

STATE OF NEW MEXICO
TOURISM DEPARTMENT

Financial Statements And Other Financial Information

(With Independent Auditors' Reports Thereon)

Year Ended June 30, 2008

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Official Roster

June 30, 2008

Hon. Albert Lucero	Chairman
Ms. Selena Chino	Commission Member
Mr. Ted Garcia	Commission Member
Mr. William Hirschfeld	Commission Member
Ms. Deidra Lujan	Commission Member
Mr. Randy Randall	Commission Member
Mr. Jay Christopher Stagg	Commission Member
Michael Cerletti	Cabinet Secretary
Sharon Maloof	Deputy Cabinet Secretary
Craig Swagerty	Deputy Cabinet Secretary

STATE OF NEW MEXICO
TOURISM DEPARTMENT

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TOURISM DEPARTMENT**

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Independent Auditors' Report

Mr. Hector Balderas, New Mexico State Auditor and
Michael Cerletti, Cabinet Secretary
New Mexico Tourism Department
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the major fund budget comparisons, and the aggregate remaining fund information of the New Mexico Tourism Department (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 have also audited the financial statements of each of the Department's nonmajor governmental funds, and nonmajor funds and proprietary fund budgetary statements presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, 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 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 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, where applicable, cash flows, 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 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, 2008, and the changes in financial position, or where applicable, its cash flows, for the year then ended in conformity with accounting principles generally accepted in United States of America.

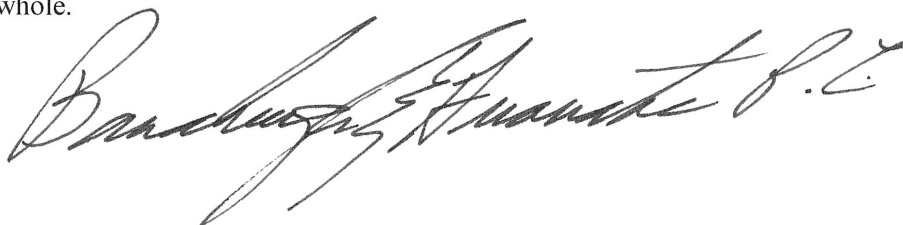
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and 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 nonmajor governmental fund of the Department as of June 30, 2008, and the respective changes in financial position and respective budgetary comparisons for the proprietary funds and nonmajor governmental funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2009, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

For the year ended June 30, 2008, the Department has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons that collectively comprise the Department's basic financial statements. The Schedule of Special Appropriations and Schedule of Joint Power Agreements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Special Appropriations and Schedule of Joint Power Agreements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



May 7, 2009

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Exhibit 1

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
State Treasurer Investment Pool	\$ 5,771,837	\$ 1,503,022	\$ 7,274,859
Receivables (net)	-	287,756	287,756
Receivable from other State agencies	386,194	-	386,194
Prepaid expenses	122,162	12,003	134,165
Inventories	18,147	152,389	170,536
Total current assets	6,298,340	1,955,170	8,253,510
Noncurrent assets:			
Capital assets, net	188,962	4,179	193,141
Total noncurrent assets	188,962	4,179	193,141
Total assets	\$ 6,487,302	\$ 1,959,349	\$ 8,446,651
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,172,695	\$ 153,621	\$ 2,326,316
Accrued payroll and related liabilities	135,395	84,148	219,543
Stale dated warrants	-	74	74
] Due to other state agencies	39,572	13,273	52,845
Due to State General Fund	802,142	-	802,142
Compensated absences, net of long-term	168,637	44,582	213,219
Deferred advertising Revenue	-	85,645	85,645
Unexpired subscriptions, net of long-term	-	569,014	569,014
Total current liabilities	3,318,441	950,357	4,268,798
Long-term liabilities:			
Compensated absences, net of short-term	75,765	20,030	95,795
Unexpired subscriptions, net of short-term	-	715,834	715,834
Total long-term liabilities	75,765	735,864	811,629
Total liabilities	3,394,206	1,686,221	5,080,427
 NET ASSETS			
Invested in capital assets, net	188,962	4,179	193,141
Restricted for:			
Subsequent year's expenditures	1,377,386	-	1,377,386
Unrestricted	1,526,748	268,949	1,795,697
Total net assets	3,093,096	273,128	3,366,224
Total liabilities and net assets	\$ 6,487,302	\$ 1,959,349	\$ 8,446,651

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Exhibit 2

Statement of Activities

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities						
Tourism	\$ (13,620,747)	\$ -	\$ -	\$ (13,620,747)	\$ -	\$ (13,620,747)
Business-type activities:						
Publishing	(4,087,739)	4,062,900	-	-	(24,839)	(24,839)
Total	<u>\$ (17,708,486)</u>	<u>\$ 4,062,900</u>	<u>\$ -</u>	<u>(13,620,747)</u>	<u>(24,839)</u>	<u>(13,645,586)</u>

General Revenues

Beautification fee	989,429	-	989,429
Off-highway vehicle fee	586,009	-	586,009
State general fund appropriation	12,361,300	-	12,361,300
Supplemental Appropriation	165,500	-	165,500
Other income	42,323	-	42,323
Funds from other governments	16,186	-	16,186
Transfers to other agencies	(47,500)	-	(47,500)
Reversions to state general fund 08 FY	(240,469)	-	(240,469)
Total general revenues and transfers	<u>13,872,778</u>	<u>-</u>	<u>13,872,778</u>
Changes in net assets	252,031	(24,839)	227,192
Net assets beginning of year, as originally reported	2,775,508	144,719	2,920,227
Restatement	65,557	153,248	218,805
Net assets beginning of year, restated	<u>2,841,065</u>	<u>297,967</u>	<u>3,139,032</u>
Net assets, end of year	<u>\$ 3,093,096</u>	<u>\$ 273,128</u>	<u>\$ 3,366,224</u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Exhibit 3

Balance Sheet
Governmental Funds

June 30, 2008

	Major Funds			Nonmajor Other Funds	Total
	General Fund	Litter Control & Beautification	Trail Safety Fund		
ASSETS					
State Treasurer Investment Pool	\$ 4,374,309	\$ -	\$ 967,127	\$ 430,401	\$ 5,771,837
Due from other funds	48,115	1,000,656	-	-	1,048,771
Receivable from other agencies	-	84,310	51,884	250,000	386,194
Prepaid expenses	121,268	427	467	-	122,162
Inventories	9,546	-	8,601	-	18,147
Total assets	<u>\$ 4,553,238</u>	<u>\$ 1,085,393</u>	<u>\$ 1,028,079</u>	<u>\$ 680,401</u>	<u>\$ 7,347,111</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 1,765,030	\$ 295,694	\$ 58,956	\$ 53,015	\$ 2,172,695
Accrued payroll and related liabilities	119,893	8,312	7,190	-	135,395
Due to other funds	979,883	48,115	20,773	-	1,048,771
Due to other agencies	5,476	799	33,297	-	39,572
Due to State General Fund	802,142	-	-	-	802,142
Total liabilities	<u>3,672,424</u>	<u>352,920</u>	<u>120,216</u>	<u>53,015</u>	<u>4,198,575</u>
Fund Balance:					
Reserved for:					
Prepaid expenses	121,268	427	-	-	121,695
Inventories	9,546	-	-	-	9,546
Subsequent year expenditures	750,000	-	-	-	750,000
Capital projects	-	-	-	627,386	627,386
Unreserved, reported in:					
Special Revenue funds	-	732,046	907,863	-	1,639,909
Total fund balance	<u>880,814</u>	<u>732,473</u>	<u>907,863</u>	<u>627,386</u>	<u>3,148,536</u>
Total liabilities and fund balance	<u>\$ 4,553,238</u>	<u>\$ 1,085,393</u>	<u>\$ 1,028,079</u>	<u>\$ 680,401</u>	<u>\$ 7,347,111</u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Exhibit 4

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

June 30, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance Governmental Funds	\$ 3,148,536
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	188,962
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(244,402)</u>
Net assets of governmental activities	<u><u>\$ 3,093,096</u></u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Exhibit 5

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

Year Ended June 30, 2008

	Major Funds				Total
	General Fund	Litter Control & Beautification	Trail Safety Fund	Nonmajor Other Funds	
REVENUES					
Beautification fee	\$ -	\$ 989,429	\$ -	\$ -	\$ 989,429
Off-highway vehicle fee	-	-	586,009	-	586,009
Miscellaneous	-	1,748	40,575	-	42,323
Total revenues	-	991,177	626,584	-	1,617,761
EXPENDITURES					
Current Operating:					
Tourism	12,103,018	1,042,985	215,271	111,914	13,473,188
Capital outlay	9,156	9,800	-	130,492	149,448
Total expenditures	12,112,174	1,052,785	215,271	242,406	13,622,636
Excess (deficiency) of revenues over expenditures	(12,112,174)	(61,608)	411,313	(242,406)	(12,004,875)
OTHER FINANCING SOURCES (USES)					
State General Fund appropriation	12,161,300	-	-	200,000	12,361,300
Supplemental appropriation	165,500	-	-	-	165,500
Transfers to other agencies	-	-	-	(47,500)	(47,500)
Funds from other governments	-	16,186	-	-	16,186
Reversion for 2008 fiscal year	(240,469)	-	-	-	(240,469)
Total other financing sources (uses)	12,086,331	16,186	-	152,500	12,255,017
Net changes in fund balance	(25,843)	(45,422)	411,313	(89,906)	250,142
Fund balance beginning of year, as originally reported	906,657	762,338	496,550	667,292	2,832,837
Restatement	-	15,557	-	50,000	65,557
Fund balance-beginning of year, restated	906,657	777,895	496,550	717,292	2,898,394
Fund balance, end of year	\$ 880,814	\$ 732,473	\$ 907,863	\$ 627,386	\$ 3,148,536

The accompanying notes are an integral part to this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Exhibit 6

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

Year Ended June 30, 2008

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

Net change in fund balances- total governmental funds (from Exhibit 5)	\$	250,142
Governmental funds report capital outlays as expenditures		149,448
Depreciation expense		(82,101)
Net changes in compensated absences liabilities reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(65,458)</u>
Change in net assets of governmental activities	\$	<u><u>252,031</u></u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Exhibit 7

General Fund
Statement of Revenues and Expenditures
Budget and Actual
(Modified Accrual Budget Basis)

Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with - Favorable (Unfavorable)
Revenues:				
State General Fund	\$ 11,211,300	\$ 11,211,300	\$ 12,161,300	\$ 950,000
Other state funds	-	110,978	-	(110,978)
Other financing sources	165,500	165,500	165,500	-
Total revenues	11,376,800	11,487,778	\$ 12,326,800	\$ 839,022
Prior year cash balance	200,000	195,000		
Total	\$ 11,576,800	\$ 11,682,778		
Expenditures:				
Personnel services/benefits	\$ 3,673,100	\$ 3,676,117	\$ 3,582,079	\$ 94,038
Contractual services	645,500	730,500	794,718	(64,218)
Other	7,258,200	7,276,161	7,733,850	(457,689)
Other financing uses	-	-	-	-
Total expenditures	\$ 11,576,800	\$ 11,682,778	12,110,647	\$ (427,869)
Excess (deficiency) of revenues over expenditures and other financing uses	\$ -	\$ -	216,153	\$ 411,153
Reconciliation to GAAP basis income (loss):				
To record audit adjustment for accounts payable			(1,527)	
Reversion to State General Fund			(240,469)	
Change in fund balance - GAAP Basis			\$ (25,843)	

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Exhibit 8

Litter Control Beautification Fund
Statement of Revenues and Expenditures
Budget and Actual
(Modified Accrual Budget Basis)

Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
State General Fund	\$ -	\$ -	\$ -	\$ -
Other state funds	957,200	1,004,845	1,099,912	95,067
Federal grant	34,024	41,929	-	(41,929)
Other financing sources	-	-	-	-
	<u>\$ 991,224</u>	<u>\$ 1,046,774</u>	<u>\$ 1,099,912</u>	<u>\$ 53,138</u>
Prior year cash balance	13,680	13,680		
	<u>\$ 1,004,904</u>	<u>\$ 1,060,454</u>		
Expenditures:				
Personnel services/benefits	\$ 123,400	\$ 123,400	\$ 233,558	\$ (110,158)
Contractual services	150,000	150,000	149,583	417
Other	731,504	787,054	668,207	118,847
Other financing uses	-	-	-	-
	<u>\$ 1,004,904</u>	<u>\$ 1,060,454</u>	<u>\$ 1,051,348</u>	<u>\$ 9,106</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>48,564</u>	<u>\$ 62,244</u>
Reconciliation to GAAP basis income (loss):				
To record audit adjustment for revenue, net of prior year revenue reversals			(92,549)	
To record audit adjustment for expenses			<u>(1,437)</u>	
Change in fund balance - GAAP Basis			<u>\$ (45,422)</u>	

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Exhibit 9

Trail Safety Fund
Statement of Revenues and Expenditures
Budget and Actual
(Modified Accrual Budget Basis)

Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with - Favorable (Unfavorable)
Revenues:				
State General Fund	\$ -	\$ -	\$ -	\$ -
Other state funds	213,000	263,000	617,983	354,983
Other financing sources	-	-	-	-
Total revenues	213,000	263,000	\$ 617,983	\$ 354,983
Prior year cash balance	-	129,000		
Total	\$ 213,000	\$ 392,000		
Expenditures:				
Personnel services/benefits	\$ 114,400	\$ 143,400	\$ 141,447	\$ 1,953
Contractual services	5,000	65,000	1,901	63,099
Other	93,600	183,600	71,576	112,024
Other financing uses	-	-	-	-
Total expenditures	\$ 213,000	\$ 392,000	214,924	177,076
Excess (deficiency) of revenues over expenditures and other financing uses	\$ -	\$ -	\$ 403,059	\$ 532,059
Net income (loss) - Budgetary basis				
Reconciliation to GAAP basis income (loss):				
To record audit adjustment for revenue			8,601	
To record audit adjustment for accounts payable			(347)	
Change in fund balance - GAAP Basis			\$ 411,313	

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
TOURISM DEPARTMENT

Exhibit 10

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Business-Type Activities		Total
	New Mexico Magazine	Tourism Enterprise	
ASSETS			
Current Assets:			
State Treasurer Investment Pool	\$ 1,441,374	\$ 61,648	\$ 1,503,022
Receivables, net	287,756	-	287,756
Inventories	139,575	12,814	152,389
Prepaid postage	12,003	-	12,003
Total current assets	<u>1,880,708</u>	<u>74,462</u>	<u>1,955,170</u>
Non-current Assets:			
Capital assets:			
Furniture and equipment	185,535	-	185,535
Less accumulated depreciation	181,356	-	181,356
Capital assets, net	<u>4,179</u>	<u>-</u>	<u>4,179</u>
Total assets	<u>\$ 1,884,887</u>	<u>\$ 74,462</u>	<u>\$ 1,959,349</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 130,065	\$ 23,556	\$ 153,621
Accrued payroll and related liabilities	84,148	-	84,148
State dated warrants	74	-	74
Due to other state agencies	12,328	945	13,273
Deferred revenue	85,645	-	85,645
Unexpired subscriptions-current	569,014	-	569,014
Compensated absences-current	44,582	-	44,582
Total current liabilities	<u>925,856</u>	<u>24,501</u>	<u>950,357</u>
Noncurrent Liabilities:			
Compensated absences-long-term	20,030	-	20,030
Unexpired subscriptions-long-term	715,834	-	715,834
Total noncurrent liabilities	<u>735,864</u>	<u>-</u>	<u>735,864</u>
Total liabilities	<u>1,661,720</u>	<u>24,501</u>	<u>1,686,221</u>
Net assets			
Invested in capital assets	4,179	-	4,179
Unrestricted	218,988	49,961	268,949
Total net assets	<u>223,167</u>	<u>49,961</u>	<u>273,128</u>
Total liabilities and net assets	<u>\$ 1,884,887</u>	<u>\$ 74,462</u>	<u>\$ 1,959,349</u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Exhibit 11

Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Funds

Year Ended June 30, 2008

	Business-Type Activities		Total
	New Mexico Magazine	Tourism Enterprise	
Operating revenues			
Charges for services			
NM Magazine	\$ 4,011,363	\$ -	\$ 4,011,363
By-product sales	-	26,537	26,537
Miscellaneous	-	25,000	25,000
Total operating revenues	4,011,363	51,537	4,062,900
Operating expenses			
Current:			
Personnel services/benefits	1,124,625	-	1,124,625
Contractual services	915,986	-	915,986
Other costs	1,996,497	42,894	2,039,391
Depreciation expense	7,737	-	7,737
Total operating expenses	4,044,845	42,894	4,087,739
Change in net assets	(33,482)	8,643	(24,839)
Net assets-beginning of year as originally reported	115,488	29,231	144,719
Restatement	141,161	12,087	153,248
Net assets-beginning of year, restated	256,649	41,318	297,967
Net assets, end of year	\$ 223,167	\$ 49,961	\$ 273,128

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Exhibit 12

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2008

	Business-Type Activities		
	New Mexico Magazine	Tourism Enterprise	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Flows from Operating Activities			
Receipts from customers	\$ 4,002,404	\$ 51,537	\$ 4,053,941
Payments to suppliers	(3,191,488)	(21,897)	(3,213,385)
Payments to employees	(1,120,445)	-	(1,120,445)
Net cash provided by operating activities	<u>(309,529)</u>	<u>29,640</u>	<u>(279,889)</u>
Cash Flows Provided from Noncapital Financing Activities			
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities			
Additions to equipments	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities			
Investments	<u>-</u>	<u>-</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	<u>(309,529)</u>	<u>29,640</u>	<u>(279,889)</u>
Cash and cash equivalents - beginning of year	<u>1,750,903</u>	<u>32,008</u>	<u>1,782,911</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,441,374</u></u>	<u><u>\$ 61,648</u></u>	<u><u>\$ 1,503,022</u></u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating Income (loss)	\$ (33,482)	\$ 8,643	\$ (24,839)
Adjustments to reconcile operating income to net provided by operating activities:			
Depreciation	7,737	-	7,737
Bad debt expense	13,895	-	13,895
Change in assets and liabilities:			
Receivables	(8,959)	-	(8,959)
Inventories	45,902	(727)	45,175
Prepaid postage	(232)	-	(232)
Accounts payable	(56,062)	21,333	(34,729)
Accrued payroll and related liabilities	27,518	-	27,518
Deferred revenue	(25,794)	-	(25,794)
Compensated absences	4,184	-	4,184
Unexpired subscriptions	39,747	-	39,747
Due to other State agencies	<u>(323,983)</u>	<u>391</u>	<u>(323,592)</u>
Total Adjustments	<u>(276,047)</u>	<u>20,997</u>	<u>(255,050)</u>
Net cash provided (used) by operating activities	<u><u>\$ (309,529)</u></u>	<u><u>\$ 29,640</u></u>	<u><u>\$ (279,889)</u></u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements

June 30, 2008

1. History and Function

The Tourism Department (Department) was established by the Tourism Department Act, effective July 1, 1991, in the Laws of 1991, Senate Bill 228 enacted by the legislature of the State of New Mexico. The purposes of the Department are as follows:

- A. To provide a coordinated statewide perspective with regard to tourism activities;
- B. To provide a data base for local and regional tourism groups and serve as a comprehensive source of information and assistance to tourism-related businesses wishing to locate, expand or do business in New Mexico;
- C. To monitor the progress of state-supported tourism activities and prepare annual reports of such activities, their status and their impact;
- D. To add to and coordinate existing litter control and removal efforts. NMSA Chapter 67, Article 16, created the Litter Control & Beautification Fund as part of the Litter Control and Beautification Act. On April 3, 2001, Governor Gary Johnson signed House Bill 338; which transferred the Litter Control and Beautification funding and coordination efforts from the New Mexico State Highway and Transportation Department to the New Mexico Tourism Department; and
- E. The Sports Authority became part of the Department effective July 1, 2007 per Senate Bill 215. There was no impact on the Department's general fund beginning fund balance as no assets or liabilities were assumed by the Department. According to the New Mexico Sports Authority June 30, 2007 financial statements, there was a net asset balance of \$98,982 in the State Treasurer Investment Pool. This represents the balance of Capital Bill, HB622, Section 59, Item 4, for \$150,000 to host and promote national and international sporting events in New Mexico. The appropriation reverts as of June 30, 2010. DFA and the State Treasurer have not transferred these funds to the Department, nor does the Department have authority to access this Fund in SHARE. According to DFA cash balance report as of March 31, 2009, the cash balance of Fund 41600 in SHARE is \$82,599. Since the Department does not have authority over the funds, nor has SHARE access, this balance and any activity since June 30, 2007 are not included in these financial statements.

The Department consists of (but is not limited to) the following programs as follows:

- A. Marketing & Promotion Program
- B. Tourism Enterprise
- C. Outreach Program
- D. Program Support Program
- E. New Mexico Magazine Program
- F. Special Revenue Program
- G. Trail Safety Fund
- H. Sports Authority

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

1. History and Function (Continued)

9-15A-8. Tourism commission created: membership, administratively attached to the department.

The chief executive and administrative officer of the Department is the secretary, who is appointed by the governor with the consent of the senate, serves in the executive cabinet, and holds office at the pleasure of the governor. The secretary appoints the directors of the programs.

- A. The "tourism commission" is created. The commission shall be a planning commission administratively attached to the department. The commission shall provide advice to the department on policy matters. The commission shall be responsible for the annual approval and update of the state's five-year tourism plan. The commission shall consist of seven members who shall be qualified electors of the state of New Mexico, no more than four of whom, at the time of their appointment, shall be members of the same political party and at least one of whom shall be a Native American. Members shall be appointed by the governor and confirmed by the senate. Two members shall be appointed from each of the three congressional districts. One member shall be appointed from the state at large.
- B. Appointments shall be made for seven-year terms expiring on January 1 of the appropriate year. Commission members shall serve staggered terms as determined by the governor at the time of their initial appointment annually, the governor shall designate a chairman of the commission from among the members.
- C. The commission shall meet at the call of the chairman, not less than once each quarter, and shall invite representatives of appropriate legislative committees, other state agencies and interested persons to its meetings for the purpose of information exchange and coordination.
- D. Commission members shall not vote by proxy. A majority of the members constitutes a quorum for the conduct of business.
- E. Members of the commission shall not be removed except for incompetence, neglect of duty or malfeasance in office. Provided, however, no removal shall be made without notice of hearing and an opportunity to be heard having first been given the member being removed. The senate shall be given exclusive original jurisdiction over proceedings to remove members of the commission under such rules as it may promulgate. The senate's decision in connection with such matters shall be final. A vacancy in the membership of the commission occurring other than by expiration of term shall be filled in the same manner as the original appointment, but for the unexpired term only.
- F. Commission members shall not be paid, but shall receive per diem and mileage as provided in the Per Diem and Mileage Act [10-8-1 to 10-8-8 NMSA 1978].

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

2. Summary of Significant Accounting Policies

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

The Department for financial purposes includes all of the funds relevant to the operations of the Department. The financial statements presented herein do not include agencies which have been formed under applicable state laws as separate and distinct units of government apart from the Department.

The financial statements of the Department include those of separately administered organizations that are controlled by or dependent on the Department. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. The Department does not consider any of its funds to be component units.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This statement provided for the most significant change in financial reporting in over twenty years. In June 2001, GASB unanimously approved Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Statement 37 clarifies and modifies Statements 34 and should be implemented simultaneously with Statement 34. Statement 38 modifies, establishes and rescinds certain financial statements disclosure requirements.

The Department implemented the provisions of GASB No. 34, 37 and 38 effective July 1, 2001. As part of Statement 34, there is a new reporting requirement regarding a local government's infrastructure (road, bridges, etc). The Department does not own any infrastructure assets and therefore is unaffected by this requirement.

Reporting Entity

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government". The primary government is any state government or general-purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Department, therefore, is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State. The Department has no component units.

The State of New Mexico will issue a Comprehensive Annual Financial report which will include all departments and component units of the primary government for the 2008 fiscal year.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

A. Basic Financial Statements - GASB 34

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. The GASB reporting model focus is on either the Department as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities and business-type activities. In the government-wide Statement of Net Assets, the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. The program revenues must be directly associated with the function.

The Department reports two functions in the government-wide financial statements: The governmental activities (Tourism) and business-type activities (Publishing). Program revenues consist of the following:

Governmental activities - Tourism fees

Proprietary activities - Advertising, subscriptions, and merchandise sales.

The government-wide financial statements do not include fiduciary funds. The Department has no fiduciary funds.

The net cost (by function) for governmental activities is normally covered by general revenues (State General Fund appropriations). The net cost (by function) for the business-type activities is normally covered by program revenues (Subscriptions and Advertising). Historically, the previous model did not summarize or present net cost by function or activity. The Department does not currently employ indirect cost allocation systems.

This government-wide focus is more on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are similar to the financial statements presented in the previous model. Emphasis here is on major funds. Major funds under GASB 34 are described as funds with balances exceeding 10 percent of the total assets, liabilities, revenues, or expenditures/expenses for all funds of that category or type and possessing at least 5 percent of the assets, liabilities, revenues, or expenditures/expenses of all governmental and enterprise funds combined. The Department's general fund is always considered a major fund. The General fund Litter Control & Beautification Fund, Trail Safety Fund, NM Magazine fund, and Tourism Enterprise fund are considered major funds by management.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

A. Basic Financial Statements - GASB 34 (Continued)

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to: a) demonstrate legal compliance, b) demonstrate the source and use of liquid resources, and c) demonstrate how the Department's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental column on the governmental-wide presentation.

For its government-wide activities, the Agency has elected not to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles, or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. total net assets) combines contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (program revenues) and decreases (e.g. expenses) in net assets. The proprietary funds are presented on a full accrual basis in both the fund financial statements and the government-wide statements.

B. Fund Accounting

The financial transactions of the Department are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Department:

1. Governmental Funds

The focus of governmental funds' measurement (in fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

General Fund The general fund (SHARE number 18800) is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund is reverting per the Tourism Department Act (Major fund).

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1. Governmental Funds (Continued)

Special Revenue Fund Litter Control & Beautification Fund (SHARE number 26200) is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. (Major Fund) The fund is non-reverting per Section 67-16-1 NMSA 1978. The special revenue programs are:

Scenic Byways Programs To develop a statewide scenic byway Marketing and Promotion Plan (MPP). The MPP will define the marketing goals, objectives, strategies and action plans including the development of promotional themes for New Mexico's scenic byways. The designation of the scenic byways as special revenue funds is by federal mandate.

Litter Control & Beautification Created by Section 67-16-1 NMSA 1978 to accomplish litter control by eliminating litter from the state. The program shall establish a statewide "Keep America Beautiful" program. The program awards grants to cities and counties to develop statewide litter and solid waste reduction programs; and grants to local governments to establish a summer youth employment programs to aid in litter control and beautification projects and to conduct a public awareness and media campaign. Financing is provided from a special beautification fee of \$.50 per vehicle registration.

Special Revenue Fund Trail Safety Fund (SHARE Number 80400) Created by amendment to the Off-Highway Motor Vehicle Act, Laws of 2005, Chapter 325 (Senate Bill 252). The fees collected from off-road vehicle registrations are to be used to develop and maintain trails, build and maintain staging areas, market safety programs and promote safety for off-highway motor vehicles. (Major Fund) The fund is non-reverting per the Off-Highway Motor Vehicle Act.

Special Revenue Fund Intertribal Ceremonial Fund (SHARE number 03000) Created by the Intertribal Ceremonial Act, KB 481, 2007 Legislature to administer an annual intertribal ceremonial, and cooperate and assist public and private entities that seek to promote recognition of ceremonies significant to Indian tribes and pueblos. (Major Fund) The fund is non-reverting per the Intertribal Ceremonial Act.

Capital Projects Capital Projects Fund (SHARE number 82300) is used to account for financial resources to be used for the acquisition or construction of major facilities (other than those financed by business-type/proprietary funds) or multi-year appropriations. The fund reverts based on the applicable provisions of special appropriations.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Department:

Enterprise Funds Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services. These funds are non-reverting.

The enterprise funds in use by the Department are as follows:

New Mexico Magazine To account for the resources and uses required to publish and distribute the New Mexico Magazine. (SHARE Fund 38200). (Major Fund)

Tourism Enterprise To account for the sale of advertising and promotional items at visitor centers. (SHARE Fund 91900). (Major Fund)

GASB No. 34 permits enterprise funds only to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements.

The management of the Department has elected not to follow new FASB pronouncements for the enterprise funds and government-wide financial statements.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis. The accrual basis of accounting is utilized by the proprietary funds and the governmental funds in the Government-wide financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Modified Accrual Basis. All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Revenues from the beautification fees from the motor vehicle department and off-highway vehicle fees are recorded when the underlying transaction occurs and are considered available, that is received within 60 days of year-end.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Appropriations are recorded as a receivable at the time the money is made available to the specific fund. Expenditures are generally under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first and then unrestricted resources as needed.

D. Inventories

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method and are expensed in the operating statements when used (consumption method).

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items, such as postage, and do not affect expenses and are shown in fund balance as "reserved for prepaid items".

F. Cash and Interest in State Treasurer Investment Pool

Amounts reflected as "State Treasurer Investment Pool" on the balance sheet include funds on deposit with the State Treasurer. The Department considers their interest in the pool to be cash equivalents for the purpose of the statement of cash flows. State law requires the Department cash be managed by the New Mexico State Treasurer's Office. Accordingly the investments of the Department consist of an interest in the investment pool managed by the New Mexico State Treasurer's Office. No investments are held by the Department. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Collateral pledged to secure these deposits is monitored by the State Treasurer's Office (STO) and the STO issues separate financial statements that disclose the collateral pledged to secure these deposits.

At June 30, 2008 the Department had the following in pooled cash:

New Mexico State Treasurer's Investment Pool \$7,274,859.

Interest Rate Risk. The State Investment Pool does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The New Mexico State Treasurer pool is not rated.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

F. Cash and Interest in State Treasurer Investment Pool (Continued)

For additional GASB 40 disclosure information regarding cash held by the State Treasurer, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2008.

G. Capital Assets

Capital assets consist of acquired assets with an original cost of \$5,000 or more and an estimated useful life greater than one year. The Department records assets (such as, furniture & fixtures, equipments, and data processing equipment including software) purchased at cost or, if contributed, at fair market value at date of donation. The Department is capitalizing and depreciating computer software developed for internal use. Repairs and maintenance expenses are charged to operations when incurred and major improvements and replacements are capitalized.

In fiscal year 2006, the capitalization policy changed from \$1,000 to \$5,000 for capitalizing capital assets. The Department has elected to include assets that cost less than \$5,000 but equal to or more than \$1,000, and were purchased prior to July 1, 2005, on their capital asset inventory and financial statements.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture & Fixtures	10 years
Equipment & Machinery	10 years
Vehicles	5 years
Data Processing & Software	3-5 years

H. Compensated Absences

Accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of accumulated leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations. Accumulated leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

I. Non-current Liabilities

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources, is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. In the government-wide statements, long-term liabilities consist of compensated absences in the governmental activities. In the business-type activities, long-term liabilities consist of compensated absences and unexpired magazine subscriptions.

J. Fund Equity

The Department follows GASB 46 “*Net Assets Restricted by Enabling Legislation*” for the Departments’ reservations of net assets. Reservations of fund balances in the governmental funds 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 expenditure. Specific reservations of fund balances accounts are summarized below:

Reserved for prepaid expenses. This reserve was created to represent payments made to vendors for services or postage that will benefit periods beyond June 30, 2008.

Reserve for inventories. 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.

Reserve for capital projects. Amounts that are reserved for future capital projects by specific legislation.

Reserve for Special Revenue Funds. Amounts that are reserved by law establishing the special revenue fund in which they belong.

K. Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as transfers. All inter-fund transactions between governmental funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and fiduciary funds, if any, remain as due to/due from on the government-wide Statement of Activities.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

L. Revenues

Substantially all governmental fund revenues are accrued. Subsidies and grants to proprietary funds, if any, which finance either capital or current operations, are reported as non-operating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Capital projects funded through the State Board of Finance (Severance Tax Bond proceeds) are reported as receivable and recognized as revenues only when all applicable eligibility requirements of the State Board of Finance are met. There were no bond proceeds appropriated to the Department for the 2008 fiscal year.

The Department reports deferred revenue within the proprietary fund statements. Deferred revenues arise when resources are received before the Department has a legal claim to them. This occurs when magazine subscriptions and advertising monies are received before an issue has been published and made available for sale. In subsequent periods when the Department has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The operating revenues and expenses of the proprietary funds are those transactions that constitute the funds' principal ongoing operations. The Department's proprietary funds had no non-operating revenues or expenses during the current fiscal year.

M. Segment Information

Governments that report enterprise funds or that use enterprise fund accounting to report their activities are required to report on activities that have a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt outstanding during the year.

The enterprise fund of the Department has no revenue bonds or other revenue-backed instruments issued or outstanding and therefore no segment information is presented.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

N. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt

Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net assets

Consists of net assets with constraints placed on the use either by (1) external groups such as creditor, grantors, contributors, or laws or regulations of other governments; or (2) law — through constitutional provisions or enabling legislation,

3. Unrestricted net assets

All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

O. Legal Compliance - Budgets

The Agency follows these procedures in establishing the budgetary data reflected in the financial statements:

1. No later than September 1, the Department prepares a budget appropriation request and proposed expenditures and the means of financing them.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjusts the appropriation request that becomes the Governor's proposal to the Legislature.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

2. Summary of Significant Accounting Policies (Continued)

O. Legal Compliance – Budgets (Continued)

4. LFC holds hearings on the appropriation request also submitting recommendations and adjustments before presentation to the Legislature.
5. Both DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget.
6. Budgetary control is exercised at the category level.
7. Formal budgetary integration is employed as a management control device during the year. Budget adjustments were made in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year ended June 30, 2008.
8. Appropriations lapse at the end of the fiscal year except for amounts related to goods and services received by June 30 or appropriated for expenditure in subsequent years. Except for special General Fund appropriations, the Special Revenue Funds are nonreverting.
9. Budgets for the governmental funds are adopted on a modified accrual basis per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N. However, there is an exception to the statute which requires accounts payable accrued at fiscal year end that do not get paid by statutory deadline to be paid out of the next year's budget (Section 6-10-4 NMSA 1978). Also, certain audit entries would also be reconciling items between budgetary basis and GAAP. See finding 08-04 page 58 regarding budget violations.
10. Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology. There was no 2008 budget for the Intertribal Ceremonial Fund.

3. Cash and Interest in State Treasurer's Investment Pool

The Department's deposits are with the State Treasurer. The New Mexico State Treasurer monitors the collateral for deposits held by it for other state entities, which would include the investment accounts of the Department. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

3. Cash and Interest in State Treasurer's Investment Pool (Continued)

The following is a list of the Department's reconciled investment in the State Treasurer Investment Pool at June 30, 2008:

Account Name/Fund	Depository	Balance per Depository	Adjustments for Misposting and Reclassification	Balance per Financials
General Fund	STO	\$ 4,291,133	\$ 83,176	\$ 4,374,309
Litter Control and Beautification Fund	STO	(171,331)	171,331	-
Trail Safety Fund	STO	967,127	-	967,127
Capital Projects Fund	STO	430,401	-	430,401
New Mexico Magazine Fund	STO	1,695,881	(254,507)	1,441,374
Tourism Enterprise Fund	STO	61,648	-	61,648
Total cash and investments		<u>\$ 7,274,859</u>	<u>-</u>	<u>\$ 7,274,859</u>

4. Accounts Receivable

Governmental Activities

Accounts receivable at June 30, 2008 in governmental activities includes amounts due by other state agencies. No allowance has been established since the amounts owed are from other state agencies.:

Capital Projects Fund	\$ 250,000
Litter Control & Beautification Fund	84,310
Trail Safety Fund	<u>51,884</u>
	<u>\$ 386,194</u>

Business-Type Activities

Accounts receivable at June 30, 2008 represents advertising revenue receivable and subscription revenue receivable of the Enterprise Fund as follows:

	<u>Advertising Receivable</u>	<u>Subscription Receivable</u>	<u>Total Receivable</u>
Current Assets	\$ 227,973	\$ 71,170	\$ 299,143
Balances over one year	<u>681,443</u>	<u>-</u>	<u>681,443</u>
Total Accounts Receivable	<u>909,416</u>	<u>71,170</u>	<u>980,586</u>
Less allowances for uncollectible accounts	<u>681,443</u>	<u>11,387</u>	<u>692,830</u>
Total	<u>\$ 227,973</u>	<u>\$ 59,783</u>	<u>\$ 287,756</u>

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

4. Accounts Receivable (Continued)

Business-Type Activities (Continued)

An aging of current subscriptions accounts receivable and advertising accounts receivable is as follows:

	<u>Advertising</u>		<u>Subscriptions</u>	
0-30 days	\$ 77,908	9%	\$ 34,460	48%
31 - 90 days	18,690	2%	11,266	16%
91days - one year	131,375	14%	25,444	36%
Over one year	681,443	75%	-	0%
Total	<u>\$ 909,416</u>	<u>100%</u>	<u>\$ 71,170</u>	<u>100%</u>

5. Capital Assets

Capital asset activity in the governmental funds for the year ended June 30, 2008, is as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Equipment & Machinery	\$ 100,410	\$ -	\$ -	\$ 100,410
Furniture & Fixtures	61,882	-	-	61,882
Data Processing & Software	187,896	18,956	-	206,852
Vehicles	70,669	130,492	-	201,161
Total Capital Assets	<u>420,857</u>	<u>149,448</u>	<u>-</u>	<u>570,305</u>
Less accumulated depreciation for:				
Equipment & Machinery	(62,455)	(21,444)	-	(83,899)
Furniture & Fixtures	(31,792)	(17,623)	-	(49,415)
Data Processing & Software	(154,323)	(22,994)	-	(177,317)
Vehicles	(50,672)	(20,040)	-	(70,712)
Total accumulated depreciation	<u>(299,242)</u>	<u>(82,101)</u>	<u>-</u>	<u>(381,343)</u>
Governmental activities capital assests, net	<u>\$ 121,615</u>	<u>\$ 67,347</u>	<u>\$ -</u>	<u>\$ 188,962</u>

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

5. Capital Assets (Continued)

Capital assets activity for business-type activities for the year ended June 30, 2008, is as follows:

<u>Business Type Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Equipment & Machinery	\$ 22,189	\$ -	\$ -	\$ 22,189
Furniture & Fixtures	53,488	-	-	53,488
Data Processing & Software	107,387	-	-	107,387
Other	2,471	-	-	2,471
Total Capital Assets	<u>\$185,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,535</u>
Less accumulated depreciation for:				
Equipment & Machinery	(20,207)	(947)	-	(21,154)
Furniture & Fixtures	(50,381)	(1,421)	-	(51,802)
Data Processing & Software	(100,560)	(5,369)	-	(105,929)
Other	(2,471)	-	-	(2,471)
Total accumulated depreciation	<u>(173,619)</u>	<u>(7,737)</u>	<u>-</u>	<u>(181,356)</u>
Business Type activities capital assets, net	<u>\$ 11,916</u>	<u>\$ (7,737)</u>	<u>\$ -</u>	<u>\$ 4,179</u>

The depreciation expense for the Government Activities and the Business-Type Activities are \$82,101 and \$7,737, respectively. The Department does not have any debt related to capital assets as of June 30, 2008.

6. Operating Leases

The Department leases vehicles, copiers, and other machines. The future minimum rental commitments as of June 30, 2008 are as follows:

<u>Years ending June 30</u>	<u>Amount</u>
2009	\$ 50,767
2010	17,327
2011	17,327
2012	8,664
2013	-
Total	<u>\$ 94,085</u>

Lease expense under all long-term operating leases for the year ended June 30, 2008, was \$60,826.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

7. Retirement Plan.

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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. That report is also available at www.pera.state.nm.us

Funding Policy:

Plan members are required to contribute 7.42% of their gross salary. The Department is required to contribute 16.59%. The contribution requirements of plan members and the Department is 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, 2008, 2007, and 2006 were \$585,359, \$513,034, and \$479,142, respectively, equal to the amount of the required contributions for each year.

8. Compensated Absences Payable

Qualified employees are entitled to accumulate annual leave as follows: A maximum of 240 hours of such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Qualified employees are entitled to accumulate sick leave at the rate of 3.69 hours per pay period. Employees who have accumulated 600 hours of unused sick leave are entitled to be paid for additional unused sick leave at a rate equal to fifty percent (50%) of their hourly rate of pay for up to 120 hours of sick leave. Payment for unused sick leave may be made only once per fiscal year on either the payday immediately following the first full pay-period in January or the first full pay-period in July.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

9. Compensated Absences Payable (Continued)

Immediately prior to retirement from service, employees who have accumulated 600 hours of unused sick leave are entitled to be paid for additional unused sick leave at a rate equal to fifty percent (50%) of their hourly rate for up to 400 hours of sick leave. Compensated absence activity for the year ended June 30, 2008 is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2008</u>	<u>Current due within one year</u>
Compensated absences	\$ 178,943	\$ 214,266	\$ 129,343	\$ 244,402	\$ 168,637

<u>Business Type Activities:</u>	<u>Balance July 1, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2008</u>	<u>Current due within one year</u>
Compensated absences	\$ 60,428	\$ 36,730	\$ 32,546	\$ 64,612	\$ 44,582

Compensated absences are liquidated within the fund in which the corresponding employee's compensation is expensed. For the year ended June 30, 2008, compensated absences were liquidated as follows:

General fund (SHARE number 18800)	71.4%
Litter Control & Beautification Fund (SHARE number 26200)	3.1%
Off-Highway Vehicle Fund (SHARE number 80400)	0.2%
NM Magazine (SHARE number 38200)	25.2%

10. Post Employment Benefits

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.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

10. Post Employment Benefits (Continued)

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.

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 RCHA for the years ended June 30, 2008, 2007 and 2006 were \$68,850, \$61,756 and \$55,983, respectively, which equal the required contributions for each year.

The Retiree Health Care Authority has implemented GASB 43 in FY08 and had no financial impact on the Department for the year ended June 30, 2008.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

11. Due to State General Fund and Other State Agencies

The Department is reflecting the following as due to state government:

	Total
<u>Governmental Activities</u>	
State General Fund - 2008 Fiscal Year Reversion	\$ 223,635
State General Fund - 2008 Fiscal Year Reversion from expired Special Appropriations	16,834
Total 2008 Fiscal Year Reversion	240,469
State General Fund - Prior Year Reversion - 2007	561,673
Total State General Fund Reversions	\$ 802,142
Other State Agencies	\$ 39,572
 <u>Business-Type Activities</u>	
Other State Agencies	\$ 13,273
Total Business-Type Activities	\$ 13,273

12. Risk Management

The Department is exposed to various risks of loss for which it carries insurance through the Risk Management Division, of the General Services Department (Worker's Compensation; General Liability; Civil Rights; Foreign Jurist; Auto Liability; Auto Physical; Money & Securities; Property Building & Contents; Employee Dishonesty Bond). There was no material pending or threatened litigation at June 30, 2008.

13. Inventories

The Department has various inventories which are valued at the lower of cost or market.

Inventory at \$18,147 in the Governmental Activities represents various expendable office supplies such as toner cartridges for copiers and printers, and paper supplies.

Inventory at \$152,389 in the Business-Type Activities represents items for resale for New Mexico Magazine Fund and items for resale at various visitor information centers for the Tourism Enterprise Fund.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

14. Other Financing Sources (Uses)

The following is a summary other financing sources (uses) for the Tourism Department:

Source SHARE Fund	To Tourism SHARE Fund	Amount	Description
853	188	\$ 10,641,300	General Appropriation, Laws of 2007
853	188	102,000	Special Appropriation, Laws of 2007, Chapter 21, Sec 8
853	188	468,000	Special Appropriation, Laws of 2007, Chapter 21, Sec 9
853	188	750,000	Special Appropriation, Laws of 2008, Chapter 3, Sec 5
853	188	200,000	Special Appropriation, Laws of 2007, Chapter 28, Sec 5
853	823	200,000	Special Appropriation, Laws of 2007, Chapter 42, Sec 68
Total other financing sources		<u>12,361,300</u>	Appropriations subtotal
853	188	165,500	Supplemental Appropriation, Laws of 2007
		(47,500)	Transfer to other state agency
		16,186	Funds from other governments
		<u>(240,469)</u>	Reversion for 2008 fiscal year
Total other financing sources		<u>\$ 12,255,017</u>	

The transfer to other state agencies for \$47,500 represents the 2007 fund balance for the Intertribal Ceremonial Fund that was transferred to that organization's control during the year ended June 30, 2008.

The funds from other governments represents amounts reserved from local governments or a cost-sharing basis for the Litter Control and Beautification Fund.

15. Interfund Balances And Transfers

Interfund receivables and payables are amounts due from and to other funds within the Department. The interfund payables are due primarily from the allocation of payroll liability payments or deposit corrections to the proper fund for the Department across funds. All interfund receivables/payables are expected to be paid in the current year. Interfund balances as of June 30, 2008, are as follows:

Fund Description	Transaction Description	Fund Number	Interfund Receivables	Interfund Payables
General - Major Fund	For borrowed cash	188	\$ 48,115	\$ -
Litter Control - Major Fund	For borrowed cash	262	-	48,115
Beautification - Major Fund	Payroll liability payment alloction	262	1,000,656	-
General - Major Fund	Payroll liability payment alloction	188	-	979,883
Trail Safety - Nonmajor Fund	Payroll liability payment alloction	804	-	20,773
			<u>\$ 1,048,771</u>	<u>\$ 1,048,771</u>

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2008

16. Prior Period Adjustments

Beginning fund balance in the Litter Control Fund was restated due to prior year overstated 2007 Accounts Payable as follows:

Fund balance, June 30, 2007, as originally reported	\$ 762,338
Accounts payable balance restatement	15,557
Fund balance, June 30, 2007, restated	<u>\$ 777,895</u>

Beginning fund balance in the Capital Projects Fund was restated due to prior year understated due from other state agencies for an appropriation as follows:

Fund balance, June 30, 2007, as originally reported	\$ 619,792
Due from other state agencies restatement	50,000
Fund balance, June 30, 2007, restated	<u>\$ 669,792</u>

Beginning fund balance in the New Mexico Magazine Fund was restated due to prior year overstated inventory and accounts payable and understated accounts receivable as follows:

Fund balance, June 30, 2007, as originally reported	\$ 115,488
Inventory balance restatement to the proper fund	(12,087)
Accounts payable balance restatement	32,038
Accounts receivable balance restatement	121,210
Fund balance, June 30, 2007, restated	<u>\$ 256,649</u>

Beginning fund balance in the Tourism Enterprise Fund was restated due to prior year understated inventory as follows:

Fund balance, June 30, 2007, as originally reported	\$ 29,231
Inventory balance restatement	12,087
Fund balance, June 30, 2007, restated	<u>\$ 41,318</u>

Beginning Due to State General Fund was restated due to prior year overstated accounts payable balance in the General Fund which resulted in an increase to the 2007 reversion to the State General Fund as follows:

Due to State General Fund , June 30, 2007 as originally reported	\$ 421,238
Reversion increase	140,435
Due to State General Fund , June 30, 2007, restated	<u>\$ 561,673</u>

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Statement A

Combining Balance Sheets
Nonmajor Governmental Funds

June 30, 2008

	Intertribal Ceremonial Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
State Treasurer Investment Pool	\$ -	\$ 430,401	\$ 430,401
Due from other funds	-	-	-
Receivable from other agencies	-	250,000	250,000
	-	250,000	250,000
Total assets	\$ -	\$ 680,401	\$ 680,401
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ 53,015	\$ 53,015
Due to other funds	-	-	-
Total liabilities	-	53,015	53,015
Fund balances:			
Reserved for:			
Capital projects	-	627,386	627,386
Unreserved, reported in:			
Special Revenue funds	-	-	-
Total fund balance	-	627,386	627,386
Total liabilities and fund balance	\$ -	\$ 680,401	\$ 680,401

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Statement B

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

Year Ended June 30, 2008

	Intertribal Ceremonial Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Off-highway vehicle fee	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-
Total revenues	-	-	-
EXPENDITURES			
Current Operating:			
Tourism	-	111,914	111,914
Capital outlay	-	130,492	130,492
Total expenditures	-	242,406	242,406
Excess (deficiency) of revenues over expenditures	-	(242,406)	(242,406)
OTHER FINANCING SOURCES (USES)			
State General Fund appropriation	-	200,000	200,000
Transfers to other agencies	(47,500)	-	(47,500)
Reversion to State General Fund 2008 fiscal year	-	-	-
Total other financing sources (uses)	(47,500)	200,000	152,500
Net changes in fund balance	(47,500)	(42,406)	(89,906)
Fund balance beginning of year, as originally reported	47,500	619,792	667,292
Restatement	-	50,000	50,000
Fund balance-beginning of year, restated	47,500	669,792	717,292
Fund balance, end of year	\$ -	\$ 627,386	\$ 627,386

The accompanying notes are an integral part to this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Statement C

Capital Projects Fund
Statement of Revenues and Expenditures
Budget and Actual
(Modified Accrual Budget Basis)

Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with - Favorable (Unfavorable)</u>
Revenues:				
State General Fund	\$ -	\$ -	\$ -	\$ -
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	-	-	\$ -	\$ -
Prior year cash balance	<u>857,000</u>	<u>1,049,792</u>		
	<u>\$ 857,000</u>	<u>\$ 1,049,792</u>		
Expenditures:				
Personnel services/benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	15,000	-	15,000
Other	600,000	777,792	242,406	535,386
Other financing uses	<u>257,000</u>	<u>257,000</u>	-	<u>257,000</u>
Total expenditures	<u>\$ 857,000</u>	<u>\$ 1,049,792</u>	<u>242,406</u>	<u>\$ 807,386</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(242,406)</u>	<u>\$ 807,386</u>
Net income (loss) - Budgetary basis				
Reconciliation to GAAP basis income (loss):				
To record audit adjustment for State appropriation receivable			<u>200,000</u>	
Change in fund balance - GAAP Basis			<u>\$ (42,406)</u>	

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Statement D

Enterprise Fund - NM Magazine
Statement of Revenues and Expenditures
Budget and Actual
(Modified Accrual Budget Basis)

Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with - Favorable (Unfavorable)
Revenues:				
State General Fund	\$ -	\$ -	\$ -	\$ -
Other state funds	4,266,000	4,266,000	3,990,120	(275,880)
Other financing sources	-	-	-	-
Total revenues	4,266,000	4,266,000	\$ 3,990,120	\$ (275,880)
Prior year cash balance	45,100	45,100		
Total	\$ 4,311,100	\$ 4,311,100		
Expenditures:				
Personnel services/benefits	\$ 1,143,900	\$ 1,151,900	\$ 1,120,441	\$ 31,459
Contractual services	972,900	964,900	915,986	48,914
Other	2,194,300	2,194,300	1,914,697	279,603
Other financing uses	-	-	-	-
Total expenditures	\$ 4,311,100	\$ 4,311,100	3,951,124	359,976
Excess (deficiency) of revenues over expenditures and other financing uses	\$ -	\$ -	38,996	\$ 84,096
Net income (loss) - Budgetary basis				
Reconciliation to GAAP basis income (loss):				
To record audit adjustments for revenue			21,243	
To record depreciation expense			(7,737)	
To record audit adjustment for accounts payable barter transactions and bad debt expense			(81,800)	
To record adjustment for compensated absences			(4,184)	
Change in fund balance - GAAP Basis			\$ (33,482)	

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Statement E

Enterprise Fund - Tourism
Statement of Revenues and Expenditures
Budget and Actual
(Modified Accrual Budget Basis)

Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with - Favorable (Unfavorable)
Revenues:				
State General Fund	\$ -	\$ -	\$ -	\$ -
Other state funds	25,000	25,000	26,537	1,537
Other financing sources	-	-	-	-
	25,000	25,000	\$ 26,537	\$ 1,537
Prior year cash balance	60,000	60,000		
Total	\$ 85,000	\$ 85,000		
Expenditures:				
Personnel services/benefits	\$ -	\$ 25,000	\$ -	\$ 25,000
Contractual services	-	-	-	-
Other	85,000	60,000	43,655	16,345
Other financing uses	-	-	-	-
Total expenditures	\$ 85,000	\$ 85,000	43,655	\$ 41,345
Excess (deficiency) of revenues over expenditures and other financing uses	\$ -	\$ -	(17,118)	\$ 42,882
Net income (loss) - Budgetary basis				
Reconciliation to GAAP basis income (loss):				
To record audit adjustment for revenue			25,000	
To record audit adjustment for accounts payable			-	
Reversal of prior year accruals			761	
Change in fund balance - GAAP Basis			\$ 8,643	

The accompanying notes are an integral part of this statement.

SUPPLEMENTAL INFORMATION

State of New Mexico Tourism Department
 Schedule of Special Appropriations
 For the Year Ended June 30, 2008

Fund	Class	Purpose	Special Appropriation	Appropriation Period	Funds Revert	Appropriation Amount	Expenditures to Date	Amount Received to Date	Amount Received in Fiscal 2008	Reserved for expenditure	Reserved for reversion
General	70133	Advertising Special	2007, Chap 28, Sec 5, Item 33	Fiscal 2008	30-Jun-08	\$ 500,000	\$ 496,488	\$ 500,000	-	\$ -	\$ 3,512
General	70131	Ladies Goff Elephant Butte	2007, Chap 28, Sec 5, Item 31	Fiscal 2008	30-Jun-08	200,000	200,000	200,000	-	-	-
General	70132	Sporting Events	2007, Chap 28, Sec 5, Item 32	Fiscal 2008	30-Jun-08	120,000	120,000	120,000	-	-	-
General	71133	PS&EB	2007, Chap 21, Sec 9, Item 8	Fiscal 2008	30-Jun-08	200,000	200,000	200,000	200,000	-	-
General	70134	Georgia Okeeffe	2007, Chap 28, Sec 5, Item 34	Fiscal 2008	30-Jun-08	25,000	25,000	25,000	-	-	-
General	71128	Georgia Okeeffe	2007, Chap 21, Sec 9, Item 3	Fiscal 2008	30-Jun-08	67,000	67,000	67,000	67,000	-	-
General	71125	NM Bowl	2007, Chap 21, Section 8	Fiscal 2008	30-Jun-08	102,000	102,000	102,000	102,000	-	-
General	71126	Wild Horse tourism	2007, Chap 21, Sec 9, Item 1	Fiscal 2008	30-Jun-08	20,000	20,000	20,000	20,000	-	-
General	71127	Int film festival	2007, Chap 21, Sec 9, Item 2	Fiscal 2008	30-Jun-08	68,000	68,000	68,000	68,000	-	-
General	71129	Int conference	2007, Chap 21, Sec 9, Item 4	Fiscal 2008	30-Jun-08	85,000	85,000	85,000	85,000	-	-
General	71130	Native American tourism	2007, Chap 21, Sec 9, Item 5	Fiscal 2008	30-Jun-08	98,000	98,000	98,000	98,000	-	-
General	71131	SF fiesta	2007, Chap 21, Sec 9, Item 6	Fiscal 2008	30-Jun-08	50,000	50,000	50,000	50,000	-	-
General	71132	Scenic byways	2007, Chap 21, Sec 9, Item 7	Fiscal 2008	30-Jun-08	80,000	66,678	80,000	80,000	-	13,322
General	70135	Tour of the Gila	2007, Chap 28, Sec 5, Item 35	Fiscal 2008	30-Jun-08	50,000	50,000	50,000	-	-	-
General	61997	Peace conf	2006, Chap 111, Sec 59, Item 3	Fiscal 2006, 2007	30-Jun-10	289,000	289,000	289,000	-	-	-
General	61998	Sports Authority	2006, Chap 111, Sec 59, Item 4	Fiscal 2006-2010	30-Jun-10	150,000	150,000	150,000	-	-	-
General	80145	Advertising and promotion	2008, Chap 3, Sec 5, Item 45	Fiscal 2008-2009	30-Jun-09	500,000	-	500,000	500,000	500,000	-
General	80146	Sporting Events	2008, Chap 3, Sec 5, Item 46	Fiscal 2008-2009	30-Jun-09	200,000	-	200,000	200,000	200,000	-
General	80147	NM Bowl	2008, Chap 3, Sec 5, Item 47	Fiscal 2008-2009	30-Jun-09	50,000	-	50,000	50,000	50,000	-
								Total		\$ 750,000	\$ 16,834
								Total		\$ 750,000	\$ 16,834
Amount reverted due of expiration of appropriation: \$ 16,834											
Total reserved for subsequent years - General Fund: \$ 750,000											
Capital Projects	75650	ICO	2007, Chap 42, Sec 74, Item 1	Fiscal year 2007-2011	30-Jun-11	\$ 132,000	-	\$ 132,000	-	\$ 132,000	-
Capital Projects	75651	Otero Sunspot	2007, Chap 42, Sec 74, Item 2	Fiscal year 2007-2011	30-Jun-11	75,000	-	75,000	-	75,000	-
Capital Projects	75652	Event Trailer	2007, Chap 42, Sec 74, Item 3	Fiscal year 2007-2011	30-Jun-11	100,000	-	100,000	-	-	-
Capital Projects	99999	ICO	2006, Chap 111, Sec 59, Item 2	Fiscal year 2006	30-Jun-09	125,000	100,000	125,000	-	125,000	-
Capital Projects	73520	Angel Fire	2007, Chap 2, Sec 29, Item 1	Fiscal year 2007-2011	30-Jun-11	25,000	-	25,000	-	25,000	-
Capital Projects	73521	Prop Shop	2007, Chap 2, Sec 29, Item 2	Fiscal year 2007-2011	30-Jun-11	50,000	-	50,000	-	50,000	-
Capital Projects	61908	BTK	2006, Chap 111, Sec 52, Item 657	Fiscal year 2006-2010	30-Jun-10	37,208	37,208	162,792	-	162,792	-
Capital Projects	75568	IT for NM Bowl	2007, Chap 42, Sec 68, Item 699	Fiscal year 2007-2011	30-Jun-11	200,000	142,406	-	-	57,594	-
								Total		\$ 627,386	\$ -
Total reserved for subsequent years - Capital Projects Fund: \$ 627,386											

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Schedule of Joint Power Agreements

June 30, 2008

The Department is party to Joint Power Agreements (JPAs) as follows:

For the Fulfillment Center and toll-free telemarketing

Participants	NM Tourism Department, NM Department of Corrections
Responsible party for operations	NM Department of Corrections
Beginning and ending dates of agreement	February 15, 2008 - indefinite
Amount agency contributed in current fiscal year	\$ 123,951
Audit responsibility	NM Tourism Department
Name of government agency where revenue and expenditures are reported	NM Tourism Department

For the National Scenic Byways Historical Route 66

Participants	NM Department of Transportation, NM Tourism Department, NM Department of Taxation & Revenue
Responsible party for operations	NM Tourism Department
Beginning and ending dates of agreement	March 12, 2007 - indefinite
Amount agency received in current fiscal year	\$ 4,225
Audit responsibility	NM Tourism Department
Name of government agency where revenue and expenditures are reported	Applicable participants listed above

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

Mr. Hector H. Balderas,
State Auditor, and
Michael Cerletti, Cabinet Secretary
New Mexico Tourism Department
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico, Tourism Department (Department) as of and for the year ended June 30, 2008, and have issued our report thereon dated May 7, 2009. We also have audited the financial statements of each of the Department's nonmajor governmental and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, 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.

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

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Status of Prior Year Audit Findings

Year Ended June 30, 1008

Audit Finding Number	Description	Modified or Partially Resolved and Repeated	Resolved	Current Year Audit Finding No.
06-04	Late Audit Report	X		06-04
07-01	Accounts Payable Transactions Not Posted to the General Ledger		X	
07-02	Allocation of Payroll Taxes Between Funds		X	
07-03	Need for Additional Accounts	X		08-01
07-04	Errors in Accumulated Depreciation	X		08-01
07-05	Changes Made to General Ledger after Close of Fiscal Year		X	
07-06	SAS 112 Material Adjustments Made by Auditor	X		08-01
07-07	Accrual of Fees Receivable Was Entered As Credit to Receivable Account		X	
07-08	Incorrect Adjustment of Account		X	
07-09	SHARE/Paystub Compensated Absence Data Variances		X	

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Schedule of Findings and Responses

Year Ended June 30, 2008

06-04 Late Audit Report (modified/repeated) Material Weakness

Statement of Condition:

The Department submitted their audit report to the State Auditor after December 15, 2008. The State Auditor received the report on May 26, 2009.

Criteria:

2.2.2.9A NMAC (State Auditor Rule) outlines due dates for state government audit reports. The final due date for state agencies is December 15.

Effect:

The Department is not in compliance with state statute.

Cause:

There were staffing issues at the Department which delayed the preparation for the audit.

Recommendation:

We recommend the Department institute controls that will enable it to prepare for their annual audit in a timely manner.

Management Response:

Due to staffing issues and the loss of the Senior Accountant to FMLA, remaining staff did not have the history and SHARE accounting knowledge necessary and was not able to make the required adjustments and verification of the entries into the general ledger, which then had a negative effect on the trial balance. The Department also has limited control over changes made by the State Treasurer's office or that of the DFA SHARE CAFR unit. The independent auditors are new to the Department and required additional testing and verification that required outside verification including requests from DFA that delayed the Department in meeting the requirements of 2.2.2.9A NMAC (State Auditor Rule). The Department will continue to refine its verification process with DFA and the SHARE CAFR unit so that financial information is up to date to allow appropriate testing and reporting by external auditors to insure the audit of the Tourism Department is submitted on time.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Schedule of Findings and Responses

Year Ended June 30, 2008

Material Weakness – Internal Controls Over Financial Reporting 08-01

Statements of Condition:

There were three prior period adjustments to the following accounts:

- New Mexico Magazine fund advertising revenue at June 30, 2008 included the amounts invoiced for advertising in the July 2007 issue. This issue was mailed in June 2007, and the advertising revenue should have been included in the advertising revenue for the year ended June 30, 2007. An audit adjustment of \$121,210 was made to reduce the revenue for New Mexico Magazine to remove July 2007 advertising from the current year revenue total.
- New Mexico Magazine fund inventory at June 30, 2007 also included the inventories for the Visitors Information Centers. The inventory balance of \$12,087 was removed from the Magazine fund inventory balance and added to the Tourism Enterprise fund inventory balance at June 30, 2007. This reduced fund balance for the Magazine fund by \$12,087 and increased fund balance for the Tourism Enterprise fund by \$12,087 at June 30, 2007.
- An accounts payable entry from the audit for the year ended June 30, 2007 was not entered into SHARE. Adjustments were required as follows to these funds:
 - General fund, decrease accounts payable by \$140,435, increase balance owed to State General Fund by \$140,435.
 - Litter control fund, decrease accounts payable by \$15,557, increase fund balance by \$15,557.
 - New Mexico Magazine fund, decrease accounts payable by \$32,038, increase fund balance by \$32,038.

Material adjustments were required at year end to adjust the following general ledger account balances to either the subsidiary ledger or the detail supporting schedules for those accounts. Many of these adjustments are for the New Mexico Magazine fund. One of the problems is that the SHARE accounting system cannot properly reflect an enterprise fund on full accrual basis for GAAP purposes. The following comments are separated by each applicable fund.

- New Mexico Magazine fund accounts receivable
 - Advertising accounts receivable general ledger balance was not reconciled to the aging accounts receivable schedule.
 - Additionally, the aging accounts receivable schedule did not include the invoices for advertising in the July 2008 issue, which was printed and shipped in June 2008, thus earning the advertising revenue in the 2008 fiscal year.
 - See above for prior period adjustment to advertising revenue for the 2007 fiscal year.
 - Total adjustment to increase the advertising accounts receivable was \$110,663.
 - This is a repeat/modification of finding 07-06, material adjustments by the auditor.
- New Mexico Magazine fund subscriptions receivable
 - Subscriptions receivable general ledger balance was not reconciled to the report provided by the subscription fulfillment service.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Schedule of Findings and Responses

Year Ended June 30, 2008

- Total adjustment to increase subscriptions receivable was \$13,160.
 - This is a repeat/modification of finding 07-06.
- New Mexico Magazine allowance for uncollected accounts
 - Allowance for uncollected accounts was not reviewed to determine if the existing allowance was adequate to cover potential uncollected accounts.
 - Total adjustment to increase the allowance for uncollected accounts was \$13,896.
 - This is a repeat/modification of finding 07-06.
- New Mexico Magazine product sales inventory
 - Inventory general ledger balance was not reconciled to the inventory reports provided by the outside fulfillment service and the administrative services staff of the Department.
 - Additionally, none of the inventory reports were complete, with the prices paid by the Department for products included, and an extension of prices times cost which equals total inventory value.
 - Because original cost information was not available, the ending inventory balance was estimated using the gross profit method to estimate inventory values.
 - Total adjustment to reduce inventory was \$45,903.
 - This is a repeat/modification of finding 07-06.
- New Mexico Magazine barter transactions such as sponsorship barter transactions
 - The publisher has the authority to approve the discounted or free advertising in the Magazine for sponsorships and/or barter transactions. The transactions were only entered in the Magazine's accounts receivable software, and were not reported to the Department for recording in SHARE. Total adjustment to reduce sponsorship/barter transaction activity was \$20,785.
 - This is a repeat/modification of finding 07-06.
- New Mexico Magazine capital assets
 - Current year depreciation expense for 2008 was not recorded in the general ledger until the audit process. In addition, the fixed asset listing includes many items with a book value that are beyond their depreciable life, thus the net capital asset value as reported is overstated. Total increase of depreciation was \$7,737. This includes current year depreciation, and all assets beyond their depreciable lives were written down to a zero book balance.
 - There remain many items that do not have a balance in accumulated depreciation that agrees to the depreciable life selected.
 - This is a repeat/modification of finding 07-04, errors in accumulated depreciation.
- New Mexico Magazine prepaid expenses
 - Prepaid expense general ledger account was not reconciled to the prepaid postage amounts according to the prepaid postage reports from the mailing center until it was adjusted as part of the audit process.
- New Mexico Magazine deferred subscriptions revenue
 - Deferred subscriptions revenue general ledger balance was not reconciled to the report provided by the fulfillment service. Total increase for deferred subscriptions was \$53,127.
 - This is a repeat/modification of finding 07-06.
- New Mexico Magazine deferred revenues account (SHARE 251900)
 - Deferred advertising revenue general ledger balance was not reconciled to the report provided by the Magazine. Total decrease to deferred advertising revenue was \$25,794.
 - This is a repeat/modification of finding 07-06.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Schedule of Findings and Responses

Year Ended June 30, 2008

- Tourism Enterprise inventory
 - Inventory general ledger balance was not reconciled to the inventory reports provided by the Visitors Information Centers staff.
 - Additionally, none of the inventory reports were complete, with the prices paid by the Department for products included, and extension of prices times cost which equals total inventory balance.
 - Because original cost information was not available, the ending inventory balance was estimated using the gross profit method to estimate inventory year-end balances.
 - Total adjustment for inventory was \$727.
- Litter control receivables from other governments
 - The general ledger balance for receivables from other governments was not reconciled to the actual balance owed by the other governments at year-end.
 - Total decrease to receivable from other governments was \$92,549.
- Litter control fund capital assets
 - The purchase of informational technology equipment that exceeded the capitalization threshold of \$5,000 was expensed. An adjustment for \$9,800 was made to record this capital asset addition.
 - In addition, current year depreciation expense for 2008 was not recorded until the audit process; and also accumulated depreciation. An increase of \$1,078 was recorded to account for current year depreciation and to correct accumulated depreciation. This is a repeat/modification of finding 07-04.
- Trail Safety other receivables
 - The general ledger balance for other receivables was not reconciled to the actual balance owed by the other governments at year-end.
 - Total increase to other receivable was \$8,601.
- Trail Safety fund capital assets
 - Current year depreciation expense for 2008 of \$2,518 was not recorded in the general ledger until the audit process.
- General fund capital assets
 - An addition of capital asset costing \$9,156 was not included in the capital asset listing.
 - Current year depreciation expense for 2008 was not recorded until the audit process.
 - In addition, the capital asset listing includes many items with a book value that are beyond their depreciable life.
 - Total increase for depreciation was \$77,466. This includes current year depreciation, and all assets beyond their depreciable lives were written down to a zero book balance.
 - There remain many items that do not have a balance in accumulated depreciation that agrees to the depreciable life selected.
 - This is a repeat/modification of finding 07-04, errors in accumulated depreciation.
- General fund prepaid expenses
 - Prepaid expense general ledger account was not reconciled to the prepaid postage amounts according to the prepaid postage reports from the mailing center. Total increase to prepaid postage was \$21,225.
 - This is a repeat/modification of finding 07-06.

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TOURISM DEPARTMENT**

Schedule of Findings and Responses

Year Ended June 30, 2008

- General comment receipts held in suspense
 - There is a balance of \$74,976 in the general fund receipts held in suspense account (SHARE 292900). The Department was able to identify the proper account to reclassify a payment of \$25,000 that was received and recorded in this account, leaving a balance of almost \$50,000. No further audit adjustments were made to the account, the assumption being that all funds will be adjusted to the appropriate fund and account as the funds are researched, with any balance remaining reverting to the state general fund.
 - A deposit of funds received from another government was posted as a credit to an expense account in the litter control fund. An audit adjustment of \$16,186 was performed to reclassify that entry.
- General comment due to other funds and due from other funds
 - The general ledger balances for the due from other funds in both the general fund and the litter control fund at June 30, 2008 did not change from the balances at June 30, 2007.
 - The general ledger balances for the due to other funds in the general fund, the trail safety fund, and the New Mexico Magazine fund at June 30, 2008 did not change from the balances at June 30, 2007.
 - Adjustments were made to the due to and due from other fund accounts and the investment in the State Treasurer General Fund Investment Pool accounts in these funds to record reversals of prior year audit entries.
 - We recommend that the Department analyze the remaining balances in the due to and due from other fund accounts, and determine what prior year audit entries still need reversing.

Criteria:

Proper accounting practices require that general ledger asset and liability accounts should be reconciled to the subsidiary ledgers or supporting schedules on a timely basis, with any differences identified and corrected on a timely basis by recording adjusting journal entries.

Effect:

The Department's interim financial statements are materially misstated until adjustments are made based on reconciliations.

Cause:

Insufficient resources allocated to the timely reconciliations, research and correction of reconciling items.

Recommendations:

- Accounts receivables
 - Advertising accounts receivable should be reconciled on a monthly basis to the aging report provided by the Magazine. Adjustments should be made to the general ledger account as needed.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Schedule of Findings and Responses

Year Ended June 30, 2008

- The set-up of the accounts receivable software package should be changed so that all advertising revenue related to the July magazine that is printed and shipped in June is reflected in advertising revenue for the correct year.
- Subscriptions receivable should be reconciled on a monthly basis to the report provided by the subscription fulfillment service. Adjustments should be made to the general ledger account as needed.
- The allowance for doubtful accounts should be reviewed as part of the preparation for the year-end audit, and adjustments should be made to the general ledger account as needed.

Inventory accounts

- Original product purchase cost per unit should be added to all inventory reports, including those for New Mexico Magazine and the Visitors Information Centers.
 - Inventory reports should be extended out by multiplying the cost per unit times the quantity of that item. The reports should be totaled to show the total value at cost of the inventory at that site.
 - These inventory reports should then be reconciled to the general ledger inventory accounts for the respective funds, and adjustments made to the general ledger accounts on a timely basis.
 - The Magazine product inventory should be reconciled on a monthly basis, and the Visitors Information Centers inventory on a quarterly basis.
- **Capital assets**
 - The general ledger balances of the capital assets accounts should be reconciled to the asset reports from the capital assets reporting software.
 - The detail asset reports from the capital assets reporting software should be reviewed for accuracy and corrected in a timely matter. Accumulated depreciation for all assets with a book value should be recalculated to determine if the correct amount of accumulated depreciation has been recorded.
 - Adjustments should be made to the associated fund general ledger balances to adjust the book value of capital assets.
 - A review process should be implemented to insure all capital asset additions are captured and recorded in the capital asset software.
 - **Prepaid expenses**
 - The general ledger balances of prepaid expenses should be reconciled on a quarterly basis to the schedule of prepaid expenses. Adjustments to the general ledger accounts should be made as needed.
 - **Accounts payable**
 - Accounts payable general ledger should be reconciled to the detail on a monthly basis.

**STATE OF NEW MEXICO
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Schedule of Findings and Responses

Year Ended June 30, 2008

- New Mexico Magazine trades
 - All information about trades and/or barter transactions should be provided to the appropriate staff to record the transactions to SHARE.
- New Mexico Magazine deferred subscription revenue
 - The general ledger balance for deferred subscriptions should be reconciled monthly to the report provided by the fulfillment service. Adjustments to the general ledger accounts should be made as needed.
- General fund receipts held in suspense
 - We recommend that the suspense account be analyzed on an ongoing basis and amounts appropriately reclassified.

Management Response:

The Magazine is an enterprise fund. Problems are created because the SHARE accounting system cannot properly reflect an enterprise fund on full accrual basis for GAAP purposes.

Accounts receivable: The Department is in full agreement with the auditors findings. However, the Magazine is not set up with appropriate accounting staff. The functions that are currently being done are being completed by an administrative assistant. The Department will work with DFA and LFC Analysts to recommend additional assistance with an FTE knowledgeable in accounting and reconciliation. The current system used by the Magazine is not compatible with the SHARE system; ASD will work with the magazine in enhancing and preparing reconciliation schedules.

Inventory accounts: The Department is in full agreement with the auditors findings. The Department will be instituting monthly and quarterly inventory, along with reconciliation requirements within the Magazine, Visitor centers and the Tourism department.

Capital assets: The Department is in full agreement with the auditors findings. The inventory software had not been updated since the inception of SHARE. The SHARE inventory system for tracking Capital assets does not work for the Tourism department. A current upgrade has been purchased and reconciled against the previous inventory. A complete review and update has been done on the accuracy, life, cost and duplication of assets. The process from procurement, classification, receiving and entering in the Capital inventory is being reviewed and updated.

Prepaid expenses: The Department is in full agreement with the auditors findings and will be reviewing current processes, and will implement a quarterly review and reconciliation.

New Mexico Magazine Sponsorships: Sponsorships made for the Magazine that are proven to be material will be reflected and adjusted in the general ledger accounts.

General fund receipts held in suspense: Currently, this is a weekly process. Previously ASD did not have the adequate staff knowledgeable with SHARE and State Treasurers' procedures to correctly identify and reclass receipts held in suspense.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Schedule of Findings and Responses

Year Ended June 30, 2008

Disbursements 08-02

Statement of Condition:

In our test work on compliance with various state laws and regulations, we noted the following:

- For the gas cards with Wright Express, we reviewed the May 2008 invoice, comparing the information regarding current cards listed on that invoice to New Mexico Tourism Department owned vehicles and vehicles leased from General Services Department. We noted the following:
 - There are two cards listed for a 1994 Chevy Astro Van, however, at this time there is only one 1994 Chevy Astro Van being leased from GSD.
 - There are four cards listed for vehicles neither owned by the Department nor leased from GSD. According to the Wright Express bill for May 2008, two cards had no activity, while the other two had a total of \$1,373.15 charged on the cards.
 - There are two vehicles leased from GSD and one Department owned vehicle that do not have a card listed.
- The Department was not able to provide us with proof that competitive bids were received related to the award of a multi-year contract of \$2,700,000 for advertising agency services. We were provided with the request for proposals only for this contracting process.
- The Department was not able to provide us with proof that competitive bids were received related to the award of a multi-year contract for professional services of \$183,279 related to public relations. We were provided with the request for proposals only for this contracting process.
- A professional services contract for strategic planning for the New Mexico Sports Authority was ended early. The contractor was paid \$15,000 of the total contract amount of \$30,000. Based on limitations in the contract language regarding early termination, we were unable to determine if this was an equitable termination of this contract. We noted that many of the vendor contracts did not always have all the standard wording that we have noted in other state agency contracts.
- A contract awarded for a \$200,000 sponsorship of a golf tournament did not have the sole source provider application approved by the Department of Finance and Administration as required.
- A contract awarded for \$177,000 for the design, construction, building, storage, transportation, and driving of a Rose Parade float was classified as advertising. No competitive bids were obtained by the Department before entering into this contract. There is an exception to this requirement of the state procurement code for the purchase of advertising in the media. However, the design, construction, storage, and transportation of the float should not be considered advertising in the media.
- A professional services agreement was signed for a total of \$40,000 to design, layout, print work and hardware for a brochure.
 - An amendment to the original agreement was written to add four additional pull-up banners, 1,000 posters, and placement of the ads designed as part of the original agreement in magazines. The amendment was for an additional \$18,825.
 - This amendment also noted the Department rejected the original design of the brochure as prepared by the advertising agency.
 - This amendment was signed by both the Department and the vendor.
 - The amendment was rejected by the Department of Finance and Administration, with DFA indicating the amendment increased the original agreement over \$50,000.

**STATE OF NEW MEXICO
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Schedule of Findings and Responses

Year Ended June 30, 2008

- The vendor invoiced a total of \$58,849.99 on June 16, 2008. The Department submitted the invoice to DFA for payment, requesting payment of \$40,000 on August 4, 2008.
 - DFA rejected the payment request, asking the Department how the balance of \$18,849.99 was to be paid.
 - The Department notified DFA in a letter dated August 13, 2008 that there was a separate purchase order for the \$18,849.99, and that the vendor included that amount on the invoice in error. DFA approved payment of \$40,000 and a warrant was issued.
 - The Department was not able to provide us with the purchase order for the \$18,849.99.
 - The vendor invoiced the Department on June 29, 2008 for “Banner – Poster – Display Booth” for a total of \$18,849.99. While the amendment to the original agreement included the placement of advertising in magazines, no advertising placement was mentioned in the invoice description.
 - The Department submitted this invoice to DFA on September 9, 2008, noting it had been misplaced and processing delayed due to a shortage of staff at the Department.
 - DFA initially rejected the invoice for payment, but a warrant was issued for \$18,849.99 on October 1, 2008.
- An invoice for an order of photo CDs for \$7,357 was received before the purchase order was completed.

Criteria:

The Department must follow all applicable New Mexico State procurement rules.

Effect:

The Department may enter into contracts and agreements that are later found to be not in compliance with state procurement rules.

Cause:

Insufficient resources provided to the contracting process at the Department level which causes a higher risk that the Department would not comply or maintain documentation on its compliance with the New Mexico State Procurement Rules.

Recommendations:

- We recommend the Department work with Wright Express to 1) obtain new cards for new vehicles owned or leased by the Department that do not have a current card and 2) cancel cards for vehicles not currently owned or leased by the Department.
- We recommend that the Department receive training related to the New Mexico State Procurement Rules.
- We recommend that proof of competitive bids be retained in order to provide support for the compliance with the state procurement rules.

**STATE OF NEW MEXICO
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Schedule of Findings and Responses

Year Ended June 30, 2008

- We recommend that controls be implemented that allows for determining if all contract files are complete, for example, signature from DFA on a sole-source provider application is present.
- We recommend that the Department add additional wording in professional services contracts related to early termination.
- We recommend that advice be obtained from either DFA or the state purchasing department to determine the proper classification of unusual contracts. There are two exceptions to the state procurement code, one for the purchases of advertising in all media, including radio, television, print and electronic. A Google search turned up more than the one Rose Bowl Parade float builder than the Department obtained pricing information from before entering into the contract for the float.
- We recommend that the Department obtain advice from either DFA or the state purchasing when it becomes necessary to amend an already approved contact which then exceeds the limits for requiring competitive bids to stay within compliance with state procurement requirements.
- We recommend that all purchase orders be completed before the awarding of contracts or the placement of orders for all services and materials purchased by the Department.

Management Response:

The Department agrees with most of the findings provided by the auditors. With respect to the Wright Express fuel cards, these were issued by GSD when the vehicles in question were leased or replaced. At that time the Department was told to use the previous fuel card until replaced. All fuel cards are replaced and matched with its designated vehicle.

Rose Bowl finding; The Tourism Department has historically advertised the State of New Mexico by participating in the Rose Bowl parade. The advertising contract is appropriate due to the DFA exemption for advertising: 4-55A-12.1 NMSA 1978, section V: "purchases of advertising in all media, including radio, television, print and electronic". The Department does not agree with the auditors that this is a contract for construction of the float but the end result of advertising the State of New Mexico.

Currently we are reviewing existing procurement procedures and replacing those that are outdated. Previously the procurement process was supervised and administered by staff that did not have adequate knowledge or training related to the New Mexico State Procurement Code and Rules. In addition, the Department has had only part-time legal counsel that was only marginally involved in the procurement process. The Department recently hired a procurement specialist and hired its first full time internal legal counsel. Contracts and procurement agreements are reviewed and training for staff has been conducted. Contract templates now contain appropriate language for early termination, and are consistent with approved DFA boilerplate. The Department is also working on an ongoing basis with DFA to determine the proper classification of unusual contracts. There is now consistency within the Administrative Services Department, procurement staff is trained and with the addition of legal counsel contract administration and procurement will be managed consistently and in accordance with DFA and procurement requirements.

**STATE OF NEW MEXICO
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Schedule of Findings and Responses

Year Ended June 30, 2008

Reversions 08-03

Statement of Condition:

The Department did not revert the required amounts for Fiscal Year 2007 on time.

Criteria:

The General Appropriation Act and state statute requires state agencies to revert unencumbered funds by October 1 of each year, and any remaining funds within ten days of the release of the audit report.

Effect:

The Department is not in compliance with state statute.

Cause:

The Department failed to remit to the State General Fund the entire amount due from fiscal year 2007.

Recommendation:

We recommend that the Department remit any balances still owed for fiscal year 2007.

Management Response:

The New Mexico Tourism Department is in agreement with the auditors finding. The ASD director made the conscious decision not to revert any amount until the amount owed to Clean and Beautiful account was reviewed, verified and the amounts due were transferred to this account from the different funds within the Tourism Department. Due to the SHARE human resource system and lack of staff knowledge of the human resource system, payroll and benefits were expensed to the Clean and Beautiful fund. This error was recognized by a previous CFO who worked with DFA, however upon her departure no follow up was done by Tourism's HR manager or incoming replacement CFO. There were other changes in staff and leadership, some of whom were unfamiliar and inexperienced with SHARE. The Department has now corrected expenditures and fund balances. Payroll and its expense codes have been updated and are now verified after each payroll. The transfer of the reversion is in the process of being remitted to the State General Fund and should be completed well before the end of the current fiscal year.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Schedule of Findings and Responses

Year Ended June 30, 2008

08-04 Budgets and Special Appropriations – (Material Weakness)

Statement of Condition

- As shown in the budgetary schedules, the Department had over expended in contractual services by \$64,218 and other expenditures by \$457,689 in the General Fund. The Litter Control Fund over expended personnel services by \$110,158. Also as shown in the budgetary schedule, there is a favorable variance in State appropriations received during the year for the general fund.
- When the Department prepared the schedules of special appropriations for 2008, the activity did not roll-forward from 2007 to 2008, which resulted in adjustments to the 2008 financial statements and a prior period adjustment.

Criteria

- The Department must comply with State budgeting regulations. Budget Adjustment Requests (BAR's) must be prepared timely for increases in State appropriations and the corresponding increase for expenditures.
- Special appropriations and the corresponding activity of expenditures need to be recorded properly to ensure compliance with the reversion requirement.

Effect

Non compliance with State budgetary regulations.

Recommendation

Timely BAR's must be prepared and timely submitted to DFA for changes in State appropriations and corresponding increases in expenditures.

Special appropriations need to be timely monitored to ensure all activity is properly recorded timely and the unexpended amounts can be reverted to the General Fund in accordance with the special appropriations.

Management Response

The New Mexico Tourism Department is not in agreement with the auditors finding in that we did not comply with State budgeting regulations. Errors were encountered by staff and external auditors on amounts in special appropriations and capital projects that had been reflected in previous audit reports. The Tourism Department also had approximately \$950,000 in special appropriations that resulted in a favorable variance. The Department went back to FY 2005 and reconstructed a special appropriation and capital projects worksheet, at this time it was determined that the Tourism Department along with the Department of Finance and Administration failed to transfer these funds and that the Tourism Department failed to ensure these funds were received as revenue prior to expending. The regulations and requirements to budget these funds were correctly done, however past reconciliation of the transfers from DFA or lack thereof did not occur. This amount of all adjustments has been determined to be \$297,000 including the prior period adjustments.

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

Exit Conference

Year Ended June 30, 2008

Financial Statement Preparation

Barraclough & Associates, P.C. substantially prepared the accompanying financial statements, however the financial statements are the responsibility of management.

Exit Conference

The contents of this report were discussed at an exit conference held on May 22, 2009. The following were in attendance.

Tourism Department

Michael Cerletti – Cabinet Secretary

Al Lucero – Chair, Tourism Commission

Marcos A. Tapia – Director Administrative Services

Patrick Lopez – General Council

Pamela Rodriguez – Accountant

Barraclough & Associates, P.C.

Douglas Fraser, CPA – Senior Audit Manager

Clark Goding, CPA – Audit Supervisor