy	-	-	-	-	-
Fees and fines	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
DWI interlock device	-	-	-	-	-
Other revenue	-	-	-	-	-
Interest earnings	1,941	-	-	213,848	1,363,630
Total Revenues	<u>1,941</u>	<u>-</u>	<u>-</u>	<u>213,848</u>	<u>1,363,630</u>
Expenditures:					
Current:					
Operating costs	-	-	-	-	-
Personal services	-	-	-	-	-
Out-of-state travel	-	-	-	-	-
Grants and services	-	-	-	-	-
Travel	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-
Supplies	-	-	-	-	-
Contractual services	-	-	-	-	-
Other costs	2,931	-	-	578,427	129,827
Employee benefits	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	1,172,500	-	-	-	-
Interest	(37)	-	-	1,059,119	1,260,715
Debt issuance costs	-	-	-	-	-
Total Expenditures	<u>1,175,394</u>	<u>-</u>	<u>-</u>	<u>1,637,546</u>	<u>1,390,542</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,173,453)</u>	<u>-</u>	<u>-</u>	<u>(1,423,698)</u>	<u>(26,912)</u>
Other Financing Sources (Uses):					
Appropriations, net of reversions	-	-	-	-	-
Transfers from - Severance	-	-	-	-	-
Tax Bond Appropriation	-	-	-	-	-
Transfers from (to) other agencies	-	-	-	-	-
Transfers	-	-	94,155	1,283,769	-
Proceeds from LT notes payable	-	-	-	-	-
Proceeds from debentures payable	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>94,155</u>	<u>1,283,769</u>	<u>-</u>
Net Changes in Fund Balances	<u>(1,173,453)</u>	<u>-</u>	<u>94,155</u>	<u>(139,929)</u>	<u>(26,912)</u>
Fund Balances June 30, 2009	<u>(73,579)</u>	<u>-</u>	<u>(94,155)</u>	<u>(52,142)</u>	<u>295,049</u>
Fund Balances June 30, 2010	<u>\$ (1,247,032)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (192,071)</u>	<u>\$ 268,137</u>

See Independent Auditors' Report

DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures and Changes in Fund Balance-By Type-Non Major
Funds

2008C GRIP Debt Service (SHARE 10430)	2008D GRIP Debt Service (SHARE 10440)	2008 EX LOC Debt Service (SHARE 11140)	2009A Refunding Debt Service (SHARE 11130)	Total Debt Service Funds	Total Government Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,817,869
-	-	-	-	-	25,570,404
-	-	-	-	-	-
-	-	-	-	-	70,287
-	-	-	-	-	10,537,318
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	18,396,894	18,519,748	21,681,035
156,286	1,414	-	1,610	4,075,651	6,136,535
156,286	1,414	-	18,398,504	22,595,399	82,813,448
-	-	-	-	-	46,562
-	-	-	-	-	1,010,232
-	-	-	-	-	18,309
-	-	-	-	-	51,431,024
-	-	-	-	-	12,749
-	-	-	-	-	294,070
-	-	-	-	-	818,365
-	-	-	-	-	45,100,953
1,273,857	-	-	11,470,803	13,455,858	15,504,811
-	-	-	-	-	358,466
-	-	-	-	-	105,877,504
-	-	-	6,326,872	177,404,372	177,404,372
817,545	-	-	7,960,412	14,877,684	14,877,684
-	-	-	899,329	899,329	899,329
2,091,402	-	-	26,657,416	206,637,243	413,654,430
(1,935,116)	1,414	-	(8,258,912)	(184,041,844)	(330,840,982)
-	-	-	-	-	-
-	-	-	-	-	45,101,333
-	-	-	-	-	300,000
1,130,977	74,643	23	(104,061,266)	71,415,549	71,108,743
-	-	-	-	-	80,534,067
-	-	-	112,345,000	112,345,000	112,345,000
1,130,977	74,643	23	8,283,734	183,760,549	309,389,143
(804,139)	76,057	23	24,822	(281,295)	(21,451,839)
461,723	606,507	-	-	55,448,003	213,855,400
\$ (342,416)	\$ 682,564	\$ 23	\$ 24,822	\$ 55,166,708	\$ 192,403,561

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SUPPLEMENTARY INFORMATION
Budget to Actual Schedules

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

For the Year Ended June 30, 2010

STATE ROAD FUND (SHARE 10040/10140/10150/20100/20200/43100/78800/78900/82000)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 332,077,000	\$ 417,967,900	\$ 350,688,191	\$ (67,279,709)
Other state funds, inc. line of credit	403,571,398	368,579,201	382,150,807	13,571,606
State general fund	-	-	-	-
Inter-agency transfers	-	-	204,138	204,138
Interest revenue	1,600,002	1,600,002	63,095	(1,536,907)
Bond proceeds	-	-	-	-
Total Revenues:	737,248,400	788,147,103	\$ 733,106,231	\$ (55,040,872)
Prior Year Funds Rebudgeted	1,000,000	127,782,214		
	\$ 738,248,400	\$ 915,929,317		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 26,581,100	\$ 24,754,649	\$ 23,550,740	\$ 1,203,909
Contractual services	242,759,500	362,927,167	242,189,545	120,737,622
Other	180,432,800	190,494,384	161,719,754	28,774,630
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	449,773,400	578,176,200	427,460,039	150,716,161
Transportation and Highway Ops:				
Personal services/employee benefits	108,992,000	97,909,438	95,292,729	2,616,709
Contractual services	45,943,900	122,371,096	39,882,489	82,488,607
Other	78,043,900	65,861,083	63,699,277	2,161,806
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	232,979,800	286,141,617	198,874,495	87,267,122
Business/Program Support				
Personal services/employee benefits	26,986,900	25,282,100	24,620,339	661,761
Contractual services	6,345,200	5,461,811	3,861,865	1,599,946
Other	15,213,200	13,917,689	12,059,348	1,858,341
Transfers (in) out	6,949,900	6,949,900	8,623,986	(1,674,086)
Reversions	-	-	-	-
	55,495,200	51,611,500	49,165,538	2,445,962
Total Annual Budgeted				
Expenditures	\$ 738,248,400	\$ 915,929,317	\$ 675,500,072	\$ 240,429,245

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

	GENERAL FUND APPROPRIATIONS FUND (SHARE 10070)				
	Life-to-Date	FY10	Adjustments	Life-to-Date	
	Budgeted Amounts	Actual Amounts (Modified Accrual)		Actual Amounts (Modified Accrual)	Variance Over (Under)
REVENUES:					
Federal funds	\$ -	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-	-
State general fund	146,269,030	-	-	146,269,030	-
Inter-agency transfers	2,400,284	497,555	-	2,400,284	-
Interest revenue	-	-	-	-	-
Bond proceeds	-	-	-	-	-
TOTAL REVENUES	\$ 148,669,314	\$ 497,555	\$ -	\$ 148,669,314	\$ -
EXPENDITURES - current and capital outlay.					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	131,994,148	28,890,547	-	120,997,012	10,997,136
Other	14,274,882	-	-	14,274,882	-
Transfers (in) out	3,041,399	326,487	-	3,041,399	-
Reversions	28,542,562	25,351,260	-	28,542,562	-
	177,852,991	54,568,294	-	166,855,855	10,997,136
Business/Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ 177,852,991	\$ 54,568,294	\$ -	\$ 166,855,855	\$ 10,997,136

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

ARRA PROJECT FUND (SHARE 89000)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 249,105,144	\$ 278,918,962	\$ 133,383,248	\$ (145,535,714)
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	1,381,035	3,881,035	1,273,651	(2,607,384)
Interest revenue	-	-	-	-
Bond proceeds	-	-	-	-
Total Revenues:	250,486,179	282,799,997	\$ 134,656,899	\$ (148,143,098)
Prior Year Funds Rebudgeted	-	-		
	\$ 250,486,179	\$ 282,799,997		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 456,344	\$ 456,344	\$ 88,382	\$ 367,962
Contractual services	236,365,215	267,805,174	124,703,601	143,101,573
Other	13,664,620	14,538,479	7,762,137	6,776,342
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	250,486,179	282,799,997	132,554,120	150,245,877
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ 250,486,179	\$ 282,799,997	\$ 132,554,120	\$ 150,245,877

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

	NON MAJOR GOVERNMENTAL FUNDS			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 27,439,400	\$ 33,952,790	\$ 25,570,405	\$ (8,382,385)
Other state funds, inc. line of credit	172,621,646	166,068,638	131,607,874	(34,460,764)
State general fund	-	-	-	-
Inter-agency transfers	-	-	300,000	300,000
Interest revenue	1,740,000	1,740,000	6,179,669	4,439,669
Bond proceeds	-	-	112,345,000	112,345,000
Total Revenues:	201,801,046	201,761,428	\$ 276,002,948	\$ 74,241,520
 Prior Year Funds Rebudgeted	 138,301,519	 173,658,992		
	\$ 340,102,565	\$ 375,420,420		
 Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 1,861,000	\$ 1,861,000	\$ 1,368,698	\$ 492,302
Contractual services	277,165,765	282,511,256	109,000,005	173,511,251
Other	38,255,800	56,846,229	34,536,664	22,309,565
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	317,282,565	341,218,485	144,905,367	196,313,118
 Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	22,820,000	34,854,335	17,812,711	17,041,624
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	22,820,000	34,854,335	17,812,711	17,041,624
 Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	60,421,179	60,421,179	206,357,176	(145,935,997)
Transfers (in) out	(60,421,179)	(60,421,179)	(69,434,659)	9,013,480
Reversions	-	-	-	-
	-	-	136,922,517	(136,922,517)
 Total Annual Budgeted				
Expenditures	\$ 340,102,565	\$ 376,072,820	\$ 299,640,595	\$ 76,432,225

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

TRAFFIC SAFETY FUND (SHARE 10010/20800/82600)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 11,494,900	\$ 17,258,290	\$ 11,187,736	\$ (6,070,554)
Other state funds, inc. line of credit	1,385,000	1,385,000	2,188,064	803,064
State general fund	-	-	-	-
Inter-agency transfers	-	-	300,000	300,000
Interest revenue	1,200,000	1,200,000	3,030	(1,196,970)
Bond proceeds	-	-	-	-
Total Revenues:	14,079,900	19,843,290	\$ 13,678,830	\$ (6,164,460)
 Prior Year Funds Rebudgeted	 1,900,000	 10,095,927		
	\$ 15,979,900	\$ 29,939,217		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 766,000	\$ 766,000	\$ 546,719	\$ 219,281
Contractual services	1,194,000	1,194,000	1,199,347	(5,347)
Other	14,019,900	28,379,217	17,907,976	10,471,241
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	15,979,900	30,339,217	19,654,042	10,685,175
 Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
 Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
 Total Annual Budgeted				
Expenditures	\$ 15,979,900	\$ 30,339,217	\$ 19,654,042	\$ 10,685,175

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

DRIVER IMPROVEMENT PROGRAM FUND (SHARE 10020)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	225,000	225,000	365,573	140,573
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	-	-
Bond proceeds	-	-	-	-
Total Revenues:	<u>225,000</u>	<u>225,000</u>	<u>\$ 365,573</u>	<u>\$ 140,573</u>
Prior Year Funds Rebudgeted	<u>300,000</u>	<u>301,042</u>		
	<u>\$ 525,000</u>	<u>\$ 526,042</u>		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	525,000	526,042	515,668	10,374
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>525,000</u>	<u>526,042</u>	<u>515,668</u>	<u>10,374</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted				
Expenditures	<u>\$ 525,000</u>	<u>\$ 526,042</u>	<u>\$ 515,668</u>	<u>\$ 10,374</u>

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

FEDERAL PLANNING AND DEVELOPMENT FUND (SHARE 10030)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 15,944,500	\$ 16,694,500	\$ 14,144,749	\$ (2,549,751)
Other state funds, inc. line of credit	-	-	2,894,649	2,894,649
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	-	-
Bond proceeds	-	-	-	-
Total Revenues:	<u>15,944,500</u>	<u>16,694,500</u>	<u>\$ 17,039,398</u>	<u>\$ 344,898</u>
Prior Year Funds Rebudgeted		3,444,242		
	<u>\$ 15,944,500</u>	<u>\$ 20,138,742</u>		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 450,100	\$ 450,100	\$ 398,066	\$ 52,034
Contractual services	-	-	-	-
Other	15,494,400	19,688,642	13,272,053	6,416,589
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>15,944,500</u>	<u>20,138,742</u>	<u>13,670,119</u>	<u>6,468,623</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted				
Expenditures	<u>\$ 15,944,500</u>	<u>\$ 20,138,742</u>	<u>\$ 13,670,119</u>	<u>\$ 6,468,623</u>

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

	LOCAL GOVERNMENT ROAD FUND (SHARE 20300)			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	22,570,000	16,141,992	20,574,617	4,432,625
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	250,000	250,000	23,960	(226,040)
Bond proceeds	-	-	-	-
Total Revenues:	<u>22,820,000</u>	<u>16,391,992</u>	<u>\$ 20,598,577</u>	<u>\$ 4,206,585</u>
Prior Year Funds Rebudgeted	-	18,462,343		
	<u>\$ 22,820,000</u>	<u>\$ 34,854,335</u>		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	22,820,000	34,854,335	17,812,711	17,041,624
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>22,820,000</u>	<u>34,854,335</u>	<u>17,812,711</u>	<u>17,041,624</u>
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Total Annual Budgeted				
Expenditures	<u>\$ 22,820,000</u>	<u>\$ 34,854,335</u>	<u>\$ 17,812,711</u>	<u>\$ 17,041,624</u>

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

	STATE AVIATION FUND (SHARE 20500)			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ 237,918	\$ 237,918
Other state funds, inc. line of credit	5,075,000	5,075,000	5,746,014	671,014
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	125,000	125,000	8,117	(116,883)
Bond proceeds	-	-	-	-
Total Revenues:	<u>5,200,000</u>	<u>5,200,000</u>	<u>\$ 5,992,049</u>	<u>\$ 792,049</u>
Prior Year Funds Rebudgeted	<u>3,200,000</u>	<u>3,219,849</u>		
	<u>\$ 8,400,000</u>	<u>\$ 8,419,849</u>		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 564,000	\$ 564,000	\$ 348,398	\$ 215,602
Contractual services	1,162,000	1,162,000	1,188,777	(26,777)
Other	6,674,000	6,693,849	2,563,765	4,130,084
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>8,400,000</u>	<u>8,419,849</u>	<u>4,100,940</u>	<u>4,318,909</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted				
Expenditures	<u>\$ 8,400,000</u>	<u>\$ 8,419,849</u>	<u>\$ 4,100,940</u>	<u>\$ 4,318,909</u>

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

MOTORCYCLE TRAINING FUND (SHARE 20600)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	125,000	125,000	127,762	2,762
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	5,000	5,000	449	(4,551)
Bond proceeds	-	-	-	-
Total Revenues:	130,000	130,000	\$ 128,211	\$ (1,789)
Prior Year Funds Rebudgeted	127,400	127,400		
	\$ 257,400	\$ 257,400		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	257,400	257,400	141,062	116,338
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	257,400	257,400	141,062	116,338
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	189,007	(189,007)
Reversions	-	-	-	-
	-	-	189,007	(189,007)
Total Annual Budgeted				
Expenditures	\$ 257,400	\$ 257,400	\$ 330,069	\$ (72,669)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

DWI PREVENTION AND EDUCATION FUND (SHARE 20700)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	435,000	435,000	657,380	222,380
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	-	-
Bond proceeds	-	-	-	-
Total Revenues:	<u>435,000</u>	<u>435,000</u>	<u>\$ 657,380</u>	<u>\$ 222,380</u>
 Prior Year Funds Rebudgeted	 931,000	 946,979		
	<u>\$ 1,366,000</u>	<u>\$ 1,381,979</u>		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 80,900	\$ 80,900	\$ 75,516	\$ 5,384
Contractual services	-	-	-	-
Other	1,285,100	1,301,079	122,562	1,178,517
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>1,366,000</u>	<u>1,381,979</u>	<u>198,078</u>	<u>1,183,901</u>
 Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Annual Budgeted				
Expenditures	<u>\$ 1,366,000</u>	<u>\$ 1,381,979</u>	<u>\$ 198,078</u>	<u>\$ 1,183,901</u>

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

1993 BOND PROJECT FUND (SHARE 39400)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	2,260	2,260
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 2,260	\$ 2,260
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

1999A CHAT PROJECT FUND (SHARE 43000)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	3,002	3,002
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 3,002	\$ 3,002
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2000A CHAT PROJECT FUND (SHARE 34500)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	-	-
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ -	\$ -
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	(1,886,711)	1,886,711
Reversions	-	-	-	-
Total Annual Budgeted	-	-	(1,886,711)	1,886,711
Expenditures	\$ -	\$ -	\$ (1,886,711)	\$ 1,886,711

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2001A CHAT PROJECT FUND (SHARE 00600)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	9,115	9,115
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 9,115	\$ 9,115
 Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
 Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
 Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	3,750,864	(3,750,864)
Reversions	-	-	-	-
 Total Annual Budgeted	-	-	3,750,864	(3,750,864)
 Expenditures	\$ -	\$ -	\$ 3,750,864	\$ (3,750,864)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2002A CHAT PROJECT FUND (SHARE 36800)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	-	-
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ -	\$ -
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	(1,864,153)	1,864,153
Reversions	-	-	-	-
Total Annual Budgeted	-	-	(1,864,153)	1,864,153
Expenditures	\$ -	\$ -	\$ (1,864,153)	\$ 1,864,153

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2002C HIF PROJECT FUND (SHARE 36100)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	1,848	1,848
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 1,848	\$ 1,848
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2002D CHAT PROJECT FUND (SHARE 11500)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	1,105	1,105
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 1,105	\$ 1,105
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2004A GRIP PROJECT FUND (SHARE 20400)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	194,128	194,128
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 194,128	\$ 194,128
 Prior Year Funds Rebudgeted	 26,487,121	 26,487,121		
	\$ 26,487,121	\$ 26,487,121		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	26,487,121	26,487,121	16,042,642	10,444,479
Other	-	-	4,077	(4,077)
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	26,487,121	26,487,121	16,046,719	10,440,402
 Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
 Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	185,980	(185,980)
Reversions	-	-	-	-
	-	-	185,980	(185,980)
 Total Annual Budgeted				
Expenditures	\$ 26,487,121	\$ 26,487,121	\$ 16,232,699	\$ 10,254,422

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2006A GRIP PROJECT FUND (SHARE 10210)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	547,119	547,119
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 547,119	\$ 547,119
 Prior Year Funds Rebudgeted	 49,706,208	 49,706,208		
	<u>\$ 49,706,208</u>	<u>\$ 49,706,208</u>		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	49,706,208	49,706,208	28,778,327	20,927,881
Other	-	-	9,500	(9,500)
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>49,706,208</u>	<u>49,706,208</u>	<u>28,787,827</u>	<u>20,918,381</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	1,509,810	(1,509,810)
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,509,810</u>	<u>(1,509,810)</u>
Total Annual Budgeted				
Expenditures	<u>\$ 49,706,208</u>	<u>\$ 49,706,208</u>	<u>\$ 30,297,637</u>	<u>\$ 19,408,571</u>

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2006B GRIP PROJECT FUND (SHARE 10230)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	137,768	137,768
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 137,768	\$ 137,768
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	38,058	(38,058)
Reversions	-	-	-	-
Total Annual Budgeted			38,058	(38,058)
Expenditures	\$ -	\$ -	\$ 38,058	\$ (38,058)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2006C GRIP PROJECT FUND (SHARE 10250)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	1,071,756	1,071,756
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 1,071,756	\$ 1,071,756
 Prior Year Funds Rebudgeted	 5,544,342	 5,544,342		
	\$ 5,544,342	\$ 5,544,342		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	5,544,342	5,544,342	200,444	5,343,898
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	5,544,342	5,544,342	200,444	5,343,898
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	(89,732)	89,732
Reversions	-	-	-	-
	-	-	(89,732)	89,732
Total Annual Budgeted				
Expenditures	\$ 5,544,342	\$ 5,544,342	\$ 110,712	\$ 5,433,630

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2006D GRIP PROJECT FUND (SHARE 10270)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	57,086	57,086
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 57,086	\$ 57,086
Prior Year Funds Rebudgeted	50,105,448	50,105,448		
	<u>\$ 50,105,448</u>	<u>\$ 50,105,448</u>		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	50,105,448	50,105,448	3,703	50,101,745
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>50,105,448</u>	<u>50,105,448</u>	<u>3,703</u>	<u>50,101,745</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	147,746	(147,746)
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>147,746</u>	<u>(147,746)</u>
Total Annual Budgeted				
Expenditures	<u>\$ 50,105,448</u>	<u>\$ 50,105,448</u>	<u>\$ 151,449</u>	<u>\$ 49,953,999</u>

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

GRIP LINE OF CREDIT PROJECT FUND (SHARE 10450)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	140,306,646	140,306,646	80,534,067	(59,772,579)
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	141	141
Bond proceeds	-	-	-	-
Total Revenues:	140,306,646	140,306,646	\$ 80,534,208	\$ (59,772,438)
Prior Year Funds Rebudgeted	-	-		
	\$ 140,306,646	\$ 140,306,646		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	140,306,646	140,306,646	61,586,765	78,719,881
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	140,306,646	140,306,646	61,586,765	78,719,881
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	23	(23)
Reversions	-	-	-	-
	-	-	23	(23)
Total Annual Budgeted				
Expenditures	\$ 140,306,646	\$ 140,306,646	\$ 61,586,788	\$ 78,719,858

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

1998A WIPP DEBT SERVICE (SHARE 97200)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	3,487	3,487
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 3,487	\$ 3,487
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	9,513,271	9,513,271	23,890,000	(14,376,729)
Transfers (in) out	(9,513,271)	(9,513,271)	(23,890,000)	14,376,729
Reversions	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

1998A CHAT DEBT SERVICE (SHARE 54800)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	1,912	1,912
Bond proceeds	-	-	-	-
Total Revenues:	-	-	<u>\$ 1,912</u>	<u>\$ 1,912</u>
Prior Year Funds Rebudgeted	-	-		
	<u>\$ -</u>	<u>\$ -</u>		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	9,555,000	(9,555,000)
Transfers (in) out	-	-	(9,555,000)	9,555,000
Reversions	-	-	-	-
Total Annual Budgeted Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

1999 CHAT DEBT SERVICE (SHARE 43400)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	122,854	122,854
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	795	795
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 123,649	\$ 123,649
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2000 CHAT DEBT SERVICE (SHARE 43200)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	5,077	5,077
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 5,077	\$ 5,077
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	15,481,300	15,481,300	15,481,300	-
Transfers (in) out	(15,481,300)	(15,481,300)	(15,481,300)	-
Reversions	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2001A CHAT DEBT SERVICE (SHARE 00700)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	4,727	4,727
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 4,727	\$ 4,727
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	11,445,228	11,445,228	75,247,250	(63,802,022)
Transfers (in) out	(11,445,228)	(11,445,228)	(75,247,250)	63,802,022
Reversions	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2002A CHAT DEBT SERVICE (SHARE 54700)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	3,169	3,169
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 3,169	\$ 3,169
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	9,742,325	9,742,325	20,527,325	(10,785,000)
Transfers (in) out	(9,742,325)	(9,742,325)	(20,527,325)	10,785,000
Reversions	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2002B WIPP DEBT SERVICE (SHARE 75000)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	3,188	3,188
Bond proceeds	-	-	-	-
Total Revenues:	-	-	<u>\$ 3,188</u>	<u>\$ 3,188</u>
Prior Year Funds Rebudgeted	-	-		
	<u>\$ -</u>	<u>\$ -</u>		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	9,917,250	9,917,250	9,917,250	-
Transfers (in) out	(9,917,250)	(9,917,250)	(9,917,250)	-
Reversions	-	-	-	-
	-	-	-	-
Total Annual Budgeted				
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2002C HIF DEBT SERVICE (SHARE 36300)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	944	944
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 944	\$ 944
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	2,766,980	2,766,980	17,511,980	(14,745,000)
Transfers (in) out	(2,766,980)	(2,766,980)	(17,511,980)	14,745,000
Reversions	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2002D CHAT DEBT SERVICE (SHARE 18700)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	435	435
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 435	\$ 435
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	1,554,825	1,554,825	1,554,825	-
Transfers (in) out	(1,554,825)	(1,554,825)	(1,554,825)	-
Reversions	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2004A GRIP DEBT SERVICE (SHARE 10080)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	16,518	16,518
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 16,518	\$ 16,518
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2004B GRIP DEBT SERVICE (SHARE 10090)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	2,293,757	2,293,757
Bond proceeds	-	-	-	-
Total Revenues:	-	-	<u>\$ 2,293,757</u>	<u>\$ 2,293,757</u>
Prior Year Funds Rebudgeted	-	-		
	<u>\$ -</u>	<u>\$ -</u>		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	13	(13)
Transfers (in) out	-	-	2,228,766	(2,228,766)
Reversions	-	-	-	-
	-	-	2,228,779	(2,228,779)
Total Annual Budgeted				
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,228,779</u>	<u>\$ (2,228,779)</u>

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2006A GRIP DEBT SERVICE (SHARE 10220)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	2,913	2,913
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 2,913	\$ 2,913
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	(1,437,084)	1,437,084
Reversions	-	-	-	-
Total Annual Budgeted	-	-	(1,437,084)	1,437,084
Expenditures	\$ -	\$ -	\$ (1,437,084)	\$ 1,437,084

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2006B GRIP DEBT SERVICE (SHARE 10240)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	1,941	1,941
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 1,941	\$ 1,941
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	1,175,394	(1,175,394)
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Total Annual Budgeted	-	-	1,175,394	(1,175,394)
Expenditures	\$ -	\$ -	\$ 1,175,394	\$ (1,175,394)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2006C GRIP DEBT SERVICE (SHARE 10260)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	-	-
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ -	\$ -
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ -	\$ -	\$ -	\$ -

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2006D GRIP DEBT SERVICE (SHARE 10280)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	-	-
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ -	\$ -
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	(94,155)	94,155
Reversions	-	-	-	-
Total Annual Budgeted	-	-	(94,155)	94,155
Expenditures	\$ -	\$ -	\$ (94,155)	\$ 94,155

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2008A GRIP DEBT SERVICE (SHARE 10410)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	213,848	213,848
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 213,848	\$ 213,848
 Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	1,467,673	(1,467,673)
Transfers (in) out	-	-	(1,283,769)	1,283,769
Reversions	-	-	-	-
Total Annual Budgeted			183,904	(183,904)
Expenditures	\$ -	\$ -	\$ 183,904	\$ (183,904)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2008B GRIP DEBT SERVICE (SHARE 10420)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	1,363,630	1,363,630
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 1,363,630	\$ 1,363,630
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	1,280,351	(1,280,351)
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Total Annual Budgeted	-	-	1,280,351	(1,280,351)
Expenditures	\$ -	\$ -	\$ 1,280,351	\$ (1,280,351)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2008C GRIP DEBT SERVICE (SHARE 10430)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	156,286	156,286
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 156,286	\$ 156,286
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	2,091,401	(2,091,401)
Transfers (in) out	-	-	(1,130,977)	1,130,977
Reversions	-	-	-	-
Total Annual Budgeted	-	-	960,424	(960,424)
Expenditures	\$ -	\$ -	\$ 960,424	\$ (960,424)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2008D GRIP DEBT SERVICE (SHARE 10440)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	-	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	1,414	1,414
Bond proceeds	-	-	-	-
Total Revenues:	-	-	\$ 1,414	\$ 1,414
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	(74,643)	74,643
Reversions	-	-	-	-
Total Annual Budgeted			(74,643)	74,643
Expenditures	\$ -	\$ -	\$ (74,643)	\$ 74,643

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2008 EXEMPT LINE OF CREDIT DEBT SERVICE (SHARE 11140)					
	Budgeted Amounts		Actual		Variance
	Original	Final	Amounts (Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds, inc. line of credit	-	-	-	-	-
State general fund	-	-	-	-	-
Inter-agency transfers	-	-	-	-	-
Interest revenue	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Total Revenues:	-	-	\$ -	\$ -	-
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Business/Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Transfers (in) out	-	-	(23)	23	
Reversions	-	-	-	-	-
	-	-	(23)	23	
Total Annual Budgeted					
Expenditures	\$ -	\$ -	\$ (23)	\$ 23	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

2009A REFUNDING DEBT SERVICE (SHARE 11130)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	-	18,396,894	18,396,894
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	1,610	1,610
Bond proceeds	-	-	112,345,000	112,345,000
Total Revenues:	-	-	\$ 130,743,504	\$ 130,743,504
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	26,657,414	(26,657,414)
Transfers (in) out	-	-	104,061,266	(104,061,266)
Reversions	-	-	-	-
Total Annual Budgeted	-	-	130,718,680	(130,718,680)
Expenditures	\$ -	\$ -	\$ 130,718,680	\$ (130,718,680)

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

	STATE INFRASTRUCTURE BANK (SHARE 89300)			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	2,500,000	2,500,000	-	(2,500,000)
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	160,000	160,000	43,133	(116,867)
Bond proceeds	-	-	-	-
Total Revenues:	2,660,000	2,660,000	\$ 43,133	\$ (2,616,867)
Prior Year Funds Rebudgeted	-	5,345,491		
	\$ 2,660,000	\$ 8,005,491		
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	2,660,000	8,005,491	-	8,005,491
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	2,660,000	8,005,491	-	8,005,491
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Total Annual Budgeted				
Expenditures	\$ 2,660,000	\$ 8,005,491	\$ -	\$ 8,005,491

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

	CAPITAL PROJECTS FUND (SHARE 10050)			
	Life-to-Date	FY10	Life-to-Date	
	Budgeted Amounts	Actual Amounts (Modified Accrual)	Actual Amounts (Modified Accrual)	Variance Over (Under)
REVENUES:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	5,417,426	-	5,417,426	-
State general fund	-	-	-	-
Inter-agency transfers	-	-	-	-
Interest revenue	-	-	-	-
Bond proceeds	-	-	-	-
TOTAL REVENUES	<u>\$ 5,417,426</u>	<u>\$ -</u>	<u>\$ 5,417,426</u>	<u>\$ -</u>
EXPENDITURES - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	-
Contractual services	12,294,101	-	11,944,101	350,000
Other	13,613,587	1,674,086	6,663,395	8,950,192
Transfers (in) out	(26,833,926)	(1,674,086)	(26,850,426)	16,500
Reversions	-	-	-	-
	<u>(926,238)</u>	<u>-</u>	<u>(8,242,930)</u>	<u>7,316,692</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business/Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ANNUAL BUDGETED				
EXPENDITURES	<u>\$ (926,238)</u>	<u>\$ -</u>	<u>\$ (8,242,930)</u>	<u>\$ 7,316,692</u>

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

For the Year Ended June 30, 2010

STB CAPITAL IMPROVEMENTS PROJECTS FUND (SHARE 10060)					
	Life-to-Date Budgeted Amounts	FY09 Actual Amounts (Modified Accrual)	Adjustments	Life-to-Date Actual Amounts (Modified Accrual)	Variance Over (Under)
REVENUES:					
Federal funds	\$ -	\$ -	\$ -	\$ -	\$ -
Other state funds, inc. line of credit	-	32,702	-	32,702	32,702
State general fund	-	-	-	-	-
Inter-agency transfers	346,278,967	45,101,333	-	160,355,845	(185,923,122)
Interest revenue	-	-	-	-	-
Bond proceeds	-	-	-	-	-
TOTAL REVENUES	\$ 346,278,967	\$ 45,134,035	\$ -	\$ 160,388,547	\$ (185,890,420)
EXPENDITURES - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	337,701,351	44,314,508	1,718,510	159,454,879	178,246,472
Other	8,527,616	786,825	-	8,527,616	-
Transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	346,228,967	45,101,333	1,718,510	167,982,495	178,246,472
Business/Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
TOTAL ANNUAL BUDGETED EXPENDITURES	\$ 346,228,967	\$ 45,101,333	\$ 1,718,510	\$ 167,982,495	\$ 178,246,472

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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

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OTHER SUPPLEMENTAL INFORMATION

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Capital Projects

As of June 30, 2010

	Budgeted Amounts		Current Year Expenditures
	Original	Final	
Expenditures for 2005 multi-year projects			
Capital outlay	\$ 2,250,000	\$ 2,250,000	\$ -
Expenditures for 2006 multi-year projects			
Capital outlay	15,250,000	16,285,387	929,323
Expenditures for 2007 multi-year projects			
Capital outlay	2,750,000	2,750,000	741,804
Expenditures for 2008 multi-year projects			
Capital outlay	6,017,426	6,017,426	2,960
Expenditures for 2009 multi-year projects			
Capital outlay	1,450,000	1,450,000	-
Expenditures for 2010 multi-year projects			
Capital outlay	350,000	350,000	-
Total Expenditures	<u>\$ 28,067,426</u>	<u>\$ 29,102,813</u>	<u>\$ 1,674,087</u>

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Capital Projects

Life-to-Date Outstanding Encumbrances	Total Actual	Prior Year Actual	Total Expenditures	Variance From Final Budget (Over) Under
\$ -	\$ -	\$ 1,382,608	\$ 1,382,608	\$ 867,392
-	929,323	13,038,296	13,967,619	2,317,768
92,730	834,534	1,915,466	2,750,000	-
-	2,960	597,040	600,000	5,417,426
-	-	-	-	1,450,000
-	-	-	-	350,000
\$ 92,730	\$ 1,766,817	\$ 16,933,410	\$ 18,700,227	\$ 10,402,586

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Severance Tax Bonds

As of June 30, 2010

Chapter	Laws	Bonds Appropriated	Bonds Sold	Amounts AIPP	Funds Reauthorized
2	1999	\$ 5,161,415	\$ 4,719,721	\$ -	\$ 21,620
2/23	2000	7,518,079	7,193,284	-	-
110	2002	9,492,863	9,491,910	-	405,170
429	2003	7,394,100	7,394,100	(1,250)	741,692
126	2004	23,209,750	23,159,750	-	(2,117,068)
347	2005	15,745,000	15,510,450	(1,500)	1,021,038
111	2006	25,889,900	25,889,900	-	(2,004,253)
42	2007	79,455,992	79,455,992	-	(1,478,236)
92	2008	19,978,000	19,978,000	(9,600)	4,777,402
9	2008	100,012,260	100,012,260	-	-
5	2009	1,500,000	1,500,000	-	-
7	2009	5,265,928	5,265,628	-	-
7	2010	767,000	767,000	-	49,987,740
		<u>\$ 301,390,286</u>	<u>\$ 300,337,995</u>	<u>\$ (12,350)</u>	<u>\$ 51,355,105</u>

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Severance Tax Bonds

Funds	Bond Balance	Funds	Expended	Balance	Due from						
Reverted	After	Received	To Date	Available	Board of Finance						
	Reauthorization										
\$	(485,348)	\$	4,255,993	\$	4,234,373	\$	4,234,373	\$	21,620	\$	-
	(324,795)		6,868,489		6,868,488		6,868,488		1		-
	(499,940)		9,397,140		8,843,160		8,843,160		553,980		-
	(354,876)		7,779,666		7,044,803		7,044,803		734,863		-
	(157,207)		20,885,475		20,675,542		20,725,543		159,932		50,001
	(289,429)		16,240,559		13,136,007		13,405,095		2,835,464		269,088
	(1,240,060)		22,645,587		14,157,217		15,851,752		6,793,835		1,694,535
	-		77,977,756		49,240,081		49,155,595		28,822,161		(84,486)
	(1,462,494)		23,283,308		9,479,721		9,632,062		13,651,246		152,341
	-		100,012,260		26,676,453		32,221,624		67,790,636		5,545,171
	-		1,500,000		-		-		1,500,000		-
	(587,634)		4,677,994		-		-		4,677,994		-
	-		50,754,740		-		-		50,754,740		-
\$	(5,401,783)	\$	346,278,967	\$	160,355,845	\$	167,982,495	\$	178,296,472	\$	7,626,650

Balance Available	\$ 178,296,472
Due from Board of Finance	7,626,650
Total (Note 4)	<u>\$ 185,923,122</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Special Appropriations

As of June 30, 2010

	Appropriation Amount	Expenditures Inception to June 30, 2010
Special Revenue Funds		
Laws of 2003, Chapter 385	\$ 975,500	\$ 431,612
Laws of 2004, Chapter 126	10,643,657	10,179,584
Laws of 2005, Chapter 347	16,082,810	12,175,727
Laws of 2006, Chapter 111	22,564,500	21,353,122
Laws of 2007, Chapter 42	38,915,552	23,576,492
Laws of 2007 Special Session, Chapter 3	35,000,000	21,898,279
Laws of 2008, Chapter 2	42,577,900	41,617,170
Laws of 2008, Chapter 92	8,051,673	4,681,023
	<u>174,811,592</u>	<u>135,913,009</u>
Capital Projects Funds		
Laws of 2005, Chapter 347	2,250,000	1,382,608
Laws of 2006, Chapter 111	15,033,000	14,974,155
Laws of 2007, Chapter 42	2,750,000	2,657,270
Laws of 2008, Chapter 92	6,017,426	600,000
Laws of 2009, Chapter 125	1,450,000	-
Laws of 2010 Special Session, Chapter 4	350,000	-
	<u>27,850,426</u>	<u>19,614,033</u>
Total all Fund Types	<u><u>\$ 202,662,018</u></u>	<u><u>\$ 155,527,042</u></u>

* Note: State House and Senate Memorials are directions on how appropriated monies should be spent. They are not laws.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Special Appropriations

Encumbrances				Balance
Balance as of	Re-appropriation	Reversion		as of
June 30, 2010	Amount	Amount		June 30, 2010
\$ -	\$ -	\$ 543,888	\$ -	-
-	(217,564)	681,637	-	-
786,573	866,123	2,254,387	-	-
-	(1,165,304)	2,376,682	-	-
3,418,102	(164,066)	11,412,842		672,182
3,829,059	-	8,500,000		772,662
-	-	960,730		-
1,340,897	39,696	1,812,396		177,661
9,374,631	(641,115)	28,542,562		1,622,505
-	-	867,392		-
-	-	58,845		-
-	-	-		92,730
-	-	-		5,417,426
-	-	-		1,450,000
-	-	-		350,000
-	-	926,237		7,310,156
\$ 9,374,631	\$ (641,115)	\$ 29,468,799	\$	8,932,661

See Independent Auditors' Report

Special Revenue Fund

Under the Laws of 2003, Chapter 385, the Department was appropriated \$975,500 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2008 fiscal year reverted to the State General Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2004, Chapter 126, the Department was appropriated \$10,643,657 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2009 fiscal year reverted to the State General Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2005, Chapter 347, the Department was appropriated \$16,082,810 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2010 fiscal year will revert to the State General Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2006, Chapter 111, the Department was appropriated \$22,564,500 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2010 fiscal year will revert to the State General Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2007, Chapter 42, the Department was appropriated \$38,915,552 from the State of New Mexico General Fund for certain infrastructure projects and improvements. Any unexpended or unencumbered balance remaining at the end of the 2011 fiscal year will revert to the State General Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of Special Session 2007, Chapter 3, the Department was appropriated \$35,000,000 for GRIP 1 and New Mexico Spaceport projects. Any unexpended or unencumbered balance remaining at the end of the 2011 fiscal year will revert to the State General Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2008, Chapters 2 and 92, the Department was appropriated \$42,577,900 and \$8,051,673, respectively, for highway maintenance and certain infrastructure projects and improvements, respectively. Any unexpended or unencumbered balance remaining at the end of the 2012 fiscal year will revert to the State General Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Capital Projects Fund

Under the Laws of 2005, Chapter 347, the Department was appropriated \$2,250,000 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2010 fiscal year will revert to the State Road Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2006, Chapter 111, the Department was appropriated \$15,033,000 from the State Road Fund for patrol buildings and rest stop construction. Any unexpended or unencumbered balance remaining at the end of the 2010 fiscal year will revert to the State Road Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2007, Chapter 42, the Department was appropriated \$2,750,000 from the State Road Fund for various capital projects. Any unexpended or unencumbered balance remaining at the end of the 2011 fiscal year will revert to the State Road Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2008, Chapter 92, the Department was appropriated \$6,017,426 from the State Road Fund for construction of Salt Domes. Any unexpended or unencumbered balance remaining at the end of the 2012 fiscal year will revert to the State Road Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2009, Chapter 125, the Department was appropriated \$1,450,000 from the State Road Fund for D3 hilltop building roof replacement. Any unexpended or unencumbered balance remaining at the end of the 2013 fiscal year will revert to the State Road Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2010 Special Session, Chapter 4, the Department was appropriated \$350,000 from the State Road Fund for the construction of Salt Domes. Any unexpended or unencumbered balance remaining at the end of the 2013 fiscal year will revert to the State Road Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Individual Bank Accounts

As of June 30, 2010

	SHARE Account Number	Bank Balance	Book Balance	Book Total
Cash				
State Road Fund	Petty Cash 20100	\$ 2,600	\$ 2,600	
State Road Fund, Wells Fargo Checking	MRCOG 20100	8,937,555	65,032	
Total Cash		<u>\$ 8,940,155</u>		<u>\$ 67,632</u>
Cash Equivalents				
SGFIP:				
(Unrestricted)				
Traffic Safety Fund	10010, 20800, 82600	\$ 5,870,707	\$ 5,870,707	
Driver Improvement Program	10020	331,640	331,640	
State Road Fund	10040/10140/10150/20100/20200/ 43100/78800/78900/82000	51,406,239	51,406,239	
Local Government Road Fund	20300	16,390,798	16,390,798	
State Aviation Fund	20500	7,009,303	7,009,303	
Motorcycle Training Fund	20600	294,977	294,977	
DWI Prevention and Education	20700	1,557,507	1,557,507	
				82,861,171
(Restricted)				
2001A CHAT Project Fund	600	4,794,832	4,794,832	
2001A CHAT Debt Service	700	233,268	233,268	
State Road Fund	10040/10140/10150/20100/20200/ 43100/78800/78900/82000	35,810,647	35,810,647	
Capital Projects Fund	10050	278,627	278,627	
General Fund Appropriations	10070	19,106,294	19,106,294	
2006C GRIP Project Fund	10250	47,777	47,777	
GRIP LOC Project Fund	10450	4,010,570	4,010,570	
2002D CHAT Bond Project Fund	11500	778,300	778,300	
2002D CHAT Debt Service	18700	12,781	12,781	
2002C HIF Bond Project Fund	36100	1,301,188	1,301,188	
2002C HIF Debt Service Fund	36300	62,093	62,093	
1993 Bond Project Fund	39400	1,591,153	1,591,153	
1999A CHAT Bond Project Fund	43000	2,113,141	2,113,141	
2000 CHAT Debt Service	43200	203,637	203,637	
1999 CHAT Debt Service	43400	265,627	265,627	
2002A CHAT Debt Service	54700	83,389	83,389	
1998A CHAT Debt Service	54800	141,277	141,277	
2002B WIPP Debt Service	75000	110,675	110,675	
State Infrastructure Bank	89300	11,993,450	11,993,450	
1998A WIPP Debt Service	97200	14,478	14,478	
				82,953,204

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Individual Bank Accounts

	SHARE Account Number	Bank Balance	Book Balance	Book Total
Managed by NMFA:				
Wells Fargo, trustee account				
1998A Bond Fund US 70	10140	11,066	11,066	11,066
Bank of Albuquerque, trustee account				
2006D GRIP Project Fund	10270	50,011,079	50,011,079	50,011,079
Bank of New York, trustee account				
2004A GRIP Debt Service	10080	1,874,391	1,874,391	
2004B GRIP Debt Service	10090	46,088,635	46,088,635	
2006A GRIP Bond Project Fund	10210	25,296,048	25,296,048	
2006A GRIP Debt Service	10220	30,572	30,572	
2006B GRIP Project Fund	10230	2,414,297	2,414,297	
2006B GRIP Debt Service	10240	3,297	3,297	
2006C GRIP Project Fund	10250	6,652,128	6,652,128	
2008A GRIP Debt Service	10410	1,711,571	1,711,571	
2008B GRIP Debt Service	10420	1,480,537	1,480,537	
2008C GRIP Debt Service	10430	890,550	890,550	
2008D GRIP Debt Service	10440	1,227,406	1,227,406	
GRIP LOC Project Fund	10450	2,605	2,605	
2009A Refunding	11130	49,109	49,109	
LOC Debt Service	11140	23	23	87,721,169
STO/SGFIP				
2001A CHAT Debt Service	700	1,650,619	1,650,619	
2002D CHAT Debt Service	18700	41,619	41,619	
2004A GRIP Bond Project Fund	20400	13,601,093	13,601,093	
2002C HIF Debt Service Fund	36300	91,981	91,981	
2000 CHAT Debt Service	43200	1,183,729	1,183,729	
1999 CHAT Debt Service	43400	749,777	749,777	
2002A CHAT Debt Service	54700	705,362	705,362	
1998A CHAT Debt Service	54800	86,138	86,138	
2002B WIPP Debt Service	75000	702,208	702,208	
1998A WIPP Debt Service	97200	199,155	199,155	19,011,681
Total Cash Equivalents		\$ 322,569,370	\$ 322,569,370	

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of State Road Fund Pledged Revenues

As of June 30, 2010

Pledged State Road Fund Revenues

Pledged User & Fuel Taxes

Gasoline Excise	\$ 109,163,235
Motor Vehicle Registrations	72,863,462
Special Fuel	87,797,580
Vehicle Transaction	5,396,537
Drivers License	3,704,875
Trip (Mileage) Tax	5,487,552
Tire recycling fees	1,791,249
Weight/Distance Tax	73,376,249
Total pledged user & fuel taxes	<u>359,580,739</u>

Other Pledged Revenue

HIF interest income	18,145
Misc Fees	1,677,994
Permits & licenses	4,468,502
Total other pledged revenue	<u>6,164,641</u>

Total Pledged State Road Fund Revenues	<u><u>\$ 365,745,380</u></u>
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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Debt Service and Coverage

2002A-CHAT (SHARE 54700)	2002B-WIPP (SHARE 75000)	2002C-HIF (SHARE 36300)	2002D-CHAT (SHARE 18700)	2004A-GRIP (SHARE 10080)	2004B-GRIP (SHARE 10090)
\$ 6,205,301	\$ 6,205,301	\$ 6,205,301	\$ 6,205,301	\$ 6,205,301	\$ 6,205,302
4,047,970	4,047,970	4,047,970	4,047,970	4,047,970	4,047,970
5,388,708	5,388,708	5,388,708	5,388,708	5,388,708	5,388,708
513,790	513,790	513,790	513,790	513,790	513,790
520,738	520,738	520,738	520,738	520,738	520,737
373,595	373,595	373,595	373,595	373,595	373,595
-	-	-	-	-	-
304,864	304,864	304,864	304,864	304,864	304,864
4,076,475	4,076,475	4,076,475	4,076,475	4,076,475	4,076,475
		799,472		799,473	799,472
		199,028		199,027	199,027
				40,627,886	40,627,886
21,431,441	21,431,441	22,429,941	21,431,441	63,057,827	63,057,826
946	946	10,018	946	10,018	945
\$ 21,432,387	\$ 21,432,387	\$ 22,439,959	\$ 21,432,387	\$ 63,067,845	\$ 63,058,771

2002A-CHAT	2002B-WIPP	2002C-HIF	2002D-CHAT	2004A-GRIP	2004B-GRIP
\$ 19,535,000	\$ 9,445,000	\$ 16,745,000	\$ 1,360,000	\$ -	\$ 9,230,000
992,325	472,250	766,980	194,825	36,216,759	6,879,385
\$ 20,527,325	\$ 9,917,250	\$ 17,511,980	\$ 1,554,825	\$ 36,216,759	\$ 16,109,385
1.04%	2.16%	1.28%	13.78%	1.74%	3.91%

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

As of June 30, 2010

	2006A-GRIP (SHARE 10220)	2006B-GRIP (SHARE 10240)	2008A-GRIP (SHARE 10410)	2008B-GRIP (SHARE 10420)
Gasoline Excise Taxes	\$ 6,205,302	\$ 6,205,302	\$ 6,205,302	\$ 6,205,302
Motor Vehicle Registration Fees	4,047,970	4,047,970	4,047,970	4,047,970
Special Fuel Excise Taxes	5,388,707	5,388,707	5,388,707	5,388,707
Vehicle Transaction Fees	513,790	513,790	513,790	513,790
Driver's License Fees	520,737	520,737	520,737	520,737
Oversize/Oversight Permit Fees	373,595	373,595	373,595	373,595
Public Regulation Commission Fees	-	-	-	-
Trip (Mileage) Tax	304,864	304,864	304,864	304,864
Weight/Distance Taxes	4,076,475	4,076,475	4,076,475	4,076,475
Leased Vehicle Gross Receipts Taxes	799,472	799,472	799,472	799,472
Tire Recycling Fees	199,027	199,028	199,028	199,028
FHWA Revenues	40,627,886	40,627,886	40,627,886	40,627,886
Subtotal	63,057,825	63,057,826	63,057,826	63,057,826
Interest on Cash Balances*	945	945	945	945
Total Pledged Revenues				
Received	\$ 63,058,770	\$ 63,058,771	\$ 63,058,771	\$ 63,058,771

	2006A-GRIP	2006B-GRIP	2008A-GRIP	2008B-GRIP
Debt Service Principal Expenditures	\$ -	\$ 2,345,000	\$ -	\$ -
Debt Service Interest Expenditures	7,477,408	1,432,350	4,785,158	11,671,115
Total Debt Service	\$ 7,477,408	\$ 3,777,350	\$ 4,785,158	\$ 11,671,115
Debt Service Coverage	8.43%	16.69%	13.18%	5.40%

*NOTE: In addition to state road fund revenues, pledged revenues on 2004A and 2004B GRIP include FHWA revenues, tire recycling fees, leased vehicle gross receipts tax, and interest earned in the HIF fund.

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Pledged Collateral

As of June 30, 2010

	<u>Wells Fargo</u>
Deposits in bank or savings and loan:	
Bank deposits (MRCOG/Railrunner)	\$ 65,032
Less FDIC or FSLIC coverage	<u>250,000</u>
Total uninsured public funds	<u>(184,968)</u>
Collateral requirement @ 50%	32,516
Collateral requirement @ 102%	<u>-</u>
Total required collateralization	<u>32,516</u>
Pledges and securities:	
Federal National Mortgage Association Pool	
FNMA258308,31371MUBG, 6%, due 07/01/2036	414,658
FNMA849021, 31408EG83, 6%, due 01/01/2036	5,011,941
FNMA904138,31411CPX3, 6%, due 11/01/2036	728,156
FNMA929152, 31412MJ33, 6%, due 03/01/2038	<u>2,001,127</u>
Total pledged securities	8,155,882
(Over) under pledged	<u><u>\$ (8,340,850)</u></u>

Safekeeping locations for the above securities are as follows:

Wells Fargo : Wells Fargo (California)

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

The State Legislature and the State Highway Commission have approved certain agreements between the Department and various counties, municipalities and other agencies to construct or improve public highways, school grounds, parking areas, and for the purpose of litter control. The Department's funding responsibility varies from zero to 100%. When related to Public Transportation Services, the Department's funding responsibility is 50% operating and 80% capital. None of these cooperative and joint powers agreements have created legally separate organizations that need to be included as component units or joint ventures in the Department's financial statements.

Contract Number	Contractor	Description	Expended In 2010
J00131	City of Albuquerque	Provide for a bicycle/pedestrian safety program and ensure elements of the program are in compliance with State and Federal Regulations.	\$ 97,895
J00671	City of Albuquerque	Bicycle Travel Demand Management Program	339,383
J00711	Office of Cultural Affairs	Provide FY 2006 – 2010 Consultant Design Program for the review of cultural resource documents pertinent to the completion of proposed highway construction project in New Mexico.	150,000
J00730-1	NM Corrections Industries	Utilize supervised inmates to perform minor highway maintenance and beautification.	314,589
J00730-2	Corrections Department	Utilize supervised inmates to perform minor highway maintenance and beautification.	172,641
J00730-4	NM Corrections Industries	Utilize supervised inmates to perform minor highway maintenance and beautification.	63,482
J00730-5	NM Corrections Industries	Utilize supervised inmates to perform minor highway maintenance and beautification.	71,449
J00730-6	Fifth Judicial Dist Attorney	Utilize supervised inmates to perform minor highway maintenance and beautification.	221,972
J00731	Acoma Pueblo	Road improvements on Skyline Road, Acoma Route 32 for 0.8 miles, to include 3 inch mill/inlay for pavement, sidewalks for .8 miles, new curb and gutter for .3 miles, street lighting, 2 crosswalks at school crossing, drainage culverts, signing and markings.	500,000
J00743	Pueblo of Sandia	Plan, design and construct improvements to streets at the Pueblo of Sandia in Sandoval County.	130,000
J00746	Acoma Pueblo	Pavement Rehabilitation and Re-Construction of various roads with in the Pueblo of Acoma.	85,662
J00754	Acoma Pueblo	Design, full construction, pavement rehabilitation, improvements and traffic signal improvements.	62,800
J00777	Laguna Pueblo	Plan, design and construct improvements to the interstate 40 Rio Puerco exit in the Pueblo of Laguna in Cibola county.	400,000
J00778	Office of Cultural Affairs	The Department and HPD-ARMS will develop and maintain a comprehensive inventory of cultural properties within the State of New Mexico, in particular, cultural properties located on lands owned by or under the control of the DEPARTMENT.	25,000
J00782	Office of Cultural Affairs	Provide a Consultant Design Program to assist the State Historic Preservation Officer in the review of NMDOT Cultural Resources documentation.	50,000

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Date of Agreement		Total Estimated Amt of Project	Portion Applicable To Agency	Party Responsible for Operations	Audit Responsibility	Fiscal Agent (If applicable)	Agency Where Revenues/Expenditures are Reported
Beginning	Ending						
5/4/1995	9/30/2014	\$ 466,666	80%	Contractor	Department		Department
8/6/2001	9/30/2014	2,077,480	85%	Contractor	Department		Department
10/20/2005	12/31/2009	200,000	100%	Contractor	Department		Department
6/25/2007	6/30/2011	960,000	100%	Contractor	Department		Department
6/25/2007	6/30/2011	347,155	100%	Contractor	Department		Department
6/26/2007	6/30/2011	90,000	100%	Contractor	Department		Department
6/27/2007	6/30/2011	90,000	100%	Contractor	Department		Department
6/25/2007	6/30/2011	343,369	100%	Contractor	Department		Department
6/25/2007	9/30/2011	500,000	100%	Contractor	Department		Department
12/27/2007	6/30/2011	130,000	100%	Contractor	Department		Department
2/15/2008	12/31/2009	85,662	100%	Contractor	Department		Department
11/17/2008	12/31/2009	62,800	100%	Contractor	Department		Department
9/10/2009	6/30/2010	400,000	100%	Contractor	Department		Department
11/19/2009	6/30/2013	100,000	100%	Contractor	Department		Department
1/28/2010	12/31/2013	200,000	100%	Contractor	Department		Department

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Contract Number	Contractor	Description	Expended In 2010
M00369	Mid-Region Council of Governments	Development of Transportation Plans & Programs	1,736,980
M00371A	North Central New Mexico Economic	Development of Transportation Plans & Programs	22,987
M00379	Mid-Region Council of Governments	Commuter Rail Project	2,245,547
M00420	National Oceanic & Atmospheric	Geodetic Advisor Program	-
M00450	Eastern NM University-Roswell	Training Courses	-
M00455A	New Mexico State University	Weigh-In-Motion System	16,697
M00460	City of Farmington	Development of Transportation Plans & Programs	203,232
M00461	City of Santa Fe	Development of Transportation Plans & Programs	77,962
M00463	Mid-Region Council of Governments	New Mexico Rail Runner Express	2,369,864
M00468	Mid-Region Council of Governments	Construct/Management of a Transportation Management Center	-
M00468A	Mid-Region Council of Governments	Facility & Maintenance of TMC	480,155
M00473	North Central New Mexico Economic	Development of Transportation Plans & Programs	10,340
M00474	North Central New Mexico Economic	Development of Transportation Plans & Programs	-
M00474A	North Central New Mexico Economic	Development of Transportation Plans & Programs	-
M00475	Southwest Council of Governments	Development of Transportation Plans & Programs	64,096
M00476	Eastern Plains Council of Governments	Development of Transportation Plans & Programs	48,524
M00476A	Eastern Plains Council of Governments	Development of Transportation Plans & Programs	-
M00477	Northwest New Mexico Council	Development of Transportation Plans & Programs	-
M00501	South Central Council of Governments	Development of Transportation Plans & Programs	67,771
M00513	Southeastern NM Economic	Development of Transportation Plans & Programs	72,204
M00519	Mid-Region Council of Governments	Development of Transportation Plans & Programs	66,768
M00527	City of El Paso	Development of Transportation Plans & Programs	26,694
M00532	City of Las Cruces	Development of Transportation Plans & Programs	353,472
M00534	New Mexico State University	Hazmat Study	-
M00569	Citizens' Committee for History Preservation	Scenic Byways Programs	135
M00615	Department of Finance & Administration	Mou/Maximus Consultants	226,787
M00616	Mid-Region Council of Governments	New Mexico Rail Runner - ABQ/SF corridor	9,141,302
M00652	NM Corrections Industries	Optical Image Scanning / Data Entry	110,000
M00657	New Mexico State University	Binational Transportation Infrastructure Needs Assessment & Geographic Information Study	-
M00662	Mid-Region Council of Governments	Regional Network of Safe & Efficient Public Transit	-
M00707	Southwest Regional Transit District	Regional Network of Safe & Efficient Public Transit	-
M00716	Department of Cultural Affairs	Administer the Modification of the VAN of ENCHANTMENT	174,896

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Date of Agreement		Total Estimated	Portion	Party	Audit	Fiscal Agent	Agency Where
Beginning	Ending	Amt of Project	Applicable To Agency	Responsible for Operations	Responsibility	(if applicable)	Revenues/Expenditures are Reported
7/21/2004	12/31/2010	8,071,554	85%	Contractor	Department		Department
9/17/2007	12/31/2010	334,300	85%	Contractor	Department		Department
9/8/2004	12/31/2010	80,595,000	100%	Contractor	Department		Department
10/22/2004	9/30/2009	172,850	100%	Contractor	Department		Department
4/26/2005	10/25/2009	58,717	100%	Contractor	Department		Department
7/23/2008	6/19/2010	670,401	100%	Contractor	Department		Department
7/25/2005	12/31/2010	643,709	85%	Contractor	Department		Department
2/7/2006	12/31/2010	695,206	85%	Contractor	Department		Department
8/9/2005	2/25/2010	41,906,884	100%	Contractor	Department		Department
9/14/2005	12/31/2010	883,593	100%	Contractor	Department		Department
7/17/2008	12/31/2010	1,062,760	100%	Contractor	Department		Department
10/26/2005	12/31/2010	307,498	85%	Contractor	Department		Department
2/28/2007	12/31/2010	80,822	85%	Contractor	Department		Department
10/4/2005	12/31/2010	80,822	85%	Contractor	Department		Department
10/28/2005	12/31/2010	345,831	85%	Contractor	Department		Department
10/26/2005	12/31/2010	413,623	85%	Contractor	Department		Department
4/24/2007	12/31/2010	92,967	85%	Contractor	Department		Department
10/26/2005	12/31/2010	327,454	85%	Contractor	Department		Department
10/26/2005	12/31/2010	369,279	85%	Contractor	Department		Department
11/9/2005	12/31/2010	360,337	85%	Contractor	Department		Department
11/9/2005	12/31/2009	420,815	85%	Contractor	Department		Department
12/22/2005	12/31/2010	313,114	85%	Contractor	Department		Department
1/11/2006	12/31/2010	928,695	85%	Contractor	Department		Department
12/7/2005	12/7/2009	21,299	100%	Contractor	Department		Department
4/26/2006	12/31/2009	25,227	80%	Contractor	Department		Department
9/6/2006	9/8/2010	299,922	100%	Contractor	Department		Department
8/31/2006	12/31/2010	139,200,000	100%	Contractor	Department		Department
12/18/2006	12/31/2010	430,000	100%	Contractor	Department		Department
1/19/2007	7/31/2009	140,000	100%	Contractor	Department		Department
3/9/2007	12/31/2010	250,000	100%	Contractor	Department		Department
6/28/2007	12/31/2010	250,000	100%	Contractor	Department		Department
8/24/2007	9/30/2011	885,240	75%	Contractor	Department		Department

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Contract Number	Contractor	Description	Expended in 2010
M00718	Dexter Consolidated Schools	Safe Routes to School Phase 1	1,645
M00719	City of Bayard	Safe Routes to School Phase 1	8,048
M00720	Village of Corrales	Safe Routes to School Phase 1	-
M00723	City of Gallup	Safe Routes to School Phase 1	4,076
M00727	Village of Wagon Mound	Safe Routes to School Phase 1	-
M00727A	Wagon Mound Public Schools	Development of Transportation Plans & Programs	1,372
M00734	New Mexico Institute of Mining & Tech	Road Improvements / Water Canyon Road FSR235	385,667
M00750	South Central Regional Transit District	Development of Transportation Plans & Programs	2,008
M00751	Albuquerque Metropolitan Arroyo Flood	Embudo Arroyo Maintenance	310,000
M00754	Town of Mesilla	Development of Transportation Plans & Programs	826
M00757	Silver City Consolidated Schools	Development of Transportation Plans & Programs	11,852
M00758	Deming Public Schools	Development of Transportation Plans & Programs	4,953
M00763	City of Carlsbad	Development of Transportation Plans & Programs	13,951
M00764	ARCA	Public Transportation Services	8,909
M00765	Zia Therapy Ctr Inc	Public Transportation Services	36,346
M00774	City of Alamogordo	Safe Routes to School	4,828
M00775	Las Cruces Public Schools	Safe Routes to School	604
M00778	State Employee Commuter Association	Public Transportation Services	-
M00784	Las Cruces Public Schools	Safe Routes to School Phase 1	9,917
M00785	City of Hobbs	Safe Routes to School Phase 1	5,455
M00786	San Miguel County	Safe Routes to School Phase 1	15,000
M00787	Gallup Express	Public Transportation Services	70,994
M00788	Village of Milan	Public Transportation Services	27,719
M00789	Town of Red River	Public Transportation Services	41,227
M00790	Village of Los Lunas	Public Transportation Services	89,019
M00791	Zuni Entrepreneurial Ent Inc	Public Transportation Services	46,097
M00792	City of Carlsbad	Public Transportation Services	-
M00793	Zia Therapy Ctr Inc	Public Transportation Services	58,140
M00794	Golden Spread Rural Frontier	Public Transportation Services	24,468
M00795	City of Belen	Public Transportation Services	10,059
M00796	City of Clovis	Public Transportation Services	151,625
M00801	City of Las Vegas	Public Transportation Services	20,909
M00802	City of Roswell	Public Transportation Services	171,426
M00803	Town of Taos	Public Transportation Services	61,228
M00804	Pueblo Of Laguna	Public Transportation Services	25,950

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Date of Agreement		Total Estimated	Portion	Party	Audit	Fiscal Agent	Agency Where
Beginning	Ending	Amt of Project	Applicable To Agency	Responsible for Operations	Responsibility	(If applicable)	Revenues/Expenditures are Reported
8/28/2007	8/30/2009	15,000	100%	Contractor	Department		Department
8/28/2007	6/30/2010	15,000	100%	Contractor	Department		Department
8/28/2007	8/30/2009	15,000	100%	Contractor	Department		Department
9/4/2007	8/30/2010	15,000	100%	Contractor	Department		Department
9/11/2007	10/30/2009	15,000	100%	Contractor	Department		Department
9/11/2007	8/30/2009	12,500	100%	Contractor	Department		Department
11/28/2007	12/31/2013	2,554,652	80%	Contractor	Department		Department
2/26/2008	12/30/2010	250,000	80%	Contractor	Department		Department
5/21/2008	5/21/2012	570,000	100%	Contractor	Department		Department
6/25/2008	12/30/2010	15,000	85%	Contractor	Department		Department
7/2/2008	6/30/2010	15,000	85%	Contractor	Department		Department
7/2/2008	6/30/2010	15,000	85%	Contractor	Department		Department
7/9/2008	6/30/2010	15,000	85%	Contractor	Department		Department
7/11/2008	9/30/2009	168,800	80%	Contractor	Department		Department
7/11/2008	9/30/2009	73,383	80%	Contractor	Department		Department
7/16/2008	9/30/2010	15,000	100%	Contractor	Department		Department
7/16/2008	12/30/2010	15,000	100%	Contractor	Department		Department
7/25/2008	9/30/2009	73,600	80%	Contractor	Department		Department
7/25/2008	6/30/2010	27,460	100%	Contractor	Department		Department
7/25/2008	6/30/2010	15,000	100%	Contractor	Department		Department
8/4/2008	6/30/2010	47,500	100%	Contractor	Department		Department
8/4/2008	9/30/2009	342,970	50%/80%	Contractor	Department		Department
8/4/2008	9/30/2009	253,850	50%/80%	Contractor	Department		Department
8/4/2008	9/30/2009	180,600	50%/80%	Contractor	Department		Department
8/4/2008	11/30/2009	435,432	50%/80%	Contractor	Department		Department
8/4/2008	9/30/2009	259,600	50%/80%	Contractor	Department		Department
7/28/2008	9/30/2009	61,380	50%/80%	Contractor	Department		Department
7/28/2008	9/30/2009	400,025	50%/80%	Contractor	Department		Department
7/28/2008	9/30/2009	171,505	50%/80%	Contractor	Department		Department
7/28/2008	9/30/2009	40,375	50%/80%	Contractor	Department		Department
8/11/2008	9/30/2009	796,941	50%/80%	Contractor	Department		Department
8/11/2008	9/30/2009	267,400	50%/80%	Contractor	Department		Department
8/11/2008	9/30/2009	1,145,000	50%/80%	Contractor	Department		Department
8/11/2008	9/30/2009	466,375	50%/80%	Contractor	Department		Department
8/19/2008	9/30/2009	199,035	50%/80%	Contractor	Department		Department

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Contract Number	Contractor	Description	Expended in 2010
M00805	City of Hobbs	Public Transportation Services	110,465
M00806	City of Socorro	Public Transportation Services	34,073
M00807	City of Ruidoso Downs	Public Transportation Services	49,046
M00808	Southwest Regional Transit District	Public Transportation Services	174,044
M00809	City of Portales	Public Transportation Services	25,034
M00810	Village of Angel Fire	Public Transportation Services	16,585
M00812	Torrance County	Public Transportation Services	26,645
M00813	North Central Regional Transit District	Public Transportation Services	343,361
M00816	City of Carlsbad	Public Transportation Services	37,643
M00817	County of Sandoval	Public Transportation Services	547,167
M00818	Southwest Regional Transit District	Public Transportation Services	29,991
M00821	County of Los Alamos	Public Transportation Services	188,868
M00824	Navajo Nation	Public Transportation Services	211,776
M00831	Riometro Regional Transit District	Development of Transportation Plans & Programs	56,886
M00839	Santa Clara Development Corp	Park and Ride Parking	7,500
M00840	City of Farmington	Safe Routes to School Phase 1	9,798
M00841	Village of Cimarron	Safe Routes to School Phase 1	304
M00842	South Central Council Of Governments	Public Transportation Services	37,614
M00843	City of Roswell	Public Transportation Services	8,931
M00847	Adelante Development Center	Public Transportation Services	7,770
M00849	US Department of Interior	Investigation/Analysis Floods	100,479
M00853	Albuquerque Public Schools	Safe Routes to School Phase 1	13,044
M00854	Rio Rancho Public Schools	Safe Routes to School Phase 1	3,286
M00855	Town of Taos	Safe Routes to School Phase 1	7,500
M00857	Albuquerque Public Schools	Safe Routes to School Phase 1	9,165
M00858	North Central Regional Transit District	Public Transportation Services	148,309
M00859	Torrance County	Public Transportation Services	11,950
M00860	Zia Therapy Ctr Inc	Public Transportation Services	18,495
M00861	Village of Los Lunas	Public Transportation Services	43,586
M00865	Families And Youth Inc	Public Transportation Services	56,912
M00866	Tresco Inc	Public Transportation Services	56,832
M00867	Border Area Mental Health Svc	Public Transportation Services	28,456
M00868	City of Socorro	Public Transportation Services	82,622
M00872	Zia Therapy Ctr Inc	Public Transportation Services	344,367
M00873	City of Las Vegas	Public Transportation Services	9,094
M00874	City of Roswell	Public Transportation Services	162,150
M00876	Town of Red River	Public Transportation Services	148,893

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Date of Agreement		Total Estimated	Portion	Party	Audit	Fiscal Agent	Agency Where
Beginning	Ending	Amt of Project	Applicable To Agency	Responsible for Operations	Responsibility	(if applicable)	Revenues/Expenditures are Reported
8/19/2008	9/30/2009	481,583	50%/80%	Contractor	Department		Department
8/19/2008	9/30/2009	191,743	50%/80%	Contractor	Department		Department
8/20/2008	9/30/2009	181,123	50%/80%	Contractor	Department		Department
8/20/2008	9/30/2009	601,842	50%/80%	Contractor	Department		Department
8/20/2008	9/30/2009	83,209	50%/80%	Contractor	Department		Department
8/20/2008	9/30/2009	239,602	50%/80%	Contractor	Department		Department
8/22/2008	9/30/2009	255,380	50%/80%	Contractor	Department		Department
8/25/2008	9/30/2009	1,626,375	50%/80%	Contractor	Department		Department
9/16/2008	9/30/2009	528,664	50%/80%	Contractor	Department		Department
9/17/2008	9/30/2009	1,180,123	50%/80%	Contractor	Department		Department
9/15/2008	9/30/2009	76,220	50%/80%	Contractor	Department		Department
10/28/2008	9/30/2009	717,292	50%/80%	Contractor	Department		Department
11/9/2008	9/30/2009	411,339	50%/80%	Contractor	Department		Department
2/19/2009	1/31/2011	95,268	85%	Contractor	Department		Department
6/1/2009	9/30/2010	12,750	100%	Contractor	Department		Department
7/1/2009	6/30/2011	15,000	100%	Contractor	Department		Department
7/1/2009	6/30/2011	15,000	100%	Contractor	Department		Department
7/1/2009	6/30/2010	47,000	50%/80%	Contractor	Department		Department
7/1/2009	6/30/2010	13,200	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	191,873	50%/80%	Contractor	Department		Department
6/26/2009	9/30/2010	167,846	100%	Contractor	Department		Department
7/2/2009	6/30/2011	15,000	50%/80%	Contractor	Department		Department
7/2/2009	6/30/2011	15,000	50%/80%	Contractor	Department		Department
7/2/2009	6/30/2011	15,000	50%/80%	Contractor	Department		Department
7/3/2009	6/30/2011	15,000	50%/80%	Contractor	Department		Department
7/2/2009	6/30/2010	162,500	50%/80%	Contractor	Department		Department
7/2/2009	6/30/2010	23,100	50%/80%	Contractor	Department		Department
7/2/2009	6/30/2010	19,800	50%/80%	Contractor	Department		Department
7/2/2009	6/30/2010	51,975	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	59,477	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	59,632	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	30,538	50%/80%	Contractor	Department		Department
7/17/2009	12/31/2010	86,570	50%/80%	Contractor	Department		Department
7/17/2009	12/31/2010	344,626	50%/80%	Contractor	Department		Department
7/17/2009	6/30/2010	81,600	50%/80%	Contractor	Department		Department
7/17/2009	12/31/2010	340,000	50%/80%	Contractor	Department		Department
7/17/2009	6/30/2010	150,000	50%/80%	Contractor	Department		Department

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Contract Number	Contractor	Description	Expended in 2010
M00877	County of Los Alamos	Public Transportation Services	143,317
M00878	Village of Milan	Public Transportation Services	28,760
M00879	Ben Archer Health Center	Public Transportation Services	80,554
M00880	Mid-Region Council of	Public Transportation Services	2,230,453
M00884	Milan, Village Of	Public Transportation Services	6,983
M00887	Pueblo of Laguna	Public Transportation Services	220
M00889	Gallup Express	Public Transportation Services	189,145
M00890	National Oceanic & Atmospheric	Geodetic Survey Control	61,150
M00892	County of Los Alamos	Public Transportation Services	85,635
M00893	Southwest Regional Transit District	Public Transportation Services	41,979
M00894	City of Carlsbad	Public Transportation Services	26,553
M00895	Town of Taos	Public Transportation Services	412,737
M00897	Village of Angel Fire	Public Transportation Services	173,900
M00898	City of Carlsbad	Public Transportation Services	171,924
M00899	City of Ruidoso Downs	Public Transportation Services	2,006
M00901	North Central Regional Transit District	Public Transportation Services	1,696,978
M00902	City of Carlsbad	Public Transportation Services	8,366
M00903	County of Los Alamos	Public Transportation Services	1,108,700
M00905	Riometro Regional Transit District	Public Transportation Services	171,940
M00908	Pay N Save Inc	Parking Lot License Agreement	7,500
M00911	County of Los Alamos	Public Transportation Services	635,879
M00912	Town of Red River	Public Transportation Services	62,592
M00913	Golden Spread Rural Frontier	Public Transportation Services	71,359
M00914	Zia Therapy Ctr Inc	Public Transportation Services	269,060
M00915	City of Roswell	Public Transportation Services	467,928
M00916	City of Clovis	Public Transportation Services	312,211
M00917	North Central Regional Transit District	Public Transportation Services	709,242
M00918	Gallup Express	Public Transportation Services	94,934
M00919	Torrance County	Public Transportation Services	124,668
M00921	Riometro Regional Transit District	Public Transportation Services	539,528
M00922	Zuni Entrepreneurial Ent Inc	Public Transportation Services	97,783
M00923	Village of Milan	Public Transportation Services	106,628
M00925	University of New Mexico	Economic Analysis/Forecasting	12,451
M00926	Pueblo of Laguna	Public Transportation Services	39,630
M00927	City of Las Cruces	Promoting Ridesharing	21,719
M00928	City of Socorro	Public Transportation Services	71,892
M00929	Village of Los Lunas	Public Transportation Services	192,040

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Date of Agreement		Total Estimated	Portion	Party	Audit	Fiscal Agent	Agency Where
Beginning	Ending	Amt of Project	To Agency	Responsible for Operations	Responsibility	(If applicable)	Revenues/Expenditures are Reported
7/17/2009	6/30/2010	175,000	50%/80%	Contractor	Department		Department
7/17/2009	8/30/2010	37,500	50%/80%	Contractor	Department		Department
7/17/2009	6/30/2010	95,998	50%/80%	Contractor	Department		Department
7/17/2009	6/30/2010	2,240,000	50%/80%	Contractor	Department		Department
7/18/2009	12/31/2010	15,640	50%/80%	Contractor	Department		Department
7/17/2009	12/31/2010	96,250	50%/80%	Contractor	Department		Department
7/17/2009	12/31/2010	260,486	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2014	324,750	100%	Contractor	Department		Department
10/1/2009	9/30/2010	103,560	50%/80%	Contractor	Department		Department
7/28/2009	6/30/2010	44,348	50%/80%	Contractor	Department		Department
7/27/2009	6/30/2010	30,690	50%/80%	Contractor	Department		Department
7/29/2009	12/30/2010	507,500	50%/80%	Contractor	Department		Department
7/29/2009	1/31/2010	173,900	50%/80%	Contractor	Department		Department
7/29/2009	12/31/2010	404,579	50%/80%	Contractor	Department		Department
7/29/2009	12/31/2010	133,923	50%/80%	Contractor	Department		Department
8/15/2009	12/31/2010	2,000,000	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	11,938	50%/80%	Contractor	Department		Department
8/19/2009	6/30/2010	1,108,700	50%/80%	Contractor	Department		Department
8/25/2009	6/30/2010	181,065	50%/80%	Contractor	Department		Department
8/31/2009	8/31/2010	9,000	100%	Contractor	Department		Department
10/2/2009	9/30/2010	638,056	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	90,209	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	101,568	50%/80%	Contractor	Department		Department
10/2/2009	9/30/2010	431,080	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	747,420	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	471,445	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	1,065,726	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	164,235	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	130,842	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	936,472	50%/80%	Contractor	Department		Department
10/2/2009	9/30/2010	168,589	50%/80%	Contractor	Department		Department
10/1/2009	9/30/2010	134,170	50%/80%	Contractor	Department		Department
9/5/2009	6/30/2010	12,451	100%	Contractor	Department		Department
10/1/2009	9/30/2010	86,514	50%/80%	Contractor	Department		Department
10/2/2009	6/30/2010	31,000	100%	Contractor	Department		Department
10/26/2009	9/30/2010	92,615	50%/80%	Contractor	Department		Department
10/26/2009	9/30/2010	253,041	50%/80%	Contractor	Department		Department

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Contract Number	Contractor	Description	Expended in 2010
M00930	City of Hobbs	Public Transportation Services	192,309
M00931	Southwest Regional Transit District	Public Transportation Services	313,947
M00932	City of Carlsbad	Public Transportation Services	193,911
M00933	City of Ruidoso Downs	Public Transportation Services	99,263
M00934	Town of Taos	Public Transportation Services	210,412
M00935	New Mexico Passenger Transportation Assc	Statewide Transit Conference	75,435
M00936	Southwest Regional Transit District	Public Transportation Services	23,850
M00937	City of Portales	Public Transportation Services	52,995
M00938	City of Las Vegas	Public Transportation Services	86,813
M00939	Village of Angel Fire	Public Transportation Services	105,057
M00943	City of Albuquerque	RIDESHARE/TDM	380,725
M00944	Good Shepherd Lutheran Church	Use of Parking Lot Agreement	6,585
M00945	Navajo Nation	Public Transportation Services	241,188
M00948	Museum of Indian Arts/Culture	Preservation & Curation Archaeological	8,902
M00954	Riometro Regional Transit District	NM Rail Runner Express	1,250,000
M00955	Peachtree Telecommunications	RAIL RUNNER 3.65 GHz WiMAX	13,280
M00956	TW Telecom	Rail Runner Network Maintenance	6,348
M00962	City of Santa Fe	Promoting Ridesharing	32,880

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Date of Agreement		Total Estimated Amt of Project	Portion	Party Responsible for Operations	Audit Responsibility	Fiscal Agent (if applicable)	Agency Where Revenues/Expenditures are Reported
Beginning	Ending		Applicable To Agency				
10/26/2009	9/30/2010	243,189	50%/80%	Contractor	Department		Department
10/26/2009	9/30/2010	594,384	50%/80%	Contractor	Department		Department
10/26/2009	9/30/2010	298,997	50%/80%	Contractor	Department		Department
10/26/2009	9/30/2010	143,593	50%/80%	Contractor	Department		Department
10/26/2009	9/30/2010	285,382	50%/80%	Contractor	Department		Department
10/26/2009	6/30/2010	113,600	100%	Contractor	Department		Department
10/27/2009	9/30/2010	25,000	50%/80%	Contractor	Department		Department
10/26/2009	9/30/2010	82,319	50%/80%	Contractor	Department		Department
10/26/2009	9/30/2010	140,233	50%/80%	Contractor	Department		Department
10/26/2009	9/30/2010	182,140	50%/80%	Contractor	Department		Department
11/23/2009	6/30/2010	953,181	80%	Contractor	Department		Department
11/10/2009	6/30/2010	9,000	100%	Contractor	Department		Department
12/1/2009	9/30/2010	330,777	50%/80%	Contractor	Department		Department
12/23/2009	12/30/2012	323,000	80%	Contractor	Department		Department
4/22/2010	6/30/2011	1,250,000	100%	Contractor	Department		Department
1/11/2010	1/11/2014	53,122	100%	Contractor	Department		Department
1/13/2010	1/13/2014	10,000	100%	Contractor	Department		Department
6/30/2010	7/31/2010	67,653	80%	Contractor	Department		Department

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SINGLE AUDIT

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participation Expenditures
Direct Assistance Programs:		
U.S. Department of Energy:		
ARRA - State Energy Program (pass-through from NMEMNR 09-521-A083068-0066)	81.041	\$ 1,273,652
Waste Isolation Pilot Plant 2004	81.106	25,126,707
Total U.S. Department of Energy		26,400,359
U.S. Department of Transportation:		
Federal Highway Administration highway research, planning and construction (FHWA):		
FHWA	20.205	298,764,227
ARRA - FHWA	20.205	116,513,288
		415,277,515
National Highway Traffic Safety Administration (NHTSA):		
Highway Safety Grant	20.600	2,953,932
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	1,906,819
Occupant Protection Program	20.602	152,988
Section 164 Transfer Funds	20.608	9,034,987
Safety Belt Performance Grants	20.609	(25,000)
Safety Information Improvement Grants	20.610	515,172
		14,538,898
Federal Aviation Division:		
State Planning	20.106	346,743
Federal Transit Administration (FTA):		
Capital Program Grants and Loans	20.500	517,892
Federal Transit Metropolitan Planning Grants	20.505	580,418
Urbanized Area Formula Program	20.507	4,591,616
Formula Grants for Other Than Urbanized Areas	20.509	6,530,560
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	384,346
Job Access Reverse Commute Job Access	20.516	917,603
New Freedom Program	20.521	147,684
Formula Grants for Other Than Urbanized Areas	20.509	7,672,093
		21,342,212
Total U.S. Department of Transportation		451,505,368
Total Federal Financial Assistance		\$ 477,905,727

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Supplemental Schedule of Expenditures of Federal Awards

General

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

Basis of Accounting

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

Federal grant revenues collected in advance of the period they are intended to finance expenditures are recorded as deferred revenues, except for the amounts for the State Infrastructure Bank, which are recorded as contributions when they are received. The Department did not receive non-cash assistance from federal sources during the current year.

Reconciliation of Federal Awards

Statement of Revenues, Expenditures and
Changes in Fund Balances:

U.S. Department of Transportation	\$ 484,422,383
U.S. Department of Energy - WIPP	25,126,707
Transfer in of ARRA from Other Agency	1,273,651
Retainage Payable U. S. Department of Transportation (2010)	528,874
Deferred U.S. Department of Transportation (2010)	21,029,755
Deferred U.S. Department of Transportation (2009)	<u>(54,475,643)</u>

Supplemental Schedule of Expenditures,
of Federal Awards

\$ 477,905,727

Subrecipients of Grant Awards

Grantor Agency/Grant Title and Subrecipient	Grant Number- Federal or State	Federal CFDA Number	Pass-through Grant Amount
Railrunner Operations			
Mid Region Council of Governments	NM-95-X 007	20507	\$ 2,467,580
Mid Region Council of Governments	NM-95-X 008	20507	750,000

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

Mr. Gary Giron, Secretary
 State of New Mexico
 Department of Transportation
 and
 Mr. Hector H. Balderas
 New Mexico State Auditor
 Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the Department as a whole, and the aggregate remaining fund information of the State of New Mexico Department of Transportation (Department) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 13, 2010. We also have audited the financial statements of each of the Department's nonmajor governmental funds and the budgetary comparisons for each fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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, as described in the accompanying schedule of findings and questions costs as

Mr. Gary Giron, Secretary
State of New Mexico
Department of Transportation
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

items 07-7, 07-14, 08-8, and 10-1 through 10-4 that we consider to be significant deficiencies in internal control over financial reporting. 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 tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 07-14, 08-8 and 10-7 through 10-11.

We also noted certain matters that are required to be reported under Government Auditing Standards paragraph 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items 08-5, and 10-12 through 10-14.

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 the responses.

This report is intended solely for the information and use of management, others within Department, the State of New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and 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
December 13, 2010

**Report on Compliance With Requirements
 That Could Have a Direct and Material Effect on
 Each Major Program And Internal Control
 Over Compliance in Accordance with OMB Circular A-133**

Mr. Gary Giron, Secretary
 State of New Mexico
 Department of Transportation
 and
 Mr. Hector H. Balderas
 New Mexico State Auditor
 Santa Fe, New Mexico

Compliance

We have audited the compliance of the State of New Mexico Department of Transportation (Department), with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2010. 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 the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-7 through 10-11.

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 grants applicable to federal

Mr. Gary Giron, Secretary
State of New Mexico
Department of Transportation
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the 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 over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 10-5, 10-6, 10-9 and 10-11. *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 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 the responses.

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

Mess Adams LLP

Albuquerque, New Mexico
December 13, 2010

SCEUDLE OF FINDINGS AND QUESTIONED COSTS

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Summary of Auditors' Results

For the Year Ended June 30, 2010

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 financials 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 auditors' 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 OMB Circular A-133

☒ Yes ☐ None Reported

Identification of Major Programs:

Name of Federal Program or Cluster

CFDA Number

Federal Highway Administration Programs (FHWA)

20.205

National Highway Traffic Safety Administration
(NHTSA Cluster)

20.600, 20.601, 20.602
20.609, 20.610

National Highway Traffic Safety Administration (NHTSA)

20.608

Federal Transit Administration (FTA Cluster)

20.500, 20.507

Federal Transit Administration (FTA)

20.509

Dollar threshold used to distinguish between Types A and B
programs

\$3,000,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

07-7 ACCOUNTS PAYABLE (Significant Deficiency) – Repeated and Modified

CONDITION

When performing a search for unrecorded liabilities, we noted three invoices for goods or services received prior to June 30, 2010. Payment for these items were not made until after June 30, 2010 totaling \$878,823; however, the vouchers were not properly accrued at June 30, 2010.

CRITERIA

In accordance with the matching principle, expenditures should be recorded in the same period as the receipt and consumption of the goods or services. Governmental Accounting Standards Board (GASB) Codification Section 1600.102 states that: "Under the *cash* basis of accounting, revenues and transfers in are not recognized until cash is received, and expenditures or expenses (as appropriate) and transfers out are recognized only when cash is disbursed. Under the *accrual* basis of accounting, most transactions are recognized when they occur, regardless of when cash is received or disbursed. Items not practicably measurable until cash is received or disbursed are accounted for at that time using either basis of accounting as may be items whose measurement would be approximately the same under either basis or that are immaterial."

EFFECT

Liabilities were understated and an adjustment was required to properly state accounts payable at year end.

CAUSE

Lack of proper tracking of accounts payable at year end along with adequate controls to identify key entry errors.

RECOMMENDATION

The Department should implement stronger controls to ensure accounts payable are tracked and recorded for goods or services received prior to year end.

MANAGEMENT RESPONSE

The Department has made significant improvements in obtaining greater control in managing the accrual activity and observing the year end cutoff. Our Financial Control has updated the year end cutoff instructions with more detailed instructions in order to give specific guidance for accruals in typical situations. Additionally, Financial Control has inspected all payment vouchers after the year end until the cutoff date of September 30 to capture and report any unaccrued payments.

Nonetheless, a few errors have occurred. Although the controls are in place, they will only assure that there won't be an unreasonable amount of error-not absolute assurance of no errors.

Management will continue to counsel and train staff in the yearend cutoff procedures and remind all operators of the procedures as part of the year end planning and routine communications.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

**07-14 OVER-EXPENDED APPROPRIATION UNITS (Significant Deficiency and Non Compliance)
–Repeated and Modified**

CONDITION

The Department exceeded budgeted expenditures for the following funds/categories as of June 30, 2010:

P564: Business Program Support; category 400—other costs over expended by \$14,568,765.

CRITERIA

Per (2.2.10NMAC), all actual expenditures exceeding budgeted expenditures at level of budgetary compliance must be reported as a finding.

CAUSE

Failure of internal controls to detect or prevent over-expenditures of allowed budget per expenditure category timely.

EFFECT

The Department is not in compliance with statutory requirements to obtain approval prior to making expenditures.

RECOMMENDATION

We recommend the Department track legal budgets, applicable adjustments to budgets and expenditures properly to comply with all legal requirements.

MANAGEMENT RESPONSE

The operating transfers in the Business/Program Support is due to technical difficulties in funding debt service payments from the road fund. House Bill 2 sets the appropriation for the debt service funding payments out of the Programs and Infrastructure in the expenditure category, not the operating transfer category. However, for GAAP purposes, the Department must record some of the funding payments from the road fund to the debt service funds as operating transfers and the expenditures from House Bill 2 in the debt service funds. Thus, the operating transfers are not budgeted formally. The Department has met with the Department of Finance and Administration to arrive at a solution. Although some of the debt service payments will be recognized as House Bill 2 has funded, some are still required to be recorded in the debt service funds. In the case of these ones, the Department will be required to budget additional amounts for activities in those debt service funds in excess of cash distributed from the road fund. The Department will begin budgeting for these activities in fiscal year 2011.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

08-8 UNTIMELY REVERSIONS (Significant Deficiency and Non Compliance) - Repeated and Modified

CONDITION

The Department's State Road Fund is their operating fund that receives State General Fund appropriations, however, this fund is non-reverting and House Bill 2 allows the Department to rollover prior year funds. The Department's General Fund Appropriations (GFA) 10070 Fund receives State General Fund appropriations for construction of infrastructure and special projects and is the only fund of the Department that reverts. These GFA funds must revert upon completion of the appropriation project or upon expiration of the appropriation period.

During our testing of reversions, we noted the following:

Old projects are not being reverted timely, as we noted some projects that were completed or expired in 2008, 2009, and 2010 that had not yet been reverted.

There is a lack of controls over the tracking, calculation, and timeliness of reversions. The Budget and Controller offices have two different versions.

CRITERIA

Section 6-5-10(A) NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds as of June 30 to be reverted to the New Mexico State General Fund by September 30 and subsequently adjusted within 45 days of the completion of the annual audit. The FY10 reversion was due on September 30, 2010.

EFFECT

The Department is not in compliance with Section 6-5-10(A) NMSA 1978.

CAUSE

The Department had not validated the amount to be transferred prior to the September 30 due date. The Department therefore did not proceed with transferring the reversion since the amount is based on actual amounts and not on estimates.

RECOMMENDATION

The Department should establish procedures, controls, and monitoring to ensure timely calculation and submission of reversions to the New Mexico State General Fund.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

**08-8 UNTIMELY REVERSIONS (Significant Deficiency and Non Compliance) - Repeated and Modified
(Continued)**

MANAGEMENT RESPONSE

The current reversion procedures provide a "Notice to Close" document to be turned in to Budget Services from the capital projects section after a project has closed and a final accounting has been done. These documents were to be turned in by September 15 in preparation for the 2010 reversion. When Budget Services compared the listing of closed projects and the associated remaining balances reported, many did not match the report of estimated reversions submitted by Accounting Services. In the case of matching reversion amounts, the payment to the general fund occurred as expected by September 30. In the cases of conflicting amounts, those items were returned and further research was initiated by both capital outlay and the controller's office. The \$1.7M items identified that were not turned over to the general fund will be resolved in FY11.

Management expects to update the procedures for reversion to include formalizing communications between Budget, Accounting Services and Capital Projects for preparation of Notice to Close requests in fiscal year 2011 as well.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

10-1 SYSTEM STABILITY AND DATA INTEGRITY (Significant Deficiency)

CONDITION

NM DOT's SHARE financial system has been significantly modified to meet the specific requirements of the Department. Applications that are customized and/or have been modified typically bear an increased risk of lost or damaged data or the introduction of processing errors. To mitigate this risk, it is critical that the Department ensure application changes are thoroughly tested outside the production environment prior to implementation. It is additionally important that the Department internally retain copies of full documentation of the modifications to assist with troubleshooting as needed.

During interviews and testing of the IT environment, the following issues were noted:

Test environment: NMDOT does not have access to a viable test environment. The current test bed utilizes production data that has not been updated since July 2010. As a result, some system modifications are being tested directly in the production environment.

System out of date: Vendor updates to the SHARE system have not been applied since 2008. This has resulted in documented system problems that have gone unresolved. For example, it was reported that the Commitment Control module's sub ledger is unable to remain in synch with its activity log. Maximus, a third party service -provider, created a customized process to synchronize these components. While this modification was tested successfully in a separate environment, it caused data duplication when implemented into production during the current audit period. In order to resolve this, an "emergency fix", along with manual data deletions were implemented in the production environment. Likewise, it was reported that the transaction source types referenced in Requisitions, Purchases, and Vouchers do not match, this again is attributed to the system's inability to support further vendor updates due to a high level of customization.

Additionally, the SHARE financial system continues to experience the following functional anomalies resulting from modifications and configuration issues:

Insufficient access rights: NMDOT accounting staff does not have access privileges necessary to view data in sufficient detail. For example, posting errors occurring in the Project Costing module cannot be resolved by NMDOT personnel. Likewise, posting errors for Cash Receipts have reportedly been unresolved for more than a year. Current estimates are that unrecognized Cash Receipts now exceed \$10 million.

Processing delays: Journal entries created by NMDOT staff must be approved by the Department of Finance. Time delays associated with this process are impacting the reporting of Capital Assets and Payroll. For example, NMDOT personnel must reconcile Capital Assets in spreadsheets in order to produce accurate financial reports.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

10-1 SYSTEM STABILITY AND DATA INTEGRITY (Significant Deficiency) (continued)

CONDITION (CONTINUED)

Inventory data validation: During the current audit period, the Inventory Management module was unable to perform validation during data entry. Specifically, invalid entry of chart field data items such as project and fund references resulted in data integrity issues for inventory allocations and fund balances. This problem was resolved in January 2009. It is recommended that NMDOT continue to monitor this issue in order to ensure accurate processing and reporting of inventory transactions.

Segregation of duties: Access rights to the Inventory Management module are not being properly controlled. It was reported that all users in this module have “super user” access rights. This implies that inventory adjustments can be made without management review and approval.

Data integrity issues: Data integrity issues between the General Ledger and SHARE sub ledgers exist. During interviews with NMDOT staff, it was noted that when AP vouchers are processed, invalid fund references are subsequently corrected by way of manual journal entries. While control totals are reportedly correct, customized queries are utilized to tie fund balances with manual journal entries. These queries also serve as data sources for analysis and reporting of AP and AR. Overall, DOT has accumulated an extensive library of customized queries to support sub ledger reconciliation throughout the SHARE system.

CRITERIA

The Department should have best practices, policies, and a system of controls over system stability and data integrity.

EFFECT

The Department's system and data could be at risk.

CAUSE

The Department has not implemented compensating controls for the weaknesses that exist.

RECOMMENDATION

It is recommended that the DOT be provided with a viable test environment, and that user access rights be revisited in order to support day-to-day operations and ensure proper segregation of duties. Additionally, the Department should consider its alternatives for updating the SHARE system to a currently supported version, or replacing this system with a platform that meets its current business requirements, while providing vendor support for maintenance and updates.

MANAGEMENT RESPONSE

Department of Transportation will pass the audit recommendations to the Department of Finance Administration (DFA). SHARE is controlled by DFA and these findings are not under the control of DOT.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

10-2 LOAN RECEIVABLE NOT BILLED TIMELY (Significant Deficiency)

CONDITION

During our review of loan receivables for fund 89300, State Infrastructure Bank, we noted two loans with past due balances of approximately \$6.5 million, including interest outstanding, that have not been billed as of the date of our request. Based on our review of supporting documentation, it appears \$3.2 million was due in FY 2008, \$3.2 million was due in FY 2009 and \$82,500 was due in FY 2010.

CRITERIA

Good accounting practices entail that billings and collection efforts for loans receivable should be performed on a timely and consistent basis.

EFFECT

Untimely collections and lower cash balances on hand.

CAUSE

Due to a lack of oversight the Department had not collected on the loans from the respective parties for the past three fiscal years.

RECOMMENDATION

The Department should analyze the billing process over loans receivable and implement procedures to ensure timeliness of billings, including monitoring staff responsible and accountable for billing deadlines.

MANAGEMENT RESPONSE

The assignment of the SIB loans has shifted to several different personnel during fiscal year 2007 through 2009 due to the loss of some staff.

During the audit work preparation for the 2009 audit, it was noted that two loans had become past due for some of the schedule payments.

Because the loan was assigned to a non-accountant staff person, it was decided that the SIB fund reconciliation would be assigned to a member of the general ledger unit under the guidance of the Director of the unit.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

10-3 FINANCIAL CLOSE AND REPORTING ACCOUNTS RECEIVABLE (Significant Deficiency)

CONDITION

Over the course of our audit, significant accounting adjustments and reclassifications were made to the June 30, 2010 trial balance. The Department uses manual excel spreadsheets to reconcile the account detail from SHARE to the general ledger. Due to the significant amount of detail that comprises the general ledger account balances, the use of manual spreadsheets increases the likelihood of error.

CRITERIA

Good accounting practices calls for accurate and timely records and NMSA 1978 6-5-2 specifies that agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

EFFECT

Accounts receivable and related revenue were overstated by \$3.3 million and this resulted in re-performance of certain audit procedures relating to these adjustments.

CAUSE

Lack of timely and accurate reconciliation of spreadsheet supporting schedules to the general ledger.

RECOMMENDATION

We recommend the Department continue to work toward a more automated system that integrates with SHARE in order to reduce the number and complexity of the excel spreadsheets required for annual financial close and reporting.

MANAGEMENT RESPONSE

NMDOT uses a manual process to track and reconcile our detail customer receivable account balances to our General Ledger Accounts Receivables (AR) because the State of NM did not fully implement the SHARE Accounts Receivable module. Currently NMDOT uses a 3rd party system to generate invoices and then posts a Journal Entry to book the billings into SHARE. Even though payments for accounts receivable are applied directly into SHARE, account balances still have to be manually updated. In December of 2010, NMDOT was given DFA approval to fully implement the Accounts Receivable Module in SHARE. NMDOT is scheduled to begin the AR conversion in January 2011, at which time the manual reconciliation process will be phased out and replaced by a reconciliation process that utilizes system generated data and reports.

Reconciliation of federal receivables has focused on reconciling revenue to cash. The Department will implement an additional reconciliation process during FY11 and perform monthly reconciliations of federal share of expenditures to federal revenue or federal accounts receivable to ensure all valid receivables and revenues are captured during the fiscal year. In addition, Accounting Services will work closely with Federal Funding Control to ensure that any unbilled receivables are communicated and subsequently billed.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

10-3 FINANCIAL CLOSE AND REPORTING ACCOUNTS RECEIVABLE (Significant Deficiency) (Continued)

MANAGEMENT RESPONSE (CONTINUED)

The Department also realizes that several unbooked items by DFA have impacted our reconciliation process. Due to system generated problems caused by incorrect initial setup of federal participating project tables in SHARE by Funding Control Staff, several errors have occurred that have prevented cash from posting cash in SHARE. NMDOT is aware of these unposted reconciling items and has made numerous attempts to resolve the underlying issues. On February 21, 2008, NMDOT submitted a Help Ticket to DFA requesting assistance with our cash deposits. NMDOT and STO have worked together to provide DFA with all the necessary information to assist in this matter. We continue to request DFA assistance in resolving and posting our cash receipts; however, DFA has been reluctant to move forward until they conduct their own independent cash reconciliation of all funds and state agencies since the inception of SHARE to current.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

10-4 ACCOUNTING FOR CAPITAL ASSETS AND INFRASTRUCTURE (Significant Deficiency)

CONDITION

During our documentation and evaluation of controls and processes for accounting for infrastructure assets, we noted the Department tracks infrastructure by project rather than by identifiable asset. While this method may have been adequate in the past as part of the initial estimate of infrastructure assets, it may not provide the level of precision necessary to compile materially accurate financial statements in the future. Specifically, because the Department does not track infrastructure by identifiable asset, the annual amount of deletions must be estimated. Additionally, we noted there is a lack of controls and timely reconciliation of Construction in Progress (CIP) and capital asset additions.

CRITERIA

While GASB 34 paragraph 149 allowed the use of estimates for the retroactive implementation of the standard, it requires the use of actual additions and deletions in accounting for infrastructure on an ongoing basis.

EFFECT

Lack of proper accounting treatment and reconciliation can lead to misstatement on the financial statements.

CAUSE

The Department elected to track infrastructure assets using the composite method as opposed to the individual asset method. Additions and reconciliations are difficult since the Department's Site Manager software used to track operations and costs of projects does not translate into funds and accounts for the SHARE capital assets module to record.

RECOMMENDATION

The Department should ensure that infrastructure assets are tracked using the individual asset method. The Department should work throughout the year on reconciling capital assets to ensure all transactions are recorded properly.

MANAGEMENT RESPONSE

Infrastructure is unique in that there is little that is separately identifiable compared to other assets such as buildings and equipment. Infrastructure may contain stretches of land and highway that is built in the course of several years in separate stages and in separate types of procedures. These are identified in the projects by highway and mile marker in the work done. The very nature of the asset creation does not conform to the traditional "identifiable asset" concept of additions but is identifiable by the project costs collected.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

**10-4 ACCOUNTING FOR CAPITAL ASSETS AND INFRASTRUCTURE (Significant Deficiency)
(Continued)**

MANAGEMENT RESPONSE (CONTINUED)

All additions to infrastructure are based on actual expenditures and are not estimates. I believe that the estimates that are being referred to must then be the calculations of depreciation and deletions of the infrastructure.

Our depreciation is based on 30 year life for Priority One infrastructure assets and 25 year life for other infrastructure assets.

The Department currently deletes infrastructure over a 39 year period. Management is open to discussing the current policy with the intention to obtain a better asset deletion policy that is reflective of the categorization of infrastructure by networks as described by GASB 34 and the practical application of infrastructure asset lives.

C. FINDINGS – FEDERAL AWARDS

10-5 FHWA UNTIMELY BILLINGS (Significant Deficiency)

U.S. Department of Transportation
Federal Highway Administration (FHWA)
Program Years: 2009 and 2010

CFDA #20.205, Federal Highway Administration Highway
Research, Planning and Construction (Significant Deficiency)

QUESTIONED COSTS: None

CONDITION

During our review of accounts receivables we noted a lack of controls over billings which lead to approximately \$3.3 million of expenditures in FY 2010 that were not billed to the federal agency until November 2010. Per discussion with department personnel this billing is a manual billing and not system generated. The billing was overlooked and not found until the department started reconciling their funds. We also noted an additional expenditure of \$474,509 from March 2010 that had not yet been billed to the federal agency as of the date of our testwork.

CRITERIA

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., the Department's management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Billings for federal expenditures should be performed on a timely basis and reconciled to the general ledger monthly for proper cash management.

EFFECT

The federal agency can deny funding for expenditures if they are not received within an eight quarter time period.

CAUSE

Lack of controls over billings lead to billings being overlooked and billed untimely.

RECOMMENDATION

The Department should implement controls to ensure that all accounts receivables are billed timely and all expense reports are obtained from sub-recipients timely.

C. FINDINGS – FEDERAL AWARDS (Continued)

10-5 FHWA UNTIMELY BILLINGS (Significant Deficiency) (Continued)

MANAGEMENT RESPONSE

When a billing is setup that will not flow through the automatic federal billing process, standard NMDOT procedure is to have the responsible NMDOT personnel submit a "Memo of Charge" with supporting documentation for the billing and forward it to Accounting Services. Accounting Services will setup the customer in SHARE and submit a manual billing. This process was not followed and the \$3.3 million was not billed timely in this instance. Accounting Services Staff will distribute a memo agency wide to educate and remind all department personnel of this procedure availability. In addition, Accounting Services will work closely with Federal Funding Control staff to ensure that any other unbilled federal receivables are communicated and subsequently billed in a timely manner. Federal Funding Control has also requested a new report to be built for the cost collection module that will isolate these types of errors for prevention of future billing errors of this type.

C. FINDINGS – FEDERAL AWARDS (CONTINUED)

10-6 NHTSA UNTIMELY BILLINGS (Significant Deficiency)

U.S. Department of Transportation
National Highway Traffic Safety Administration (NHTSA)
Program Years: 2009 and 2010

CFDA #20.600, State and Community Highway Safety
CFDA #20.601, Alcohol Impaired Driving Countermeasures Incentive Grants I
CFDA #20.602, Occupant Protection Incentive Grants
CFDA #20.608, Minimum Penalties for Repeat Offenders for Driving While Intoxicated
CFDA #20.609, Safety Belt Performance Grants
CFDA #20.610, State Traffic Safety Information System Improvement Grants

QUESTIONED COSTS: None

CONDITION

During our review of accounts receivables, we noted a lack of controls over billings which led to approximately \$5.3 million of expenditures in FY 2010 that were not billed by NHTSA because the subrecipients of DOT did not turn in expense reports and bill DOT timely for proper cutoff of federal expenditures at year-end.

CRITERIA

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., the Department's management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Billings for federal expenditures should be performed on a timely basis and reconciled to the general ledger monthly for proper cash management.

EFFECT

The federal agency can deny funding for expenditures if they are not received within an eight quarter time period.

CAUSE

The late submission of expense reports from sub-recipients prevented the Department from billing NHTSA timely.

RECOMMENDATION

The Department should implement controls to ensure that all accounts receivables are billed timely and all expense reports are obtained from sub-recipients timely.

C. FINDINGS – FEDERAL AWARDS (CONTINUED)

10-6 NHTSA UNTIMELY BILLINGS (Significant Deficiency) (Continued)

MANAGEMENT RESPONSE

Management states billings to NHTSA are timely and submitted within the following month allowed by NHTSA rule. Management can only bill what is received as a claims reimbursement by subrecipients. However, management acknowledges that subrecipient claims for reimbursement are not always submitted timely to TSB for processing, payment and reimbursement from NHTSA.

Management will develop criteria through the project agreement wherein sub recipients submit claims for reimbursement in a timely and fiscally responsible fashion and will develop amendments to FY 11 contracts to facilitate this change. This will allow for timely billing to NHTSA of subrecipient claims for reimbursement at the state fiscal year end as well as the federal fiscal year end.

C. FINDINGS – FEDERAL AWARDS (CONTINUED)

10-7 Sub-recipient Monitoring Exception (Non-Compliance)

U.S. Department of Transportation
Program Years: 2009 and 2010

National Highway Traffic Safety Administration (NHTSA Cluster)

CFDA #20.600, State and Community Highway Safety Program
CFDA #20.601, Alcohol Impaired Driving Countermeasures Incentive Grants I Program
CFDA #20.602, Occupant Protection Incentive Grants Program
CFDA #20.609, Safety Belt Performance Grants Program
CFDA #20.610, State Traffic Safety Information System Improvement Grants Program

National Highway Traffic Safety Administration (NHTSA)

CFDA# 20.608, Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program

QUESTIONED COSTS: None

CONDITION

During our testing of sub-recipient monitoring for the NHTSA program, we noted that ten out of the eleven sub-recipients tested did not have a site visit performed by a program manager during FY2010. The program managers have relied on reviewing and approving expenditures as the main form of monitoring the sub-recipients.

CRITERIA

The Traffic Safety Bureau Procedures Manual states that monitoring and reporting program performance are both a State and Federal requirement of the State Uniform Grants and Contracts Management Standards and the Federal Title 49, Part 18; Subpart C – Post Award Requirements (18.4). The manual states that on-site visits are required each year for monitoring the sub-recipients. Expenditures from each site are being reviewed and approved by program managers, but this review is not sufficient to adequately monitor sub-recipients receiving federal funds without a corresponding site visit during the fiscal year.

EFFECT

Sub-recipients are not adequately being monitored and the NHTSA program is not in compliance with the Traffic Safety Bureau Procedures Manual. This increases the likelihood of non-compliance at the subrecipient level going undetected.

CAUSE

NHTSA program management does not appropriately monitor whether site visits are being conducted timely to ensure proper monitoring of sub-recipients.

C. FINDINGS – FEDERAL AWARDS (CONTINUED)

10-7 Sub-recipient Monitoring Exception (Non-Compliance) (Continued)

RECOMMENDATION

The Department should develop and implement controls so that program managers ensure site visits are conducted timely and properly recorded for each sub-recipient.

MANAGEMENT RESPONSE

Management will institute a check system whereby we ensure all programs receive one site visit within the program federal fiscal year. Management will implement a quality assurance program to review compliance and take corrective action for this and other program requirements throughout the program year. This will be made part of staff MEPs ensuring this criterion will be met as part of the staff evaluation process.

C. FINDINGS – FEDERAL AWARDS (CONTINUED)

10-8 Suspension & Debarment Exception (Non-Compliance)

U.S. DEPARTMENT OF TRANSPORTATION
National Highway Traffic Safety Administration (NHTSA)
Program Years: 2009 and 2010

CFDA #20.600, State and Community Highway Safety Program
CFDA #20.601, Alcohol Impaired Driving Countermeasures Incentive Grants I Program
CFDA #20.602, Occupant Protection Incentive Grants Program
CFDA #20.608, Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program
CFDA #20.609, Safety Belt Performance Grants Program
CFDA #20.610, State Traffic Safety Information System Improvement Grants Program

QUESTIONED COSTS: None

CONDITION

During our testing of suspension and debarment, we noted that the NHTSA program is not performing a verification check to ensure that federal funds were not being awarded to suspended or debarred parties. Only approved vendors can be submitted through the SHARE system, but there is no formal documentation or verification of suspension or debarment.

CRITERIA

OMB Cost Circular A-102 states: "Debarment and Suspension. Federal agencies shall not award assistance to applicants that are debarred or suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549. Agencies shall establish procedures for the effective use of the List of Parties Excluded from Federal Procurement or Non-procurement programs to ensure that they do not award assistance to listed parties in violation of the Executive Order. Agencies shall also establish procedures to provide for effective use and/or dissemination of the list to assure that their grantees and sub-grantees (including contractors) at any tier do not make awards in violation of the non-procurement debarment and suspension common rule."

EFFECT

The NMDOT could unknowingly award federal assistance for the NHTSA program to applicants that are ineligible for participation in their programs, causing noncompliance with the grants and potential questioned costs.

CAUSE

Management did not monitor this requirement.

C. FINDINGS – FEDERAL AWARDS (CONTINUED)

10-8 Suspension & Debarment Exception (Non-Compliance) (Continued)

RECOMMENDATION

We recommend that the NMDOT train staff and review each federal grant and federal guidance such as the OMB Circulars and the OMB Compliance Supplements for all the specific federal requirements and implement policies and procedures to safeguard the NMDOT against noncompliance.

MANAGEMENT RESPONSE

Management will ensure that at the time contracts and project agreements are drafted, before signature, potential vendors are checked against the Suspension and Debarment website to determine if potential vendors are listed as suspended or debarred. This procedure for determining vendor suspension or debarment will be added to the TSB Procedures manual. A certification will be placed in the financial file with said determination and date of completion.

C. FINDINGS – FEDERAL AWARDS (CONTINUED)

10-9 Physical Equipment Inventory Count Exception (Significant Deficiency and Non-Compliance)

All major federal programs

QUESTIONED COSTS: None

CONDITION

During our control testing of equipment, we noted that there is no formal documentation of annual equipment inventory counts being performed. The program managers have the responsibility to perform annual equipment inventory counts and have generally performed a visual count, but have not formally documented which items have been counted and reconciled to equipment records.

CRITERIA

According to the Code of Federal Regulations (CFR), 49 CFR 19.34, a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment. Currently there is no documentation that the NMDOT is performing a physical inventory count of equipment purchased with federal funds every two years and reconciling with equipment records for NHTSA, FTA, and FHWA.

EFFECT

Lack of documentation of annual equipment inventory counts and failing to reconcile to equipment records increases the risk of theft to go undetected. In addition the Department does not have an accurate count of inventory on hand at any given time.

CAUSE

Management did not have proper oversight of requirement.

RECOMMENDATION

The Department should ensure that a physical inventory count be conducted and documented at least every two years and the results are reconciled with the equipment records.

C. FINDINGS – FEDERAL AWARDS (CONTINUED)

**10-9 Physical Equipment Inventory Count Exception (Significant Deficiency and Non-Compliance)
(Continued)**

MANAGEMENT RESPONSE

NMDOT is implementing a manual process to track equipment purchased with FHWA funding during the life of the project and before final disposition. The Capital Asset Unit has been conducting an agency wide training for all construction, audit, financial, upper and division management on the importance of asset management. The training of the construction side of the house is very important since this is where the federal purchases begin. By educating the constructions side they can assist the financial side with accountability of these assets and help us ensure all assets are accounted for.

Once a project is finalized the equipment will be incorporated into NMDOT's Capital or non-capital assets system in SHARE. Any assets purchased with Federal dollars will have a unique asset number (ex 12345F-00). The "F" will help us identify these assets from other NMDOT assets.

NMDOT designed the capital asset module with the capability of tracking our non-capital assets without any implication to the financial system.

By taking this same practice we can incorporate FTA and NHTSA assets into SHARE. This will provide us with certification reports in detail listing of assets by location. Each program manager can take the listing and do a visualization inspection of asset on their sight visit and sign off on the certification. Certification will be sent to Accounting Services Bureau for final review and record keeping. The certifications can then be used by the program managers to reconcile with their own equipment records and to determine their continued need.

FTA: Currently, during our annual rural transit application process, each applicant/subgrantee confirms and verifies the vehicles (description/type/VIN) that are part of their fleet and purchased with FTA funds through NMDOT. The application is signed by the applicable designated authority. For the application process for FY 2013 which begins in June 2011, we will amend the application to include an inventory of other transit-related equipment purchased with FTA funds through NMDOT. This application signature by the applicable designated authority will confirm and verify the inventory.

TSB: Management will take corrective action as follows. An external audit process will be procured to conduct an inventory audit of all equipment purchased with grant funding on an annual basis. In order to assist with inventory reconciliation, TSB has recently implemented a sub account in SHARE to process and record grant equipment purchases. This sub account allows us to track all equipment purchases and can now be reconciled with physical audits to be done as stated above. This will be accomplished during the FY 11 federal fiscal year.

C. FINDINGS – FEDERAL AWARDS (CONTINUED)

10-10 PAYROLL ACCESS TO RECOVERY – LEVEL OF EFFORT (Non-Compliance)

U.S. DEPARTMENT OF TRANSPORTATION
National Highway Traffic Safety Administration (NHTSA)
Program Years: 2009 and 2010

CFDA #20.600, State and Community Highway Safety Program
CFDA #20.601, Alcohol Impaired Driving Countermeasures Incentive Grants I Program
CFDA #20.602, Occupant Protection Incentive Grants Program
CFDA #20.608, Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program
CFDA #20.609, Safety Belt Performance Grants Program
CFDA #20.610, State Traffic Safety Information System Improvement Grants Program

QUESTIONED COSTS: Unknown

CONDITION

During our testing of payroll compliance we noted that there are a total of seven employees whose payroll is entirely allocated to the NHTSA program. One of the employees has a certification and is charged entirely to planning and administration. Six of these employees have their payroll allocated among several cost objectives within the NHTSA Program. These employees' approved timesheets do not have documentation that illustrates how their wages are allocated among the different cost objectives. Employees' time charged to the program is based on estimates, not actuals.

CRITERIA

OMB Circular A-87, Attachment B, Section 8(h):

(3) – 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.

(4)(a) – Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: (a) more than one Federal award.

EFFECT

Employee payroll costs could incorrectly be allocated in the NHTSA program.

C. FINDINGS – FEDERAL AWARDS (CONTINUED)

10-10 PAYROLL ACCESS TO RECOVERY – LEVEL OF EFFORT (Non-Compliance) (Continued)

CAUSE

The Department has not implemented controls over this compliance requirement. SHARE modification is in process.

RECOMMENDATION

The Department should ensure that documentation is maintained and kept on file for each employee whose payroll is allocated to different cost objectives within the NHTSA program.

MANAGEMENT RESPONSE

Currently the program payroll is posted into a central program department code. SHARE is currently not capable to allow payroll posting directly against a project code. The Department is currently in the process of updating SHARE to allow program employee's payroll to post into allocated programs. We expect to have this update for payroll up and running by the end of fiscal year 2011.

C. FINDINGS – FEDERAL AWARDS (CONTINUED)

10-11 Reconciliation of Federal Revenues to Federal Expenditures (Significant Deficiency)

All federal major programs tested.

QUESTIONED COSTS: None

CONDITION

The Department does not perform or prepare consistent, timely, and complete reconciliations of federal grant expenditures, cash receipts, and revenues. It was very difficult for the Department to timely provide accurate populations and a final SEFA for audit.

CRITERIA

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., the Department's management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good accounting practices calls for accurate and timely records and NMSA 1978 6-5-2 specifies that agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

Reconciliations should be maintained to accurately track cash receipts and grant receivable/deferred balances for financial reporting purposes, as well as monitoring grants to ensure that reimbursement requests are made on a timely basis.

EFFECT

This leads to a higher inherent risk due to weak monitoring of federal revenues and expenditures.

CAUSE

The Department has not established tight processes and controls and has not trained staff properly on reconciling federal revenues to federal expenditures. Complexities with SHARE cause the process to be cumbersome and federal activity for such a large Department are difficult to reconcile.

RECOMMENDATION

We recommend that the Department evaluate this process and implement procedures to ensure they are able to provide timely and complete reports for their federal programs.

C. FINDINGS – FEDERAL AWARDS (CONTINUED)

10-11 Reconciliation of Federal Revenues to Federal Expenditures (Significant Deficiency) (Continued)

MANAGEMENT RESPONSE

Regarding the NHTSA program: Traffic and Safety has reconciled the expenditures reported on a monthly basis to billing by utilizing a customized report. Because this report is not a standardized report for SHARE, the Finance division has taken on the reconciliation process at year end. Resolution of this has been postponed due to the lack of sufficient financial personnel available in the traffic and safety division in past years. The Department has hired a new finance manager in the fall of 2011 to manage and supervise the available staff in that division. Management expects to implement the SHARE reconciliation report formats and bring the NHTSA program back up to standardized monthly reconciliations within the FY2011 year.

Regarding the FHWA program: The method of deriving the FHWA expenditures is the detail reporting of each billing that is done on a weekly basis. The cost collection module extracts the eligible costs within fund 20100, calculates the FHWA billable portion of each expenditure and posts it through to revenue and unbilled accounts receivable. This process inherently produces both the revenue and expenditure population at the same time.

Discrepancies and reconciling items occur when items in the expenditure population hit "over the limit" and "over distribution limit" status. These items are not immediately captured as expenditures and revenues in the general ledger and need to be researched and resolved in order to be subsequently billed. For FY 11, Accounting Services will incorporate reconciliations of over-the-limit and over distribution limits, as well as any other unresolved billing items as part of the regular reconciliations and they will be provided as routine documentation for the FHWA analysis. Accounting services will work with Funding Control ensure that any of these unrecorded expenditures are communicated and subsequently billed or otherwise corrected.

Other discrepancies occur when other errors in the system occur during the billing process or during the payment receipt process. Those discrepancies are caught in the weekly reconciliation of the FHWA A/R as evidenced by the "132900 Reconciliation" worksheet and the "Federal Project Billing Weekly YTD Status" worksheet provided to the auditors.

Regarding the FAA program: The Department utilizes Airport IQ System Manager software to track federal projects expended and billed. The projects are immaterial at this time. The records from this software are made available when requested.

D. FINDINGS – COMPLIANCE AND OTHER MATTERS

08-5 INTERFUND BALANCES (Control Deficiency) – Repeated and Modified

CONDITION

During our testwork over interfund balances, we noted that there were certain interfund balances that have not been paid out and have been included in the fund financials for a period greater than one year.

CRITERIA

GASB 34, Par. 112(a)(1) states that, "If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan."

EFFECT

The Department is not in compliance with GASB 34, Par. 112 (a)(1).

CAUSE

Per discussion with management, management is aware and has oversight. However due to the nature of the funds and cashflow hardship, cash balances are unavailable to liquidate the interfunds.

RECOMMENDATION

We recommend that the Department's management analyze all interfund balances and make the appropriate transfers/repayments. We further recommend that the Department establish policies and procedures with regards to oversight and administration of interfund balances.

MANAGEMENT RESPONSE

The 2010 interfund balances are composed of a combination of balances. There are balances that carry forward from prior years, balances that are comprised of 2008 and 2009 audit adjustments that loaded into SHARE in June 2010 and September 2010 respectively, and a non-cash balance of inventory held on behalf of the Department.

The balances that carried forward were comprised of balances that remained after a 2009 liquidation of the cash owed between the funds.

The non-cash balance on inventories held inherently adjusts during the year as inventories are drawn down for consumption and inventories are added from purchases. This balance does not require any liquidation.

Management will be liquidating during FY 2011 any remaining cash interfund balances that cash availability will allow.

D. FINDINGS – COMPLIANCE AND OTHER MATTERS (CONTINUED)

10-12 RECONCILIATIONS – FINANCIAL CLOSE AND REPORTING (Control Deficiency)

CONDITION

During our walkthrough of the Financial Close and Reporting process, we noted the reconciliations completed by the assistant to the Deputy Comptroller are not formally signed off by either the assistant as the preparer or the Deputy Comptroller as the reviewer. The review process is in place, but no formal documentation is accompanied with the reconciliations.

CRITERIA

Good accounting practices require segregation of duties to mitigate internal control weaknesses and material misstatements due to error or fraud.

EFFECT

The lack of adequate segregation of duties in some cases has caused weaknesses in the internal controls at NMDOT and there is increased risk of error or unauthorized transactions.

CAUSE

Lack of documentation of proper segregation of duties and management oversight.

RECOMMENDATION

We recommend that the employee performing the reconciliation sign off as the preparer and the employee reviewing it also sign off as the reviewer to document who prepared and reviewed the reconciliation.

MANAGEMENT RESPONSE

We concur with the observation. Although we do document the review of reconciliations provided by others in the Fund Reconciliation Check List, we do not have a formalized process for review of reconciliations done by the Deputy Comptroller. As the Department eventually brings in more staff qualified to reconcile the more complex funds, the Deputy Comptroller will eventually be able to review all reconciliations rather than engage in the reconciliation work directly.

D. FINDINGS – COMPLIANCE AND OTHER MATTERS (CONTINUED)

10-13 SHARE AND NETWORK USER ACCOUNTS (Control Deficiency)

CONDITION

The Department has procedures in place for initiating user accounts in the SHARE financial system, and on the network. However, it was noted during interviews with NMDOT staff that consistent practices are not being followed to disable SHARE and network accounts in the event of staff turnover and terminations. As well, it is not clear whether password policies in NMDOT's FMIS system are in line with industry best practices. NMDOT continues to use its legacy FMIS financial system for processing A/R invoices and managing vendor contracts. Additionally, it was observed that password policies have not been implemented on NMDOT's network domain.

CRITERIA

To protect the Department, it is important to develop, implement, and monitor best practices and controls over user accounts. Additionally, best practices recommend that users are required to change passwords every 90 days, maintaining password uniqueness. Strong internal controls over IT include having strict password requirements along with testing and monitoring of the IT systems and security. MRCOG, being a recipient of federal awards, may follow Federal Information Processing Standards Publication (FIPS) Publication 112, which is issued by the National Institute of Standards and Technology. This publication requires regular change of passwords with complexity requirements, and minimum character lengths.

EFFECT

There is increased risk to the Department of misuse, error, or fraud. It is easier for passwords to become compromised and for employees to share passwords, thus negating the benefits of password controls.

CAUSE

Notification typically occurs by way of phone calls, and these communications are not consistent. The Department has not implemented a password policy.

RECOMMENDATION

It is recommended that NMDOT revisit existing procedures and update as needed to ensure the timely notification, processing, and recording tasks necessary to disable SHARE system and network accounts when turnover occurs. Passwords should have at least 8 alphanumeric characters. Password complexity should be enforced where possible, as the use of complex or "strong" passwords will help ensure that passwords cannot be readily compromised. Examples of password complexity include the use of special characters and numeric characters. Additionally, User IDs should be locked out after a reasonable number of failed attempts. These steps are simple to accomplish, and enhance the effectiveness of the security controls. It is recommended that ActiveDirectory be utilized to enforce a uniform password policy on the network, and that this policy be reviewed on an annual basis in order to remain in line with Departmental guidelines.

D. FINDINGS – COMPLIANCE AND OTHER MATTERS (CONTINUED)

10-13 SHARE AND NETWORK USER ACCOUNTS (Control Deficiency) (Continued)

MANAGEMENT RESPONSE

The Department of Transportation will implement a process where Human Resources notifies the Information Technology Help Desk for any employees changing job responsibilities so that changes in SHARE security can be made. This process will be in place in the first quarter 2011. In order to access the FMIS system, a user must be set up with three levels of security – the network; access to the mainframe and an FMIS ID. FMIS passwords expire every 90 days and passwords cannot be duplicated for one year. Passwords must be at least 8 characters in length. FMIS sessions expire after 20 minutes inactivity.

Update authority for FMIS is restricted to five (5) individuals and all update authority for FMIS will be removed by the end of January 2011.

The Department is in the process of implementing a password policy within the Active Directory Domain. This process will be implemented in the second quarter 2011. It is also noted that the DOT Active Directory Domain has no bearing on the Finance password security within the SHARE system.

D. FINDINGS – COMPLIANCE AND OTHER MATTERS (CONTINUED)

10-14 SECURITY ACCESS CONTROL TESTING AND REVIEW (Control Deficiency)

CONDITION

The Department's security access controls for the SHARE and FMIS systems are not tested regularly. Meanwhile, security access controls for the network are being reviewed on a quarterly basis. However, this process is not being formally recorded.

CRITERIA

The Department should have best practices, policies, and controls over security access.

EFFECT

Given the ongoing changes in the Department's technology environment, its customized software applications, and personnel turnover, the access controls in place could be substantially affected.

CAUSE

The Department has not assessed risks and implemented controls and monitoring over security access.

RECOMMENDATION

Access should be tested periodically to ensure that unauthorized users are not allowed access, and that different types of authorized users have their access appropriately restricted. It is recommended that these tasks be assigned and tracked through the Department's HEAT Help Desk system on a regular basis, to help ensure the timely review of security access controls for all mission critical systems.

MANAGEMENT RESPONSE

With the implementation of PeopleSoft Financials as part of the SHARE project, FMIS is primarily a historical resource, with exception of five (5) individuals in DOT who have update authority for AR functionality. Access into FMIS requires three levels of authority: 1) access to the network, 2) access to the mainframe (all of which is managed by the HEAT Help Desk and subject to approvals and review), and 3) an FMIS ID (which is managed at a single control point, subject to approval and limited to a single control point. Given the restrictions to update by such a small group of individuals and the short term life of FMIS, the review is managed at the single control point via security report review.

The FMIS system will become inactive for all updates at the end of January 2011 when the AR process is moved to SHARE.

Overall security control within the SHARE system is the responsibility of the Department of Finance Administration (DFA).

Department of Transportation (DOT) will implement a process to review existing DOT employee security roles within the SHARE system on a quarterly basis. This process will be implemented in the first quarter 2011. (In this new process, there will be a single point of approval for systems access. This role will be also be responsible for the quarterly review of the security roles.)

Financial Statement Audit

- 07-3 Capital Assets (Significant Deficiency) - **Resolved**
- 07-7 Accounts Payable (Significant Deficiency) - **Repeated and Modified**
- 07-10 Per Diem Reimbursements (Control Deficiency) - **Resolved**
- 07-13 Timeliness of Audit and Accounting Procedures (Material Weakness) - **Resolved**
- 07-14 Over-Expended Appropriation Units (Material Weakness) - **Repeated and Modified**
- 08-3 Internal Control over Payroll – (Control Deficiency) - **Resolved**
- 08-4 Debt Covenants (Significant Deficiency) - **Resolved**
- 08-5 Interfund Balances (Control Deficiency) - **Repeated and Modified**
- 08-7 Timeliness of Billings (Significant Deficiency) - **Resolved**
- 08-8 Untimely Reversion to State General Fund (Significant Deficiency) - **Repeated and Modified**
- 09-1 Inventory Observation (Significant Deficiency) - **Resolved**
- 09-2 State Infrastructure Bank Payments (Significant Deficiency) - **Resolved**
- 09-3 Post Audit Process (Control Deficiency) - **Resolved**
- 09-4 Operating Leases (Control Deficiency) - **Resolved**

Federal Programs Audit

- 07-13 Timeliness of Audit and Accounting Procedures (Material Weakness) - **Resolved**
- 08-7 Timeliness of Billings (Significant Deficiency) - **Resolved**

An exit conference was held with the Department on December 14, 2010. The conference was held at the Lodge at Sierra Blanca, Ruidoso, New Mexico. In attendance were:

STATE OF NEW MEXICO DEPARTMENT OF TRANSPORTATION

Gary Giron, Cabinet Secretary
Domingo Sanchez III, Deputy Secretary
Greg Geisler, Comptroller
Doug Peterson, Commissioner
Jackson Gibson, Commissioner
Johnny Cope, Chairman
Art Gottlieb, Inspector General's Office
Bernie Padilla, Director of Human Resources
Frank Guzman, District 1 Engineer
Gary Shubert, District 2 Engineer
Paul W. Gray, District 4 Engineer
Miguel Gabaldon, District 5 Engineer
Larry Maynard, District 6 Engineer

MOSS ADAMS LLP

Larry Carmony, CPA, Partner

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the Department and are the responsibility of management.

