

NEW MEXICO TOURISM DEPARTMENT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2015



Wealth Advisory

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Audit, Tax, and Consulting

**NEW MEXICO TOURISM DEPARTMENT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2015**

OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
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 BASIC FINANCIAL STATEMENTS	26
SUPPLEMENTARY INFORMATION	
STATEMENT OF REVENUES AND EXPENDITURES – ENTERPRISE FUNDS – BUDGET AND ACTUAL (BUDGETARY BASIS)	50

**NEW MEXICO TOURISM DEPARTMENT
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015**

OTHER INFORMATION

SCHEDULE OF JOINT POWERS AGREEMENTS	52
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT) (UNAUDITED)	53
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>	56
SCHEDULE OF FINDINGS AND RESPONSES	58
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	61
EXIT CONFERENCE	62

**NEW MEXICO TOURISM DEPARTMENT
OFFICIAL ROSTER
JUNE 30, 2015**

Rebecca Latham, Cabinet Secretary

Isabel Lopez, ASD Deputy Director

INDEPENDENT AUDITORS' REPORT

Ms. Rebecca Latham, Cabinet Secretary
New Mexico Tourism Department and
Mr. Timothy Keller
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 the major special revenue funds of New Mexico Tourism Department (the Department) as of and for the year ended June 30, 2015, 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 supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2015, 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.

Ms. Rebecca Latham, Cabinet Secretary
New Mexico Tourism Department and
Mr. Timothy Keller
New Mexico State Auditor

Auditors' Responsibility (Continued)

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, 2015, 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.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2015, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

Ms. Rebecca Latham, Cabinet Secretary
New Mexico Tourism Department and
Mr. Timothy Keller
New Mexico State Auditor

Other Matters (Continued)

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 Joint Power Agreements and the Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Joint Power Agreements 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 Schedule of Joint Power Agreements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015, 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

Albuquerque, New Mexico
November 25, 2015

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The New Mexico Tourism Department's (the 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, 2015. 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 2015. 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.

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015, is \$904,014: \$719,082 in governmental and \$184,932 in business-type activities. Restricted net position is restricted, for special revenue funds. The unrestricted net position in Governmental Activities was a deficit of \$103,555 and in business-type activities was positive \$184,932 at the end of the fiscal year.

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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

Governmental

	<u>FY 2015</u>	<u>FY2014</u>	<u>Amount Change</u>	<u>Total % Change</u>
Assets:				
Current and Other Assets	\$ 2,839,641	\$ 3,076,913	\$ (237,272)	-7.71%
Capital Assets, Net	<u>52,353</u>	<u>81,266</u>	<u>(28,913)</u>	-36%
Total Assets	<u>\$ 2,891,994</u>	<u>\$ 3,158,179</u>	<u>\$ (266,185)</u>	-8%
Liabilities:				
Current Liabilities	\$ 2,172,912	\$ 2,288,412	\$ (115,500)	-5%
Long-Term Liabilities	<u>-</u>	<u>1,173</u>	<u>(1,173)</u>	-100%
Total Liabilities	<u>2,172,912</u>	<u>2,289,585</u>	<u>(116,673)</u>	-5%
Net Position:				
Net Investment in				
Capital Assets	52,353	81,266	(28,913)	-36%
Restricted	770,284	917,126	(146,842)	-16%
Unrestricted Deficit	<u>(103,555)</u>	<u>(129,798)</u>	<u>26,243</u>	-20%
Total Net Position	<u>719,082</u>	<u>868,594</u>	<u>(149,512)</u>	-17%
Total Liabilities and Net Position	<u>\$ 2,891,994</u>	<u>\$ 3,158,179</u>	<u>\$ (266,185)</u>	-8%

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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

Business-Type

	<u>FY 2015</u>	<u>FY2014</u>	<u>Amount Change</u>	<u>Total % Change</u>
Assets:				
Current and Other Assets	\$ 1,435,657	\$ 1,632,592	\$ (196,935)	-12%
Total Assets	<u>\$ 1,435,657</u>	<u>\$ 1,632,592</u>	<u>\$ (196,935)</u>	-12%
Liabilities:				
Current Liabilities	\$ 1,019,264	\$ 1,049,838	\$ (30,574)	-3%
Long-Term Liabilities	<u>231,461</u>	<u>233,469</u>	<u>(2,008)</u>	-1%
Total Liabilities	<u>1,250,725</u>	<u>1,283,307</u>	<u>(32,582)</u>	-3%
Net Position:				
Unrestricted	<u>184,932</u>	<u>349,285</u>	<u>(164,353)</u>	-47%
Total Net Position	<u>184,932</u>	<u>349,285</u>	<u>(164,353)</u>	-47%
Total Liabilities and Net Position	<u>\$ 1,435,657</u>	<u>\$ 1,632,592</u>	<u>\$ (196,935)</u>	-12%

The Department's total assets are comprised of \$52,353 in capital assets and \$4,275,298 in other assets, for a total asset balance of \$4,327,651. The overall decrease in total assets from the previous fiscal year is \$463,120. Liabilities are also broken out into two segments: current liabilities and non-current liabilities. The total amount of current liabilities is \$3,192,176, a decrease of approximately 5% from the prior year balance of \$3,338,250. 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 \$231,461 at June 30, 2015.

The Department's Activities: The table below summarizes the Department's activities for the fiscal years ending June 30, 2015 and 2014. Total change in net position from the previous fiscal year was a decrease of \$313,865.

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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

Governmental

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Amount Change</u>	<u>Total % Change</u>
General Revenues and Transfers In	\$ 13,855,580	\$ 11,343,456	\$ 2,512,124	22%
Total Revenue	13,855,580	11,343,456	2,512,124	22%
Expenses and Transfers Out	(14,005,092)	(11,598,971)	(2,406,121)	21%
Change in Net Position	(149,512)	(255,515)	106,003	-41%
Net Position - Beginning of Year	868,594	1,124,109	(255,515)	-23%
Net Position - End of Year	<u>\$ 719,082</u>	<u>\$ 868,594</u>	<u>\$ (149,512)</u>	-17%

Business-Type

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Amount Change</u>	<u>Total % Change</u>
Program Revenues	\$ 2,821,696	\$ 2,950,371	\$ (128,675)	-4%
Total Revenue	2,821,696	2,950,371	(128,675)	-4%
Expenses	(2,986,049)	(3,096,543)	110,494	-4%
Change in Net Position	(164,353)	(146,172)	(18,181)	12%
Net Position - Beginning of Year	349,285	495,457	(146,172)	-30%
Net Position - End of Year	<u>\$ 184,932</u>	<u>\$ 349,285</u>	<u>\$ (164,353)</u>	-47%

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Information on Individual Funds

The 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 two 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 \$0.50 per vehicle registration. The Scenic Byways Fund derives its funding from an additional fee of \$25 per motor vehicle registration for the sale of special Route 66 Commemorative Registration Plates. However, there was no current year activity for this fund, as the underlying agreement with New Mexico Department of Transportation and New Mexico Taxation and Revenue. 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, 2015	Balance, June 30, 2014	Total % Change
General Fund	18800	\$ 1,669,370	\$ 1,763,644	-5%
Litter Control and Beautification Fund	26200	\$ 1,079,180	\$ 1,204,714	-10%
Scenic Byways Fund	03000	\$ -	\$ -	0%
New Mexico Magazine Fund	38200	\$ 1,156,632	\$ 1,267,533	-9%
Tourism Enterprise Fund	91900	\$ 71,461	\$ 58,510	22%

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015	June 30, 2014	
General Fund	18800	\$ 12,837,800	\$ 10,332,300	24%
Litter Control and Beautification Fund	26200	1,017,780	1,033,756	-2%
Scenic Byways Fund	03000	-	800	-100%
New Mexico Magazine Fund	38200	2,785,498	2,913,274	-4%
Tourism Enterprise Fund	91900	36,198	37,097	-2%
Total Revenues		\$ 16,677,276	\$ 14,317,227	

Fund Name	Fund Code	Expenditures/Expenses		Total % Change
		Fiscal Year Ended	Fiscal Year Ended	
		June 30, 2015	June 30, 2014	
General Fund	18800	\$ 12,848,633	\$ 10,352,860	24%
Litter Control and Beautification Fund	26200	1,153,789	1,243,368	-7%
Scenic Byways Fund	03000	-	25,045	-100%
New Mexico Magazine Fund	38200	2,956,066	3,089,793	-4%
Tourism Enterprise Fund	91900	29,983	6,750	344%
Total Expenses		\$ 16,988,471	\$ 14,717,816	

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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 \$114,318.

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, 2015 is \$52,353 for the governmental activities. Business-type capital assets were fully depreciated at June 30, 2015. For governmental activities and business-type activities, the Department 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 2015. Long-term liabilities recorded for the Department consist of long-term, unexpired magazine subscriptions.

Anticipated Future Conditions and Changes

The Department was awarded \$12,337,800 in State General Fund appropriations for fiscal year 2016.

New Mexico Magazine has obtained a Procurement Code Exemption, 13-1-98 "GG" NMSA 1978 for the procurement of commissioned advertising sales representatives. This exemption has allowed for a more timely procurement of a new sales team. The expectation is additional revenues with reasonable expenditures will result in increases to fund balance going forward

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, New Mexico 87501.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Investment in State General Fund			
Investment Pool	\$ 2,748,550	\$ 1,228,093	\$ 3,976,643
Due from Other Agencies	84,449	-	84,449
Receivables, Net	-	48,005	48,005
Due from Other Funds	450	-	450
Prepaid Expenses	6,192	55,808	62,000
Inventories	-	103,751	103,751
Total Current Assets	2,839,641	1,435,657	4,275,298
Non-Current:			
Capital Assets	263,902	5,904	269,806
Less Accumulated Depreciation	(211,549)	(5,904)	(217,453)
Total Non-Current Assets	52,353	-	52,353
 Total Assets	\$ 2,891,994	\$ 1,435,657	\$ 4,327,651
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts Payable	\$ 1,907,501	\$ 118,511	\$ 2,026,012
Accrued Payroll and Related Liabilities	23,228	65,929	89,157
Due to Other Funds	-	450	450
Due to Other State Agencies	13,435	-	13,435
Due to State General Fund	125,193	-	125,193
Deposits Held for Others	-	1,616	1,616
Unearned Revenue	-	40,034	40,034
Compensated Absences	103,555	14,131	117,686
Unexpired Subscriptions	-	778,593	778,593
Total Current Liabilities	2,172,912	1,019,264	3,192,176
Long-Term Liabilities:			
Unexpired Subscriptions, Long-Term	-	231,461	231,461
Total Liabilities	2,172,912	1,250,725	3,423,637
NET POSITION			
Net Investment in Capital Assets	52,353	-	52,353
Restricted	770,284	-	770,284
Unrestricted (Deficit)	(103,555)	184,932	81,377
Total Net Position	719,082	184,932	904,014
 Total Liabilities and Net Position	\$ 2,891,994	\$ 1,435,657	\$ 4,327,651

See accompanying Notes to Basic Financial Statements

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues	
	Expenses	Charges for Services
GOVERNMENTAL ACTIVITIES		
Tourism	\$ 13,879,941	\$ -
Total Governmental Activities	13,879,941	-
BUSINESS-TYPE ACTIVITIES		
Publishing	2,986,049	2,821,696
Total Business-Type activities	2,986,049	2,821,696
TOTAL PRIMARY GOVERNMENT	\$ 16,865,990	\$ 2,821,696

See accompanying Notes to Basic Financial Statements

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
	\$ (13,879,941)	\$ -	\$ (13,879,941)
	(13,879,941)	-	(13,879,941)
	-	(164,353)	(164,353)
	-	(164,353)	(164,353)
	(13,879,941)	(164,353)	(14,044,294)
General Revenues:			
Other Registration Fees	1,016,897	-	1,016,897
Miscellaneous	883	-	883
Transfers:			
Reversion to the State General Fund FY15	(125,151)	-	(125,151)
State General Fund Appropriation	12,788,200	-	12,788,200
Other State Agency Transfers, Net	49,600	-	49,600
Total General Revenues and Transfers	13,730,429	-	13,730,429
CHANGE IN NET POSITION	(149,512)	(164,353)	(313,865)
Net Position - Beginning of Year	868,594	349,285	1,217,879
NET POSITION - END OF YEAR	<u>\$ 719,082</u>	<u>\$ 184,932</u>	<u>\$ 904,014</u>

**NEW MEXICO TOURISM DEPARTMENT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund 18800	Major Funds Litter Control and Beautification Fund 26200	Scenic Byways Fund 03000	Total Governmental Funds
ASSETS				
Investment in State General Fund Investment Pool	\$ 1,669,370	\$ 1,079,180	\$ -	\$ 2,748,550
Due from Other Funds	450	-	-	450
Due from Other Agencies	-	84,449	-	84,449
Prepaid Items	6,192	-	-	6,192
	<u>6,192</u>	<u>-</u>	<u>-</u>	<u>6,192</u>
 Total Assets	 <u>\$ 1,676,012</u>	 <u>\$ 1,163,629</u>	 <u>\$ -</u>	 <u>\$ 2,839,641</u>
LIABILITIES				
Accounts Payable	\$ 1,516,097	\$ 391,404	\$ -	\$ 1,907,501
Accrued Payroll and Related Liabilities	15,095	8,133	-	23,228
Due to Other State Agencies	13,435	-	-	13,435
Due to State General Fund	125,193	-	-	125,193
Total Liabilities	<u>1,669,820</u>	<u>399,537</u>	<u>-</u>	<u>2,069,357</u>
FUND BALANCES				
Nonspendable:				
Prepaid Items	6,192	-	-	6,192
Restricted	-	764,092	-	764,092
Total Fund Balances	<u>6,192</u>	<u>764,092</u>	<u>-</u>	<u>770,284</u>
 Total Liabilities and Fund Balances	 <u>\$ 1,676,012</u>	 <u>\$ 1,163,629</u>	 <u>\$ -</u>	 <u>\$ 2,839,641</u>

See accompanying Notes to Basic Financial Statements.

**NEW MEXICO TOURISM DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 770,284
 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:	263,902
Accumulated Depreciation is:	<u>(211,549)</u>
Total Capital Assets	52,353
 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>(103,555)</u>
 Net Position of Governmental Activities (Statement of Net Position)	 <u><u>\$ 719,082</u></u>

See accompanying Notes to Basic Financial Statements.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	General Fund 18800	Major Funds Litter Control and Beautification Fund 26200	Scenic Byways Fund 03000	Total Governmental Funds
REVENUES				
Other Registration Fees	\$ -	\$ 1,016,897	\$ -	\$ 1,016,897
Miscellaneous	-	883	-	883
Total Revenues	<u>-</u>	<u>1,017,780</u>	<u>-</u>	<u>1,017,780</u>
EXPENDITURES				
Tourism	<u>12,723,482</u>	<u>1,153,789</u>	<u>-</u>	<u>13,877,271</u>
Total Expenditures	<u>12,723,482</u>	<u>1,153,789</u>	<u>-</u>	<u>13,877,271</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(12,723,482)	(136,009)	-	(12,859,491)
OTHER FINANCING SOURCES (USES)				
State General Fund Appropriations	12,788,200	-	-	12,788,200
Other State Agency Transfers, Net	49,600	-	-	49,600
Reversion to State General Fund 2015 Fiscal Year	<u>(125,151)</u>	<u>-</u>	<u>-</u>	<u>(125,151)</u>
Total Other Financing Sources (Uses)	<u>12,712,649</u>	<u>-</u>	<u>-</u>	<u>12,712,649</u>
NET CHANGE IN FUND BALANCE	(10,833)	(136,009)	-	(146,842)
Fund Balances - Beginning of Year	<u>17,025</u>	<u>900,101</u>	<u>-</u>	<u>917,126</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,192</u>	<u>\$ 764,092</u>	<u>\$ -</u>	<u>\$ 770,284</u>

See accompanying Notes to Basic Financial Statements.

**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, 2015**

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (146,842)
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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:

26,243

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	-
Depreciation Expense	(28,913)
Excess of Capital Outlay Over Depreciation Expense	<u>(28,913)</u>

Change in Net Position of Governmental Activities (Statement of Activities)	<u>\$ (149,512)</u>
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**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES –
MAJOR GOVERNMENTAL FUNDS – BUDGET AND ACTUAL
(BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2015**

	General Fund (18800)			Variance from Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
State General Fund Appropriations	\$ 12,788,200	\$ 12,788,200	\$ 12,788,200	\$ -
Other Financing Sources	49,600	49,600	49,600	-
Total Revenues	<u>12,837,800</u>	<u>12,837,800</u>	<u>12,837,800</u>	<u>-</u>
EXPENDITURES				
Personnel Services/Benefits	2,902,500	2,647,000	2,575,559	71,441
Contractual Services	395,900	694,200	676,797	17,403
Other	9,539,400	9,496,600	9,471,126	25,474
Total Expenditures	<u>12,837,800</u>	<u>12,837,800</u>	<u>12,723,482</u>	<u>114,318</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ -</u>	114,318	<u>\$ 114,318</u>
NON-BUDGETED RECONCILING ITEMS				
Reversions to State General Fund			<u>(125,151)</u>	
NET CHANGE IN FUND BALANCE			<u><u>(\$10,833)</u></u>	

See accompanying Notes to Basic Financial Statements.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES –
MAJOR GOVERNMENTAL FUNDS – BUDGET AND ACTUAL
(BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2015**

Litter Control & Beautification Fund (26200)				
	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other Registration Fees	\$ 1,029,600	\$ 1,029,600	\$ 1,016,897	\$ (12,703)
Miscellaneous	-	-	883	883
Budgeted Fund Balance	-	275,000	-	(275,000)
Total Revenues	1,029,600	1,304,600	1,017,780	(286,820)
EXPENDITURES				
Personnel Services/Benefits	150,000	150,000	93,739	56,261
Contractual Services	151,500	426,500	425,829	671
Other	728,100	728,100	634,221	93,879
Total Expenditures	1,029,600	1,304,600	1,153,789	150,811
DEFICIENCY OF REVENUES UNDER EXPENDITURES	\$ -	\$ -	(136,009)	\$ (136,009)
NET CHANGE IN FUND BALANCE			\$ (136,009)	

See accompanying Notes to Basic Financial Statements.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES –
MAJOR GOVERNMENTAL FUNDS – BUDGET AND ACTUAL
(BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2015**

	Scenic Byways Fund (03000)			Variance from Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES	-	-	-	-
Total Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

See accompanying Notes to Basic Financial Statements.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2015**

	Business-Type Activities		Total
	New Mexico Magazine (38200)	Tourism Enterprise (91900)	
ASSETS			
Current:			
Investment in State General Fund			
Investment Pool	\$ 1,156,632	\$ 71,461	\$ 1,228,093
Accounts Receivable, Net	48,005	-	48,005
Inventories	96,412	7,339	103,751
Prepaid Postage	55,808	-	55,808
Total Current Assets	<u>1,356,857</u>	<u>78,800</u>	<u>1,435,657</u>
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>
 Total Assets	 <u><u>\$ 1,356,857</u></u>	 <u><u>\$ 78,800</u></u>	 <u><u>\$ 1,435,657</u></u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current:			
Accounts Payable	\$ 118,332	\$ 179	\$ 118,511
Accrued Payroll and Related Liabilities	65,929	-	65,929
Due to Other Funds	450	-	450
Deferred Revenue	40,034	-	40,034
Unexpired Subscriptions - Current	778,593	-	778,593
Compensated Absences - Current	14,131	-	14,131
Deposits Held for Others	1,552	64	1,616
Total Current Liabilities	<u>1,019,021</u>	<u>243</u>	<u>1,019,264</u>
Non-Current:			
Unexpired Subscriptions - Long-Term	<u>231,461</u>	<u>-</u>	<u>231,461</u>
Total Non-Current Liabilities	<u>231,461</u>	<u>-</u>	<u>231,461</u>
 Total Liabilities	 1,250,482	 243	 1,250,725
NET POSITION			
Unrestricted	<u>106,375</u>	<u>78,557</u>	<u>184,932</u>
Total Net Position	<u>106,375</u>	<u>78,557</u>	<u>184,932</u>
 Total Liabilities and Net Position	 <u><u>\$ 1,356,857</u></u>	 <u><u>\$ 78,800</u></u>	 <u><u>\$ 1,435,657</u></u>

See accompanying Notes to Basic Financial Statements.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Business-Type Activities		Total
	New Mexico Magazine (38200)	Tourism Enterprise (91900)	
OPERATING REVENUES			
Charges for Services:			
New Mexico Magazine	\$ 2,777,817	\$ -	\$ 2,777,817
By-Product Sales	-	10,210	10,210
Miscellaneous	7,681	25,988	33,669
Total Operating Revenues	<u>2,785,498</u>	<u>36,198</u>	<u>2,821,696</u>
OPERATING EXPENSES			
Personal Services	749,376	-	749,376
Contractual Services	772,555	23,000	795,555
Other Costs	1,434,135	6,983	1,441,118
Total Operating Expenses	<u>2,956,066</u>	<u>29,983</u>	<u>2,986,049</u>
OPERATING INCOME (LOSS)	<u>(170,568)</u>	<u>6,215</u>	<u>(164,353)</u>
CHANGE IN NET POSITION	(170,568)	6,215	(164,353)
Total Net Position - Beginning of Year	<u>276,943</u>	<u>72,342</u>	<u>349,285</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 106,375</u>	<u>\$ 78,557</u>	<u>\$ 184,932</u>

See accompanying Notes to Basic Financial Statements.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Business-Type Activities		Total
	New Mexico Magazine (38200)	Tourism Enterprise (91900)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 2,855,754	\$ 38,688	\$ 2,894,442
Payments to Suppliers	(2,219,194)	(25,737)	(2,244,931)
Payments to Employees	(747,461)	-	(747,461)
Net Cash Provided (Used) by Operating Activities	<u>(110,901)</u>	<u>12,951</u>	<u>(97,950)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(110,901)	12,951	(97,950)
Cash and Cash Equivalents - Beginning of Year	<u>1,267,533</u>	<u>58,510</u>	<u>1,326,043</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,156,632</u></u>	<u><u>\$ 71,461</u></u>	<u><u>\$ 1,228,093</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (170,568)	\$ 6,215	\$ (164,353)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Change in Assets and Liabilities:			
Receivables - Net	55,972	2,490	58,462
Inventories	27,324	4,054	31,378
Prepaid Expenses	9,145	-	9,145
Accounts and Other Payables	(12,012)	192	(11,820)
Deferred Revenue	14,284	-	14,284
Accrued Payroll and Compensated Absences	1,915	-	1,915
Unexpired Subscriptions	(37,411)	-	(37,411)
Due to Other Funds	450	-	450
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (110,901)</u></u>	<u><u>\$ 12,951</u></u>	<u><u>\$ (97,950)</u></u>

See accompanying Notes to Basic Financial Statements.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

NMSA 9-15A-8. Tourism Commission Created: Membership, Administratively Attached to the Department (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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

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.). The Department does not currently employ indirect cost allocation systems.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (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.

Emphasis in the fund financial statements is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

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

The Department does not have any fiduciary funds or 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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting

The Department uses the following fund types:

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

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

Special Revenue Funds –

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 \$0.50 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 current or previous 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

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting (Continued)

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)

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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 2014, Chapter 63, Section 3, item L, "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 12 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:

- o 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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

- 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.

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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and Fixtures	10 Years
Equipment and Machinery	10 Years
Vehicles	5 Years
Data Processing and 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.

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. Inter-fund balances at June 30, 2015 consisted of \$450 due to the General Fund from the New Mexico Magazine Fund for reimbursement of expenditures.

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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reverting Funds

Reverting funds are all funds that are not identified by law as non-reverting. 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.

Unassigned – All amounts not included in other spendable classifications.

As of June 30, 2015, the following funds had a fund balance: the General Fund (18800) had a nonspendable fund balance of \$6,192 relating to prepaid expenses; the Litter Control and Beautification Fund (26200) had a fund balance of \$764,092, all of which was restricted for the statewide Tourism Development Program.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2015 fiscal year.

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

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

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

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, 2015.

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, 2015.

Net Position

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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 3 STATE GENERAL FUND INVESTMENT POOL

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point- forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been applied to fiscal year-end 2014 and the months from January 2015 through June 2015.

Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

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, 2015, the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool	\$3,976,643
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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, 2015.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 4 ACCOUNTS RECEIVABLE

Business-Type Activities

Accounts receivable at June 30, 2015 represents advertising revenue receivable and subscription revenue receivable of the New Mexico Magazine Enterprise Fund and other receivable of the Tourism Enterprise Fund, as follows:

	Advertising Receivable	Subscription Receivable	Total Receivable
Total Accounts Receivable	\$ 1,258,526	\$ 27,898	\$ 1,286,424
Less: Allowances for Uncollectible Accounts	<u>(1,234,450)</u>	<u>(3,969)</u>	<u>(1,238,419)</u>
Accounts Receivable - Net	<u>\$ 24,076</u>	<u>\$ 23,929</u>	<u>\$ 48,005</u>

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

NOTE 5 DUE FROM/TO OTHER STATE AGENCIES

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

Due from Other State Agencies

Fund Name	Fund No.	Amount	Due from Agency/Purpose	Fund No.	Amount
Litter Control and Beautification	26200	\$ 84,221	Distributions for June:		
			TRD/MVD Distribution	39401	\$ 84,221
Litter Control and Beautification	26200	<u>228</u>	NMDGF - OHV Fees	10840	<u>228</u>
Total All Funds		<u>\$ 84,449</u>	Total All Funds		<u>\$ 84,449</u>

Due to Other State Agencies

Fund Name	Fund No.	Amount	Due from Agency/Purpose	Fund No.	Amount
General Fund	18800	\$ 13,435	DoIT - Shared Legal	20370	\$ 13,435

NOTE 6 INVENTORIES

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

The inventory balance of \$103,751 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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 7 CAPITAL ASSETS

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

Governmental Activities	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Equipment and Machinery	\$ 31,266	\$ -	\$ -	\$ 31,266
Furniture and Fixtures	13,253	-	-	13,253
Data Processing and Software	36,074	-	-	36,074
Vehicles	183,309	-	-	183,309
Total Capital Assets	263,902	-	-	263,902
Less: Accumulated				
Depreciation for:				
Equipment and Machinery	(14,239)	(3,860)	-	(18,099)
Furniture and Fixtures	(13,253)	-	-	(13,253)
Data Processing and Software	(36,074)	-	-	(36,074)
Vehicles	(119,070)	(25,053)	-	(144,123)
Total Accumulated Depreciation	(182,636)	(28,913)	-	(211,549)
Governmental Activities Capital Assets - Net	<u>\$ 81,266</u>	<u>\$ (28,913)</u>	<u>\$ -</u>	<u>\$ 52,353</u>

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

Business-type Activities	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Equipment and Machinery	\$ 2,866	\$ -	\$ -	\$ 2,866
Furniture and Fixtures	1,401	-	-	1,401
Data Processing and Software	1,637	-	-	1,637
Other	-	-	-	-
Total Capital Assets	5,904	-	-	5,904
Less: Accumulated				
Depreciation for:				
Equipment and Machinery	(2,866)	-	-	(2,866)
Furniture and Fixtures	(1,401)	-	-	(1,401)
Data Processing and Software	(1,637)	-	-	(1,637)
Total Accumulated Depreciation	(5,904)	-	-	(5,904)
Business-Type Activities Capital Assets - Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The depreciation expense for the government activities was \$28,913. The Department did not have any debt related to capital assets as of June 30, 2015. 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 2015.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 8 COMPENSATED ABSENCES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

Governmental Activities:

Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
\$ 129,798	\$ 95,764	\$ (122,007)	\$ 103,555	\$ 103,555

Business-Type Activities:

Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
\$ 15,736	\$ 22,014	\$ (23,619)	\$ 14,131	\$ 14,131

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 9 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 \$125,151 was recognized for fiscal year 2015. \$125,193 is payable at June 30, 2015 to the State General Fund. Reversions due to the State General Fund are due by September 30, 2015. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 10 PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at <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, 2015, 2014 and 2013 were \$382,139, \$399,015 and \$358,917, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 11 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

**NOTE 11 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Plan Description (Continued)

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

Funding Policy

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

The 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.

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, 2015, 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, 2015, 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, 2015, 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, 2015, 2014 and 2013 were \$47,330, \$50,569 and \$49,616, respectively, which equal the required contributions for each year.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 12 OPERATING LEASES

The Department leases vehicles, copiers, and other machines. Leases are subject to future appropriations and as such are cancelable by the Department at the end of a fiscal year. The future minimum rental commitments as of June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 29,569
2016	7,449
2017	7,449
2018	7,449
20189	7,449
2020 and thereafter	-
Total	<u>\$ 59,365</u>

Lease expense under all long-term operating leases for the year ended June 30, 2015, was \$46,972.

NOTE 13 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	\$ 12,788,200	Dept. of Finance and Administration - 34100	85300	\$ 12,788,200
FY15 Compensation Package	18800	<u>49,600</u>	Dept. of Finance and Administration - 34100	62000	<u>49,600</u>
Total		<u>\$ 12,837,800</u>	Total		<u>\$ 12,837,800</u>

NOTE 14 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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 14 RISK MANAGEMENT (CONTINUED)

The Department had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2015, 2014 and 2013, there were no settlements that exceeded insurance coverage.

NOTE 15 NEW ACCOUNTING PRONOUNCEMENTS

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In January 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Compliant with the requirements of Government Accounting Standards Board Statement No.68 and No.71, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2015.

The department name or agency, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, the total pension liability exceeds Plan net position resulting in a Net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 16 UPCOMING PRONOUNCEMENTS

GASB has issued the following statements, which are applicable in future years. At this time, management has not determined the impact, if any, on the Department.

GASB Statement No. 72

Fair Value Measurement and Application

Effective Date: The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015.

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73

Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

Effective Date: The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 16 UPCOMING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 73

Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (Continued)

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities *not* in a special funding situation.

GASB Statement No. 74

Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 16 UPCOMING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 74

Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (Continued)

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENT
JUNE 30, 2015**

NOTE 16 UPCOMING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 76

The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

Effective Date: The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES – ENTERPRISE FUNDS –
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2015**

	NEW MEXICO MAGAZINE (38200)			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 3,365,600	\$ 3,365,600	\$ 2,785,498	\$ (580,102)
Total Revenues	3,365,600	3,365,600	2,785,498	(580,102)
EXPENDITURES - Current				
Personnel Services/Benefits	912,800	912,800	749,376	163,424
Contractual Services	956,400	956,400	772,555	183,845
Other	1,496,400	1,496,400	1,434,135	62,265
Total Expenditures	3,365,600	3,365,600	2,956,066	409,534
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (170,568)</u>	<u>\$ (170,568)</u>

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES – ENTERPRISE FUNDS –
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2015**

	Tourism Enterprise (91900)			Variance from Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Charges for Services	\$ 30,000	\$ 30,000	\$ 36,198	\$ 6,198
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>36,198</u>	<u>6,198</u>
EXPENDITURES - Current				
Contractual Services	-	23,000	23,000	-
Other	30,000	7,000	6,983	17
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>29,983</u>	<u>17</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,215</u>	<u>\$ 6,215</u>

**NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
YEAR ENDED JUNE 30, 2015**

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

	Dates of Agreement		Amount Applicable	Amount Contributed	Audit Responsibility	
	Responsible Party	Beginning				Ending
New Mexico Department of Cultural Affairs: Legal Counsel Services	NMTD	11/23/2011	02/18/2015	\$ -	\$ 10,698	NMTD
New Mexico Department of Transportation: New Mexico Tourism Dept./Glenrio Rest Area/Visitor Center Payment Responsibility for Utilities Services to Operate the Glenrio Rest Area/Visitor Center	NMTD	12/18/2008	Indefinite	\$ 12,500	\$ 12,500	NMTD
New Mexico Department of Transportation: New Mexico Tourism Dept./Manuelito Rest Area/Visitor Center Payment Responsibility for Utilities Services to Operate the Manuelito Rest Area/Visitor Center	NMTD	12/18/2008	Indefinite	\$ 12,500	\$ 12,500	NMTD
New Mexico Department of Information Technology: Legal Counsel Service	NMTD	07/29/2015	Indefinite	\$ -	\$ -	NMTD
New Mexico State Personnel Office: Human Resource Management	NMTD	07/01/2013	06/30/2016	\$ 63,500	\$ 50,231	NMTD

**NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES
EXCEEDING \$60,000 (EXCLUDING GRT) (UNAUDITED)
YEAR ENDED JUNE 30, 2015**

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference? (Y or N) For Federal Funds, Answer N/A.	Brief Description of the Scope of Work
N/A	RFP	Katie Connolly & Associates	205,312	145,000	Katie Connolly & Associates, LLC 5 Palma Road Los Lunas, NM 87031	Y	N	Strategic Marketing Consultant
N/A	RFP	Longwoods International	364,050	125,550	Longwood International 47 Colborne Street Suite 301 Toronto, ON M5E 1P8	N	N/A	ROI Study, Lite Research and Travel USA Research
N/A	RFP	MMGY Global	493,100	100,000	MMGY Global, LLC 4601 Madison Ave Kansas City, MO 64112	N	N/A	Website Design and Development
N/A	RFP	Tucker & Associates	483,432	100,000	Tucker & Associates 8150 N. Central Expressway, Suite 265 Dallas, TX 75206	N	N/A	Public Relations for NM Tourism
N/A	RFP	RR Donnelley & Sons Company	174,994	174,994	RR Donnelley & Sons Company 35 West Wacker Driver Chicago, IL 60601	N	N/A	NM True Adventure Guide Printing
N/A	Sole Source	USPS	70,148	70,148	United States Postal Service CMRS-PBP Los Angeles, CA 90189	N	N/A	Postage
N/A	Sole Source	Cliffdwellor Productions	300,000	300,000	3791 Southern Blvd, Suite 101 Rio Rancho, NM 87124	Y	N/A	New Mexico True TV Advertisements

**NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES
EXCEEDING \$60,000 (EXCLUDING GRT) (UNAUDITED) (CONTINUED)
YEAR ENDED JUNE 30, 2015**

RFB#/RFP #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference? (Y or N) For Federal Funds, Answer N/A.	Brief Description of the Scope of Work
N/A	Sole Source	ESPN	140,000	140,000	ESPN Regional TV 13057 Collections Center Drive Chicago, IL 60693	N	N/A	NM Gildan Bowl Advertisements
N/A	Sole Source	HK Advertising	590,000	590,000	Hayduk-King Advertising Inc. P.O. Box 4992 Santa Fe, NM 87502	Y	N	Regional Cooperative Marketing Advertisements
N/A	Sole Source	MMGY Global	1,169,741	1,169,741	MMGY Global, LLC 4601 Madison Ave Kansas City, MO 64112	N	N/A	Direct Media Advertisements
N/A	RFP	Ryan Heffernan Photography Inc.	716,661	716,661	Ryan Heffernan Photography, Inc. 369 Montezuma Ave. #228 Santa Fe, NM 87501	Y	N	New Mexico True Stories Advertisements
N/A	RFP	Blackboard Co.	12,953,145	4,480,091	Vendor Inc. dba Blackboard Co. 2905 San Gabriel Suite 300 Austin, TX 78705	N	N/A	New Mexico True Advertising
N/A	RFP	Esparza Advertising	956,627	424,362	Esparza Advertising 423 Copper Avenue NW Albuquerque, NM 87102	Y	N	Keep NM True Advertising (Clean & Beautiful)
N/A	Sole Source	City of Albuquerque		79,946	City of Albuquerque 1 Civic Plaza NW Albuquerque, NM 87102	Y	N	Keep NM True (Clean & Beautiful) Grant

**NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES
EXCEEDING \$60,000 (EXCLUDING GRT) (UNAUDITED) (CONTINUED)
YEAR ENDED JUNE 30, 2015**

RFB#/RFP #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference? (Y or N) For Federal Funds, Answer N/A.	Brief Description of the Scope of Work
N/A	RFP	Patti Kislak Media, LLC	200,000	127,287	Patti Kislak Media, LLC 655 Galisteo #10 Santa Fe, NM 87505	Y	N	NM Magazine Commissioned Advertising Sales Representative
N/A	RFP	Vickie Nelson, LLC	180,000	77,396	Vickie Nelson, LLC 10A Sunset Trail Silver City, NM 88061	Y	N	NM Magazine Commissioned Advertising Sales Representative
N/A	RFP	Palm Coast Data, LLC	420,000	105,000	Palm Coast Data, LLC 11 Commerce Boulevard Palm Coast, FL 32164	N	N/A	NM Magazine Circulation fulfillment services
N/A	RFP	RR Donnelley & Sons Company	903,143	759,215	RR Donnelley & Sons Company 35 West Wacker Driver Chicago, IL 60601	N	N/A	NM Magazine Printing
N/A	Sole Source	Palm Coast Data, LLC	205,730	205,730	Palm Coast Data, LLC 11 Commerce Boulevard Palm Coast, FL 32164	N	N/A	NM Magazine Circulation fulfillment services postage
N/A	Sole Source	USPS	229,601	229,601	United States Postal Service CMRS-PBP Los Angeles, CA 90189	N	N/A	NM Magazine Circulation postage

**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. Rebecca Latham, Cabinet Secretary
New Mexico Tourism Department and
Mr. Timothy Keller
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 New Mexico Tourism Department (the Department), as of and for the year ended June 30, 2015, 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 supplementary information, and have issued our report thereon dated November 25, 2015.

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.

Ms. Rebecca Latham, Cabinet Secretary
New Mexico Tourism Department and
Mr. Timothy Keller
New Mexico State Auditor

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 2015-001 in the accompanying schedule of findings and responses, which 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 2015-002 and 2015-003.

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
November 25, 2015

**NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS

Finding 2015-001 Account Reconciliations (Significant Deficiency)

Condition: During our audit, we discovered two instances in which the Department had not effectively reconciled certain accounts, as follows:

- The capital asset summary for the year ended June 30, 2015 contained beginning balances that did not agree to the prior year's financial statements. It was determined that the Department's listing had not been updated accurately for the prior year's information, and this difference amounted to a \$22,000 overstatement in net capital assets. Additionally, capital outlay in the amount of \$11,008 was initially recorded in the general ledger for the purchase of three items, which separately did not meet the Department's capitalization threshold of \$5,000. This resulted in a reclassifying audit adjustment
- The Department had not established its own internal cash reconciliation policies and procedures to mitigate the risk that the Department's cash balances could be misstated. However, we did not find any evidence that suggests such balances are misstated at June 30, 2015.

Criteria:

- In order to reduce the risk that capital asset balances could be misstated, it is important to maintain a capital asset spreadsheet and ensure that beginning balances for a fiscal year agree to the prior year's audited financial statements. Additionally, capital outlay accounts should be reconciled on a periodic basis to determine whether the amounts charged to those accounts meet the capitalization threshold set by the Department. Additionally, in accordance with the Department of Finance and Administration, Manual of Model Accounting Practices, FIN 2.11 CM-03, reconciliations should be performed to ensure that the Department is properly presenting account balances and performing reconciliations to account for activity.
- For the cash reconciliation issue, The New Mexico Administrative Code (NMAC) Section 2.2.2.10 (3g) requires that auditors review each agency's reconciliation procedures.

Cause: Ineffective control structure surrounding the capital asset spreadsheet and cash and capital outlay reconciliations.

Effect: The Department's capital asset spreadsheet was initially misstated in the amount of \$22,000 and capital outlay included expenditure amounts that did not meet the Department's capitalization threshold, resulting in expenditures being understated by \$11,008 in the statement of activities. The Department is out of compliance with 2.2.2.10 NMAC for not having cash reconciliation procedures implemented.

Recommendation: We recommend that management take the necessary time during the year to review the capital asset listing, capital outlay accounts and depreciation schedule to ensure that beginning balances agree to the prior year's schedule. Cash accounts should be reconciled by an accountant in the Administrative Services Division (ASD) and reviewed by either the Deputy ASD Director or the ASD Director. This can be achieved by comparing deposits in SHARE to a summary of the Department's daily deposits, which can be kept on a spreadsheet.

**NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

Finding 2015-001 Account Reconciliations (Significant Deficiency) (continued)

Management's Response: ASD Deputy Director and/or Financial Manager will reconcile Cash Held at State Treasury Office in accordance with the Department of Finance and Administration, Manual of Model Accounting Practices, FIN 2.11 CM-03. Capital assets and capital outlay will be reconciled on a quarterly basis and will be reviewed by the ASD Deputy Director and/or Financial Manager. All fund reconciliations will be completed before June 30, 2016.

Finding 2015-002 Timeliness of Cash Deposits (Compliance and Other Matters)

Condition: During our test work over the operating effectiveness of internal controls surrounding cash deposits, it was noted that in one instance out of 22 deposits tested, the deposit was made outside of the required 24-hour threshold. Cash in the amount of \$2,164 was received on December 23, 2014 and was deposited on January 5, 2015.

Criteria: Per NMSA 6-10-3, "it is the duty of every official or person in charge of any state agency receiving any money in cash or by check, draft, or otherwise...to forthwith and before the close of the next succeeding business day after the receipt of the money to deliver or remit it to the state treasurer."

Cause: The required process was not followed, and the oversight control failed to prevent the noncompliance.

Effect: Keeping cash on hand for greater than 24 hours increases the risk that such funds can be misappropriated. Additionally, the State of New Mexico misses out on potential interest returns when cash is not deposited within the set timeframe.

Recommendation: We recommend that the Department, at all times, prioritize cash deposits. For times of year when many employees take time off, it is important that the Department be proactive and designate an individual to perform the required deposit procedures.

Management's Response: Management agrees with the finding. In early FY16 the ASD Deputy Director has informed the financial staff of the Department of Finance and Administration, Manual of Model Accounting Practices, FIN 2.1. The ASD Deputy Director has conducted and will continue with unannounced periodic internal audits to ensure the timeliness of deposits.

Finding 2015-003 Per Diem and Mileage Act (Compliance and Other Matters)

Condition: During our considerations of the Department's compliance with the Per Diem and Mileage Act (NMAC 2.42.2), the following instances of noncompliance were discovered:

- One out of 22 per diem disbursements tested indicated reimbursement was paid to an employee that should have been disallowed, as the destination was less than 35 miles from the employee's post of duty. The amount paid was \$263.10.

**NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

Finding 2015-003 Per Diem and Mileage Act (Compliance and Other Matters) (continued)

Condition (continued):

- Additionally, in one out of five instances tested, an employee did not receive the necessary authorization to be reimbursed for travel and per diem in excess of \$1,500 for the 2015 calendar year.

Criteria: The Per Diem and Mileage Act, NMAC 2.42.2.7 (L), travel is defined as at least 35 miles from the designated post of duty for a state employee. Additionally, Section 10-8-1 through 10-8-8 NMSA 1978 sets forth requirements to obtain approval for travel costs in excess of \$1,500 in a given calendar year.

Cause: The reviewer and approver of the disbursement failed to identify that the destination was less than 35 miles from the employee's post of duty. Internal controls were not effective in preventing or detecting this inappropriate disbursement. Additionally, the internal controls within the process for obtaining the necessary approval for travel expenditures in excess of \$1,500 per calendar year failed to ensure that authorization was received prior to additional disbursements.

Effect: One employee was inappropriately paid \$263.10, as this employee's post of duty was less than 35 miles from the destination. Additionally, one individual received travel cost reimbursement in excess of \$1,500 without obtaining approval from the appropriate authority.

Recommendation: We recommend that the individual designated to review and approve per diem payments be aware of this an all requirements for such payments, as set forth in the Per Diem and Mileage Act. We also recommend that management implement a process through which cumulative calendar-year travel expenditures are tracked for each individual expected to incur such costs, and that prior to approval for payment these costs are made known to the reviewer.

Management's Response: Management agrees with the finding. In early FY16 the ASD Deputy Director has provided additional clarification of the intricacies of the Per Diem and Mileage Act; financial staff are more versed when processing payments for Itemized Schedule of Travel Expenditures. Additionally, the ASD Deputy Director prepared an updated Authorization Listing notifying the Department of Finance and Administration of the classified employees who could cumulatively exceed \$1,500 of per diem in calendar year 2015. Per Diem expenses for non-classified employees with cumulative amounts exceeding \$1,500 are submitted to the agency's Cabinet Director, Office of the Governor, for approval prior to vouchering and submitting to Department of Finance and Administration.

**NEW MEXICO TOURISM DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS

Finding 2014-001 Travel and Per Diem (Compliance and Other Matters), Resolved

Condition: During our testing of 22 travel and per diem reimbursements, it was noted that for one of the reimbursements, the employee was paid the incorrect amount (difference of \$30) and actual receipts did not match the total reimbursed.

Finding 2014-002 SHARE User Access (Compliance and Other Matters), Resolved

Condition: During our review of 6 terminated employees' user access to the State's online accounting system, SHARE, it was noted that one employee did not have user access removed in a timely manner.

Finding 2014-003 Reconciliation of Accounts Receivable and Allowance for Doubtful Accounts (Significant Deficiency), Resolved

Condition: During testwork over accounts receivable, it was noted that the amount per the customer account detail did not agree to the general ledger by \$44,611. In addition, the allowance for doubtful accounts required a journal entry to increase the estimate by \$39,027. The net effect on the Financial Statements is \$5,584.

Finding 2014-004 Journal Entry Affecting Fund Balance and Budget Overage (Significant Deficiency), Resolved

Condition: During review of the fund balance rollforward, it was noted that a journal entry was made during the year to transfer funds to New Mexico Tax and Revenue Department upon the termination of the JPA for the Scenic Byways Fund in the amount of \$25,045. The journal entry was incorrectly posted to the fund balance account, causing the unadjusted fund balance to be \$-0- at June 30, 2014. Additionally, the Department had not budgeted for this transaction. An audit adjustment was made to reverse the entry and correctly classify it as a transfer.

Finding 2014-005 Payment of Ineligible Advertising Sales Commissions (Compliance and Other Matters), Resolved

Condition: During our testing of twelve payments made for Advertising Sales Commissions, it was noted that four included paid customer invoices that were not eligible for commission payments in the amount of \$2,718.

**NEW MEXICO TOURISM DEPARTMENT
EXIT CONFERENCE
JUNE 30, 2015**

An exit conference was held with the Department on November 25, 2015 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:

NEW MEXICO TOURISM DEPARTMENT

Rebecca Latham, Cabinet Secretary
Isabel Lopez, Deputy Director, Administrative Services Division
Georgette Chavez, Financial Manager

CLIFTONLARSONALLEN LLP

Georgie Ortiz, CPA, CGFM, Managing Principal
Ryan W. Jones, CPA, Engagement Director
Matthew Height, Senior 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.