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Albuquerque, NM 87110

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**NEW MEXICO TOURISM
DEPARTMENT**

**FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITOR'S REPORT**

JUNE 30, 2018

NEW MEXICO TOURISM DEPARTMENT

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NEW MEXICO TOURISM DEPARTMENT

OFFICIAL ROSTER

Rebecca Latham, Cabinet Secretary

Isabel Lopez, ASD Deputy Director

FINANCIAL SECTION



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Independent Auditor's Report

Mr. Wayne Johnson, New Mexico State Auditor and
Ms. Rebecca Latham, Cabinet Secretary
New Mexico Tourism Department

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue funds of New Mexico Tourism Department (the Department) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Mr. Wayne Johnson, New Mexico State Auditor and
Ms. Rebecca Latham, Cabinet Secretary
New Mexico Tourism Department

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 and the aggregate remaining fund information of the Department as of June 30, 2018, 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.

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, 2018, 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 4 through 11 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.

Mr. Wayne Johnson, New Mexico State Auditor and
Ms. Rebecca Latham, Cabinet Secretary
New Mexico Tourism Department

Other Information

Our audit was conducted for the purpose of forming opinion on the Department's financial statements, and the budgetary comparison. The other schedules required by 2.2.2. NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2. NMAC are the responsibility of management and were derived from and relates directly to the underlying accounting and other records use to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues and Expenditures – Proprietary Funds – Budget and Actual (Budgetary Basis) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018, 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.

Ricci & Company, LLC

Albuquerque, New Mexico
October 22, 2018

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

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, 2018. 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 2018. 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.

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

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

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

The Department has two types of funds:

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

Proprietary Funds 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, 2018 is \$1,439,248: \$798,942 in governmental and \$640,306 in business-type activities. Restricted net position is restricted, for special revenue funds. The unrestricted net position in Governmental Activities zero and in business-type activities was positive \$640,306 at the end of the fiscal year.

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

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

Governmental

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Amount Change</u>	<u>Total % Change</u>
Assets:				
Current and Other Assets	1,636,792	2,073,309	(436,517)	-21%
Capital Assets, Net	<u>19,137</u>	<u>29,809</u>	<u>(10,672)</u>	-36%
Total Assets	<u>1,655,929</u>	<u>2,103,118</u>	<u>(447,189)</u>	-21%
Liabilities:				
Current Liabilities	<u>856,987</u>	<u>1,816,443</u>	<u>(959,456)</u>	-53%
Total Liabilities	856,987	1,816,443	(959,456)	-53%
Net Position:				
Net investment in				
Capital Assets	19,137	29,809	(10,672)	-36%
Restricted	779,805	256,866	522,939	204%
Unrestricted Deficit	<u>-</u>	<u>-</u>	<u>-</u>	#DIV/0!
Total Net Position	<u>798,942</u>	<u>286,675</u>	<u>512,267</u>	179%
Total Liabilities and Net Position	<u>1,655,929</u>	<u>2,103,118</u>	<u>(447,189)</u>	-21%

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

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

Business-Type

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Amount Change</u>	<u>Total % Change</u>
Assets:				
Current and Other Assets	1,810,640	1,632,234	178,406	11%
Total Assets	<u>1,810,640</u>	<u>1,632,234</u>	<u>178,406</u>	11%
Liabilities:				
Current Liabilities	906,817	972,463	(65,646)	-7%
Long-Term Liabilities	<u>263,517</u>	<u>268,098</u>	<u>(4,581)</u>	-2%
Total Liabilities	1,170,334	1,240,561	(70,227)	-6%
Net Position:				
Unrestricted	<u>640,306</u>	<u>391,673</u>	<u>248,633</u>	63%
Total Net Position	<u>640,306</u>	<u>391,673</u>	<u>248,633</u>	63%
Total Liabilities and Net Position	<u>1,810,640</u>	<u>1,632,234</u>	<u>178,406</u>	11%

The Department's total assets are comprised of \$19,137 in capital assets and \$3,447,432 in other assets, for a total asset balance of \$3,466,569. The overall decrease in total assets from the previous fiscal year is \$268,783. Liabilities are also broken out into two segments: current liabilities and non-current liabilities. The total amount of total liabilities is \$2,027,321, a decrease of approximately 27% from the prior year balance of \$2,788,906. 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 \$263,517 at June 30, 2018.

The Department's Activities: The table below summarizes the Department's activities for the fiscal years ending June 30, 2018 and 2017. Total change in net position from the previous fiscal year was an increase of \$512,267 or total of \$798,942.

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

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

Governmental

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Amount Change</u>	<u>Total % Change</u>
General Revenues and Transfers In	<u>13,873,734</u>	<u>13,598,637</u>	<u>275,097</u>	2%
Total Revenue	13,873,734	13,598,637	275,097	2%
Expenses and Transfers Out	<u>(13,361,467)</u>	<u>(14,059,359)</u>	<u>697,892</u>	-5%
Change in Net Position	512,267	(460,722)	972,989	-211%
Net Position - Beginning of Year	<u>286,676</u>	<u>747,398</u>	<u>(460,722)</u>	-62%
Net Position - End of Year	<u><u>798,942</u></u>	<u><u>286,676</u></u>	<u><u>512,266</u></u>	179%

Business-Type

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Amount Change</u>	<u>Total % Change</u>
Program Revenues	<u>2,883,927</u>	<u>2,523,468</u>	<u>360,459</u>	14%
Total Revenue	2,883,927	2,523,468	360,459	14%
Expenses	<u>(2,635,294)</u>	<u>(2,294,340)</u>	<u>(340,954)</u>	15%
Change in Net Position	248,633	229,128	19,505	9%
Net Position - Beginning of Year	<u>391,673</u>	<u>162,545</u>	<u>229,128</u>	141%
Net Position - End of Year	<u><u>640,306</u></u>	<u><u>391,673</u></u>	<u><u>248,633</u></u>	63%

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

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 two remaining funds are proprietary 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 website advertising premium placement, penny press sales at the visitor information centers. In FY18 the Department restructured the Cooperative Advertising Program from a grant program to a truly cooperative advertising program with combined industry partner's dollars with the Department's match with allows for a more effective purchasing power of advertising in all media. The industry partner dollars are deposited and expended from the Enterprise Fund upon budgetary adjustment requests are approved by the Department of Finance and Administration. The Tourism Enterprise Fund The table below lists the beginning and ending cash balances for each fund managed by the Department.

Fund Name	Fund Code	Balance June 30, 2018	Balance June 30, 2017	Total % Change
General Fund	18800	\$ 689,149	1,359,157	-49%
Litter Control and Beautification Fund	26200	936,461	706,214	33%
New Mexico Magazine Fund	38200	1,490,273	1,356,931	10%
Tourism Enterprise Fund	91900	176,394	84,662	108%

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

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 June 30, 2018	Fiscal Year Ended June 30, 2017	
General Fund	18800	\$ 12,915,600	\$ 12,815,800	1%
Litter Control and Beautification Fund	26200	1,083,851	1,080,609	0%
New Mexico Magazine Fund	38200	2,446,323	2,499,341	-2%
Tourism Enterprise Fund	91900	437,604	24,127	1714%
Total Revenues		\$ 16,883,378	\$ 16,419,877	

Fund Name	Fund Code	Expenditures/Expenses		Total % Change
		Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	
General Fund	18800	\$ 12,495,318	\$ 12,810,365	-2%
Litter Control and Beautification Fund	26200	843,227	1,551,137	-46%
New Mexico Magazine Fund	38200	2,238,791	2,283,287	-2%
Tourism Enterprise Fund	91900	396,503	11,053	3487%
Total Expenditures		\$ 15,973,839	\$ 16,655,842	

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

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 \$120,282.

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, 2018 is \$19,137 for the governmental activities. For governmental activities and business-type activities, the Department made no improvements or additions. The Department did have one capital asset disposal during the year, a portal building, which is fully depreciated. The Department's enterprise funds had no additions or deletions during the year.

The Department had no long-term debt activity during fiscal year 2018. Long-term liabilities recorded for the Department consist of long-term, unexpired magazine subscriptions.

Anticipated Future Conditions and Changes

The Department was awarded \$13,654,100 in State General Fund appropriations for fiscal year 2019.

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.

BASIC FINANCIAL STATEMENTS

NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Investment in State General Fund			
Investment pool	\$ 1,634,610	\$ 1,666,667	\$ 3,301,277
Due from Other governments	2,077	-	2,077
Receivables, Net	105	73,678	73,783
Prepaid Expenses	-	66,025	66,025
Inventories	-	4,270	4,270
Total current assets	<u>1,636,792</u>	<u>1,810,640</u>	<u>3,447,432</u>
Non-Current:			
Capital assets	233,326	-	233,326
Less accumulated depreciation	(214,189)	-	(214,189)
Total non-current assets	<u>19,137</u>	<u>-</u>	<u>19,137</u>
Total assets	<u>\$ 1,655,929</u>	<u>\$ 1,810,640</u>	<u>\$ 3,466,569</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable	\$ 680,790	\$ 82,628	\$ 763,418
Accrued payroll and related liabilities	88,658	27,823	116,481
Unearned revenue	-	142,025	142,025
Compensated absences	87,539	23,462	111,001
Unexpired subscriptions	-	630,879	630,879
Total current liabilities	<u>856,987</u>	<u>906,817</u>	<u>1,763,804</u>
Long-Term Liabilities			
Unexpired Subscriptions, long-term	-	263,517	263,517
Total liabilities	<u>856,987</u>	<u>1,170,334</u>	<u>2,027,321</u>
NET POSITION			
Net investment in capital assets	19,137	70,295	89,432
Restricted--special appropriation	300,000	-	300,000
Restricted--special revenue fund	479,805	-	479,805
Unrestricted	-	570,011	570,011
Total net position	<u>798,942</u>	<u>640,306</u>	<u>1,439,248</u>
Total liabilities and net position	<u>\$ 1,655,929</u>	<u>\$ 1,810,640</u>	<u>\$ 3,466,569</u>

The Notes to the Financial Statements are an integral part of this statement.

NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Governmental Activities	Business-Type Activities		
GOVERNMENTAL ACTIVITIES						
Tourism	\$ 13,361,467	\$ -	\$ (13,361,467)	\$ -	\$ -	\$ (13,361,467)
Total governmental activities	<u>13,361,467</u>	<u>-</u>	<u>(13,361,467)</u>	<u>-</u>	<u>-</u>	<u>(13,361,467)</u>
BUSINESS-TYPE ACTIVITIES						
Publishing	2,635,294	2,883,927	-	248,633	-	248,633
Total business-type activities	<u>2,635,294</u>	<u>2,883,927</u>	<u>-</u>	<u>248,633</u>	<u>-</u>	<u>248,633</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 15,996,761</u>	<u>\$ 2,883,927</u>	<u>(13,361,467)</u>	<u>248,633</u>	<u>-</u>	<u>(13,112,834)</u>
General Revenues:						
Other registration fees			1,078,443	-		1,078,443
Investment income			5,408	-		5,408
Transfers:						
Reversion to the state general fund			(125,717)	-		(125,717)
State general fund appropriation			12,615,600	-		12,615,600
State general fund special appropriation			300,000	-		300,000
Total General Revenues and Transfers			<u>13,873,734</u>	<u>-</u>		<u>13,873,734</u>
CHANGE IN NET POSITION			512,267	248,633		760,900
Net Position - Beginning of Year			<u>286,676</u>	<u>391,673</u>		<u>678,349</u>
NET POSITION - END OF YEAR			<u>\$ 798,942</u>	<u>\$ 640,306</u>		<u>\$ 1,439,248</u>

The Notes to the Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**NEW MEXICO TOURISM DEPARTMENT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018**

	General Fund 18800	Litter Control and Beautification Fund 26200	Total Governmental Funds
ASSETS			
Investment in state general fund investment pool	\$ 698,149	\$ 936,461	\$ 1,634,610
Accounts receivable	37	68	105
Due from other governments	-	2,077	2,077
Total assets	\$ 698,186	\$ 938,606	\$ 1,636,792
LIABILITIES			
Accounts payable	\$ 312,742	\$ 368,048	\$ 680,790
Accrued Payroll and related liabilities	85,444	3,214	88,658
Total liabilities	398,186	371,262	769,448
FUND BALANCES			
Committed	300,000	-	300,000
Restricted	-	567,344	567,344
Fund Balance, end of year	\$ 300,000	\$ 567,344	\$ 867,344

The Notes to the Financial Statements are an integral part of this statement.

**NEW MEXICO TOURISM DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

**Total Fund Balance - Governmental Funds
(Governmental Fund Balance Sheet)** \$ 867,344

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:	233,326
Accumulated Depreciation is:	<u>(214,189)</u>
Total Capital Assets	19,137

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>(87,539)</u>
--	-----------------

Net Position of Governmental Activities (Statement of Net Position) \$ 798,942

The Notes to the Financial Statements are an integral part of this statement.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended JUNE 30, 2018**

	General Fund 18800	Litter Control and Beautification Fund 26200	Total Governmental Funds
REVENUES			
Other registration fees	\$ -	\$ 1,078,443	\$ 1,078,443
Investment income	-	5,408	5,408
Total revenues	<u>-</u>	<u>1,083,851</u>	<u>1,083,851</u>
EXPENDITURES			
Current Tourism	\$ 12,495,318	\$ 843,227	\$ 13,338,545
Total expenditures	<u>12,495,318</u>	<u>843,227</u>	<u>13,338,545</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(12,495,318)</u>	<u>240,624</u>	<u>(12,254,694)</u>
OTHER FINANCING SOURCES (USES)			
State general fund appropriations	12,615,600	-	12,615,600
State general fund special appropriations	300,000	-	300,000
Reversion to state general fund	(125,717)	-	(125,717)
Total other financing sources (uses)	<u>12,789,883</u>	<u>-</u>	<u>12,789,883</u>
NET CHANGE IN FUND BALANCE	294,565	240,624	535,189
Fund Balance, beginning of year	<u>5,435</u>	<u>326,720</u>	<u>332,155</u>
Fund Balance, end of year	<u>\$ 300,000</u>	<u>\$ 567,344</u>	<u>\$ 867,344</u>

The Notes to the Financial Statements are an integral part of this statement.

**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, 2018**

Net Changes in fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and changes in Fund Balances)	\$ 535,189
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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:	(12,250)
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Governmental funds report capital outlays as expenditures. However, In the Statement of Activities, the cost of long-term assets is allocated over In the current period, depreciation expense was	<u>(10,672)</u>
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Change in Net Position of Governmental Activities (Statement of Activities)	<u><u>\$ 512,267</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES -
MAJOR GOVERNMENTAL FUNDS - BUDGET AND
ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2018**

	General Fund (18800)			
	Budgeted Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
General Appropriations				
REVENUES				
State general fund appropriations	\$ 12,615,600	\$ 12,615,600	\$ 12,615,600	\$ -
Total revenues	<u>12,615,600</u>	<u>12,615,600</u>	<u>12,615,600</u>	<u>-</u>
EXPENDITURES				
Personnel services/benefits	2,303,700	2,171,700	2,155,609	16,091
Contractual services	423,000	595,400	594,886	514
Other	9,888,900	9,848,500	9,744,823	103,677
Total expenditures	<u>12,615,600</u>	<u>12,615,600</u>	<u>12,495,318</u>	<u>120,282</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ -</u>	120,282	<u>\$ 120,282</u>
NON-BUDGETED RECONCILING ITEMS				
Reversions to state general fund			(125,717)	
Special Appropriations				
REVENUES				
State general fund appropriations	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ -</u>	294,565	<u>\$ -</u>
NET CHANGE IN FUND BALANCE			<u>\$ 294,565</u>	

The Notes to the Financial Statements are an integral part of this statement.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES -MAJOR
GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
(BUDGETARY BASIS) (CONTINUED)
Year Ended June 30, 2018**

	Litter Control & Beautification Fund (26200)			
	Budgeted Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other registration fees	\$ 1,227,000	\$ 1,227,000	\$ 1,078,443	\$ (148,557)
Miscellaneous	3,300	3,300	5,408	2,108
Budget fund balance	-	-	-	-
Total revenues	<u>1,230,300</u>	<u>1,230,300</u>	<u>1,083,851</u>	<u>(146,449)</u>
EXPENDITURES				
Personnel services/benefits	96,300	96,300	59,409	36,891
Contractual services	5,300	5,300	5,300	-
Other	1,128,700	1,128,700	778,518	350,182
Total expenditures	<u>1,230,300</u>	<u>1,230,300</u>	<u>843,227</u>	<u>387,073</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	240,624	<u>\$ 240,624</u>
NON-BUDGETED RECONCILING ITEMS			<u>-</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 240,624</u>	

The Notes to the Financial Statements are an integral part of this statement.

NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2018

	Business-Type Activities		Total
	New Mexico Magazine (38200)	Tourism Enterprise (91900)	
ASSETS			
Investment in State General Fund			
Investment pool	\$ 1,490,273	\$ 176,394	\$ 1,666,667
Accounts receivable, net	71,632	2,046	73,678
Inventories	4,270	-	4,270
Prepaid postage	66,025	-	66,025
Total current assets	1,632,200	178,440	1,810,640
Total assets	\$ 1,632,200	\$ 178,440	\$ 1,810,640
LIABILITIES AND NET POSITION			
LIABILITIES			
Current:			
Accounts payable	\$ 61,614	\$ 21,014	\$ 82,628
Accrued payroll and related liabilities	27,823	-	27,823
Deferred revenue	113,010	29,015	142,025
Unexpired subscriptions	630,879	-	630,879
Compensated absences	23,462	-	23,462
Total current liabilities	856,788	50,029	906,817
Non-Current:			
Unexpired subscriptions - long-tem	263,517	-	263,517
Total non-current liabilities	263,517	-	263,517
Total liabilities	1,120,305	50,029	1,170,334
NET POSITION			
Nonspendable	70,295	-	70,295
Unrestricted (Deficit)	441,600	128,411	570,011
Total net position	511,895	128,411	640,306
Total liabilities and net position	\$ 1,632,200	\$ 178,440	\$ 1,810,640

The Notes to the Financial Statements are an integral part of this statement.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2018**

	<u>Business-Type Activities</u>		Total
	New Mexico Magazine (38200)	Tourism Enterprise (91900)	
OPERATING REVENUES			
Charges for services			
New Mexico magazine	\$ 2,446,152	\$ -	\$ 2,446,152
Cooperative Advertising - MMP/Other	-	437,604	437,604
Miscellaneous	171	-	171
Total operating revenues	<u>2,446,323</u>	<u>437,604</u>	<u>2,883,927</u>
OPERATING EXPENSES			
Personal services	608,196	-	608,196
Contractual services	669,502	-	669,502
Other costs	961,093	396,503	1,357,596
Total operating expenses	<u>2,238,791</u>	<u>396,503</u>	<u>2,635,294</u>
CHANGE IN NET POSITION	207,532	41,101	248,633
Total net position - beginning of year	<u>304,363</u>	<u>87,310</u>	<u>391,673</u>
Total net position - end of year	<u><u>\$ 511,895</u></u>	<u><u>\$ 128,411</u></u>	<u><u>\$ 640,306</u></u>

The Notes to the Financial Statements are an integral part of this statement.

NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-Type Activities		Total
	New Mexico Magazine (38200)	Tourism Enterprise (91900)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	2,460,101	467,323	2,927,424
Payments to suppliers	(1,672,198)	(375,591)	(2,047,789)
Payments to employees	(620,949)	-	(620,949)
Net Cash Provided (Used by) Operating Activities	166,954	91,732	258,686
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	166,954	91,732	258,686
Cash and cash equivalents - beginning of year	1,323,319	84,662	1,407,981
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,490,273	176,394	1,666,667
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Change in net position	\$ 207,532	41,101	248,633
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:			
Change in Assets and Liabilities:			
Receivables	36,216	704	36,920
Allowance account	(166)	-	(166)
Inventories	2,736	-	2,736
Prepaid expenses	7,177	-	7,177
Accounts and other payables	(51,349)	20,912	(30,437)
Deferred revenue	19,230	29,015	48,245
Accrued payroll and compensated absences	(12,753)	-	(12,753)
Unexpired subscriptions	(41,669)	-	(41,669)
Net cash provided (used) by operating activities	\$ 166,954	91,732	258,686

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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 Development Program
- Program Support Program
- New Mexico Magazine Program

NMSA 0-15A-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 board members who shall be qualified electors of the State of New Mexico, no more than four of whom, at the time of the 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 FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. DEFINITION OF REPORTING ENTITY (CONTINUED)

NMSA 0-15A-8. Tourism Commission Created: Membership, Administratively Attached to the Department (Continued)

- B. Appointment 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 from 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 terms 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 FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity

The financial reporting entity 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 is included in the statewide Comprehensive Annual Financial Report. 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.

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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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

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)

**NEW MEXICO TOURISM DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting (Continued)

Special Revenue Funds –

Litter Control & Beautification Fund (SHARE Fund 26200) is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Litter Control & Beautification Fund was created by Section 67-16-1 NMSA 1978 to accomplish litter control by eliminating litter from the state. The program shall establish a statewide “Keep America Beautiful” program. The program awards grants to cities and counties to develop statewide litter and solid waste reduction programs and awards grants to local governments to establish summer youth employment programs to aid in litter control and beautification projects. The program also conducts a public awareness and media campaign. Financing is provided from a special beautification fee of \$0.50 per vehicle registration. Non-reverting fund. (Major Fund)

The governmental-type funds identified below did not have budget authority of 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.	<u>Description</u>
89000	ARRA Fund
82300	Capital Projects Fund
03000	Scenic Byways Program

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

Proprietary Funds – Proprietary funds are required to be used to account for operations for which a fee is charged to external users for goods or services. The proprietary funds in use by the Department are as follows:

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting (Continued)

Proprietary Funds (continued)

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.

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, 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. The Department accrues dues for 60 days, which is the time for “susceptible to accrue.” Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

Accrual

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

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, normally within 60 days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Per the General Appropriation Act, Laws of 2014, Chapter 63, Section 3, item L, “For the purpose of administering the General Appropriation Act of 2012 and approving operational 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. There are no encumbrances outstanding at year-end.

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

- No later than September 1, the Department submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
- 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 effecting 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. For purposes of the statement of cash flows the Department considers all highly liquid investments, which are on deposit with the State Treasurer in interest bearing accounts to be cash or cash equivalents. See Note 3 for additional investment disclosure.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are due from advertisers and subscribers to the New Mexico Magazine and are recorded in the proprietary fund for New Mexico Magazine. New Mexico Statute does not allow state agencies to write off bad debt and, as a result, much of the balance in accounts receivable is old and deemed uncollectible. Management estimates an allowance for doubtful accounts based on a percentage of outstanding accounts receivable, based on management's estimate of the collectability.

Capital Assets

Capital Assets consist of acquired assets with an original cost of \$5,000 or more and an estimated useful life greater than one year per Section 12-6-10 NMSA 1978. The Department records assets (such as furniture and fixtures, equipment, and data processing equipment, including software) purchased at cost or, if contributed, at fair market value at date of donation. The Department is capitalizing and depreciating computer software developed for internal use. Repairs and maintenance expenses are charged to operations when incurred and major improvement 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 proprietary 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 earned 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. There were no inter-fund balances at June 30, 2018.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The fund balance in the Litter Control and Beautification Fund is restricted for the statewide tourism development program.

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. The committed fund balance reported in the General Fund relates to a multi-year special appropriation.

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.

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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

Amounts of accumulated leave for governmental funds are not expected to be liquidated with expendable available financial resources and as such are recorded in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentations. Accumulated leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Pension Plan

The Department, 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.

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 2018 fiscal year.

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

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

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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, 2018.

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, 2018.

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 assets 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.

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. The STO maintains their investments at fair value in accordance with GASB statement No. 31.

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Organization (STO) acts as the State's bank. Agency Cash receipts are deposited with STO and pooled in a State Investment Fund, when amounts are greater than immediate needs they are placed into short-

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 3. STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer’s Office, is now in its fourth year. This process has been reviewed multiple times by the IPAs during the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico’s Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliance with the requirements of the monthly process.

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 a 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 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, 2018.

NOTE 4. ACCOUNTS RECEIVABLE

Business-Type Activities

Accounts receivable at June 30, 2018 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:

	<u>Advertising Receivable</u>	<u>Subscription Receivable</u>	<u>Other</u>	<u>Total Receivable</u>
Total Accounts Receivable	\$1,279,912	85,444	-	\$1,365,356
Other Receivable	-	-	2,046	2,046
Less: Allowance for Uncollectible Accounts	(1,220,556)	(73,168)	-	(1,293,724)
Accounts Receivable - Net	<u>\$ 59,356</u>	<u>12,276</u>	<u>2,046</u>	<u>73,678</u>

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

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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. There were no amounts due to or from other state agencies at June 30, 2018.

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 \$4,270 in the Business-Type Activities represents items for resale for New Mexico Magazine Fund.

NOTE 7. CAPITAL ASSETS

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

	Balance, June 30, 2017	<u>Additions</u>	<u>Adjustments</u>	<u>Deletions</u>	Balance, June 30, 2018
<u>Governmental Activities:</u>					
Equipment and Machinery	\$ 31,266	-	-	-	31,266
Building and Structures	22,000	-	-	22,000	-
Furniture and Fixtures	-	-	-	-	-
Data Processing and Software	18,751	-	-	-	18,751
Vehicles	183,309	-	-	-	183,309
Total Capital Assets	255,326	-	-	22,000	233,326
Less: Accumulated					
Depreciation for:					
Equipment and Machinery	(24,093)	(3,127)	-	-	(27,220)
Buildings and Structures	(22,000)	-	-	22,000	-
Furniture and Fixtures	-	-	-	-	-
Data Processing and Software	(18,751)	-	-	-	(18,751)
Vehicles	(160,673)	(7,545)	-	-	(168,218)
Total Accumulated Depreciation	(225,517)	(10,672)	-	(22,000)	(214,189)
Governmental Activities					
Capital Assets - Net	\$ 29,809	(10,672)	-	-	19,137

The depreciation expense for the government activities was \$10,672. In the Statement of Activities, depreciation expense is captured in the Tourism category under governmental activities.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8. COMPENSATED ABSENCES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

Governmental Activities:

Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
\$ 75,287	\$ 146,169	\$ (133,917)	\$ 87,539	\$ 87,539

Business-Type Activities:

Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
\$ 23,303	\$ 29,872	\$ (29,713)	\$ 23,462	\$ 23,462

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 79%; and NM Magazine Fund (SHARE number 38200), approximately 21%.

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 \$125,717 was recognized for fiscal year 2018, which was transferred to the State General Fund. Reversions due to the State General Fund are due by September 30, 2018. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor

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>.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

**NOTE 10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

Funding Policy

Plan members are required to contribute *7.42% of their gross salary*. *The Department is required to contribute 16.99% 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, 2018, 2017 and 2016 were \$339,152, \$340,506, and \$377,909, respectively, which equal the amount of the required contributions for each fiscal year.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**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.

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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five

Funding Policy (Continued)

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, 2017, 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, 2017, 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, 2017, 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, 2018, 2017 and 2016 were \$39,924 \$40,083, and \$45,125, respectively, which equal the required contributions for each year.

Postemployment Benefit – State Retiree Health Care Plan

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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

The Tourism Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability 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.

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, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	30,331
2020	28,671
2021	<u>25,351</u>
Total	\$ 84,353

Lease expense under all long-term operating leases for the year ended June 30, 2018, was \$30,837.

NOTE 13. OTHER FINANCING SOURCES AND USES

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

Transfers In from Other State Agencies – Governmental Funds

	<u>To</u>	<u>From</u>	<u>Purpose</u>
General Fund (Agency Fund #41800-18800) Dept. of Finance and Admin. (Agency Fund #34101-85300)	\$12,615,600	\$12,615,600	General Appropriations
General Fund (Agency Fund #418000-18800) Dept. of Finance and Admin. (Agency Fund #34101-85300)	\$300,000	\$300,000	Special Appropriations
General Fund (Agency Fund #34101-18800) Dept. of Finance and Admin. (Agency Fund #34101-85300)	\$125,717	\$125,717	Reversion

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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.

The Department had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2018, 2017 and 2016, there were no settlements that exceeded insurance coverage.

NOTE 15. SPECIAL APPROPRIATION

The Department received a special appropriation in the amount of \$300,000 for Special Olympics under the Laws of 2018, Chapter 73, Section 5(47). This appropriation may be expended in fiscal years 2018 and 2019. As of June 30, 2018, no amounts had been expended or encumbered.

NOTE 16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 22, 2018, the date at which the financials were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2018. No such events were identified by management.

SUPPLEMENTARY INFORMATION

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES - PROPRIETARY
FUNDS -BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2018**

	New Mexico Magazine (38200)			
	Budgeted Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 3,179,300	\$ 3,179,300	\$ 2,446,323	\$ (732,977)
Total revenues	3,179,300	3,179,300	2,446,323	(732,977)
EXPENDITURES - Current				
Personnel services/benefits	928,500	928,500	608,196	320,304
Contractual services	836,100	836,100	669,502	166,598
Other	1,414,700	1,414,700	961,093	453,607
Total expenditures	3,179,300	3,179,300	2,238,791	940,509
CHANGE IN NET POSITION	\$ -	\$ -	\$ 207,532	\$ 207,532

The Notes to the Financial Statements are an integral part of this statement.

NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES - PROPRIETARY FUNDS
-BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
Year Ended June 30, 2018

	Tourism Enterprise 91900			
	Budgeted Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 30,000	\$ 409,945	\$ -	\$ (409,945)
Total revenues	30,000	409,945	-	(409,945)
EXPENDITURES - Current				
Personnel services/benefits	-	-	-	-
Contractual services	-	-	-	-
Other	30,000	409,945	396,503	13,442
Total expenditures	30,000	409,945	396,503	13,442
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (396,503)</u>	<u>\$ (396,503)</u>

The Notes to the Financial Statements are an integral part of this statement.

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL BY PROGRAM
UNIT 41800
Year Ended June 30, 2018**

Tourism Department Unit 41800				
Agency Roll up	Original Budget	Approved Final Budget	Actual	Variance Favorable (Unfavorable)
Salaries & Benefits	\$ 3,196,500	\$ 3,196,500	\$ 2,823,213	\$ 373,287
Contractual Services	1,436,800	1,436,800	1,269,687	167,113
Other Services	<u>12,801,845</u>	<u>12,801,845</u>	<u>11,880,932</u>	<u>920,913</u>
Agency Total as of 11.27.18	\$ 17,435,145	\$ 17,435,145	15,973,832	\$ 1,461,313
 P546 NM Magazine. Revenue Source: Other State Funds; Enterprise Fund				
Salaries & Benefits	\$ 928,500	\$ 928,500	\$ 608,196	\$ 320,304
Contractual Services	836,100	836,100	669,502	166,598
Other Services	<u>1,414,700</u>	<u>1,414,700</u>	<u>961,093</u>	<u>453,607</u>
Subtotal	\$ 3,179,300	\$ 1,414,700	\$ 2,238,790	\$ 940,510
 P547 Program Support. Revenue Source: General Fund, Fund 18800				
Salaries & Benefits	\$ 851,700	\$ 851,700	\$ 849,506	\$ 2,194
Contractual Services	87,800	87,800	87,460	340
Other Services	<u>158,500</u>	<u>158,500</u>	<u>152,200</u>	<u>6,300</u>
Subtotal	\$ 1,098,000	\$ 158,500	\$ 1,089,166	\$ 8,834
 P548 Tourism Development. Revenue Sources: General Fund, Fund 18800				
Salaries & Benefits	\$ 203,600	\$ 203,600	\$ 200,193	\$ 3,407
Contractual Services	-	-	-	-
Other Services	<u>812,100</u>	<u>812,100</u>	<u>720,696</u>	<u>91,404</u>
Subtotal	\$ 1,015,700	\$ 1,015,700	\$ 920,889	\$ 94,811
 P548 Tourism Development. Revenue Sources: Other Revenues, C&B Fund, Fund 26200				
Salaries & Benefits	\$ 96,300	\$ 96,300	\$ 59,408	\$ 36,892
Contractual Services	5,300	5,300	5,300	-
Other Services	<u>1,128,700</u>	<u>1,128,700</u>	<u>778,517</u>	<u>350,183</u>
Subtotal	\$ 1,230,300	\$ 1,230,300	\$ 843,224	\$ 387,076
 P549 Marketing & Promotions. Revenue Sources: General Fund, Fund 18800				
Salaries & Benefits	\$ 1,116,400	\$ 1,116,400	\$ 1,105,910	\$ 10,490
Contractual Services	507,600	507,600	507,425	175
Other Services	<u>8,877,900</u>	<u>8,877,900</u>	<u>8,871,924</u>	<u>5,976</u>
Subtotal	\$ 10,501,900	\$ 10,501,900	\$ 10,485,260	\$ 16,640
 P549 Marketing & Promotions. Revenue Sources: Other State Funds, Enterprise Fund, Fund 91900				
Other Services	\$ 409,945	\$ 409,945	\$ 396,503	\$ 13,442
Subtotal	\$ 409,945	\$ 409,945	\$ 396,503	\$ 13,442

COMPLIANCE SECTION



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**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***

Independent Auditor's Report

Mr. Wayne Johnson, New Mexico State Auditor and
Ms. Rebecca Latham, Cabinet Secretary
New Mexico Tourism Department

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, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated October 22, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did

Mr. Wayne Johnson, New Mexico State Auditor and
Ms. Rebecca Latham, Cabinet Secretary
New Mexico Tourism Department

not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Ricci & Company, LLC
Albuquerque, New Mexico
October 22, 2018

**NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2018**

SECTION 1 – FINANCIAL STATEMENT FINDINGS

None

**NEW MEXICO TOURISM DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2018**

SECTION 2 – SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

- **Finding 2017-001 Capital Asset Listing (Significant Deficiency) (Resolved)**
- **Finding 2017-002 Creation of Purchase Orders (Compliance and Other Matters) (Resolved)**

**NEW MEXICO TOURISM DEPARTMENT
EXIT CONFERENCE
Year Ended June 30, 2018**

An exit conference was held on October 22, 2018, to discuss the annual financial report. Attending were the following:

Representing the New Mexico Tourism Department:

Rebecca Latham, Cabinet Secretary
Isabel Lopez, Deputy Director, Administrative Services Division

Representing Ricci & Company LLC:

Mark Santiago, Audit Senior Manager
Larry Carmony, Audit Manager

A. PREPARATION OF FINANCIAL STATEMENTS

The financial statements were prepared with the assistance of Ricci & Company LLC from the books and records of the New Mexico Tourism Department. The financial statements and related footnotes remain the responsibility of management.