

**STATE OF NEW MEXICO  
TOURISM DEPARTMENT  
Santa Fe, New Mexico**

**FINANCIAL STATEMENTS  
June 30, 2013**

## TABLE OF CONTENTS

	PAGE
<b>OFFICIAL ROSTER</b> .....	1
<b>INDEPENDENT AUDITORS' REPORT</b> .....	2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	5
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	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 .....	19
Statement of Revenues and Expenditures – Major Governmental Funds – Budget and Actual (Budgetary Basis) .....	20
Statement of Net Position – Proprietary Funds.....	23
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds .....	25
Notes to Financial Statements .....	26
<b>SUPPLEMENTAL INFORMATION</b> .....	48
Statement of Revenues and Expenditures – Enterprise Funds – Budget and Actual (Budgetary Basis).....	49
Schedule of Joint Powers Agreements.....	51
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	53

Schedule of Findings and Responses.....	55
Summary Schedule of Prior Year Audit Findings .....	57
Exit Conference .....	58

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
OFFICIAL ROSTER  
June 30, 2013**

Monique Jacobson, Cabinet Secretary

Richard Pickering, Director, Administrative Services

Isabel Duran, ASD Deputy Director



CliftonLarsonAllen LLP  
500 Marquette NW, Suite 800  
Albuquerque, NM 87102  
505-842-8290 | fax 505-842-1568  
[www.cliftonlarsonallen.com](http://www.cliftonlarsonallen.com)

## Independent Auditors' Report

Ms. Monique Jacobson, Cabinet Secretary  
State of New Mexico Tourism Department and  
Mr. Hector H. Balderas  
New Mexico State Auditor

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparisons for the general fund and major special revenue funds of State of New Mexico Tourism Department (the Department) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons for the major enterprise funds, presented as supplemental information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2013, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance 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, respective budgetary comparisons for the major enterprise funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

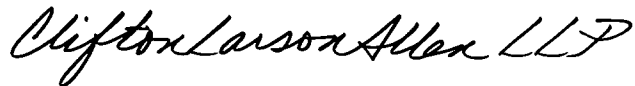
#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Department's financial statements and the budgetary comparisons. 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.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information referred to previously is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013 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* in considering the Department's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Albuquerque, New Mexico  
December 13, 2013

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

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 Independent Auditors' Report at the front of this report and the Department's financial statements and notes which follow this section.

**Overview of the Financial Statements**

This audit report consists of two parts: 1) management's discussion and analysis and 2) the basic financial statements.

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 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 Position shows the Department's overall financial position as of June 30, 2013. This financial statement is comparable to the balance sheet in a private sector entity's set of financial statements. A Statement of Net Position differs from a balance sheet in several ways, but there is one main difference. The 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 position.

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 2013. The statement provides the net position 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 position.

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



**STATE OF NEW MEXICO TOURISM DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**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** 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.

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

**Net Position:** Total Department net position for fiscal year ending June 30, 2013 is \$1,619,566: \$1,124,109 in Governmental and \$495,457 in Business-type activities. The net position is restricted, mainly for special revenue funds. The unrestricted net position in Governmental Activities was \$(127,644) and in Business-type activities was \$495,457 at the end of the fiscal year.

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**Table A-1  
The Department's Net Position**

**Governmental**

	<u>FY 2013</u>	<u>FY2012</u>	<u>Amount Change</u>	<u>Total % Change</u>
<b>Assets:</b>				
Current and other assets	\$ 2,321,658	\$ 3,587,447	\$ (1,265,789)	-35.28%
Capital assets, net	<u>80,210</u>	<u>60,521</u>	<u>19,689</u>	33%
<b>Total assets</b>	<u><b>\$ 2,401,868</b></u>	<u><b>\$ 3,647,968</b></u>	<u><b>\$ (1,246,100)</b></u>	<b>-34%</b>
<b>Liabilities:</b>				
Current liabilities	\$ 1,276,691	\$ 2,547,880	\$ (1,271,189)	-50%
Long-term liabilities	<u>1,068</u>	<u>1,967</u>	<u>(899)</u>	-46%
<b>Total liabilities</b>	<u><b>1,277,759</b></u>	<u><b>2,549,847</b></u>	<u><b>(1,272,088)</b></u>	<b>-50%</b>
<b>Net position:</b>				
Net investment in capital assets	80,210	60,521	19,689	33%
Restricted	1,171,543	1,175,611	(4,068)	0%
Unrestricted	<u>(127,644)</u>	<u>(138,011)</u>	<u>10,367</u>	-8%
<b>Total net position</b>	<u><b>1,124,109</b></u>	<u><b>1,098,121</b></u>	<u><b>25,988</b></u>	<b>2%</b>
<b>Total liabilities and net position</b>	<u><b>\$ 2,401,868</b></u>	<u><b>\$ 3,647,968</b></u>	<u><b>\$ (1,246,100)</b></u>	<b>-34%</b>

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**Table A-1  
The Department's Net Position (continued)**

**Business-type**

	<u>FY 2013</u>	<u>FY2012</u>	<u>Amount Change</u>	<u>Total % Change</u>
<b>Assets:</b>				
Current and other assets	\$ 1,736,396	\$ 1,608,403	\$ 127,993	8%
<b>Total assets</b>	<u>\$ 1,736,396</u>	<u>\$ 1,608,403</u>	<u>\$ 127,993</u>	8%
<b>Liabilities:</b>				
Current liabilities	\$ 1,027,731	\$ 1,036,320	\$ (8,589)	-1%
Long-term liabilities	<u>213,208</u>	<u>245,527</u>	<u>(32,319)</u>	-13%
<b>Total liabilities</b>	<u>1,240,939</u>	<u>1,281,847</u>	<u>(40,908)</u>	-3%
<b>Net position:</b>				
Unrestricted deficit	<u>495,457</u>	<u>326,556</u>	<u>168,901</u>	52%
<b>Total net position</b>	<u>495,457</u>	<u>326,556</u>	<u>168,901</u>	52%
<b>Total liabilities and net position</b>	<u>\$ 1,736,396</u>	<u>\$ 1,608,403</u>	<u>\$ 127,993</u>	8%

The Department's total assets are comprised of \$80,210 in capital assets and \$4,058,054 in other assets, for a total asset balance of \$4,138,264. The overall decrease in total assets from the previous fiscal year is \$1,118,107. Liabilities are also broken out into two segments: current liabilities and non-current liabilities. The total amount of current liabilities is \$2,304,422, an decrease of 35.7% from the prior year balance of \$3,584,200. Non-current liabilities are limited to the amount of unexpired subscriptions related to New Mexico Magazine subscriptions and compensated absences; 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 non-current liabilities is \$214,276 at June 30, 2013.

**The Department's Activities:** The table below summarizes the Department's activities for the fiscal years ending June 30, 2013 and 2012. Total change in net position from the previous fiscal year was an increase of \$194,889.

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**Table A-2  
Changes in the Department's Net Position**

**Governmental**

	<u>FY 2013</u>	<u>FY2012</u>	<u>Amount Change</u>	<u>Total % Change</u>
General revenues and transfers	\$ 9,264,963	\$ 9,074,551	\$ 190,412	2%
Total revenue	9,264,963	9,074,551	190,412	2%
Expenses	(9,238,975)	(9,001,428)	(237,547)	3%
Change in net position	25,988	73,123	(47,135)	-64%
Net position, beginning	1,098,121	1,024,998	73,123	7%
Net position, ending	<u>\$ 1,124,109</u>	<u>\$ 1,098,121</u>	<u>\$ 25,988</u>	2%

**Business-type**

	<u>FY 2013</u>	<u>FY2012</u>	<u>Amount Change</u>	<u>Total % Change</u>
Program revenues	\$ 3,083,258	\$ 4,589,401	\$ (1,506,143)	-33%
Total revenue	3,083,258	4,589,401	(1,506,143)	-33%
Expenses	(2,914,357)	(2,727,864)	(186,493)	7%
Change in net position	168,901	1,861,537	(1,692,636)	-91%
Net position, beginning	326,556	(1,534,981)	1,861,537	-121%
Net position, ending	<u>\$ 495,457</u>	<u>\$ 326,556</u>	<u>\$ 168,901</u>	52%

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**Information on Individual Funds**

The State of New Mexico Tourism Department is responsible for the management of five individual fund accounts. Fund 18800 is considered the Department's general fund. There are four 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 two remaining funds are enterprise funds. The New Mexico Magazine Fund generates revenue from operations related to the sale, advertisements and promotion of the New Mexico Magazine. The Tourism Enterprise Fund accounts for the sale of promotional items at the visitor information centers. The table below lists the beginning and ending cash balances for each fund managed by the Department.

Fund Name	Fund Code	Balance, June 30, 2013	Balance, June 30, 2012	Total % Change
General Fund	18800	\$ 733,482	\$ 2,040,986	-64%
Litter Control and Beautification Fund	26200	\$ 1,395,464	\$ 1,298,064	8%
Scenic Byways Fund	30000	\$ 23,845	\$ 16,670	43%
New Mexico Magazine Fund	38200	\$ 1,401,442	\$ 1,378,196	2%
Tourism Enterprise Fund	91900	\$ 32,625	\$ 8,819	270%

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

The tables below list the total revenue (including other financing sources and uses) and expenditures for each fund managed by the Department.

Fund Name	Fund Code	Revenue		Total % Change
		Fiscal Year Ended	Fiscal Year Ended	
		June 30, 2013	June 30, 2012	
General Fund	18800	\$ 8,301,145	\$ 8,268,636	0%
Litter Control and Beautification Fund	26200	1,016,417	1,049,906	-3%
Scenic Byways Fund	30000	6,900	5,325	30%
New Mexico Magazine Fund	38200	3,048,591	4,566,172	-33%
Tourism Enterprise Fund	91900	<u>34,667</u>	<u>23,229</u>	49%
Total revenues		<u>\$ 12,407,720</u>	<u>\$ 13,913,268</u>	

Fund Name	Fund Code	Expenditures		Total % Change
		Fiscal Year Ended	Fiscal Year Ended	
		June 30, 2013	June 30, 2012	
General Fund	18800	\$ 8,331,545	\$ 8,329,794	0%
Litter Control and Beautification Fund	26200	996,985	936,326	6%
Scenic Byways Fund	30000	-	-	0%
New Mexico Magazine Fund	38200	2,897,303	2,702,755	7%
Tourism Enterprise Fund	91900	<u>17,054</u>	<u>25,109</u>	-32%
Total expenses		<u>\$ 12,242,887</u>	<u>\$ 11,993,984</u>	

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**Budget Comparisons**

The Department recorded several adjustments to the original budget amounts during the fiscal year. In total, the expenditures in the general fund were less than budget by \$25,408.

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, 2013 is \$80,210 for the governmental activities. Business-type capital assets were fully depreciated at June 30, 2013. For governmental activities and business-type activities, the Department acquired one capital asset additions and made improvements to an existing asset during the year. The Department did not have any capital asset disposals during the year. The Department's enterprise funds had no additions or deletions during the year.

The Department had no long-term debt activity during fiscal year 2013. Long-term liabilities recorded for the Department consist of long-term, unexpired magazine subscriptions.

**Anticipated Future Conditions and Changes**

The Department was awarded \$10,332,300 in State General Fund appropriations for fiscal year 2014.

**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.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**STATEMENT OF NET POSITION**  
June 30, 2013

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Investment in State General Fund Investment Pool	\$ 2,152,791	\$ 1,434,067	\$ 3,586,858
Due from other agencies	87,062	-	87,062
Receivables, net	-	103,545	103,545
Due from (to) other funds	44,220	(44,220)	-
Prepaid expenses	37,585	116,255	153,840
Inventories	-	126,749	126,749
	<u>2,321,658</u>	<u>1,736,396</u>	<u>4,058,054</u>
Non-current:			
Capital assets	241,041	5,904	246,945
Less accumulated depreciation	(160,831)	(5,904)	(166,735)
	<u>80,210</u>	<u>-</u>	<u>80,210</u>
<b>TOTAL ASSETS</b>	<b>\$ 2,401,868</b>	<b>\$ 1,736,396</b>	<b>\$ 4,138,264</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,099,879	\$ 143,718	\$ 1,243,597
Accrued payroll and related liabilities	32,924	43,096	76,020
Due to other state agencies	-	-	-
Due to State General Fund	17,312	-	17,312
Unearned revenue	-	15,517	15,517
Compensated absences	126,576	15,736	142,312
Unexpired subscriptions	-	809,664	809,664
	<u>1,276,691</u>	<u>1,027,731</u>	<u>2,304,422</u>
Long-term liabilities:			
Compensated absences	1,068	-	1,068
Unexpired subscriptions, long-term	-	213,208	213,208
	<u>1,277,759</u>	<u>1,240,939</u>	<u>2,518,698</u>
<b>NET POSITION</b>			
Net investment in capital assets	80,210	-	80,210
Restricted	1,171,543	-	1,171,543
Unrestricted (deficit)	(127,644)	495,457	367,813
	<u>1,124,109</u>	<u>495,457</u>	<u>1,619,566</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,401,868</b>	<b>\$ 1,736,396</b>	<b>\$ 4,138,264</b>

The accompanying notes are an integral part of the financial statements.



STATE OF NEW MEXICO TOURISM DEPARTMENT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Tourism	\$ 9,238,975	\$ -	\$ -	\$ -
Total governmental activities	<u>9,238,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Publishing	<u>2,914,357</u>	<u>3,083,258</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,914,357</u>	<u>3,083,258</u>	<u>-</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 12,153,332</u>	<u>\$ 3,083,258</u>	<u>\$ -</u>	<u>\$ -</u>

**Net (Expense) Revenue and  
Changes in Net Position**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
	\$ (9,238,975)	\$ -	\$ (9,238,975)
	<u>(9,238,975)</u>	<u>-</u>	<u>(9,238,975)</u>
	<u>-</u>	<u>168,901</u>	<u>168,901</u>
	<u>-</u>	<u>168,901</u>	<u>168,901</u>
	(9,238,975)	168,901	(9,070,074)
<b>General revenues:</b>			
Beautification fee	6,900	-	6,900
Other registration fees	1,014,020	-	1,014,020
Gain (loss) on disposal	(3,246)	-	(3,246)
Miscellaneous	2,842	-	2,842
<b>Transfers:</b>			
Reversion to the State General Fund FY13	(56,253)	-	(56,253)
State general fund appropriation	<u>8,300,700</u>	<u>-</u>	<u>8,300,700</u>
Total general revenues and transfers	<u>9,264,963</u>	<u>-</u>	<u>9,264,963</u>
Change in net position	25,988	168,901	194,889
Net position, beginning of year	<u>1,098,121</u>	<u>326,556</u>	<u>1,424,677</u>
Net position, end of year	<u>\$ 1,124,109</u>	<u>\$ 495,457</u>	<u>\$ 1,619,566</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2013**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund 18800</u>	<u>Litter Control and Beautification Fund 26200</u>	<u>Scenic Byways Fund 03000</u>	
<b>ASSETS</b>				
Investment in State General Fund				
Investment Pool	\$ 733,482	\$ 1,395,464	\$ 23,845	\$ 2,152,791
Due from other funds	44,220	-	-	44,220
Due from other agencies	-	86,662	400	87,062
Prepaid items	37,585	-	-	37,585
<b>TOTAL ASSETS</b>	<u>\$ 815,287</u>	<u>\$ 1,482,126</u>	<u>\$ 24,245</u>	<u>\$ 2,321,658</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 734,971	\$ 364,908	\$ -	\$ 1,099,879
Accrued payroll and related liabilities	25,419	7,505	-	32,924
Due to State General Fund	17,312	-	-	17,312
Total liabilities	<u>777,702</u>	<u>372,413</u>	<u>-</u>	<u>1,150,115</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	37,585	-	-	37,585
Restricted	-	1,109,713	24,245	1,133,958
Total fund balances	<u>37,585</u>	<u>1,109,713</u>	<u>24,245</u>	<u>1,171,543</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 815,287</u>	<u>\$ 1,482,126</u>	<u>\$ 24,245</u>	<u>\$ 2,321,658</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2013**

<b>Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)</b>	\$ 1,171,543
--	--------------

Amounts reported for governmental activities in the Statement of Net Position 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:	241,041
Accumulated depreciation is:	<u>(160,831)</u>
 Total capital assets	 <u>80,210</u>

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.	<u>(127,644)</u>
--	------------------

<b>Net position of governmental activities (Statement of Net Position)</b>	<b><u>\$ 1,124,109</u></b>
--	----------------------------

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2013**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund 18800</u>	<u>Litter Control and Beautification Fund 26200</u>	<u>Scenic Byways Fund 03000</u>	
<b>REVENUES</b>				
Beautification fee	\$ -	\$ -	\$ 6,900	\$ 6,900
Other registration fees	-	1,014,020	-	1,014,020
Miscellaneous	445	2,397	-	2,842
Total revenues	445	1,016,417	6,900	1,023,762
<b>EXPENDITURES</b>				
Tourism	8,233,209	996,985	-	9,230,194
Capital outlay	42,083	-	-	42,083
Total expenditures	8,275,292	996,985	-	9,272,277
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(8,274,847)	19,432	6,900	(8,248,515)
<b>OTHER FINANCING SOURCES (USES)</b>				
State General Fund appropriations	8,300,700	-	-	8,300,700
Reversion to State General Fund 2013 fiscal year	(56,253)	-	-	(56,253)
Total other financing sources (uses)	8,244,447	-	-	8,244,447
<b>NET CHANGE IN FUND BALANCE</b>	(30,400)	19,432	6,900	(4,068)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	67,985	1,090,281	17,345	1,175,611
<b>FUND BALANCES, END OF YEAR</b>	\$ 37,585	\$ 1,109,713	\$ 24,245	\$ 1,171,543

The accompanying notes are an integral part of the financial statements.

**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  
YEAR ENDED JUNE 30, 2013**

<b>Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)</b>	\$	(4,068)
--	----	---------

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 decrease in the liabilities for the fiscal year was:		10,367
--	--	--------

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		42,083
Depreciation expense		<u>(19,148)</u>
Excess of capital outlay over depreciation expense		<u>22,935</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:		<u>(3,246)</u>
--	--	----------------

<b>Change in net position of governmental activities (Statement of Activities)</b>	\$	<u>25,988</u>
--	----	---------------

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO TOURISM DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES -  
MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL  
(BUDGETARY BASIS)  
Year Ended June 30, 2013

	<u>GENERAL FUND (18800)</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State General Fund appropriations	\$ 8,300,700	\$ 8,300,700	\$ 8,300,700	\$ -
Miscellaneous	-	-	445	445
Other financing sources	-	-	-	-
Total revenues	<u>8,300,700</u>	<u>8,300,700</u>	<u>8,301,145</u>	<u>445</u>
<b>EXPENDITURES</b>				
Personnel services/benefits	2,809,600	2,606,600	2,598,704	7,896
Contractual services	600,700	670,600	670,362	238
Other	<u>4,890,400</u>	<u>5,023,500</u>	<u>5,006,226</u>	<u>17,274</u>
Total expenditures	<u>8,300,700</u>	<u>8,300,700</u>	<u>8,275,292</u>	<u>25,408</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>25,853</u>	<u>\$ 25,853</u>
<b>NON-BUDGETED RECONCILING ITEMS</b>				
Reversions to State General Fund			<u>(56,253)</u>	
<b>NET CHANGE IN FUND BALANCE</b>			<u>\$ (30,400)</u>	

STATE OF NEW MEXICO TOURISM DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES -  
MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL  
(BUDGETARY BASIS) (CONTINUED)  
Year Ended June 30, 2013

	<u>LITTER CONTROL &amp; BEAUTIFICATION FUND (26200)</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Other registration fees	\$ 1,025,700	\$ 1,025,700	\$ 1,014,020	\$ (11,680)
Miscellaneous	-	-	2,397	2,397
Budgeted fund balance	-	53,400	-	(53,400)
Total revenues	1,025,700	1,079,100	1,016,417	(62,683)
<b>EXPENDITURES</b>				
Personnel services/benefits	151,200	151,200	131,564	19,636
Contractual services	96,600	150,000	149,964	36
Other	777,900	777,900	715,457	62,443
Other financing uses	-	-	-	-
Total expenditures	1,025,700	1,079,100	996,985	82,115
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,432</u>	<u>\$ 19,432</u>
<b>NET CHANGE IN FUND BALANCE</b>			<u>\$ 19,432</u>	



STATE OF NEW MEXICO TOURISM DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES -  
MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL  
(BUDGETARY BASIS) (CONTINUED)  
Year Ended June 30, 2013

	<u>SCENIC BYWAYS FUND (03000)</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Other financing sources	-	-	6,900	6,900
Total revenues	-	-	6,900	6,900
<b>EXPENDITURES</b>				
Other financing uses	-	-	-	-
Total expenditures	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,900</u>	<u>\$ 6,900</u>
<b>NET CHANGE IN FUND BALANCE</b>			<u>\$ 6,900</u>	

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
June 30, 2013

	<u>Business-Type Activities</u>		
	<u>New Mexico Magazine (38200)</u>	<u>Tourism Enterprise (91900)</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Investment in State General Fund Investment Pool	\$ 1,401,442	\$ 32,625	\$ 1,434,067
Accounts Receivable, net	103,545	-	103,545
Inventories	117,310	9,439	126,749
Prepaid postage	<u>116,255</u>	<u>-</u>	<u>116,255</u>
Total current assets	1,738,552	42,064	1,780,616
Non-current:			
Capital assets	5,904	-	5,904
Less accumulated depreciation	<u>(5,904)</u>	<u>-</u>	<u>(5,904)</u>
Total non-current assets	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,738,552</u>	<u>\$ 42,064</u>	<u>\$ 1,780,616</u>
<b>LIABILITIES</b>			
Current:			
Accounts payable	\$ 143,649	\$ 69	\$ 143,718
Accrued payroll and related liabilities	43,096	-	43,096
Due to other funds	44,220	-	44,220
Deferred revenue	15,517	-	15,517
Unexpired subscriptions, current	809,664	-	809,664
Compensated absences, current	<u>15,736</u>	<u>-</u>	<u>15,736</u>
Total current liabilities	1,071,882	69	1,071,951
Non-current:			
Unexpired subscriptions, long-term	<u>213,208</u>	<u>-</u>	<u>213,208</u>
Total non-current liabilities	<u>213,208</u>	<u>-</u>	<u>213,208</u>
<b>TOTAL LIABILITIES</b>	1,285,090	69	1,285,159
<b>NET POSITION</b>			
Invested in capital assets	-	-	-
Unrestricted	<u>453,462</u>	<u>41,995</u>	<u>495,457</u>
Total net position	<u>453,462</u>	<u>41,995</u>	<u>495,457</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,738,552</u>	<u>\$ 42,064</u>	<u>\$ 1,780,616</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS  
Year Ended June 30, 2013**

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>New Mexico Magazine (38200)</u>	<u>Tourism Enterprise (91900)</u>	
<b>OPERATING REVENUES</b>			
Charges for services:			
New Mexico Magazine	\$ 3,048,343	\$ -	\$ 3,048,343
By-product sales	-	16,334	16,334
Miscellaneous	248	18,333	18,581
	<u>3,048,591</u>	<u>34,667</u>	<u>3,083,258</u>
Total operating revenues			
	3,048,591	34,667	3,083,258
<b>OPERATING EXPENSES</b>			
Personal services	762,603	-	762,603
Contractual services	816,836	-	816,836
Other costs	1,317,864	17,054	1,334,918
	<u>2,897,303</u>	<u>17,054</u>	<u>2,914,357</u>
Total operating expenses			
	2,897,303	17,054	2,914,357
<b>OPERATING INCOME (LOSS)</b>	<u>151,288</u>	<u>17,613</u>	<u>168,901</u>
<b>OTHER INCOME</b>			
Special Appropriation	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	151,288	17,613	168,901
<b>TOTAL NET POSITION, BEGINNING</b>	<u>302,174</u>	<u>24,382</u>	<u>326,556</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 453,462</u>	<u>\$ 41,995</u>	<u>\$ 495,457</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
Year Ended June 30, 2013

	<u>Business-Type Activities</u>		
	<u>New Mexico Magazine (38200)</u>	<u>Tourism Enterprise (91900)</u>	<u>Total</u>
<b>CASH FLOWS FROM (USED BY)</b>			
<b>OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 3,024,984	\$ 34,667	\$ 3,059,651
Payments to suppliers	(2,240,834)	(10,861)	(2,251,695)
Payments to employees	(760,904)	-	(760,904)
Net cash from operating activities	<u>23,246</u>	<u>23,806</u>	<u>47,052</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	23,246	23,806	47,052
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>1,378,196</u>	<u>8,819</u>	<u>1,387,015</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 1,401,442</u>	<u>\$ 32,625</u>	<u>\$ 1,434,067</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>			
<b>TO NET CASH PROVIDED (USED) BY</b>			
<b>OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 151,288	\$ 17,613	\$ 168,901
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
Receivables, net	29,514	-	29,514
Due from other funds	-	-	-
Inventories	(41,434)	6,353	(35,081)
Prepaid expenses	(75,373)	-	(75,373)
Accounts and other payables	83,442	(163)	83,279
Deferred revenue	(53,121)	3	(53,118)
Accrued payroll and compensated absences	1,699	-	1,699
Unexpired subscriptions	(72,768)	-	(72,768)
Due to other funds	(1)	-	(1)
Loss on sale of equipment	-	-	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>\$ 23,246</u>	<u>\$ 23,806</u>	<u>\$ 47,052</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

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
- Tourism Development Program
- Program Support Program
- New Mexico Magazine Program
- 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 Cabinet Secretary, who is appointed by the governor with the consent of the senate, serves in the executive cabinet, and holds office at the pleasure of the governor. The secretary appoints the directors of the programs.

- A. The "tourism commission" is created. The commission shall be a planning commission administratively attached to the Department. The commission shall provide advice to the Department on policy matters. The commission shall be responsible for the annual approval and update of the state's five-year tourism plan. The commission shall consist of seven members who shall be qualified electors of the state of New Mexico, no more than four of whom, at the time of their appointment, shall be members of the same political party and at least one of whom shall be a Native American. Members shall be appointed by the governor and confirmed by the senate. Two members shall be appointed from each of the three congressional districts. One member shall be appointed from the state at large.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 – DEFINITION OF REPORTING ENTITY (CONTINUED)**

- 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].

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Use of Estimates in Preparing Financial Statements**

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**  
June 30, 2013

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

**Financial Reporting Entity**

The financial reporting entity as defined by GASB Statement 14 (amended by GASB 39 and 61) 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 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 Position, 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 activities
- Proprietary activities – Advertising, subscriptions and merchandise sales

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.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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 government-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.

**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)



**STATE OF NEW MEXICO TOURISM DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

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

Special Revenue Funds -

Litter Control & Beautification Fund (SHARE Fund 26200) is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Litter Control & Beautification Fund was 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 awards grants to local governments to establish summer youth employment programs to aid in litter control and beautification projects. The program also conducts a public awareness and media campaign. Financing is provided from a special beautification fee of \$.50 per vehicle registration. Non-reverting fund. (Major Fund)

Scenic Byways Programs (SHARE Fund 03000) is used 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. Non-reverting fund. (Major Fund)

The governmental-type funds identified below did not have budget authority for the fiscal year nor did they have any financial activity or balances. Because of this, they have not been included for presentation in the financial statements.

SHARE Fund No.	Description
89000	ARRA Fund
82300	Capital Projects Fund

**Proprietary Funds** – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, 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 promotional items at visitor centers. This fund is non-reverting. (Major Fund)

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 2 - 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**  
**June 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 2012, Chapter 19, Section 3, item M, "For the purpose of administering the General Appropriation Act of 2012 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 account based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget, which becomes effective on July 1.
- Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue funds.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**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 monitored by the State Treasurer. See Note 4 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.

**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.

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

**Unearned Revenue and Unexpired Subscriptions**

The New Mexico Magazine enterprise fund records unearned revenue 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.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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

**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. 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.

**Governmental Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State.

Assigned – Amounts that are constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

Unassigned – All amounts not included in other spendable classifications.

As of June 30, 2013, the following funds had a fund balance: the General Fund (18800) had a nonspendable fund balance of \$37,585 relating to prepaid expenses; the Litter Control and Beautification Fund (26200) had a fund balance of \$1,109,713; and the Scenic Byways Fund (03000) had a fund balance of \$24,245, all of which was restricted for the statewide Tourism Development Program.

**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.

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.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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 2013 fiscal year.

The operating revenues and expenses of the proprietary funds are those transactions that constitute the funds' principal ongoing operations.

**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.

**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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Department did not have any items that were required to be reported in this category as of June 30, 2013.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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

**Net Position**

In June 2011, GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), effective for the Department's fiscal year beginning July 1, 2012. GASB 63 modifies the presentation of deferred inflows and deferred outflows in the financial statements; it also limits the use of the term "deferred." Implementation of GASB 63 had no effect on the Department's net position or changes in net position for the fiscal year ended June 30, 2013.

The government-wide statements utilize a net position presentation categorized as follows:

Net investment in capital assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position used are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category reflects net position of the Department not restricted for any project or other purpose.

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

**Subsequent Events**

Management evaluated subsequent events through December 13, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to December 13, 2013, that provided additional evidence about conditions that existed at June 30, 2013 have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2013.

**NOTE 3 - STATE GENERAL FUND INVESTMENT POOL**

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference



**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 3 - STATE GENERAL FUND INVESTMENT POOL (CONTINUED)**

between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items was unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of DFA undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has implemented or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis; however, it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

Management in FY 2012 recorded a loss contingency of \$101.7 million in the General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool; that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 4 - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL**

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2013, the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool: \$3,586,858

Interest Rate Risk – The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk – The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2013.

The fair values of the investments maintained at the New Mexico State Treasurer's Office are as follows at June 30, 2013:

Fund	SHARE Fund No.	Maturities	Fair Value June 30, 2013
General	18800	1 day to 3 years	\$ 733,482
Litter Control and Beautification	26200	1 day to 3 years	\$ 1,395,464
Scenic Byways Fund	30000	1 day to 3 years	\$ 23,845
New Mexico Magazine	38200	1 day to 3 years	\$ 1,401,442
Tourism Enterprise	91900	1 day to 3 years	\$ 32,625

**NOTE 5 - ACCOUNTS RECEIVABLE**

**Business-type Activities**

Accounts receivable at June 30, 2013 represents advertising revenue receivable and subscription revenue receivable of the New Mexico Magazine Enterprise Fund, as follows:

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 5 - ACCOUNTS RECEIVABLE (CONTINUED)**

	<u>Advertising Receivable</u>	<u>Subscription Receivable</u>	<u>Total Receivable</u>
Total accounts receivable	\$ 1,231,787	\$ 8,199	\$ 1,239,986
Less allowances for uncollectible accounts	<u>1,135,428</u>	<u>1,013</u>	<u>1,136,441</u>
Accounts receivable, net	<u>\$ 96,359</u>	<u>\$ 7,186</u>	<u>\$ 103,545</u>

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

**NOTE 6 - DUE FROM/TO OTHER FUNDS**

Interfund receivables and payables arose primarily from payroll expenses that were paid out of the wrong fund. All interfund payables and receivables are expected to be settled within one year. The Department had an amount of \$44,220 due from New Mexico Magazine (Fund 38200) to the General Fund (Fund 18800) outstanding at June 30, 2013 to reclassify expenses in the correct fund. No other interfund balances existed at June 30, 2013.

**NOTE 7 - DUE FROM/TO OTHER STATE AGENCIES**

Due from and due to other state agencies represent interagency receivables and payables arising from interagency transactions. There were no amounts due to other state agencies at June 30, 2013.

**Due from Other State Agencies**

<u>Transfers 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>
Litter Control and Beautification	26200	\$ 86,306	Distributions for June TRD/MVD Distribution	39401	\$ 86,306
Litter Control & Beaut.	26200	218	NMDGF - OHV Fees	10840	218
Litter Control & Beaut.	26200	138	STD-Interest on deposits	80100	138
Scenic Byways	30000	<u>400</u>	TRD/MVD Distribution	82500	<u>400</u>
Total all funds		<u>\$ 87,062</u>	Total all funds		<u>\$ 87,062</u>

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE 8 - 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 \$126,749 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.

**NOTE 9 – CAPITAL ASSETS**

A summary of changes in capital assets for governmental activities follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Equipment & Machinery	\$ 27,156	\$ 7,356	\$ (3,246)	\$ 31,266
Furniture & Fixtures	13,253	-	-	13,253
Data Processing & Software	31,303	4,771	-	36,074
Vehicles	<u>130,492</u>	<u>29,956</u>	<u>-</u>	<u>160,448</u>
Total capital assets	<u>202,204</u>	<u>42,083</u>	<u>(3,246)</u>	<u>241,041</u>
Less accumulated depreciation for:				
Equipment & Machinery	(10,716)	(396)	-	(11,112)
Furniture & Fixtures	(13,253)	-	-	(13,253)
Data Processing & Software	(24,817)	(11,257)	-	(36,074)
Vehicles	<u>(92,897)</u>	<u>(7,495)</u>	<u>-</u>	<u>(100,392)</u>
Total accumulated depreciation	<u>(141,683)</u>	<u>(19,148)</u>	<u>-</u>	<u>(160,831)</u>
Governmental activities capital assets, net	<u>\$ 60,521</u>	<u>\$ 22,935</u>	<u>\$ (3,246)</u>	<u>\$ 80,210</u>

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 9 – CAPITAL ASSETS (CONTINUED)**

A summary of changes in capital assets for business-type activities follows:

<u>Business-type Activities</u>	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Equipment & Machinery	\$ 2,866	\$ -	\$ -	\$ 2,866
Furniture & Fixtures	1,401	-	-	1,401
Data Processing & Software	1,637	-	-	1,637
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>5,904</u>	<u>-</u>	<u>-</u>	<u>5,904</u>
Less accumulated depreciation for:				
Equipment & Machinery	(2,866)	-	-	(2,866)
Furniture & Fixtures	(1,401)	-	-	(1,401)
Data Processing & Software	<u>(1,637)</u>	<u>-</u>	<u>-</u>	<u>(1,637)</u>
Total accumulated depreciation	<u>(5,904)</u>	<u>-</u>	<u>-</u>	<u>(5,904)</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The depreciation expense for the government activities was \$19,148. The Department did not have any debt related to capital assets as of June 30, 2013. In the Statement of Activities, depreciation expense is captured in the Tourism category under governmental activities. Business-type capital assets were fully depreciated prior to fiscal year 2013, which began July 1, 2012.

**NOTE 10 - COMPENSATED ABSENCES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

**Governmental Activities:**

<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due Within One Year</u>
\$ 138,011	\$ 114,964	\$ (125,331)	\$ 127,644	\$ 126,576

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 10 - COMPENSATED ABSENCES (CONTINUED)**

**Business-type Activities:**

<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts Due</u> <u>Within One Year</u>
\$ 20,497	\$ 16,172	\$ (20,933)	\$ 15,736	\$ 15,736

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 74%; Litter Control & Beautification Fund (SHARE number 26200), approximately 3%; and NM Magazine Fund (SHARE number 38200), approximately 23%.

**NOTE 11 - REVERSIONS**

In accordance with statute Section 6-5-10(A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds as of June 30 shall revert. A reversion of \$56,253 was recognized for fiscal year 2013. \$17,312 is payable at June 30, 2013 to the State General Fund. Reversions due to the State General Fund are due by September 30, 2013. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

**NOTE 12 - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Plan Description**

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

**Funding Policy**

Plan members are required to contribute 7.42% of their gross salary. The Department is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$358,917, \$356,337 and \$469,502, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 13 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

**Plan Description**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

**Funding Policy**

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

The employer, employee and retiree contribution are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998 are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$49,616, \$48,625 and \$53,847, respectively, which equal the required contributions for each year.

**NOTE 14 - 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, 2013 are as follows:

Year ending June 30:

2014	\$	42,170
2015		16,513
2016		5,196
2017		-
2018 and thereafter		-
<b>Total</b>	<b>\$</b>	<b><u>63,879</u></b>

Lease expense under all long-term operating leases for the year ended June 30, 2013 was \$32,482.



**STATE OF NEW MEXICO TOURISM DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 15 - OTHER FINANCING SOURCES (USES)**

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

**Transfers In from Other State Agencies – Governmental Funds**

<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>
General Fund (General Appropriations	18800	<u>\$ 8,300,700</u>	Dept. of Finance and Administration - 34100	85300	<u>\$ 8,300,700</u>
Total		<u>\$ 8,300,700</u>	Total		<u>\$ 8,300,700</u>

**NOTE 16 - RISK MANAGEMENT**

The Department obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes public liability, property, workers compensation, surety bond unemployment compensation and group health insurance. These coverages are designed to satisfy the requirements of the State Tort Claims Act. The maximum limits provided by the Tort Claims Act are \$1,050,000 per occurrence.

The Department had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2013, 2012 and 2011, there were no settlements that exceeded insurance coverage.

**NOTE 17 – NEW PRONOUNCEMENTS**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Department did not have any items that were required to be reported in this category as of June 30, 2013.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 17 – NEW PRONOUNCEMENTS (CONTINUED)**

**Net Position**

In June 2011, GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), effective for the Department's fiscal year beginning July 1, 2012. GASB 63 modifies the presentation of deferred inflows and deferred outflows in the financial statements; it also limits the use of the term "deferred." Implementation of GASB 63 had no effect on the Department's net position or changes in net position for the fiscal year ended June 30, 2013.

The government-wide statements utilize a net position presentation categorized as follows:

Net investment in capital assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position used are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category reflects net position of the Department not restricted for any project or other purpose.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES - ENTERPRISE FUNDS -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended June 30, 2013**

<b>NEW MEXICO MAGAZINE (38200)</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance From Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ 3,405,100	\$ 3,405,100	\$ 3,048,591	\$ (356,509)
Other financing sources	-	-	-	-
Total revenues	3,405,100	3,405,100	3,048,591	(356,509)
<b>EXPENDITURES - current</b>				
Personnel services/benefits	905,800	839,200	762,603	76,597
Contractual services	836,900	903,500	816,836	86,664
Other	1,662,400	1,662,400	1,317,864	344,536
Total expenditures	3,405,100	3,405,100	2,897,303	507,797
<b>CHANGE IN NET POSITION</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 151,288</b>	<b>\$ 151,288</b>

STATE OF NEW MEXICO TOURISM DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES - ENTERPRISE FUNDS -  
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)  
Year Ended June 30, 2013

TOURISM ENTERPRISE (91900)				
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 30,000	\$ 30,000	\$ 34,667	\$ 4,667
Total revenues	30,000	30,000	34,667	4,667
<b>EXPENDITURES - current</b>				
Other	30,000	30,000	17,054	12,946
Total expenditures	30,000	30,000	17,054	12,946
<b>CHANGE IN NET POSITION</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,613</b>	<b>\$ 17,613</b>

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
SCHEDULE OF JOINT POWERS AGREEMENTS  
Year Ended June 30, 2013**

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

New Mexico Department of Transportation,  
New Mexico Taxation and Revenue Department  
For the National Scenic Byways Historical Route 66

New Mexico Department of Cultural Affairs  
Legal Counsel Services

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.

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.

City of Raton  
New Mexico Tourism Dept./Raton Visitor Information Center  
Define and clarify the responsibilities of the parties as tenants of the Center.

New Mexico State Personnel Office  
Human Resource Management

Responsible Party	Dates of Agreement		Amount Applicable	Amount Contributed	Audit Responsibility
	Beginning	Ending			
NMTD	3/12/2007	indefinite	\$ -	\$ -	NMTD
NMTD	11/23/2011	indefinite	\$ -	\$ 18,000	NMTD
NMTD	12/18/2008	indefinite	\$ 12,500	\$ 12,500	NMTD
NMTD	12/18/2008	indefinite	\$ 12,500	\$ 12,500	NMTD
NMTD	12/9/2008	indefinite	\$ -	\$ -	NMTD
NMTD	7/1/2012	6/30/2013	\$ 45,272	\$ 45,272	NMTD



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
500 Marquette NW, Suite 800  
Albuquerque, NM 87102  
505-842-8290 | fax 505-842-1568  
www.cliftonlarsonallen.com

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

Ms. Monique Jacobson, Cabinet Secretary  
State of New Mexico Tourism Department and  
Mr. Hector H. Balderas  
New Mexico State Auditor

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of 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, 2013, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and related budgetary comparisons of the Department, presented as supplemental information, and have issued our report thereon dated December 13, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described as 2011-002 in the accompanying schedule of findings and responses, that we consider to be a significant deficiency.



## **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 2012-001 and 2012-003.


## **The Department's Responses to Findings**

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

## **CliftonLarsonAllen LLP**



Albuquerque, New Mexico  
December 13, 2013

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2013

**Section I - Financial Statement Findings**

**Finding 2011-002 Capital Asset Monitoring and Annual Inventory (Significant Deficiency)**

**Condition:** The Department is not performing an annual asset observation, and up-to-date capital asset information is not being actively monitored on either a spreadsheet or with software.

**Criteria:** State agencies shall record and report state owned capital assets in accordance with state law and GAAP, as described in New Mexico's Manual of Model Accounting Practices, Section FIN 6, authorized by Section 6-5-2, 13-6-1, NMSA 1978 and GSD Rule 88-101. In addition, Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable property at the end of the fiscal year.

**Cause:** The Department does not currently have a process in place through which its assets are inventoried at least once a year. The Department is no longer utilizing its capital asset software to calculate depreciation on all of its assets.

**Effect:** The risk that capital assets could be misappropriated is increased due to this condition. Also, the Department is not able to report its capital asset balances, with accumulated depreciation, in a timely manner.

**Recommendation:** We recommend that all of the Department's capital assets be observed at least once a year, and that this observation be documented and reviewed for accuracy. The Department should also develop an effective spreadsheet to track capital assets, or it should consider utilizing capital asset management software.

**Management's Response:** Management will implement a monitoring system of capital assets and conduct a timely annual asset observation to calculate accumulated depreciation.

**Finding 2012-001 Payroll Deduction Authorization Forms (Control Deficiency)**

**Condition:** During our evaluation and testing of internal controls over the payroll process, we discovered that two individuals' benefit enrollment forms did not specify a deduction that was being withheld on their paycheck.

**Criteria:** As set forth in the New Mexico Manual of Model Accounting Practices (H.R.1.1, Section F), state agency payroll staff are tasked with receiving general deduction information from employees, validating the received document, and then entering the deductions into SHARE so that payroll transactions appropriately reflect the desired withholdings.

**Cause:** The Department does not have an effective review process in place through which employee deductions are compared to personnel file documentation.

**Effect:** Employees' net pay may not accurately reflect their desired withholdings and benefits.

**STATE OF NEW MEXICO TOURISM DEPARTMENT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2013**

**Section I - Financial Statement Findings (continued)**

**Finding 2012-001 Payroll Deduction Authorization Forms (Control Deficiency) (continued)**

**Recommendation:** We recommend that a periodic audit be performed by payroll staff at the Department, whereby a random selection of employees is made periodically. For each employee selected, Department staff should compare the deductions on file in personnel records to the actual deductions being taken through SHARE payroll.

**Management's Response:** Management will collaborate and request an upcoming audit of all personnel files with the State Personal Office, Human Resources Services Division. Moving forward, management will conduct a payroll deduction audit for every new personnel file within the first four payrolls of employment.

**Finding 2012-003 Segregation of Duties in the Cash Receipts Process (Control Deficiency)**

**Condition:** In one instance out of twenty-two transactions tested in the cash receipts process, a deposit in the amount of \$259.48 was not reviewed by an individual other than the employee processing the deposit in the accounting system.

**Criteria:** Per the New Mexico Manual of Model Accounting Practices (2010, FIN 2.3), in regards to deposits, "the amount deposited must be verified by an individual independent of the personnel who had access to the monies and/or deposit."

**Cause:** Lack of proper segregation of duties over the cash receipts process.

**Effect:** The likelihood that an error can occur is heightened when only one individual both initiates and records a transaction.

**Recommendation:** We recommend that the Department take steps to ensure that all deposits are verified by another individual within the Administrative Services Division prior to recording in the accounting records.

**Management's Response:** Management has implemented new daily business practices to include a cash receipts (deposit) log that ensures a minimum of three staff members are involved in the verification process. The one instance tested in FY13 occurred in early July 2012, just before this new business practice was implemented.

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
June 30, 2013**

**Section I - Summary Schedule of Prior Year Audit Findings**

**Finding 2011-002 Capital Asset Monitoring and Annual Inventory (Significant Deficiency)  
– Repeated**

The Department is not performing an annual asset observation, and up-to-date capital asset information is not being actively monitored on either a spreadsheet or with software.

**Finding 2012-001 Payroll Deduction Authorization Forms (Control Deficiency) – Repeated  
and Modified**

During our evaluation and testing of internal controls over the payroll process, we discovered that one individual's personnel file was missing a deduction authorization form, and another individual's form did not specify a deduction that was being withheld on his paycheck.

**Finding 2012-002 Approval for Employee Leave (Control Deficiency) – Resolved**

As we tested the internal controls over the payroll process, in one out of twenty-two transactions tested, it was discovered that an employee was paid for two hours of administrative leave for which approval was unable to be located.

**Finding 2012-003 Segregation of Duties in the Cash Receipts Process (Significant  
Deficiency) – Repeated and Modified**

In one instance out of twenty-two transactions tested in the cash receipts process, a deposit was not reviewed by an individual other than the employee processing the deposit in the accounting system.

**Finding 2012-004 Account Reconciliations (Significant Deficiency) – Resolved**

During our audit we noted two asset accounts, inventory and prepaid expenses, for which the Department did not provide timely detail of the balances. Audit adjustments in the amount of \$7,541 and \$30,970 were required to accurately state inventory and prepaid expense balances, respectively at June 30, 2012.

**STATE OF NEW MEXICO TOURISM DEPARTMENT  
EXIT CONFERENCE  
June 30, 2013**

An exit conference was held with the Department on December 10, 2013 at the Department's offices in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

**STATE OF NEW MEXICO TOURISM DEPARTMENT**

Monique Jacobson, Cabinet Secretary  
Richard Pickering, Director, Administrative Services Division  
Isabel Duran, Deputy Director, Administrative Services Division  
Lancing Adams, Financial Manager  
Annie Knight, Accountant and Auditor

**CLIFTONLARSONALLEN LLP**

Raul J. Anaya, CPA, CGFM, CFE, Senior Manager  
Carson Townsend, Senior Associate  
Haley Cox, Associate

**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.