

**STATE OF NEW MEXICO
TOURISM DEPARTMENT**

**Financial Statements
for the Year Ended
June 30, 2009,
and Independent
Auditors' Report**

STATE OF NEW MEXICO TOURISM DEPARTMENT

Table of Contents

Official Roster	1
Independent Auditors' Report	2 – 3
Management's Discussion and Analysis	4 – 11
Financial Statements:	
Statement of Net Assets	13
Statement of Activities.....	14 – 15
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets – Governmental Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities – Governmental Activities.....	19
Statement of Revenues and Expenditures - Major Governmental Funds - Budget and Actual (Modified Accrual Budgetary GAAP Basis)	20 – 22
Statement of Net Assets – Proprietary Funds.....	23
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25
Notes to Financial Statements.....	26 – 51
Supplementary Information:	
Statement of Revenues and Expenditures – Major Capital Projects Fund – Budget and Actual (Modified Accrual Budgetary GAAP Basis)	53
Statement of Revenues and Expenditures – Enterprise Funds – Budget and Actual (Accrual Budgetary GAAP Basis)	54 – 55
Schedule of Special Appropriations.....	56 – 57
Schedule of Joint Power Agreements.....	58 – 59

STATE OF NEW MEXICO TOURISM DEPARTMENT

Table of Contents - continued

Supplementary Information - continued:

Report on Internal Control Over

Financial Reporting and Compliance and Other

Matters Based on an Audit of Financial Statements

Performed in Accordance with *Government Auditing Standards* 60 – 62

Schedule of Findings and Responses 63 – 74

Summary Schedule of Prior Year Audit Findings 75

Exit Conference..... 76

STATE OF NEW MEXICO TOURISM DEPARTMENT

Official Roster

Year Ended June 30, 2009

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
Mr. Michael Cerletti	Cabinet Secretary
Ms. Jennifer Hobson	Deputy Cabinet Secretary

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 2009, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the major capital projects fund and major enterprise funds budgetary comparisons presented as supplementary information as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and the changes in financial position and, where applicable, cash flows, of only that portion of the government 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 entire State of New Mexico as of June 30, 2009, and the changes of financial position or, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Department as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund and 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 budgetary comparisons of the major capital projects fund and major enterprise funds as of and for the year ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2009, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 11 are not a required part of the basic financial statements but are required supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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.

Meyers + Company, LLC

December 1, 2009

STATE OF NEW MEXICO TOURISM DEPARTMENT

Management's Discussion and Analysis - Fiscal Year Ended June 30, 2009

The State of New Mexico Tourism Department's (Department) Management Discussion and Analysis (MD&A) is designed to assist the reader in focusing on significant financial issues, provide an overview of the Department's financial activity, identify changes in the Department's financial position (ability to address future year challenges), identify any material deviations from the financial plan and identify any fund issues of concern.

The MD&A is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the transmittal letter at the front of this report and the Department's financial statements and notes which follow this section.

Overview of the Financial Statements

This annual report consists of four parts: 1) management's discussion and analysis, 2) the basic financial statements, 3) required supplementary information, and 4) an optional section that presents combining statements for nonmajor governmental funds.

The basic financial statements include two kinds of statements that provide different views of the Department. The first two statements are **government-wide financial statements** that provide both long-term and short-term information about the Department's overall financial status. The remaining statements are **fund financial statements** that focus on individual parts of the Department's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The MD&A should provide an objective and easily readable analysis of the government's financial activities, based on currently known facts, decisions or condition. It should provide an analysis of the government's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it should provide an analysis of significant changes that occur in funds and significant budget variances.

Government-wide Financial Statements. The Statement of Net Assets shows the Department's overall financial position as of June 30, 2009. This financial statement is comparable to the balance sheet in a private sector entity's set of financial statements. A Statement of Net Assets differs from a balance sheet in several ways, but there is one main difference. The State of New Mexico Tourism Department is a government agency and a trustee of public assets rather than a company with shareholders or owners. In a private sector balance sheet, the surplus (or deficit) of assets compared to liabilities is the owners' equity. In governmental financial statements, this excess is labeled net assets.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Management's Discussion and Analysis - Fiscal Year Ended June 30, 2009 - continued

Overview of the Financial Statements - continued

Government-wide Financial Statements - continued. The next government-wide statement is the Statement of Activities. This statement provides information about revenue and expenditure activity throughout the course of fiscal year 2009. The statement provides the fund balance at the beginning of the year and the balance at the end of the year. The difference between revenue and expenditure amounts provides for the change in net assets.

The remaining financial statements report the Department's operations in greater detail than the government-wide statements.

Fund Financial Statements. The fund financial statements provide more detailed information about the Department's most significant funds. Funds are accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

The Department has two types of funds:

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

Proprietary Funds - Proprietary funds are used to report the Department's service activities that charge customers a fee. Like the government-wide financial statements, they report all assets (including capital assets), liabilities (short- and long-term), revenues, expenses, gains and losses. They report the services included in the business-type activities in the government-wide financial statements. The Department uses one kind of proprietary fund, **Enterprise Funds**, to account for services provided to external customers.

STATE OF NEW MEXICO TOURISM DEPARTMENT

**Management's Discussion and Analysis -
Fiscal Year Ended June 30, 2009 - continued**

Financial Analysis of the Department as a Whole

Net Assets: Total Department net assets for fiscal year ending June 30, 2009 are \$2,853,379: \$3,049,361 in Governmental and (\$195,182) in Business-type activities. Most of the net assets are unrestricted, however some portion of net assets is restricted for capital projects or invested in capital assets. The unrestricted net assets(deficit) in Governmental Activities were \$2,630,058 and in Business-type activities were (196,484) at the end of the fiscal year. The unrestricted net assets are comprised of amounts that have been designated for future use, as these amounts are reserved for operations in the following fiscal years.

The Department's Net Assets

Governmental

		<u>FY 2009</u>	<u>FY2008</u>	<u>Percent Change</u>
Assets:				
Current and Other Assets	\$	5,625,478	6,298,340	-11%
Capital Assets		<u>142,107</u>	<u>188,962</u>	<u>-25%</u>
Total Assets		5,767,585	6,487,302	-11%
Liabilities:				
Current Liabilities		2,718,224	3,318,441	-18%
Long Term Liabilities Outstanding		<u>-</u>	<u>75,765</u>	<u>-100%</u>
Total Liabilities		2,718,224	3,394,206	-20%
Net Assets:				
Invested in Capital Assets		142,107	188,962	-25%
Restricted		277,196	1,377,386	-80%
Unrestricted		<u>2,630,058</u>	<u>1,526,748</u>	<u>72%</u>
Total Net Assets	\$	<u>3,049,361</u>	<u>3,093,096</u>	<u>-1%</u>

Business-Type

		<u>FY 2009</u>	<u>FY2008</u>	<u>Percent Change</u>
Assets:				
Current and Other Assets	\$	1,347,799	1,955,170	-31%
Capital Assets		<u>502</u>	<u>4,179</u>	<u>-88%</u>
Total Assets		1,348,301	1,959,349	-31%
Liabilities:				
Current Liabilities		875,723	950,357	-8%
Long Term Liabilities Outstanding		<u>668,560</u>	<u>735,864</u>	<u>-9%</u>
Total Liabilities		1,544,283	1,686,221	-8%

STATE OF NEW MEXICO TOURISM DEPARTMENT

**Management's Discussion and Analysis -
Fiscal Year Ended June 30, 2009 - continued**

Financial Analysis of the Department as a Whole - continued

The Department's Net Assets - continued

Business-Type - continued

	<u>FY 2009</u>	<u>FY2008</u>	<u>Percent Change</u>
Net Assets:			
Invested in Capital Assets	\$ 502	4,179	-88%
Restricted	-	-	0%
Unrestricted	<u>(196,484)</u>	<u>268,949</u>	<u>-173%</u>
Total Net Assets	\$ <u><u>(195,982)</u></u>	<u><u>273,128</u></u>	<u><u>-172%</u></u>

The Department total assets are comprised of \$142,609 in capital assets and \$6,973,277 in other assets, for a total asset balance of \$7,115,886. The overall decrease in total assets from the previous fiscal year is \$1,330,765. Liabilities are also broken out into two segments: current liabilities and non-current liabilities. The total amount of current liabilities is \$3,593,947, a decrease of 16% from the prior year balance of \$4,268,798. This decrease is attributable to a decrease in special appropriations, loss of two exempt senior employees, and reduction of expenditures in the Off Highway Program due to the impending transfer to the Department of Game and Fish (Note 18). Non-current liabilities are limited to the amount of unexpired subscriptions related to New Mexico Magazine subscriptions; the revenue is recognized only when the magazine is published for a given month. Many subscriptions are paid in advance from one to three years and are not likely to be recognized within the next fiscal year. The amount of this non-current liability is \$668,560.

The Department's Activities: The table below summarizes the Department's activities for the fiscal years ending June 30, 2009 and 2008. Total change in net assets from the previous fiscal year was a decrease of \$626,245.

Governmental

<u>Category</u>	<u>2009</u>	<u>2008</u>	<u>Total Dollar Change 2008 - 2009</u>	<u>Total Percent Change 2008 - 2009</u>
Program Revenues	\$ -	-	-	0%
General Revenues and Transfers	<u>13,678,853</u>	<u>13,872,778</u>	<u>(193,925)</u>	<u>-1%</u>
Total Revenues	13,678,853	13,872,778	(193,925)	-1%
Expenses	<u>(13,835,988)</u>	<u>(13,620,747)</u>	<u>(215,241)</u>	<u>2%</u>
Change in Net Assets	(157,135)	252,031	(409,166)	-162%

STATE OF NEW MEXICO TOURISM DEPARTMENT

**Management's Discussion and Analysis -
Fiscal Year Ended June 30, 2009 - continued**

Financial Analysis of the Department as a Whole - continued

The Department's Activities - continued

Governmental - continued

<u>Category</u>	<u>2009</u>	<u>2008</u>	<u>Total Dollar Change 2008 - 2009</u>	<u>Total Percent Change 2008 - 2009</u>
Net Assets, Beginning	\$ 3,093,096	2,775,508	317,588	11%
Restatement	<u>113,400</u>	<u>65,557</u>		
Net Assets, Beginning, Restated	<u>3,206,496</u>	<u>2,841,065</u>	<u>365,431</u>	<u>13%</u>
Net Assets, Ending	\$ <u>3,049,361</u>	<u>3,093,096</u>	<u>(43,735)</u>	<u>-1%</u>

Business-Type

<u>Category</u>	<u>2009</u>	<u>2008</u>	<u>Total Dollar Change 2008 - 2009</u>	<u>Total Percent Change 2008 - 2009</u>
Program Revenues	\$ 4,033,270	4,062,900	(29,630)	-1%
General Revenues and Transfers	<u>29,421</u>	<u>-</u>	<u>29,421</u>	<u>N/A</u>
Total Revenues	4,062,691	4,062,900	(209)	0%
Expenses	<u>(4,531,801)</u>	<u>(4,087,739)</u>	<u>(444,062)</u>	<u>11%</u>
Change in Net Assets	<u>(469,110)</u>	<u>(24,839)</u>	<u>(444,271)</u>	<u>1,789%</u>
Net Assets, Beginning	\$ 273,128	144,719	128,409	89%
Restatement	<u>-</u>	<u>153,248</u>		
Net Assets, Beginning, Restated	<u>273,128</u>	<u>297,967</u>	<u>(24,839)</u>	<u>-8%</u>
Net Assets, Ending	\$ <u>(195,982)</u>	<u>273,128</u>	<u>(469,110)</u>	<u>-172%</u>

STATE OF NEW MEXICO TOURISM DEPARTMENT

Management's Discussion and Analysis - Fiscal Year Ended June 30, 2009 - continued

Financial Analysis of the Department as a Whole - continued

The State of New Mexico Tourism Department manages fund accounts that receive funding from sources created in the laws of the State of New Mexico. Many of the funds managed by the Department showed an increase in cash balances from the prior fiscal year. The cash balance increased in two of the four non-reverting Department's funds, which indicates an increase in fund activity from 2008 for most funds and an overall healthy financial position to end the year in 2009.

Information on Individual Funds

The State of New Mexico Tourism Department is responsible for the management of six individual fund accounts. Fund 18800 is considered the Department's general fund. There are three other governmental funds that have operating budgets for specific uses. The Litter Control and Beautification Fund derives its funding from a special beautification fee of \$.50 per vehicle registration. The Trail Safety Fund receives its funding from the fees collected from off-road vehicle registrations. The Capital Projects Fund receives funding from the NM Legislature for specific purposes related to the enhancement of New Mexico tourism. The two remaining funds are enterprise funds. The New Mexico Magazine Fund generates revenue from operations related to the sale, advertising and promotion of the New Mexico Magazine. The Tourism Enterprise Fund accounts for the sale of advertising and promotional items at the visitor information centers. The first table below lists the beginning and ending cash balances for each fund managed by the Department.

<u>Fund Name</u>	<u>Fund Code</u>	<u>Balance June 30, 2009</u>	<u>Balance June 30, 2008</u>	<u>Total Percent of Change 2008 - 2009</u>
General Fund	18800	\$ 3,027,376	4,374,309	-31%
Litter Control and Beautification Fund	26200	\$ 1,036,774	-	100%
Trail Safety Fund	80400	\$ 1,310,357	967,127	35%
Capital Projects Fund	82300	\$ 276,712	430,401	-36%
New Mexico Magazine Fund	38200	\$ 727,825	1,441,374	-50%
Tourism Enterprise Fund	91900	\$ 58,517	61,648	-5%

STATE OF NEW MEXICO TOURISM DEPARTMENT

**Management's Discussion and Analysis -
Fiscal Year Ended June 30, 2009 - continued**

Information on Individual Funds - continued

The tables below list the total revenue and expenditures for each fund managed by the Department.

<u>Fund Name</u>	<u>Fund Code</u>	<u>Revenue</u>		<u>Total Percent of Change 2008 - 2009</u>
		<u>Fiscal Year Ended June 30, 2009</u>	<u>Fiscal Year Ended June 30, 2008</u>	
General Fund	18800	\$ 12,277,308	12,326,800	0%
Litter Control and Beautification Fund	26200	979,659	1,007,363	-3%
Trail Safety Fund	80400	789,615	626,584	26%
Capital Projects Fund	82300	97,000	200,000	-52%
New Mexico Magazine Fund	38200	3,993,985	4,011,363	0%
Tourism Enterprise Fund	91900	68,741	51,537	33%
Total Revenues		\$ 18,206,308	18,223,647	0%

<u>Fund Name</u>	<u>Fund Code</u>	<u>Expenditures</u>		<u>Total Percent of Change 2008 - 2009</u>
		<u>Fiscal Year Ended June 30, 2009</u>	<u>Fiscal Year Ended June 30, 2008</u>	
General Fund	18800	\$ 12,422,670	12,352,644	1%
Litter Control and Beautification Fund	26200	901,845	1,052,784	-14%
Trail Safety Fund	80400	327,169	215,269	52%
Capital Projects Fund	82300	597,190	242,406	146%
New Mexico Magazine Fund	38200	4,480,996	4,044,844	11%
Tourism Enterprise Fund	91900	50,840	42,894	19%
Total Expenses		\$ 18,780,710	17,950,841	5%

Budget Comparisons

The Department recorded several adjustments to the original budget amounts and cash balances during the fiscal year.

The "Other" category of expenditures in the general fund exceeded budget by approximately \$40,000. There were some budget adjustment requests (BAR) approved throughout the year to reallocate expenditures between categories. The reason there was still a negative variance in the "Other" category is due to the timing that BARs are allowed to be submitted. As a result, the Department was unsuccessful in reallocating expenditures to

STATE OF NEW MEXICO TOURISM DEPARTMENT

Management's Discussion and Analysis - Fiscal Year Ended June 30, 2009 - continued

Budget Comparisons - continued

prevent the variance. In total, the expenditures in the general fund were less than budget by approximately \$114,000. The actual revenues for the general fund were slightly less than budgeted amounts (by approximately \$97,000) on a total budget of approximately \$12,000,000. This was less than a 1% variance from the budget.

The year-end results compare favorably to the final budget and cash balance within the Department's Litter Control and Beautification Fund. This dramatic increase in this fund was due to payroll being expensed for the entire department to this fund. This error has since been corrected and all funds have been restored to their appropriate balance. At the individual fund level, actual revenue was slightly in excess of budgeted revenue in nearly all categories, and final expenditures were lower than the level contained in the final budget.

The Department has several funds that generate the majority of its revenues via dedicated, non-reverting funds; there is little incentive to spend all available funds to justify higher future budgets. Funds that remain unspent remain in the fund's cash balance. These funds then will be available for appropriation and expenditure in future fiscal years.

Capital Assets and Long-term Debt Activity

The net value of the Department's capital assets as of June 30, 2009 is \$142,107 and \$502 for the governmental and enterprise activities, respectively. For their governmental activities, the Department acquired approximately \$24,000 of capital asset additions during the year and approximately \$273,000 of disposals. The Department's enterprise funds had no additions during the year but disposed of approximately \$151,000 of assets.

The Department has no long-term debt activity during fiscal year 2009. Long-term liabilities recorded for the Department consist of long-term, unexpired magazine subscriptions.

Anticipated Future Conditions and Changes

In fiscal year 2010, the Department requested budget authority as a whole of \$18,160,700. Due to uncertainty in state revenues the Office, per state instructions submitted a flat budget request for fiscal year 2010. However, in fiscal year 2010 the budget authority granted and received was \$16,826,300; the decrease was a result of legislatively mandated reductions that resulted in a decrease in the personnel services budget category. The decrease was also due to the Tourism Department transferring the Off Highway Vehicle program to the New Mexico Department of Game & Fish.

Contacting the Department's Financial Management

The Department's financial statements are designed to provide our constituents and stakeholders with a general overview of the Tourism Department's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, contact the Department's Administrative Services Division Director at Lamy Building, 491 Old Santa Fe Trail, Santa Fe, NM 87501.

FINANCIAL STATEMENTS

STATE OF NEW MEXICO TOURISM DEPARTMENT

Statement of Net Assets

AS OF JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Investment in State Treasurer's Investment Pool	\$ 5,651,219	786,342	6,437,561
Due from (to) other funds	(290,507)	290,507	-
Due from other agencies	148,784	-	148,784
Receivables, net	-	183,566	183,566
Prepaid expenses	110,505	2,101	112,606
Inventories	<u>5,477</u>	<u>85,283</u>	<u>90,760</u>
Total current assets	5,625,478	1,347,799	6,973,277
Non-current:			
Capital assets	321,916	34,539	356,455
Less accumulated depreciation	<u>(179,809)</u>	<u>(34,037)</u>	<u>(213,846)</u>
Total non-current assets	<u>142,107</u>	<u>502</u>	<u>142,609</u>
TOTAL ASSETS	\$ <u>5,767,585</u>	<u>1,348,301</u>	<u>7,115,886</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
Accounts payable	\$ 1,333,154	84,227	1,417,381
Accrued payroll and related liabilities	160,573	90,099	250,672
Due to other state agencies	-	8,590	8,590
Due to State General Fund	975,107	-	975,107
Deferred revenue	-	72,029	72,029
Compensated absences, current	249,390	66,865	316,255
Unexpired subscriptions, current	<u>-</u>	<u>553,913</u>	<u>553,913</u>
Total current liabilities	2,718,224	875,723	3,593,947
Long-term liabilities:			
Unexpired subscriptions, long-term	<u>-</u>	<u>668,560</u>	<u>668,560</u>
TOTAL LIABILITIES	2,718,224	1,544,283	4,262,507
NET ASSETS:			
Invested in capital assets, net of related debt	142,107	502	142,609
Restricted for:			
Capital projects	277,196	-	277,196
Unrestricted	<u>2,630,058</u>	<u>(196,484)</u>	<u>2,433,574</u>
TOTAL NET ASSETS	<u>3,049,361</u>	<u>(195,982)</u>	<u>2,853,379</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,767,585</u>	<u>1,348,301</u>	<u>7,115,886</u>

YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:			
Tourism	\$ 13,835,988	-	-
TOTAL GOVERNMENTAL ACTIVITIES	13,835,988	-	-
BUSINESS-TYPE ACTIVITIES:			
Publishing	4,531,801	4,033,270	-
TOTAL BUSINESS-TYPE ACTIVITIES	4,531,801	4,033,270	-
TOTAL PRIMARY GOVERNMENT	\$ 18,367,789	4,033,270	-

Beautification fee
 Off-highway vehicle fee
 Transfers - State general fund appropriation
 Special appropriations
 Loss on the disposal of capital assets
 Interest
 Miscellaneous
 Other State agency transfers, net
 Transfers - Reversion to the
 State General Fund FY09

Total general revenues and transfers

Change in net assets

Beginning net assets

Restatement

Beginning net assets, as restated

Ending net assets

STATE OF NEW MEXICO DEPARTMENT OF TOURISM

Statement of Activities

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		Total
	Governmental Activities	Business-type Activities	
-	(13,835,988)	-	(13,835,988)
-	(13,835,988)	-	(13,835,988)
-	-	(498,531)	(498,531)
-	-	(498,531)	(498,531)
-	(13,835,988)	(498,531)	(14,334,519)
	\$ 978,684	-	978,684
	781,967	-	781,967
	11,051,300	-	11,051,300
	1,290,200	-	1,290,200
	(13,225)	(35)	(13,260)
	7,618	-	7,618
	33,813	-	33,813
	(288,435)	29,456	(258,979)
	(163,069)	-	(163,069)
	13,678,853	29,421	13,708,274
	(157,135)	(469,110)	(626,245)
	3,093,096	273,128	3,366,224
	113,400	-	113,400
	3,206,496	273,128	3,479,624
	\$ 3,049,361	(195,982)	2,853,379

STATE OF NEW MEXICO TOURISM DEPARTMENT

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2009

	Major Funds				Total Governmental Funds
	General Fund 18800	Litter Control and Beautification Fund 26200	Trail Safety Fund 80400	Capital Projects Fund 82300	
ASSETS:					
Investment in State Treasurer's Investment Pool	\$ 3,027,376	1,036,774	1,310,357	276,712	5,651,219
Due from other funds	48,115	-	-	50,000	98,115
Due from other agencies	9,524	90,108	49,152	-	148,784
Prepaid expenses	109,975	266	264	-	110,505
Other assets	-	-	-	-	-
Inventories	5,477	-	-	-	5,477
TOTAL ASSETS	\$ 3,200,467	1,127,148	1,359,773	326,712	6,014,100
LIABILITIES:					
Accounts payable	\$ 1,022,393	242,074	19,171	49,516	1,333,154
Accrued payroll and related liabilities	144,739	8,941	6,893	-	160,573
Due to other funds	322,776	65,846	-	-	388,622
Due to other state agencies	-	-	-	-	-
Due to State General Fund	975,107	-	-	-	975,107
TOTAL LIABILITIES	2,465,015	316,861	26,064	49,516	2,857,456
FUND BALANCES:					
Reserved:					
Prepaid expenses	109,975	266	264	-	110,505
Inventories	5,477	-	-	-	5,477
Subsequent year expenditures	620,000	-	-	-	620,000
Capital projects	-	-	-	277,196	277,196
Unreserved for:					
General Fund	-	-	-	-	-
Special revenue funds	-	810,021	1,333,445	-	2,143,466
TOTAL FUND BALANCES	735,452	810,287	1,333,709	277,196	3,156,644
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,200,467	1,127,148	1,359,773	326,712	6,014,100

STATE OF NEW MEXICO TOURISM DEPARTMENT

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

YEAR ENDED JUNE 30, 2009

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

\$ 3,156,644

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

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

The cost of capital assets is:

321,916

Accumulated depreciation is:

(179,809)

Total capital assets

142,107

Long-term and certain other liabilities, such as compensated absences,
are not due and payable in the current period and therefore are
not reported as liabilities in the funds.

(249,390)

Net assets of governmental activities (Statement of Net Assets)

\$ 3,049,361

STATE OF NEW MEXICO TOURISM DEPARTMENT

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

YEAR ENDED JUNE 30, 2009

	Major Funds				Total Governmental Funds
	General Fund 18800	Litter Control and Beautification Fund 26200	Trail Safety Fund 80400	Capital Projects Fund 82300	
REVENUES:					
Beautification fee	\$ -	978,684	-	-	978,684
Off-highway vehicle fee	-	-	781,967	-	781,967
Interest	-	-	7,618	-	7,618
Miscellaneous	<u>32,808</u>	<u>975</u>	<u>30</u>	<u>-</u>	<u>33,813</u>
TOTAL REVENUES	32,808	979,659	789,615	-	1,802,082
EXPENDITURES:					
Tourism	12,246,648	901,845	327,169	297,798	13,773,460
Capital outlay	<u>12,953</u>	<u>-</u>	<u>-</u>	<u>10,957</u>	<u>23,910</u>
TOTAL EXPENDITURES	<u>12,259,601</u>	<u>901,845</u>	<u>327,169</u>	<u>308,755</u>	<u>13,797,370</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,226,793)	77,814	462,446	(308,755)	(11,995,288)
OTHER FINANCING SOURCES (USES):					
State General Fund appropriations	11,051,300	-	-	-	11,051,300
Special appropriations	1,193,200	-	-	97,000	1,290,200
Intra-agency transfers, net	-	-	-	-	-
Other State agency transfers, net	-	-	-	(288,435)	(288,435)
Reversion to State General Fund 2009 fiscal year	<u>(163,069)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(163,069)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,081,431</u>	<u>-</u>	<u>-</u>	<u>(191,435)</u>	<u>11,889,996</u>
NET CHANGE IN FUND BALANCE	(145,362)	77,814	462,446	(500,190)	(105,292)
BEGINNING FUND BALANCE	880,814	732,473	907,863	627,386	3,148,536
RESTATEMENT	<u>-</u>	<u>-</u>	<u>(36,600)</u>	<u>150,000</u>	<u>113,400</u>
BEGINNING FUND BALANCE, AS RESTATED	<u>880,814</u>	<u>732,473</u>	<u>871,263</u>	<u>777,386</u>	<u>3,261,936</u>
ENDING FUND BALANCE	\$ <u>735,452</u>	<u>810,287</u>	<u>1,333,709</u>	<u>277,196</u>	<u>3,156,644</u>

STATE OF NEW MEXICO TOURISM DEPARTMENT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities - Governmental Activities

YEAR ENDED JUNE 30, 2009

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (105,292)

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

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The increase in the liabilities for the fiscal year was: (4,988)

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital outlay	23,910
Depreciation expense	<u>(57,540)</u>
Excess of capital outlay over depreciation expense	<u>(33,630)</u>

The Statement of activities reports the loss on the sale of equipment, while the the Statement of Revenues, Expenditures and Changes in Fund Balance reports the proceeds. The reconciling amount is the difference: (13,225)

Change in net assets of governmental activities (Statement of Activities) **\$ (157,135)**

STATE OF NEW MEXICO TOURISM DEPARTMENT

Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Budgetary GAAP Basis)

YEAR ENDED JUNE 30, 2009

	GENERAL FUND 18800			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State General Fund	\$ 11,133,900	11,133,900	11,051,300	(82,600)
Other state funds	1,240,000	1,240,000	1,193,200	(46,800)
Interest income	-	-	-	-
Miscellaneous	-	-	32,808	32,808
TOTAL REVENUES	12,373,900	12,373,900	12,277,308	(96,592)
EXPENDITURES:				
Personnel services/benefits	3,646,900	4,106,900	4,047,028	59,872
Contractual services	527,000	913,024	818,302	94,722
Other	8,200,000	7,353,976	7,394,271	(40,295)
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	12,373,900	12,373,900	12,259,601	114,299
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)	\$ -	-	17,707	17,707
NON-BUDGETED RECONCILING ITEMS				
Reversions to State General Fund			163,069	
NET CHANGE IN FUND BALANCE			\$ (145,362)	

STATE OF NEW MEXICO TOURISM DEPARTMENT

Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Budgetary GAAP Basis) - continued

YEAR ENDED JUNE 30, 2009

	LITTER CONTROL & BEAUTIFICATION FUND 26200			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
State General Fund	\$ -	-	-	-
Other state funds	1,076,100	1,076,100	978,684	(97,416)
Federal grant	-	-	-	-
Miscellaneous	-	-	975	975
TOTAL REVENUES	1,076,100	1,076,100	979,659	(96,441)
EXPENDITURES:				
Personnel services/benefits	125,500	125,500	131,352	(5,852)
Contractual services	150,000	150,000	149,394	606
Other	800,600	800,600	621,099	179,501
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	1,076,100	1,076,100	901,845	174,255
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER EXPENDITURES AND OTHER FUNDING SOURCES (USES))	\$ -	-	77,814	77,814

STATE OF NEW MEXICO TOURISM DEPARTMENT
Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Budgetary GAAP Basis) - continued

YEAR ENDED JUNE 30, 2009

	TRAIL SAFETY FUND 80400			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State General Fund	\$ -	-	-	-
Other state funds	214,700	499,700	781,967	282,267
Interest Income	-	-	7,618	7,618
Miscellaneous	-	-	30	30
TOTAL REVENUES	214,700	499,700	789,615	289,915
EXPENDITURES:				
Personnel services/benefits	116,100	180,100	161,592	18,508
Contractual services	5,000	101,000	87,554	13,446
Other	93,600	218,600	78,023	140,577
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	214,700	499,700	327,169	172,531
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER EXPENDITURES AND OTHER FUNDING SOURCES (USES))	\$ -	-	462,446	462,446

STATE OF NEW MEXICO TOURISM DEPARTMENT

Statement of Net Assets - Proprietary Funds

YEAR ENDED JUNE 30, 2009

	Business-Type Activities		Total
	New Mexico Magazine 38200	Tourism Enterprise 91900	
ASSETS:			
Current:			
State Treasurer's Investment Pool	\$ 727,825	58,517	786,342
Accounts Receivable, net	183,566	-	183,566
Due from other funds	290,507	-	290,507
Inventories	58,547	26,736	85,283
Prepaid postage	<u>2,101</u>	<u>-</u>	<u>2,101</u>
Total current assets	1,262,546	85,253	1,347,799
Non-current:			
Capital assets	34,539	-	34,539
Less accumulated depreciation	<u>(34,037)</u>	<u>-</u>	<u>(34,037)</u>
Total non-current assets	<u>502</u>	<u>-</u>	<u>502</u>
TOTAL ASSETS	\$ <u>1,263,048</u>	<u>85,253</u>	<u>1,348,301</u>
LIABILITIES:			
Current:			
Accounts payable	\$ 69,790	14,437	84,227
Accrued payroll and related liabilities	87,726	2,373	90,099
Due to other funds	-	-	-
Due to other state agencies	8,009	581	8,590
Deferred revenue	72,029	-	72,029
Unexpired subscriptions, current	553,913	-	553,913
Compensated absences, current	<u>66,865</u>	<u>-</u>	<u>66,865</u>
Total current liabilities	858,332	17,391	875,723
Non-current:			
Unexpired subscriptions, long-term	<u>668,560</u>	<u>-</u>	<u>668,560</u>
Total non-current liabilities	<u>668,560</u>	<u>-</u>	<u>668,560</u>
TOTAL LIABILITIES	1,526,892	17,391	1,544,283
NET ASSETS:			
Invested in capital assets	502	-	502
Unrestricted	<u>(264,346)</u>	<u>67,862</u>	<u>(196,484)</u>
TOTAL NET ASSETS	<u>(263,844)</u>	<u>67,862</u>	<u>(195,982)</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,263,048</u>	<u>85,253</u>	<u>1,348,301</u>

STATE OF NEW MEXICO TOURISM DEPARTMENT

**Statement of Revenues, Expenses and Changes
in Fund Net Assets - Proprietary Funds**

YEAR ENDED JUNE 30, 2009

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>New Mexico Magazine 38200</u>	<u>Tourism Enterprise 91900</u>	
OPERATING REVENUES			
Charges for services:			
New Mexico Magazine	\$ 3,964,529	-	3,964,529
By-product sales	-	43,741	43,741
Miscellaneous	-	<u>25,000</u>	<u>25,000</u>
 Total operating revenues	 3,964,529	 68,741	 4,033,270
 Operating expenses:			
Personal services	1,255,312	-	1,255,312
Contractual services	889,766	21,115	910,881
Other costs	2,332,241	29,725	2,361,966
Depreciation expense	<u>3,642</u>	<u>-</u>	<u>3,642</u>
 Total operating expenses	 <u>4,480,961</u>	 <u>50,840</u>	 <u>4,531,801</u>
 OPERATING INCOME (LOSS)	 (516,432)	 17,901	 (498,531)
 NON-OPERATING REVENUES (EXPENSES)			
Gain (loss) on disposal	(35)	-	(35)
Intra-agency transfers, net	-	-	-
Other State agency transfers, net	<u>29,456</u>	<u>-</u>	<u>29,456</u>
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 29,421	 -	 29,421
 CHANGE IN NET ASSETS	 (487,011)	 17,901	 (469,110)
 TOTAL NET ASSETS, BEGINNING	 <u>223,167</u>	 <u>49,961</u>	 <u>273,128</u>
 TOTAL NET ASSETS, ENDING	 \$ <u>(263,844)</u>	 <u>67,862</u>	 <u>(195,982)</u>

STATE OF NEW MEXICO TOURISM DEPARTMENT

Statement of Cash Flows - Proprietary Funds

YEAR ENDED JUNE 30, 2009

	Business-Type Activities		Total
	New Mexico	Tourism	
	Magazine 38200	Enterprise 91900	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 3,778,212	68,741	3,846,953
Payments to suppliers	(3,271,736)	(71,872)	(3,343,608)
Payments to employees	(1,249,481)	-	(1,249,481)
NET CASH USED BY OPERATING ACTIVITIES	(743,005)	(3,131)	(746,136)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers	29,456	-	29,456
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Additions to equipment	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments	-	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(713,549)	(3,131)	(716,680)
CASH AND CASH EQUIVALENTS, BEGINNING	1,441,374	61,648	1,503,022
CASH AND CASH EQUIVALENTS, ENDING	\$ 727,825	58,517	786,342
RECONCILIATION OF OPERATING INCOME (LOSS) TO TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income	\$ (516,432)	17,901	(498,531)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,642	-	3,642
Bad debt expense	73,270	-	73,270
Change in assets and liabilities:			
Receivables, net	30,920	-	30,920
Due from other funds	(290,507)	-	(290,507)
Inventories	81,028	(13,922)	67,106
Prepaid expenses	9,902	-	9,902
Accounts and other payables	(60,349)	(9,119)	(69,468)
Deferred revenue	(13,616)	-	(13,616)
Accrued payroll and compensated absences	5,831	2,373	8,204
Unexpired subscriptions	(62,375)	-	(62,375)
Due to other state agencies	(4,319)	(364)	(4,683)
NET CASH USED BY OPERATING ACTIVITIES	\$ (743,005)	(3,131)	(746,136)

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements

NATURE OF ORGANIZATION

The Tourism Department (the 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:

- To provide a coordinated, statewide perspective with regard to tourism activities;
- To provide a database 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;
- To monitor the progress of state-supported tourism activities and prepare annual reports of such activities, their status and their impact;
- 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

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

- Marketing & Promotion Program
 - Tourism Enterprise
 - Outreach Program
 - Program Support Program
 - New Mexico Magazine Program
 - Special Revenue Program
 - Trail Safety Fund
 - Sports Authority
- **NMSA 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

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

NATURE OF ORGANIZATION - continued

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].

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standard Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. 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 more significant of these accounting policies are described below.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

- **Financial Reporting Entity**

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government". 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 is a "department" of the State of New Mexico and will be included in any statewide Comprehensive Annual Financial Report. In accordance with the criteria set forth in GASB 14 (amended by GASB 39) for determining component units, the Department does not have any component units.

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

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. The new reporting model focus is on either the Department as a whole, or major individual funds (within the fund financial statements). In the government-wide Statement of Net Assets, both 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 costs that are 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 or a business-type activity. 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

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). 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 accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

The 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, reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental column on the governmental-wide presentation.

The Department does not have any fiduciary funds nor component units that are fiduciary in nature. By definition, assets in a fiduciary fund are held for the benefit of a third party and cannot be used to address activities or obligations of the government. These funds would not be incorporated into the government-wide statements.

The financial transactions of the Department are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation – Fund Accounting**

The Department uses the following fund types:

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 Fund 18800) is the general operating fund of the Department and 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)

Special Revenue Funds.

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

Scenic Byways Programs – To develop a statewide 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 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. The revenue is recognized in the period in which the registrations are purchased by users.

Trail Safety Fund (SHARE Fund 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

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation – Fund Accounting - continued**

Governmental Funds - continued

Special Revenue Funds - continued

Trail Safety Fund (SHARE Fund 80400) – continued.

vehicles. The revenue is recognized in the period in which the registrations are purchased by users. The fund is non-reverting per the Off-Highway Motor Vehicle Act. (Major Fund)

Capital Projects Fund. The Capital Projects Fund (SHARE Fund 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 (Major Fund).

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

New Mexico Magazine (SHARE Fund 38200) – To account for the resources and uses required to publish and distribute the New Mexico Magazine. This fund is non-reverting. (Major Fund)

Tourism Enterprise (SHARE Fund 91900) – To account for the sale of advertising and promotional items at visitor centers. This fund is non-reverting. (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.

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

Basis of accounting refers to the point at which revenues or expenditure/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. Expenditures are paid out of unrestricted funds unless specifically designated for restricted funds.

The Government-wide Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

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

• Accrual

Revenues are recognized when earned and expenses are recognized when incurred.

• Modified Accrual

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 soon enough thereafter to be used to pay liabilities of the current period, normally within 60 days of year-end. Expenditures are generally recognized 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.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB No. 33 (as it relates to non-exchange and exchange transactions), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

• Budgets and Budgetary Accounting

The State Legislature makes annual appropriations to the Department's General Fund. Legal compliance is monitored through the establishment of a budget and a financial control system that permits a budget to actual expenditure comparison.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Budgets and Budgetary Accounting - continued

Expenditures by category may not legally exceed appropriations. Budgeted line-item classifications may be amended upon approval from the State Budget Division. The basis of accounting for the budget, as appropriated by the State Legislature and approved by the State Budget Division, differs from the basis of accounting required by GAAP.

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, item N, "For the purpose of administering the General Appropriation Act of 2008 and approving operation budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at the year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control should be disclosed. There are no encumbrances outstanding at year-end.

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

- No later than September 1, the Department submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
- Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriation Act.
- The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- Not later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget, which becomes effective on July 1.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Budgets and Budgetary Accounting - continued**

- Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue funds.
- During the fiscal year under audit actual expenditures exceeded budgeted expenditures at the legal level of compliance for some categories in some funds. See finding 08-04 in the Schedule of Findings and Reponses for more information.

- **Cash and Cash Equivalents**

The Department has defined cash and cash equivalents to include investments with the State Treasurer General Fund Investment Pool, cash on hand and demand deposits. All cash is deposited with and monitored by the State Treasurer. See Note 2 for additional investment disclosure.

- **Accounts Receivable**

Accounts receivable are due from advertisers and subscribers to the New Mexico Magazine and are recorded in the enterprise fund for New Mexico Magazine. New Mexico Statute does not allow state agencies to write off bad debt and, as a result, much of the balance in accounts receivable is old and deemed uncollectible. Management estimates an allowance for doubtful accounts based on a percentage of outstanding accounts receivable, based on management's estimate of the collectability. For the fiscal year ended June 30, 2009, management estimated 20% of subscriptions accounts receivable and 85% of advertising accounts receivable would be uncollectible.

- **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 per Section 12-6-10 NMSA 1978. The Department records assets (such as furniture and fixtures, equipment 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 included 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

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Deferred Revenues and Unexpired Subscriptions**

The New Mexico Magazine enterprise fund records deferred revenues relating to advertising that has been collected from their customers, but the magazine(s) in which the advertising will take place has (have) not been issued yet.

The New Mexico Magazine enterprise fund also records unexpired subscriptions because subscribers pay for between one and three years up front. The revenue is recorded as earned and any money received for magazines that have not been issued yet is recorded as unexpired subscriptions. The amount that will be earning in the next year is recorded as current and the remainder is recorded as long term.

There are no long-term liabilities relating to government funds.

- **Due To/From Other Funds**

Internal balances due to/from in the governmental funds are netted as part of the reconciliation to the government-wide columnar presentation, as such eliminating internal activity in the Statement of Activities.

- **Due to State General Fund (Reversions)**

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the percentage of reverting fund (to total budget for the category) to the amount unexpended for the category at fiscal year-end.

- **Reverting Funds**

Reverting funds are all funds that are not identified by law as non-reverting. Such funds are in excess of budgeted expenditures and budgeted and actual revenues. Examples of such reverting funds currently generated by the Department are miscellaneous revenues, sales and services revenues, and telephone monitoring revenues. Revenues for Joint Power Agreements (JPA) are reimbursements for actual costs, and as such, are a receivable due to the Department. Any amounts collected for these revenues over estimated budget are revertible funds, since they would be replacing reverting general funds that were temporarily used to support such activities. Reversions for JPA revenues are dependent on two criteria: 1) Period of receipt (current year versus prior year), and 2) Period of accrual (revenue recognition).

- **Non-Reverting Funds**

All funds which are either appropriated to or earned by the Department, and by law or statute, are not required to be reverted to the state treasury upon completion of a fiscal period or project are non-reverting funds.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Reservations of Fund Balance**

Reservations of fund balances on 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 expenditures. Specific reservations of fund balance 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, 2009.

Reserved 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.

Reserved for capital projects – amounts that are reserved for future capital projects by specific legislation.

Reserved for Special Revenue Funds – amounts that are reserved by law establishing the special revenue fund in which they belong.

- **Compensated Absences**

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon length of service and employee's hire date. A maximum of 30 working days (240 hours) or such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave 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. Accumulated annual leave is not expected to be liquidated with expendable available financial resources and is reported in the general long-term debt group.

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave that an employee may accumulate. Once per fiscal year in either January or July, employees may elect to be paid up to 50% of accrued sick leave in excess of 600 up to 720 hours, but not to exceed 120 hours (net 60 hours can be paid). In the case of retiring employees, up to 200 net hours in excess of the 600 hour minimum limit can be paid. All sick leave balances from 600 to 720 hours have been recorded at 50% of the employee's current hourly rate in the general long-term debt account group, including those amounts paid in July because no expendable financial resources are available as of the balance sheet date to liquidate the liability.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Compensated Absences - continued**

Amounts of accumulated leave for governmental funds are not expected to be liquidated with expendable available financial resources and as such are recorded in the government-wide financial statements 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.

- **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 2009 fiscal year.

The operating revenues and expenses of the proprietary funds are those transactions that constitute the funds' principal ongoing operations. The New Mexico Magazine fund had non-operating revenues during the current fiscal year relating to a loss on disposal of capital assets, and transfers from another State Agency to compensate the Department for an employee who spent time working for the other agency.

- **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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Program Revenues**

Program revenues are revenues that (1) originate from the program or from parties other than the government's taxpayers or citizens as a whole, and (2) reduce the expenses of the function that has to be financed by general revenues. Revenues of this type can originate from a governmental source, but the proceeds are a charge for services or products produced by a government agency, where that agency is considered a vendor within the market place. Additionally, program revenues are fees charged by the government agency that are used to support a specific operation of that governmental unit.

- **Net Assets**

The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted. The Department follows GASB 46, *Net Assets Restricted by Enabling Legislation*, for the Department's restrictions of net assets. In order to show net assets as restricted the restriction must be "legally enforceable."

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

Restricted Assets are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Assets represent unrestricted liquid assets.

The Department applies unrestricted resources first for payment of expenditures when both restricted and unrestricted net assets are available.

- **Use of Estimates**

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

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

2. CASH (INVESTMENT IN STATE TREASURER'S INVESTMENT POOL)

State law requires the Department's investments to be managed by the New Mexico State Treasurer's Office.

The fair value of the investments maintained at the New Mexico State Treasurer's Office are as follows at June 30, 2009:

Fund	SHARE Fund No.	Investment	Maturities	Fair Value June 30, 2009
General	18800	NM STO General Fund Investment Pool	1 day to 3 years	\$ 3,027,376
Litter Control and Beautification	26200	NM STO General Fund Investment Pool	1 day to 3 years	1,036,774
New Mexico Magazine	38200	NM STO General Fund Investment Pool	1 day to 3 years	727,825
Trail Safety	80400	NM STO General Fund Investment Pool	1 day to 3 years	1,310,357
Capital Projects	82300	NM STO General Fund Investment Pool	1 day to 3 years	276,712
Tourism Enterprise	91900	NM STO General Fund Investment Pool	1 day to 3 years	<u>58,517</u>
				\$ <u>6,437,561</u>

• **Interest Rate Risk**

The Department 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's Office Pool is not rated.

For additional GASB 40 disclosure information related to the above investment pool, the reader should refer to the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2009.

• **Pledged Collateral (Custodial Credit Risk)**

In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in an aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. Deposits are exposed to custodial risks if they are not covered by depository insurance.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

2. CASH (INVESTMENT IN STATE TREASURER'S INVESTMENT POOL) - continued

• **Pledged Collateral (Custodial Credit Risk) - continued**

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

The New Mexico State Treasurer's office is responsible to ensure that all accounts have collateral at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Department.

3. ACCOUNTS RECEIVABLE

• **Business-type Activities**

Accounts receivable at June 30, 2009 represents advertising revenue receivable and subscription revenue receivable of the New Mexico Magazine Enterprise Fund, as follows:

	<u>Advertising Receivable</u>	<u>Subscription Receivable</u>	<u>Total Receivable</u>
Total accounts receivable	\$ 886,412	63,255	949,667
Less allowances for uncollectible accounts	<u>(753,450)</u>	<u>(12,651)</u>	<u>(766,101)</u>
Accounts receivable, net	\$ <u>132,962</u>	<u>50,604</u>	<u>183,566</u>

Management expects the entire net accounts receivable balance to be collected within one year of the balance sheet date.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

4. DUE FROM/TO OTHER FUNDS

Interfund receivables and payables arise primarily from deposits being posted to the wrong fund by the State Treasurer's Office and not having been transferred to the appropriate fund yet, and from funds having cash shortages and borrowing from another fund. All interfund payables and receivables are expected to be settled within one year. Due from and due to other funds as of June 30, 2009 are as follows:

<u>SHARE Fund No.</u>	<u>Fund Name</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
18800	General Fund	\$ 48,115	322,776
	Special Revenue Funds:		
26200	Litter Control and Beautification	-	65,846
	Capital Projects Funds:		
82300	Capital Projects	<u>50,000</u>	<u>-</u>
	Total Government Funds	98,115	388,622
	Enterprise Funds:		
38200	New Mexico Magazine	<u>290,507</u>	<u>-</u>
	Total Enterprise Funds	<u>290,507</u>	<u>-</u>
	Total Department	\$ <u>388,622</u>	<u>388,622</u>

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

5. DUE FROM/TO OTHER STATE AGENCIES

Due from and due to other state agencies represent interagency receivables and payables arising from interagency transactions.

A. Due From Other State Agencies

<u>Due from Other State Agencies</u>	<u>Fund No.</u>	<u>Amount</u>	<u>Due from Agency/Purpose</u>	<u>Fund No.</u>	<u>Amount</u>
General Fund	18800	\$ 9,524	DFA/Appropriations	39500	\$ 9,524
Litter Control & Beautification	26200	90,108	TRD/MVD Distribution for June 2009	39401	90,108
Trail Safety	80400	<u>49,152</u>	TRD/MVD Distribution for June 2009	39401	<u>49,152</u>
Total All Funds		\$ <u>148,784</u>			\$ <u>148,784</u>

B. Due To Other State Agencies

<u>Transfers to Other State Agencies</u>	<u>Fund No.</u>	<u>Amount</u>	<u>Due to Agency/Purpose</u>	<u>Fund No.</u>	<u>Amount</u>
New Mexico Magazine	38200	\$ 8,009	TRD/Gross Receipts Tax	17200	\$ 8,009
Tourism Enterprise	91900	<u>581</u>	TRD/Gross Receipts Tax	17200	<u>581</u>
Total All Funds		\$ <u>8,590</u>			\$ <u>8,590</u>

6. INVENTORIES

The Department has various inventories which are valued at the lower of cost or market. Cost is determined by the actual amount paid, or if not available, estimated using gross profit approach.

The inventory balance of \$5,477 in the Governmental Activities represents various expendable office supplies, such as toner cartridges for copiers and printers and paper supplies.

The inventory balance of \$85,283 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

7. CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Equipment & Machinery	\$ 100,410	23,910	(38,982)	85,338
Furniture & Fixtures	61,882	-	(40,826)	21,056
Data Processing & Software	206,852	-	(134,411)	72,441
Vehicles	<u>201,161</u>	<u>-</u>	<u>(58,080)</u>	<u>143,081</u>
Total capital assets	<u>570,305</u>	<u>23,910</u>	<u>(272,299)</u>	<u>321,916</u>
Less accumulated depreciation for:				
Equipment & Machinery	(83,899)	(15,484)	33,573	(65,810)
Furniture & Fixtures	(49,415)	(6,866)	35,225	(21,056)
Data Processing & Software	(177,317)	(10,603)	132,196	(55,724)
Vehicles	<u>(70,712)</u>	<u>(24,587)</u>	<u>58,080</u>	<u>(37,219)</u>
Total accumulated depreciation	<u>(381,343)</u>	<u>(57,540)</u>	<u>259,074</u>	<u>(179,809)</u>
Governmental activities capital assets, net	<u>\$ 188,962</u>	<u>(33,630)</u>	<u>(13,225)</u>	<u>142,107</u>

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

7. CAPITAL ASSETS - continued

A summary of changes in capital assets follows:

<u>Business-type Activities</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Equipment & Machinery	\$ 22,189	-	(18,307)	3,882
Furniture & Fixtures	53,488	-	(45,176)	8,312
Data Processing & Software	107,387	-	(85,042)	22,345
Other	<u>2,471</u>	<u>-</u>	<u>(2,471)</u>	<u>-</u>
Total capital assets	<u>185,535</u>	<u>-</u>	<u>(150,996)</u>	<u>34,539</u>
Less accumulated depreciation for:				
Equipment & Machinery	(21,154)	(802)	18,272	(3,684)
Furniture & Fixtures	(51,802)	(743)	44,537	(8,008)
Data Processing & Software	(105,929)	(2,097)	85,681	(22,345)
Other	<u>(2,471)</u>	<u>-</u>	<u>2,471</u>	<u>-</u>
Total accumulated depreciation	<u>(181,356)</u>	<u>(3,642)</u>	<u>150,961</u>	<u>(34,037)</u>
Business-type activities capital assets, net	\$ <u>4,179</u>	<u>(3,642)</u>	<u>(35)</u>	<u>502</u>

The depreciation expense for the Government Activities and the Business-type Activities was \$57,540 and \$3,642, respectively. The Department did not have any debt related to capital assets as of June 30, 2009. In the Statement of Activities, Depreciation Expense is captured in Tourism and Publishing categories for the governmental and business-type activities, respectively.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

8. COMPENSATED ABSENCES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009:

Governmental Activities:

	<u>Balance, June 30, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, June 30, 2009 (Due Within One Year)</u>
Comp. Absences \$	<u>244,402</u>	<u>156,202</u>	<u>(151,214)</u>	<u>249,390</u>

Business-type Activities:

	<u>Balance, June 30, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, June 30, 2009 (Due Within One Year)</u>
Comp. Absences \$	<u>64,612</u>	<u>70,089</u>	<u>(67,836)</u>	<u>66,865</u>

Compensated absences are liquidated within the fund in which the corresponding employee's compensation is expensed. Compensated absences have been liquidated from the General Fund (SHARE number 18800), approximately 72%, Litter Control & Beautification Fund (SHARE number 26200), approximately 3%, Trail Safety Fund (SHARE number 80400), approximately 2%, and NM Magazine Fund (SHARE number 38200), approximately 23%.

9. REVERSIONS

Reversions due to the State General Fund as of June 30, 2009 were as follows:

	<u>Amount</u>
2007 reversions	\$ 561,673
2008 reversions	240,469
2009 reversion	<u>172,965</u>
Total	\$ <u>975,107</u>

10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**• Plan Description**

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

• Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Department is required to contribute 16.59% of the gross covered salary. From the 2009 legislative session House Bill 854 temporarily shifts the burden of 1.5% of employer PERA contributions to state employees whose annual salaries exceed \$20,000. For the two-year period from July 1, 2009 to June 30, 2011, the employer contribution rates will be reduced by 1.5% and the employee contribution rates will be increased by 1.5%. After this temporary shift the burden will return to the employer. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$655,243, \$585,359 and \$513,034, respectively, which equal the amount of the required contributions for each fiscal year.

11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**• Plan Description**

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

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

11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN - continued

date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

• Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Department's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$50,863, \$68,850 and \$61,756, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

12. OPERATING LEASES

The Department leases vehicles, copiers and other machines. Leases are subject to future appropriations and as such are cancelable by the Department at the end of a fiscal year. The future minimum rental commitments as of June 30, 2009 are as follows:

Years ending June 30:	<u>Lease Amounts</u>
2010	\$ 50,635
2011	17,327
2012	7,220
2013	-
2014 and thereafter	-
	<u>\$ 75,182</u>

Lease expense under all long-term operating leases for the year ended June 30, 2009 was \$43,166.

13. OTHER FINANCING SOURCES (USES)

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

A. Transfers In From Other State Agencies

<u>Transfers to (purpose)</u>	<u>Fund No.</u>	<u>Amount</u>	<u>Transfers from - Agency No.</u>	<u>Fund No.</u>	<u>Amount</u>
<u>Governmental Funds</u>					
General Fund (General Appropriations)	18800	\$ 11,051,300	Department of Finance and Administration - 34100	85300	\$ (11,051,300)
General Fund (Special Appropriations)	18800	1,110,000	Department of Finance and Administration - 34100	85300	(1,110,000)
General Fund (Compensation Allocation)	18800	83,200	Department of Finance and Administration - 34100	85300	(83,200)
Capital Projects Fund (Special Appropriations)	82300	<u>97,000</u>	Department of Finance and Administration - 34100	85300	<u>(97,000)</u>
Total - Governmental Funds		\$ <u>12,341,500</u>			\$ <u>(12,341,500)</u>
<u>Enterprise Funds</u>					
New Mexico Magazine Fund (To cover partial payroll for employee with shared time between agencies)	38200	\$ <u>29,456</u>	Department of Cultural Affairs - 50500	19300	\$ <u>(29,456)</u>
Total - Enterprise Funds		\$ <u>29,456</u>			\$ <u>(29,456)</u>

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

13. OTHER FINANCING SOURCES (USES) - continued

B. Transfers Out To Other State Agencies

<u>Transfers from (purpose)</u>	<u>Fund No.</u>	<u>Amount</u>	<u>Transfers to</u>	<u>Fund No.</u>	<u>Amount</u>
<u>Governmental Funds</u>					
General Fund (2009 Reversions)	18800	\$ (163,069)	Department of Finance and Administration – 34100	85300	\$ 163,069
Capital Projects Fund (Payment for buildings transferred to GSD)	82300	(235,865)	General Services Department – 35000	17400	235,865
Capital Projects Fund (Transfer 1% of expenditures per Stat Statute)	82300	(2,570)	Department of Cultural Affairs – 50500	19300	2,570
Capital Projects Fund (funds were reauthorized to PED)	82300	<u>(50,000)</u>	Public Education Department – 92400	81800	<u>50,000</u>
Total – Governmental Funds		\$ <u>(451,504)</u>			\$ <u>451,504</u>

14. DEFICIT NET ASSETS BALANCE

The New Mexico Magazine fund had a deficit in net assets at June 30, 2009 amounting to \$263,844. The Department's revenues in fiscal year 2009 for this fund fell short of budget by \$444,515. Additionally, actual expenditures in fiscal year 2009 exceeded budget by \$34,452. The Department did not earn the revenue they had budgeted for due to a downturn in the economy, leading to less revenue from subscriptions and advertising. The Department plans to alleviate the deficit net assets balance by consolidating costs, working with ASD to combine costs of operations (printing, copiers, leases etc.) to lessen the burden of the Magazine fund. The Tourism staff throughout the agency is also looking at work, production, art design etc. that can be done by current Magazine staff rather than contracting out to external vendors. Currently there are scheduled furloughs without pay; in addition Magazine management is reviewing operations and determining cost to revenue ratios and will restructure and streamline some operational duties and functions that are no longer feasible due to excessive cost or changes in technology.

15. RESTATEMENTS

In fiscal year 2006 the Department recorded other financing sources and due from other state agencies in the amount of \$36,600 in the Trail Safety fund. In fiscal year 2007 the money was collected and other financing sources was credited again rather than crediting the due from other state agencies. A restatement was recorded to remove the revenue that was recorded in fiscal year 2007 and remove the due from other state agencies.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

15. RESTATEMENTS - continued

Statement of Revenues, Expenditures
and Changes in Fund Balances:

Fund Balances, June 30, 2008	\$ 907,863
Restatement	(36,600)
Fund Balances, June 30, 2008, restated	\$ <u>871,263</u>

In fiscal year 2009 the Department received \$150,000 in the Capital Projects Fund pertaining to a Memorandum of Understanding (MOU) that was effective in fiscal year 2008. The revenue was recorded in fiscal year 2009 but should have been recorded in fiscal year 2008, the effective date of the MOU. A restatement was posted to record the revenue in the correct fiscal year.

Statement of Revenues, Expenditures
and Changes in Fund Balances:

Fund Balances, June 30, 2008	\$ 627,386
Restatement	150,000
Fund Balances, June 30, 2008, restated	\$ <u>777,386</u>

The two restatements listed above had the following effect on net assets:

Statement of Activities:

Net Assets, June 30, 2008	\$ 3,093,096
Restatement	113,400
Net Assets, June 30, 2008, restated	\$ <u>3,206,496</u>

16. 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 (Workers 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, 2009.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Notes to Financial Statements - continued

17. BUDGET VIOLATIONS

The Department did not maintain compliance with three fund's budgeted amounts. The Department had a budget variances within the following funds:

<u>Fund</u>	<u>Category</u>	<u>Final Budget Expenditure Variance</u>
General	Other	\$ (40,295)
Litter Control & Beautification	Personnel services/benefits	\$ (5,852)
New Mexico Magazine	Personnel services/benefits	\$ (1,512)
New Mexico Magazine	Other	\$ (27,170)

18. SUBSEQUENT EVENT

On July 1, 2009, the Trail Safety Fund was transferred from the Department to the Department of Game and Fish.

Laws 2009, Chapter 53 was signed by the Governor and enrolled and engrossed on April 1, 2009. It provided for the following:

An Act relating to Motor Vehicles and amending sections of the Off-highway Motor Vehicle Act to provide for regulation of the operation of off-highway vehicles to ensure their safe and responsible operation; Amending, repealing and enacting section of the NMSA 1978; providing penalties; making appropriations and declaring an emergency.

The temporary provision, transfer of personnel, property, contracts, records and appropriations occurs as follows:

On July 1, 2009, all records, personnel, appropriations, money, equipment, supplies and other property of the tourism department pursuant to administration and enforcement of the Off-highway Motor Vehicle Act shall be transferred to the Department of Game and Fish and all contracts pursuant to the Off-highway Motor Vehicle Act shall be binding and effective on the Department of Game and Fish.

The bill was signed with an emergency clause; however per agreement between both agencies, the transfer did not occur until July 1, 2009.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO TOURISM DEPARTMENT

Statement of Revenues and Expenditures -
Major Capital Projects Fund 82300 -
Budget and Actual (Modified Accrual Budgetary GAAP Basis)

YEAR ENDED JUNE 30, 2009

	Life-to-Date Budgeted Amounts	FY09 Actual Amounts (Budgetary Basis)	Life-to-Date Actual Amounts (Budgetary Basis)	Variance Over (Under)
REVENUES:				
State General Fund	\$ 1,016,792	97,000	1,016,792	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
TOTAL REVENUES	1,016,792	97,000	1,016,792	-
EXPENDITURES - current:				
Personnel services/benefits	-	-	-	-
Contractual services	15,000	11,845	11,845	3,155
Other	869,792	296,910	690,951	178,841
Other financing uses	132,000	288,435	113,435	18,565
TOTAL EXPENDITURES	\$ 1,016,792	597,190	816,231	200,561
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER EXPENDITURES AND OTHER FUNDING SOURCES (USES))		\$ (500,190)		

STATE OF NEW MEXICO TOURISM DEPARTMENT

**Statement of Revenues and Expenditures -
Enterprise Fund -
Budget and Actual (Accrual Budgetary GAAP Basis)**

YEAR ENDED JUNE 30, 2009

NEW MEXICO MAGAZINE 38200				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES:				
State General Fund	\$ -	-	-	-
Charges for services	4,438,500	4,438,500	3,964,529	(473,971)
Other financing sources	-	-	29,456	29,456
TOTAL REVENUES	4,438,500	4,438,500	3,993,985	(444,515)
EXPENDITURES - current:				
Personnel services/benefits	1,163,800	1,253,800	1,255,312	(1,512)
Contractual services	952,900	952,900	889,766	63,134
Other	2,321,800	2,231,800	2,258,970	(27,170)
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	4,438,500	4,438,500	4,404,048	34,452
CHANGE IN NET ASSETS	\$ -	-	(410,063)	(410,063)
NON-BUDGETED ITEMS:				
Bad debt expense			(73,271)	
Depreciation expense			(3,642)	
Loss on disposal of capital assets			(35)	
CHANGE IN NET ASSETS			\$ (487,011)	

STATE OF NEW MEXICO TOURISM DEPARTMENT

**Statement of Revenues and Expenditures -
Enterprise Fund -
Budget and Actual (Accrual Budgetary GAAP Basis) - continued**

YEAR ENDED JUNE 30, 2009

	TOURISM ENTERPRISE 91900			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
State General Fund	\$ -	-	-	-
Other state funds	85,000	85,000	43,741	(41,259)
Miscellaneous	-	-	25,000	25,000
Other financing sources	-	-	-	-
TOTAL REVENUES	85,000	85,000	68,741	(16,259)
EXPENDITURES - current:				
Personnel services/benefits	-	-	-	-
Contractual services	-	25,000	21,115	3,885
Other	85,000	60,000	29,725	30,275
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	85,000	85,000	50,840	34,160
CHANGE IN NET ASSETS	\$ -	-	17,901	17,901

AS OF JUNE 30, 2009

<u>Fund</u>	<u>Class</u>	<u>Purpose</u>	<u>Special Appropriation</u>	<u>Funds Revert</u>
General	80145	Advertising and promotion	2008, Chap 3, Section 5, Item (45)	6/30/2009
General	80146	Sporting Events	2008, Chap 3, Section 5, Item (46)	6/30/2009
General	80147	NM Bowl	2008, Chap 3, Section 5, Item (47)	6/30/2009
General	81137	Promote arts, culture and sports	2008, Chap 6, Section 11, Sub 1	6/30/2009
General	81138	Santa Fe 400th Anniversary	2008, Chap 6, Section 11, Sub 2	6/30/2009
General	81139	Advertising and promotion	2008, Chap 6, Section 11, Sub 3	6/30/2009
General	81141	Market Golf Tourism Offerings	2008, Chap 6, Section 11, Sub 5	6/30/2009
General	81142	Outdoor Recreation McKinley Cty.	2008, Chap 6, Section 11, Sub 6	6/30/2009
General	81143	Espanola Fiesta	2008, Chap 6, Section 11, Sub 7	6/30/2009
General	81144	Santa Fe Fiesta	2008, Chap 6, Section 11, Sub 8	6/30/2009
General	81145	Sports Authority Operations	2008, Chap 6, Section 11, Sub 9	6/30/2009
General	90123	New Mexico Bowl	2009, Chap 124, Section 5, item (23)	6/30/2010
General	90124	Ecotourism	2009, Chap 124, Section 5, item (24)	6/30/2010
Capital Projects	61279	Georgia Okeefe	2006, Chap 111, Sec 47, Item 3	6/30/2010
Capital Projects	75650	ICO	2007, Chap 42, Sec 74, Item 1	6/30/2011
Capital Projects	75651	Otero Sunspot	2007, Chap 42, Sec 74, Item 2	6/30/2011
Capital Projects	75652	Event Trailer	2007, Chap 42, Sec 74, Item 3	6/30/2011
Capital Projects	99999	ICO	2006, Chap 111, Sec 59, Item 2	6/30/2009
Capital Projects	73520	Angel Fire	2007, Chap 2, Sec 29, Item 1	6/30/2011
Capital Projects	61908	BTK	2006, Chap 111, Sec 52, Item 657	6/30/2010
Capital Projects	75568	IT for NM Bowl	2007, Chap 42, Sec 68, Item 699	6/30/2011
Capital Projects	61721	Furnish Gallup VIC	2006, Chap 111, Sec 52, Item 424	6/30/2010
Capital Projects	61754	Furnish Glenrio VIC	2006, Chap 11, Sec 52, Item 467	6/30/2010

Schedule of Special Appropriations

<u>Appropriation Amount</u>	<u>Expenditures to Date</u>	<u>Amount Received to Date</u>	<u>Amount Received in Fiscal 2009</u>	<u>Reserved for Expenditure</u>	<u>Reserved for Reversion</u>
500,000	491,102	500,000	500,000	\$ -	8,898
200,000	198,464	200,000	200,000	-	1,536
50,000	50,000	50,000	50,000	-	-
50,000	46,300	50,000	50,000	-	3,700
25,000	25,000	25,000	25,000	-	-
300,000	299,100	300,000	300,000	-	900
5,000	4,600	5,000	5,000	-	400
50,000	50,000	50,000	50,000	-	-
15,000	15,000	15,000	15,000	-	-
25,000	25,000	25,000	25,000	-	-
20,000	20,000	20,000	20,000	-	-
370,000	-	370,000	370,000	370,000	-
250,000	-	250,000	250,000	<u>250,000</u>	<u>-</u>
			Total	\$ <u>620,000</u>	<u>15,434</u>
47,000	47,000	47,000	47,000	\$ -	-
132,000	113,435	132,000	-	18,565	-
75,000	75,000	75,000	-	-	-
100,000	100,000	100,000	-	-	-
125,000	125,000	125,000	-	-	-
25,000	25,000	25,000	-	-	-
162,792	45,604	162,792	-	117,188	-
200,000	185,178	200,000	200,000	14,822	-
100,000	68,180	100,000	100,000	31,820	-
50,000	31,834	50,000	50,000	<u>18,166</u>	<u>-</u>
			Total	\$ <u>200,561</u>	<u>-</u>

Schedule 5

YEAR ENDED JUNE 30, 2008

The following is a list of Joint Powers Agreements the Department has entered into:

	<u>Responsible Party</u>
New Mexico Department of Corrections (NMCD) For the Fulfillment Center and toll-free telemarketing	NMCD
New Mexico Department of Transportation, New Mexico Taxation and Revenue Department For the National Scenic Byways Historical Route 66	NMTD
Georgia O'Keeffe Museum (GOK) New Mexico Dept. of Finance and Administration For media production, education & training facilities programs for O'Keefe Museum Website.	GOK
New Mexico Department of Transportation New Mexico Tourism Dept./Glenrio Rest Area/Visitor Center. Payment responsibility for utilities services to operate the Glenrio Rest Area/Visitor Center.	NMTD
New Mexico Department of Transportation New Mexico Tourism Dept./Manuelito Rest Area/Visitor Center. Payment responsibility for utilities services to operate the Manuelito Rest Area/Visitor Center.	NMTD
New Mexico Department of Finance & Administration Funding provided to NMTD to host the United States & Spanish National Rugby sports events.	NMTD
City of Raton New Mexico Tourism Dept./Raton Visitor Information Center Define and clarify the responsibilities of the parties as tenants of the Center.	NMTD
New Mexico Department of Cultural Affairs (DCA) To promote the Museum of NM's 100th anniversary & open the NM History Museum.	DCA
Association of Universities/Research in Astronomy To plan, design, construct, equip and furnish the sunspot solar system model at the Sunport Astronomy and visitor Center in Otero County.	NMTD
Fiesta Parade Float (Tournament of Roses Parade/Pasadena, CA) Design, construction, decorate, & operate float for parade.	Fiesta

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Joint Powers Agreements

<u>Dates of Agreement</u>		<u>Amount Applicable</u>	<u>Amount Contributed</u>	<u>Audit Responsibility</u>
<u>Beginning</u>	<u>Ending</u>			
2/15/2008	indefinite	\$ 140,000	\$ 129,391	NMTD
3/12/2007	indefinite	\$ -	\$ -	NMTD
5/15/2008	6/30/2010	\$ 47,000	\$ 47,000	NMTD
12/18/2008	indefinite	\$ 12,500	\$ 12,500	NMTD
12/18/2008	indefinite	\$ 12,500	\$ 12,500	NMTD
5/4/2009	6/30/2010	\$ 50,000	\$ 50,000	NMTD
12/9/2008	indefinite	\$ -	\$ -	NMTD
7/11/2009	9/30/2009	\$ 350,000	\$ 100,000	DCA
7/11/2008	6/30/2011	\$ 75,000	\$ 75,000	NMTD
11/14/2008	6/30/2009	\$ 186,000	\$ 186,000	NMTD

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the major capital project and the major enterprise funds budgetary comparisons presented as supplemental information of the State of New Mexico, Tourism Department (Department), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the

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

Internal Control Over Financial Reporting - continued

Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as 09-01, 09-08, 08-01, 08-03, and 08-04.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 09-03, 09-04, 09-06, 09-07, 09-08, 08-01, 08-02, 08-03, and 08-04.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 09-02 and 09-05.

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

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

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

Mayners + Company, LLC

December 1, 2009

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Findings and Responses

B. FINDINGS - FINANCIAL STATEMENT AUDIT

09-01 LACK OF METHOD OF DETERMINING ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS (Significant Deficiency)

Condition: During test work of accounts receivable, it was noted that the Department had not adopted a methodology for reviewing the collectibility of the accounts receivable in the New Mexico Magazine enterprise fund, and had not established an amount, if any, that needed to be recognized for an allowance for uncollectible accounts in this fund. As a result of confirmations and subsequent receipt test work and discussion with the ASD Director, we were provided with an estimate of the allowance to record, but it was not a documented policy and had not been estimated prior to audit procedures. The allowance that was recorded for the year ended June 30, 2009 was \$766,101.

Criteria: Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables as part of management's estimates.

Cause: Lack of effective procedures and methodology over the allowance for uncollectible accounts.

Effect: Potential overstatement of net accounts receivable balances.

Recommendation: We recommend that management adopt a methodology to establish these estimates, document the policy, and evaluate and adjust the allowance on a monthly basis.

Management's Response: The Department is in full agreement with the auditors' findings; however, the Magazine is an enterprise fund, and problems are created because the SHARE accounting system cannot properly reflect an enterprise fund on full accrual basis for GAAP purposes. Allowance for uncollectible cannot be expensed out due to statute not allowing this treatment. The result is a carry forward of uncollectible accounts from year to year. The Department will review and establish a method for reviewing and determining the collectability of the Magazine's accounts receivable.

09-02 LACK OF ADEQUATE SEGREGATION OF DUTIES (Control Deficiency)

Condition: Checks are received in the mail as payments from advertising customers for New Mexico Magazine. The mail is opened by only one individual and then later given to another individual for further processing.

Criteria: In order to prevent misappropriation of assets, the mail should be opened in the presence of more than one individual (two being common), a control list should be made of receipts when they are opened and both employees should sign off on the control list. The control list and the checks should then be sent along for further processing.

Cause: Lack of controls associated with the receipt of monies via U.S. Mail.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

09-02 LACK OF ADEQUATE SEGREGATION OF DUTIES (Control Deficiency) - continued

Effect: Risk of misappropriation of assets.

Recommendation: We recommend that the Department implements a policy that the mail is opened by two individuals, who log any checks received and both sign off on the log before submitting the checks for processing.

Management's Response: The Agency acknowledges that the mail is opened by only one individual. The Department will look at staffing and duties to determine the best method to accomplish this task and be in compliance with GAAP. ASD will work with Magazine management to address the control and listing of receipts and its proper process.

09-03 NON-COMPLIANCE WITH THE PER DIEM AND MILEAGE ACT (Control Deficiency)

Condition: During per diem test work, we tested fifteen travel-related expenditures and discovered that on one occasion an employee was reimbursed \$12.16 for mileage without an approval signature in the documentation. A travel related expenditure for another employee did not have a receipt or support for an expense reimbursement in the amount of \$2.86 for actual expenses.

Criteria: Per NMAC 2.42.2.9 (Per Diem and Mileage Act) public employees must submit receipts for the actual meal expenses incurred. It is stated in the New Mexico Manual of Model Accounting Practices that "all claims for payment of public money shall be made upon a public voucher." As the reimbursement form requires a signature, a form turned in for payment should include an approving signature.

Cause: Non-compliance with the Per Diem and Mileage Act, in addition to management oversight.

Effect: The Department is not in compliance with the Per Diem and Mileage Act.

Recommendation: We recommend that the Department makes sure that any travel expense submitted for reimbursement has adequate supporting documentation and approval.

Management's Response: The Department is in agreement with the auditors' finding. The significance of this finding is not the dollar amount but that it was processed without the necessary internal documentation required by ASD and applicable rules of the Per Diem and Mileage Act. The Department has educated staff and tourism employees and will continue to monitor and update staff as necessary.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

09-04 CASH RECEIPTS DEPOSITS (Control Deficiency)

Condition: During the walk through of the cash receipt cycle, we inquired about the process and learned that checks are being sent to Santa Fe from the outlying visitor information centers where checks are received in exchange for merchandise and then are deposited in the bank once received in Santa Fe. As a result, the deposits are not made within twenty four hours of receipt.

Criteria: Per the State of New Mexico's Manual of Model Accounting Practices, section FIN2-Cash Management, "State agencies must deposit all monies received with the State Treasurer's Office (STO) or with the authorized banking institution by the close of the next business day after receipt."

Cause: There is no internal policy of the Department for ensuring that checks are deposited by the end of the business day immediately after receipt at the visitor information centers.

Effect: Non-compliance with New Mexico's Manual of Model Accounting Practices. There is also increased risk of loss or misappropriation of assets.

Recommendation: We recommend that the Department require any checks received at the outlying visitor information centers be deposited in a local (relative to the visitor information centers) banking institution. The money could then be sent electronically to the STO, increasing the Department's interest in the State's investment pool.

Management's Response: The Tourism Department is in full agreement with the auditors' finding. However, due to the low volume and amounts; the cost of having individual banks throughout New Mexico at the various visitor centers is not cost effective. The Department uses credit card machines for the majority of visitor purchases. The Department believes that there are safe guards and processes in place; in addition, no cash is allowed for any purchases at the visitor centers. The Department funds are not susceptible to increased risk or misappropriation.

09-05 LACK OF APPROVAL TO PAY INVOICES (Control Deficiency)

Condition: During test work of internal controls over cash disbursements, it was discovered that ten out of forty invoices were not approved by supervisors of the departments to which the invoices relate.

Criteria: It is an accounting best practice for supervisors of departments to approve invoices related to their departments. Per the Department's policy, invoices should include "OK to pay" before processing.

Cause: The Department is not following its internal procedures and controls.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

09-05 LACK OF APPROVAL TO PAY INVOICES (Control Deficiency) - continued

Effect: Invoices not being approved may result in budgeted funds being exhausted and possible inappropriate spending.

Recommendation: We recommend that the Department trains employees on the internal policies to ensure procedures are being followed.

Management's Response: The Department acknowledges and agrees with the auditors' findings. However, ASD has made efforts to educate tourism staff and managers of the requirements of the approval process. The ASD Director or Deputy currently reviews all requests for payments and approves them electronically. When managers are away, the ASD director is now authorized to sign on their behalf.

09-06 LACK OF CONTROLS OVER PAYROLL PROCESSING (Control Deficiency)

Condition: During test work over payroll controls, 37 employee files were reviewed, and we noted the following items:

- Leave forms were not on file in the human resources office for the pay period selected for two employees.
- An employee was compensated for eleven and a half hours of leave but their leave authorization form only had two hours of approved leave.
- One individual did not have a supervisor's signature on their leave request.
- Per inquiry with the human resources manager he sometimes enters time for Govex employees based on phone calls or emails and does not receive a filled out leave form.
- Based on inquiry and review, supervisors do not approve time for their subordinates when their time indicates they worked their standard hours. Instead all time is approved by human resources manager for employees whose time shows they worked their standard scheduled hours for a pay period.

Criteria: Per New Mexico Manual of Model Accounting Practices, section HR1, "state agencies must document requests for one-time pay adjustments." Time should be approved by a supervisor who can vouch for the time worked by an employee.

Cause: The Department is not following prescribed practice of requiring leave forms for all employees who take leave in a given pay period, and not accurately compensating employees for documented leave. The Department does not have a process in place for supervisors to approve time that does not have reported exceptions.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

09-06 LACK OF CONTROLS OVER PAYROLL PROCESSING (Control Deficiency) - continued

Effect: Without documentation, accuracy, and supervisor approval, pay adjustments may be made that are inconsistent with employee's actual performance. Employees are getting paid for their standard hours worked without it being approved by a supervisor.

Recommendation: We recommend that the Department not process any pay adjustments for leave hours unless a physical copy of the leave form is filled out and approved by a supervisor. Also they should only be compensated for the amount of leave that is approved. We recommend that the Department supervisors approve the time of their subordinates or some individual who can vouch for the time actually worked approves the time.

Management's Response: The Department is in full agreement with the auditors' findings. The Secretary of the Tourism Department has directed all employees, to include exempt employees, fill out a leave form for all leave taken and requested; in addition, all employees will have these forms signed by their immediate supervisor.

09-07 CAPITAL ASSET PROCEDURES (Control Deficiency)

Condition: During test work of capital assets, the following was noted: notification was not provided to the State Auditor at least thirty days prior to the disposition of property, nor was notification provided to indicate that the IT equipment being disposed was sanitized. It was noted that a letter was sent to the State Auditor notifying them of disposition of property subsequent to year end but, prior to the date of the Independent Auditors' Report. Despite all efforts made throughout fiscal year 2009 to create an accurate fixed asset inventory listing, a complete physical inventory observation was incomplete at year end.

Criteria: State Auditor Rule 2.2.2.10, Subsection V, states that written notification and a list of desired disposed assets must be sent at least thirty days prior to disposal. It also states that all IT equipment must be sanitized before disposition and written notification must be provided to the State Auditor that this has been done. State Auditor Rule 2.2.2.10 subsection Y(2) requires each agency to conduct an annual physical inventory of moveable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors.

Cause: Lack of effective internal controls associated with the disposition and physical inventory observation of property.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

09-07 CAPITAL ASSET PROCEDURES (Control Deficiency) - continued

Effect: The Department is not in compliance with the State Auditor rule 2.2.2.10 requirements. There is also increased likelihood of misappropriation of assets if a physical observation is not performed.

Recommendation: We recommend that the Department establishes and follows internal controls associated with the disposition of property, which includes adherence to the State Auditor Rule.

Management's Response: The agency is in full agreement with the auditors' findings. The Department is currently reviewing software that meets the needs of the Tourism Department. The inventory software had not been updated since the inception of SHARE. A complete review and update has been done on the accuracy, life, cost and duplication of assets; however, additional work is required and a 100% inventory will be done in FY10. During the review and update, many assets were discovered that had been destroyed or transferred to other agencies; however, they were never deleted from the inventory listing. Due to the timing and review of assets, the notification to include compliance of sanitation procedures for computer equipment to the State Auditor's Office was not done by the end of FY09. Notification and adherence to requirements of the State Auditor Rule 2.2.2.10 will be completed in FY10.

09-08 JOURNAL ENTRY APPROVAL (Significant Deficiency)

Condition: During journal entry test work, we noted the following:

- Each of the twenty six journal entries we tested during journal entry review lacked approval by an individual within the Department. The approval was either done by the same individual who initiated the journal entry or it was done only by someone at DFA.
- Based on inquiry with management the Department does not follow up on journal entries that are posted by external agencies that affect their books including DFA and STO. The Department does not review the entries, request backup, or ensure the appropriateness of the entries.

Criteria:

- Journal entries that are initiated should be reviewed and approved by another individual within the Department to ensure proper backup, appropriateness, and accuracy.
- The Department should be aware of entries that are posted to their books and should substantiate and review any entries that are posted.
- The New Mexico Manual of Model Accounting Practices outlines guidelines regarding journal entries in section FIN3-General Ledger.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

09-08 JOURNAL ENTRY APPROVAL (Significant Deficiency) - continued

Cause:

- The Department has not implemented a policy requiring internal approval of journal entries before posting.
- The Department has not implemented procedures to review journal entries posted by external agencies.

Effect: Potential for fraudulent or erroneous journal entries to be posted due to lack of segregation of duties, and review. There is also potential misstatement of financial statements.

Recommendations:

- We recommend that every journal entry initiated by the Department is reviewed by someone in the Department to ensure appropriate backup, accuracy and appropriateness of the entry.
- We recommend the Department does a reconciliation process through which they review entries posted by external parties for appropriateness and request backup to substantiate the entries.

Management's Response: The Department is in full agreement with the auditors' finding. The Department has had a change in staff and now has procedures in place to have the staff accountant initiate journal entries. The deputy ASD director will review for accuracy and appropriateness and will send to the ASD director for final approval.

08-01 INTERNAL CONTROLS OVER FINANCIAL REPORTING – REPEATED AND MODIFIED (Material Weakness)

Condition:

- Additions made to Fixed Assets were not added to the inventory listing which in turn caused them to be omitted from the depreciation calculation, and they were not properly tagged in inventory. Additionally, the beginning balances in accumulated depreciation on depreciation schedules did not match prior year audited financial statements. Individual assets that were beyond their recorded useful lives still had book values. There were several other anomalies noted on the depreciation schedules regarding accumulated depreciation. The origin of this finding is 07-04.
- Timely and accurate financial reporting is critical to the management of the Department. The Administrative Services Division (ASD) is responsible for the accounting and reporting for all divisions of the Department.
- General ledger accounts were not properly reconciled throughout the year. Specific accounts that were not reconciled throughout the year and audit adjustments were posted as a result include: accounts receivable, allowance for doubtful accounts, due from other state agencies, inventory, prepaid expense, fixed assets, capital outlay, depreciation expense, accounts payable, receipts held in

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

08-01 INTERNAL CONTROLS OVER FINANCIAL REPORTING – REPEATED AND MODIFIED (Material Weakness) - continued

Condition - continued:

suspense, deferred advertising revenue, unexpired subscriptions, due to other state agencies, due to state general fund, reversions expense and liability, and fund balance. The Department also did not record the value of contributed services received during the year for advertising, or the revenue and expense associated with barter transactions for New Mexico Magazine in which the Department approved discounted or free advertising in exchange for receiving services from the advertiser.

- The review process for financial reporting by is also lacking. Additionally it was noted that some of the due to and due from other state agencies were not paid or collected within one year of the previous fiscal year. The origin of this finding is 07-06.
- Our testing revealed some due from and due to other state agencies remained on the books from the previous fiscal year. Due to and due from other state agencies are classified as current and by definition should be paid or collected within a year of when they are recorded.

Criteria:

- In accordance with GAAP all assets should be added to inventory listing and depreciated. For tracking purposes all assets should be tagged. Fixed asset software should adequately track the current year and accumulated depreciation amounts. If an asset is beyond the useful life over which it was depreciated, it should not have a remaining book value. From year to year the beginning balance in accumulated depreciation should match the ending accumulated depreciation from the prior year.
- DFA's Model Accounting Practices (Volume 1, Chapter 8, Section 3.2) requires monthly reconciliations of all accounts. Individual accounts should be reconciled on a monthly basis. Discrepancies and inconsistencies should be investigated as soon as they are discovered.

Cause:

- Lack of internal controls associated with monitoring the accounting and controls for additions made to Fixed Assets. The fixed asset software is not working correctly or the users of the software are not using it correctly.
- The Department does not have procedures in place to perform monthly reconciliations, updating, and reviews of accounting records.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

08-01 INTERNAL CONTROLS OVER FINANCIAL REPORTING – REPEATED AND MODIFIED (Material Weakness) - continued

Effect:

- Understatement of the ending balance for Accumulated Depreciation for the Government Wide Financial Statements and lack of internal controls over monitoring fixed assets inventory. Potential misstatements of the depreciation expense, accumulated depreciation, and net book values of capital assets at the government wide level and at the fund level for enterprise funds. Lack of receiving and reporting timely and current financial information throughout the year can significantly impact management's ability to effectively guide the Department and the divisions within the Department. In addition, errors or fraud may not be prevented or discovered without proper, consistent and timely reconciliations and financial statement generation. ASD should be support to the other divisions within the Department. When financial information is inaccurate or untimely, the divisions do not receive the support they need. For the due to and due from other state agencies not paying and collecting the balances timely leads to inefficiencies in financing operations for the Department and other agencies.

Recommendation:

- We recommend that the Department develops internal controls associated with properly adding fixed assets to inventory listings be established and followed, and that new assets are tagged upon receipt. We recommend the Department investigates why there are issues with the accumulated depreciation accounts in the fixed assets software and identify a solution. A review process should also be in place to ensure assets are being depreciated correctly.
- We recommend management review the current responsibilities of the ASD staff. This review should include an assessment of current responsibilities and the strengths and weaknesses of the individuals involved. Tasks should then be reassigned to separate responsibility for the individual funds. We recommend that this include primary responsibility for all accounting and financial analysis and review responsibility by a separate member of the team. Responsibilities should require monthly reconciliation of all accounts and transactions within the funds prior to generating monthly financial statements. Accounts should be adjusted to match subsidiary ledgers, suspense accounts should be cleared out, and any other appropriate entries should be made. Further, we recommend paying and collecting balances in due to and due from other state agencies within a year of when the liability or receivable is first recorded.

Management's Response: The agency is in full agreement with the auditors' findings. The Agency will continue to work with DFA, CAFR Unit and external Auditors to recommend additional assistance and training with our current ASD staff and new accountant to further enhance and establish viable and attainable verification and reconciliation procedures and methods.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

08-02 PROCUREMENT-REPEATED AND MODIFIED (Control Deficiency)

Management's Response (continued): The agency is in full agreement with the auditors findings concerning Capital Assets. The inventory software had not been updated since the inception of SHARE; procedures are being reviewed to accurately account for all assets including Capital Assets. The SHARE inventory system for tracking capital assets does not work for the Tourism Department; the Tourism Department is now looking at different software options for asset accountability.

Condition: During procurement test work, two contracts out of eleven that were reviewed had sole source provider applications approved by DFA that expired prior to fiscal year 2009 and an updated application was not filed out and approved. Generally these should be renewed on a yearly basis.

Criteria: One of the exemptions in the state procurement code is for a sole source provider, if this exemption is used it must be approved by DFA and an approved exemption form must be in effect while the contract is in effect.

Cause: The Department did not fill out and send in new sole source exemption applications to DFA.

Effect: The Department is not in compliance with state procurement code.

Recommendation: We recommend that for any contracts that fall under one of the procurement exemptions, the Department makes sure to have an updated, approved, exemption application on file.

Management's Response: The Department agrees with the findings provided by the auditors. However, there was a renew option in one of the contracts; the agency did not exercise this option in a timely manner. Contracts will be monitored and, if it is determined that a sole source exemption is required, we will file an application with DFA prior to the termination of the current contract. Staff managers and procurement staff will be educated on requirements needed for a sole source provider.

08-03 UNPAID REVERSIONS TO THE STATE GENERAL FUND-REPEATED AND MODIFIED (Significant Deficiency)

Condition: The Department did not revert the required amounts for fiscal years 2007 and 2008 on time. The amounts due were \$561,673 and \$240,469 for FY07 and FY08 respectively.

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.

Cause: The Department did not make the payments within the specified time frame.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

08-03 UNPAID REVERSIONS TO THE STATE GENERAL FUND-REPEATED AND MODIFIED (Significant Deficiency) - continued

Effect: The Department is not in compliance with state statute.

Recommendation: We recommend that the Department makes sure to revert funds in a timely fashion in the future.

Management's 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 erroneously expensed to the Clean and Beautiful fund. 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 will be remitted to the State General Fund and should be completed well before the end of the current fiscal year.

08-04 OVER EXPENDED BUDGETS – REPEATED AND MODIFIED (Significant Deficiency)

Condition: The Department over expended their budget in the General Fund “other” category by \$40,295, the Litter Control & Beautification Fund “Personnel services/benefits” category by \$5,852, New Mexico Magazine Fund “Personnel services/benefits” category by \$1,512, and New Mexico Magazine Fund “other” category by \$27,170.

Criteria: The Department must comply with State budgeting regulations. Budget Adjustment Requests (BAR) must be prepared timely for increases or reallocations in State appropriations and the corresponding increase for expenditures.

Cause: Not properly tracking actual expenditures and submitting BARs to adjust budget categories according to actual expenditures.

Effect: The Department was not in compliance with State budgetary regulations.

Recommendation: We recommend that the Department improve on tracking actual expenditures by budget category and, as necessary, submits BARs to DFA to increase or reallocate expenditures.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

08-04 OVER EXPENDED BUDGETS – REPEATED AND MODIFIED (Significant Deficiency) - continued

Management's Response: The New Mexico Tourism Department is partially in agreement with the auditors' finding in that we did not comply with State budgeting regulations. Due to the timing of allowable BARs to be submitted, the Department was unable to prevent these over expenditures; however, the Legislative authority exists that allows the Tourism Department to budget from fund balance, which was available but not allowed by DFA in June 2009. Overall budget at the fund level was not over expended.

STATE OF NEW MEXICO TOURISM DEPARTMENT

Summary Schedule of Prior Year Audit Findings

- 06-04 Late Audit Report (Material Weakness) – Resolved
- 08-01 Internal Controls over Financial Reporting (Material Weakness) – Repeated and Modified
- 08-02 Disbursements – Repeated and Modified
- 08-03 Reversions – Repeated and Modified
- 08-04 Budgets and Special Appropriations (Material Weakness) – Repeated and Modified

STATE OF NEW MEXICO TOURISM DEPARTMENT

Exit Conference

An exit conference was held with the Department on November 30, 2009, at the Department's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO TOURISM DEPARTMENT

Michael Cerletti, Cabinet Secretary
Al Lucero, Chair of Tourism Commission
Marcos A. Tapia, CGFM, Director, Administrative Services Division
Elizabeth Romero-Eoff, Deputy Director, Administrative Services Division
Denise Lente, Accountant

MEYNNERS + COMPANY, LLC

Georgie Ortiz, CPA, CGFM, Principal
Raul J. Anaya, CPA, CGFM, Manager
Eric P. Miller, CPA, In-charge

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor with the assistance of the Department. However, they are the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.