

**NEW MEXICO TOURISM
DEPARTMENT**

**FINANCIAL
STATEMENTS AND
SUPPLEMENTARY
INFORMATION**

JUNE 30, 2017

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

Independent Auditor's Report

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

Report on 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, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons for the major enterprise funds, presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2017, 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. Timothy Keller, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, respective budgetary comparisons for the major enterprise funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2017, 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

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

opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017, 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 26, 2017

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

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, 2017. 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 2017. 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, 2017**

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, 2017, is \$678,348: \$286,675 in governmental and \$391,673 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 \$391,673 at the end of the fiscal year.

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

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

Governmental

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Amount Change</u>	<u>Total % Change</u>
Assets:				
Current and Other Assets	2,073,309	2,810,495	(737,186)	-26%
Capital Assets, Net	<u>29,809</u>	<u>40,481</u>	<u>(10,672)</u>	-26%
Total Assets	<u><u>2,103,118</u></u>	<u><u>2,850,976</u></u>	<u><u>(747,858)</u></u>	-26%
Liabilities:				
Current Liabilities	<u>1,816,443</u>	<u>2,103,578</u>	<u>(287,135)</u>	-14%
Total Liabilities	1,816,443	2,103,578	(287,135)	-14%
Net Position:				
Net investment in				
Capital Assets	29,809	40,481	(10,672)	-26%
Restricted	256,866	797,248	(540,382)	-68%
Unrestricted Deficit	<u>-</u>	<u>(90,331)</u>	<u>90,331</u>	-100%
Total Net Position	<u>286,675</u>	<u>747,398</u>	<u>(460,723)</u>	-62%
Total Liabilities and Net Pos	<u><u>2,103,118</u></u>	<u><u>2,850,976</u></u>	<u><u>(747,858)</u></u>	-26%

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

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

Business-Type

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Amount Change</u>	<u>Total % Change</u>
Assets:				
Current and Other Assets	<u>1,632,234</u>	<u>1,393,926</u>	<u>238,308</u>	17%
Total Assets	<u><u>1,632,234</u></u>	<u><u>1,393,926</u></u>	<u><u>238,308</u></u>	17%
Liabilities:				
Current Liabilities	972,463	999,920	(27,457)	-3%
Long-Term Liabilities	<u>268,098</u>	<u>231,461</u>	<u>36,637</u>	16%
Total Liabilities	1,240,561	1,231,381	9,180	1%
Net Position:				
Unrestricted	<u>391,673</u>	<u>162,545</u>	<u>229,128</u>	141%
Total Net Position	<u><u>391,673</u></u>	<u><u>162,545</u></u>	<u><u>229,128</u></u>	141%
Total Liabilities and Net Position	<u><u>1,632,234</u></u>	<u><u>1,393,926</u></u>	<u><u>238,308</u></u>	17%

The Department's total assets are comprised of \$29,809 in capital assets and \$3,705,543 in other assets, for a total asset balance of \$3,735,352. The overall decrease in total assets from the previous fiscal year is \$509,550. Liabilities are also broken out into two segments: current liabilities and non-current liabilities. The total amount of current liabilities is \$2,788,906, a decrease of approximately 10% from the prior year balance of \$3,103,498. 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 \$268,098 at June 30, 2017.

The Department's Activities: The table below summarizes the Department's activities for the fiscal years ending June 30, 2017 and 2016. Total change in net position from the previous fiscal year was an increase of \$231,594.

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

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

Governmental

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Amount Change</u>	<u>Total % Change</u>
General Revenues and Transfers In	13,598,637	14,590,816	(992,179)	-7%
Total Revenue	13,598,637	14,590,816	(992,179)	-7%
Expenses and Transfers Out	(14,059,359)	(14,562,500)	503,141	-3%
Change in Net Position	(460,722)	28,316	(489,038)	-1727%
Net Position - Beginning of Year	747,398	719,082	28,316	4%
Net Position - End of Year	<u>286,675</u>	<u>747,398</u>	<u>(460,723)</u>	-62%

Business-Type

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Amount Change</u>	<u>Total % Change</u>
Program Revenues	2,523,468	2,584,252	(60,784)	-2%
Total Revenue	2,523,468	2,584,252	(60,784)	-2%
Expenses	(2,294,340)	(2,606,639)	312,299	-12%
Change in Net Position	229,128	(22,387)	251,515	-1123%
Net Position - Beginning of Year	162,545	184,932	(22,387)	-12%
Net Position - End of Year	<u>391,673</u>	<u>162,545</u>	<u>229,128</u>	141%

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

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 enterprise funds. The New Mexico Magazine Fund generates revenue from operations related to the sale, advertisements, and promotion of the New Mexico Magazine. The Tourism Enterprise Fund accounts for the sale of promotional items at the visitor information centers. The table below lists the beginning and ending cash balances for each fund managed by the Department.

Fund Name	Fund Code	Balance June 30, 2017	Balance June 30, 2016	Total % Change
General Fund	18800	\$ 1,359,157	1,784,478	-24%
Litter Control and Beautification Fund	26200	706,214	929,581	-24%
New Mexico Magazine Fund	38200	1,356,931	1,138,066	19%
Tourism Enterprise Fund	91900	84,662	76,182	11%

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

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, 2017	Fiscal Year Ended June 30, 2016	
General Fund	18800	\$ 12,815,800	\$ 13,495,500	-5%
Litter Control and Beautification Fund	26200	1,080,609	1,095,316	-1%
New Mexico Magazine Fund	38200	2,499,341	2,560,467	-2%
Tourism Enterprise Fund	91900	24,127	23,785	1%
Total Revenues		\$ 16,419,877	\$ 17,175,068	

Fund Name	Fund Code	Expenditures/Expenses		Total % Change
		Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	
General Fund	18800	\$ 12,810,365	\$ 13,501,692	-5%
Litter Control and Beautification Fund	26200	1,551,137	1,062,160	46%
New Mexico Magazine Fund	38200	2,283,287	2,578,533	-11%
Tourism Enterprise Fund	91900	11,053	28,106	-61%
Total Expenditures		\$ 16,655,842	\$ 17,170,491	

**NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

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 \$297,772.

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, 2017 is \$29,809 for the governmental activities. For governmental activities and business-type activities, the Department made no improvements or additions. The Department did not have any capital asset disposals during the year. The Department's enterprise funds had no additions or deletions during the year.

The Department had no long-term debt activity during fiscal year 2017. Long-term liabilities recorded for the Department consist of long-term, unexpired magazine subscriptions.

Anticipated Future Conditions and Changes

The Department was awarded \$12,801,800 in State General Fund appropriations for fiscal year 2018.

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

Contacting the Department's Financial Management

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

NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Investment in State General Fund			
Investment pool	\$ 1,815,123	\$ 1,407,981	\$ 3,223,104
Due from Other State Agencies	433	-	433
Receivables, Net	2,070	110,433	112,503
Prepaid Expenses	5,435	73,202	78,637
Inventories	-	7,006	7,006
Total current assets	<u>1,823,061</u>	<u>1,598,622</u>	<u>3,421,683</u>
Non-Current:			
Capital assets	255,326	-	255,326
Less accumulated depreciation	(225,517)	-	(225,517)
Total non-current assets	<u>29,809</u>	<u>-</u>	<u>29,809</u>
Total assets	<u>\$ 1,852,870</u>	<u>\$ 1,598,622</u>	<u>\$ 3,451,492</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable	\$ 1,430,788	\$ 111,561	\$ 1,542,349
Accrued payroll and related liabilities	60,120	40,681	100,801
Stale dated warrants	-	54	54
Gross receipts tax payable	-	1,505	1,505
Unearned revenue	-	93,780	93,780
Compensated absences	75,287	23,303	98,590
Unexpired subscriptions	-	667,967	667,967
Total current liabilities	<u>1,566,195</u>	<u>938,851</u>	<u>2,505,046</u>
Long-Term Liabilities			
Unexpired Subscriptions, long-term	-	268,098	268,098
Total liabilities	<u>1,566,195</u>	<u>1,206,949</u>	<u>2,773,144</u>
NET POSITION			
Net investment in capital assets	29,809	-	29,809
Non - Spendable	5,435	-	5,435
Restricted	251,432	-	251,432
Unrestricted	-	391,673	391,673
Total net position	<u>286,676</u>	<u>391,673</u>	<u>678,349</u>
Total liabilities and net position	<u>\$ 1,852,871</u>	<u>\$ 1,598,622</u>	<u>\$ 3,451,493</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, 2017**

Functions/Programs	Expenses	Program Revenues	Charges for Services
GOVERNMENTAL ACTIVITIES			
Tourism	\$ 14,074,398	\$ -	-
Total governmental activities	<u>14,074,398</u>	<u>-</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES			
Publishing	2,294,340	2,523,468	-
Total business-type activities	<u>2,294,340</u>	<u>2,523,468</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 16,368,738</u>	<u>\$ 2,523,468</u>	<u>-</u>

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

Net (Expense) Revenue and
Changes in Net Position

	Governmental Activities	Business-Type Activities	Total
	\$ (14,074,398)	\$ -	\$ (14,074,398)
	(14,074,398)	-	(14,074,398)
	-	229,128	229,128
	-	229,128	229,128
	(14,074,398)	229,128	(13,845,270)
General Revenues:			
Other registration fees	1,076,963	-	1,076,963
Investment income	3,646	-	3,646
Transfers:			
Reversion to the state general fund FY17	(282,732)	-	(282,732)
State general fund appropriation	12,815,800	-	12,815,800
Fund balance transfer	(300,000)	-	(300,000)
Total General Revenues and Transfers	13,613,677	-	13,613,677
CHANGE IN NET POSITION	(460,721)	229,128	(231,593)
Net Position - Beginning of Year	747,398	162,545	909,943
NET POSITION - END OF YEAR	\$ 286,676	\$ 391,673	\$ 678,349

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

**NEW MEXICO TOURISM DEPARTMENT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017**

	General Fund 18800	Litter Control and Beautification Fund 26200	Total Governmental Funds
ASSETS			
Investment in state general fund investment pool	\$ 1,114,721	\$ 700,402	\$ 1,815,123
Accounts receivable	2,070	-	2,070
Prepaid Expenses	5,435	-	5,435
Due from other state agencies	-	433	433
Total assets	\$ 1,122,226	\$ 700,835	\$ 1,823,061
LIABILITIES			
Accounts payable	\$ 1,059,104	\$ 371,684	\$ 1,430,788
Accrued Payroll and related liabilities	57,687	2,433	60,120
Due to other state agencies	-	-	-
Due to state general fund	-	-	-
Total liabilities	1,116,791	374,117	1,490,908
FUND BALANCES			
Non-spendable	5,435	-	5,435
Restricted	-	326,719	326,719
Fund Balance, end of year	\$ 5,435	\$ 326,719	\$ 332,154

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, 2017**

**Total Fund Balance - Governmental Funds
(Governmental Fund Balance Sheet) \$ 332,154**

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:	255,326
Accumulated Depreciation is:	(225,517)
Total Capital Assets	<u>29,809</u>

Long-term and certain other liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(75,287)</u>
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Net Position of Governmental Activities (Statement of Net Position) \$ 286,676

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, 2017

	General Fund 18800	Litter Control and Beautification Fund 26200	Total Governmental Funds
REVENUES			
Other registration fees	\$ -	\$ 1,076,963	\$ 1,076,963
Investment income	-	3,646	3,646
Total revenues	<u>-</u>	<u>1,080,609</u>	<u>1,080,609</u>
EXPENDITURES			
Tourism	\$ 12,527,633	\$ 1,251,137	\$ 13,778,770
Total expenditures	<u>12,527,633</u>	<u>1,251,137</u>	<u>13,778,770</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES			
	<u>(12,527,633)</u>	<u>(170,528)</u>	<u>(12,698,161)</u>
OTHER FINANCING SOURCES (USES)			
State general fund appropriations	12,815,800	-	12,815,800
Fund balance transfer	-	(300,000)	(300,000)
Reversion to state general fund 2017 fiscal year	<u>(282,732)</u>	<u>-</u>	<u>(282,732)</u>
Total other financing sources (uses)	<u>12,533,068</u>	<u>(300,000)</u>	<u>12,233,068</u>
NET CHANGE IN FUND BALANCE	5,435	(470,528)	(465,093)
Fund Balance, beginning of year	<u>-</u>	<u>797,248</u>	<u>797,248</u>
Fund Balance, end of year	<u>\$ 5,435</u>	<u>\$ 326,720</u>	<u>\$ 332,155</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, 2017**

Net Changes in fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and changes in Fund Balances)	\$ (465,093)
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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:	15,044
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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>\$ (460,721)</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, 2017**

	General Fund (18800)			
	Budgeted Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State general fund appropriations	\$ 13,561,700	\$ 12,815,800	\$ 12,815,800	\$ -
Total revenues	<u>13,561,700</u>	<u>12,815,800</u>	<u>12,815,800</u>	<u>-</u>
EXPENDITURES				
Personnel services/benefits	2,801,600	2,355,500	2,192,092	163,408
Contractual services	390,300	477,000	476,177	823
Other	10,369,800	9,983,300	9,859,364	123,936
Total expenditures	<u>13,561,700</u>	<u>12,815,800</u>	<u>12,527,633</u>	<u>288,167</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				
	<u>\$ -</u>	<u>\$ -</u>	288,167	<u>\$ 288,167</u>
NON-BUDGETED RECONCILING ITEMS				
Reversions to state general fund			<u>(282,732)</u>	
NET CHANGE IN FUND BALANCE				
			<u>\$ 5,435</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, 2017

	Litter Control & Beautification Fund (26200)			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Other registration fees	\$ 1,228,800	\$ 1,228,800	\$ 1,076,963	\$ (151,837)
Miscellaneous	1,500	1,500	3,646	2,146
Budget fund balance	-	370,000	-	(370,000)
Total revenues	<u>1,230,300</u>	<u>1,600,300</u>	<u>1,080,609</u>	<u>(519,691)</u>
EXPENDITURES				
Personnel services/benefits	142,400	159,400	98,151	61,249
Contractual services	6,600	6,600	6,039	561
Other	1,081,300	1,434,300	1,146,947	287,353
Total expenditures	<u>1,230,300</u>	<u>1,600,300</u>	<u>1,251,137</u>	<u>349,163</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(170,528)	<u>\$ (170,528)</u>
NON-BUDGETED RECONCILING ITEMS				
Unbudgeted Transfer to State General Fund For Workman's Compensation.			<u>(300,000)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (470,528)</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, 2017

	Business-Type Activities		
	New Mexico Magazine (38200)	Tourism Enterprise (91900)	Total
ASSETS			
Investment in State General Fund			
Investment pool	\$ 1,323,319	\$ 84,662	\$ 1,407,981
Accounts receivable, net	107,683	2,750	110,433
Inventories	7,006	-	7,006
Prepaid postage	73,202	-	73,202
Total current assets	1,511,210	87,412	1,598,622
Total assets	\$ 1,511,210	\$ 87,412	\$ 1,598,622
LIABILITIES AND NET POSITION			
LIABILITIES			
Current:			
Accounts payable	\$ 111,459	\$ 102	\$ 111,561
Accrued payroll and related liabilities	40,681	-	40,681
Deferred revenue	93,780	-	93,780
Stale dated warrants	54	-	54
Gross receipts tax payable	1,505	-	1,505
Unexpired subscriptions	667,967	-	667,967
Compensated absences	23,303	-	23,303
Total current liabilities	938,749	102	938,851
Non-Current:			
Unexpired subscriptions - long-tem	268,098	-	268,098
Total non-current liabilities	268,098	-	268,098
Total liabilities	1,206,847	102	1,206,949
NET POSITION			
Unrestricted (Deficit)	304,363	87,310	391,673
Total net position	304,363	87,310	391,673
Total liabilities and net position	\$ 1,511,210	\$ 87,412	\$ 1,598,622

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, 2017**

	Business-Type Activities		Total
	New Mexico Magazine (38200)	Tourism Enterprise (91900)	
OPERATING REVENUES			
Charges for services			
New Mexico magazine	\$ 2,481,124	\$ -	\$ 2,481,124
By-product sales	-	-	-
Miscellaneous	18,217	24,127	42,344
Total operating revenues	2,499,341	24,127	2,523,468
OPERATING EXPENSES			
Personal services	618,673	-	618,673
Contractual services	685,860	10,831	696,691
Other costs	978,754	222	978,976
Total operating expenses	2,283,287	11,053	2,294,340
CHANGE IN NET POSITION	216,054	13,074	229,128
Total net position - beginning of year	88,309	74,236	162,545
Total net position - end of year	\$ 304,363	\$ 87,310	\$ 391,673

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, 2017

	Business-Type Activities		Total
	New Mexico Magazine (38200)	Tourism Enterprise (91900)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	2,414,879	21,377	2,436,256
Payments to suppliers	(1,592,941)	(12,897)	(1,605,838)
Payments to employees	(636,685)	-	(636,685)
Net Cash Provided (Used by Operating Activities)	185,253	8,480	193,733
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	185,253	8,480	193,733
Cash and cash equivalents - beginning of year	1,138,066	76,182	1,214,248
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,323,319	84,662	1,407,981
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Change in net position	\$ 216,054	13,074	229,128
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:			
Change in Assets and Liabilities:			
Receivables - net	(30,601)	(2,750)	(33,351)
Inventories	56,200	-	56,200
Prepaid expenses	3,394	-	3,394
Accounts and other payables	11,933	(1,844)	10,089
Deferred Revenue	(22,644)	-	(22,644)
Accrued payroll and compensated absences	(18,012)	-	(18,012)
Unexpired subscriptions	6,135	-	6,135
Due to other funds	(37,206)	-	(37,206)
Net cash provided (used) by operating activities	\$ 185,253	8,480	193,733

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

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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, 2017**

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, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity

The financial reporting entity as defined by GASB Statement 14 (amended by GASB 39 and 61) consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government." The primary government is any state government or general-purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Department, therefore, is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State.

The Department is a "department" of the State of New Mexico and will be included in any statewide Comprehensive Annual Financial Report. In accordance with the criteria set forth in GASB 14 (amended by GASB 39 and 61) for determining component units, the Department does not have any component units.

Government-Wide and Fund Financial Statements

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

The government-wide Statement of Activities reflects both the gross and net costs that are being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Department reports two functions in the government-wide financial statements: the governmental activities (Tourism) and business-type activities (Publishing). Program revenues consist of the following:

- Governmental activities – Tourism activities
- Proprietary activities – Advertising, subscriptions, and merchandise sales

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). The Department does not currently employ indirect cost allocation systems.

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, 2017**

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, 2017**

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting (Continued)

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

Accrual

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

Modified Accrual

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

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, 2017**

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 operation budgets, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at the year-end. Appropriation periods are sometimes for periods in excess of 12 months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control should be disclosed. There are no encumbrances outstanding at year-end.

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

- 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 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, 2017**

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

Capital Assets

Capital Assets consist of acquired assets with an original cost of \$5,000 or more and an estimated useful life greater than one year per Section 12-6-10 NMSA 1978. The Department records assets (such as furniture and fixtures, equipment, and data processing equipment including software) purchased at cost or, if contributed, at fair market value at date of donation. The Department is capitalizing and depreciating computer software developed for internal use. Repairs and maintenance expenses are charged to operations when incurred and major 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 enterprise fund records unearned revenue relating to advertising that has been collected from their customers, but the magazine(s) in which the advertising will take place has (have) not been issued yet.

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

Due to/from Other Funds

Internal balances due to/from in the governmental funds are netted as part of the reconciliation to the government-wide columnar presentation, as such eliminating internal activity in the Statement of Activities. There were no inter-fund balances at June 30, 2017.

Due to State General Fund (Reversions)

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

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reverting Funds

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

Non-Reverting Funds

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

Governmental Fund Balances

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

As of June 30, 2017, only the Litter Control and Beautification Fund (26200) had a fund balance, totaling \$326,719, all of which was restricted for the statewide Tourism Development Program.

Compensated Absences

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon length of service and employee's hire date. A maximum of 30 working days (240 hours) or such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave is lost.

When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Accumulated annual leave is not expected to be liquidated with expendable available financial resources and is reported in the general long-term debt group.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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

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

Pension Plan

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

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

Compliant with the requirements of Government Accounting Standards Board Statement No.68 and No.71, the State of New Mexico implemented these standards.

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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Plan (Continued)

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 2017 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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2017.

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, 2017.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Department follows GASB 46 “Net Assets Restricted by Enabling Legislation”. The government-wide statement of net position reports \$678,348, of which \$251,431 is restricted by 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-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 third 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 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.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 3. STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

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

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 20, 2017.

NOTE 4. ACCOUNTS RECEIVABLE

Business-Type Activities

Accounts receivable at June 30, 2017 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	\$1,392,769	8,804	-	\$1,401,573
Other Receivable	-	-	2,750	2,750
Less: Allowance for Uncollectible Accounts	(1,289,189)	(4,701)	-	(1,293,890)
Accounts Receivable - Net	<u>\$ 103,580</u>	<u>4,103</u>	<u>2,750</u>	<u>110,433</u>

Management expects the entire balance of net accounts receivable to be collected within one year of the balance sheet date. Due from and due to other state agencies represent interagency receivables and payables arising from interagency transactions.

NOTE 5. DUE FROM/TO OTHER STATE AGENCIES

Due from Other State Agencies

	<u>SHARE Agency Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
NMDGF	51600-10840	<u>\$ 433</u>		OHV Fees
Litter Control and Beautification	41800-26200		<u>\$ 433</u>	
Total All Funds		<u>\$ 433</u>	<u>\$ 433</u>	

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 \$7,006 in the Business-Type Activities represents items for resale for New Mexico Magazine Fund.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. CAPITAL ASSETS

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

	Balance, June 30, 2016	Additions	Adjustments	Deletions	Balance, June 30, 2017
Governmental Activities:					
Equipment and Machinery	\$ 31,266	-	-	-	31,266
Building and Structures	-	-	22,000	-	22,000
Furniture and Fixtures	13,253	-	-	13,253	-
Data Processing and Software	36,074	-	-	17,323	18,751
Vehicles	183,309	-	-	-	183,309
Total Capital Assets	263,902	-	22,000	30,576	255,326
Less: Accumulated					
Depreciation for:					
Equipment and Machinery	(20,966)	(3,127)	-	-	(24,093)
Buildings and Structures	-	-	(22,000)	-	(22,000)
Furniture and Fixtures	(13,253)	-	-	13,253	-
Data Processing and Software	(36,074)	-	-	17,323	(18,751)
Vehicles	(153,128)	(7,545)	-	-	(160,673)
Total Accumulated Depreciation	(223,421)	(10,672)	22,000	30,576	(225,517)
Governmental Activities					
Capital Assets - Net	\$ 40,481	(10,672)	-	-	29,809
	Balance, June 30, 2016	Additions	Adjustments	Deletions	Balance, June 30, 2017
Business-type Activities:					
Equipment and Machinery	\$ 2,866	-	(2,866)	-	-
Furniture and Fixtures	1,401	-	(1,401)	-	-
Data Processing and Software	1,637	-	(1,637)	-	-
Total Capital Assets	5,904	-	(5,904)	-	-
Less: Accumulated					
Depreciation for:					
Equipment and Machinery	(2,866)	-	2,866	-	-
Furniture and Fixtures	(1,401)	-	1,401	-	-
Data Processing and Software	(1,637)	-	1,637	-	-
Total Accumulated Depreciation	(5,904)	-	5,904	-	-
Business-type Activities					
Capital Assets - Net	\$ -	-	-	-	-

The depreciation expense for the government activities was \$10,672. The Department did not have any debt related to capital assets as of June 30, 2017. In the Statement of Activities, depreciation expense is captured in the Tourism category under governmental activities. Business-type capital assets were fully depreciated prior to fiscal year 2016, and were subsequently written off in FY 2017; see finding 2017-001.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 8. COMPENSATED ABSENCES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

Governmental Activities:

Balance, June 30, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
\$ 90,331	\$ 99,428	\$ (114,472)	\$ 75,287	\$ 75,287

Business-Type Activities:

Balance, June 30, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
\$ 16,664	\$ 40,183	\$ (33,544)	\$ 23,303	\$ 23,303

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 76% and NM Magazine Fund (SHARE number 38200), approximately 24%.

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 \$297,772 was recognized for fiscal year 2017 and is payable at June 30, 2017 to the State General Fund. Reversions due to the State General Fund are due by September 30, 2017. 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>.

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, 2017, 2016 and 2015 were \$340,506, \$377,909 and \$382,139, respectively, which equal the amount of the required contributions for each fiscal year.

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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.

Funding Policy

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

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

**NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan during the fiscal year ended June 30, 2016, 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, 2016, 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, 2016, 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, 2017, 2016 and 2015 were \$40,083, \$45,125 and \$47,330, respectively, which equal the required contributions for each year.

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, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	31,197
2019	31,197
2020	22,088
2021	18,768
Total	<u>\$ 103,250</u>

Lease expense under all long-term operating leases for the year ended June 30, 2017, was \$31,197.

NOTE 13. OTHER FINANCING SOURCES

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 (Fund #18800)	\$ 12,815,800		General Appropriations
Dept. of Finance and Administration (Fund #85300)		\$ 12,815,800	
General Fund (Fund #18800)	\$ 300,000		General Appropriations
Dept. of Finance and Administration (Fund #85300)		\$ 300,000	

NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, 2016 and 2015, there were no settlements that exceeded insurance coverage.

NOTE 15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 26, 2017, 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, 2017. No such events were identified by management.

SUPPLEMENTARY INFORMATION

**NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES - ENTERPRISE FUNDS -
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2017**

	New Mexico Magazine (38200)			
	Budgeted Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 3,329,000	\$ 3,329,000	\$ 2,499,341	\$ (829,659)
Total revenues	3,329,000	3,329,000	2,499,341	(829,659)
EXPENDITURES - Current				
Personnel services/benefits	939,900	939,900	618,673	321,227
Contractual services	885,500	885,500	685,860	199,640
Other	1,503,600	1,503,600	978,754	524,846
Total expenditures	3,329,000	3,329,000	2,283,287	1,045,713
CHANGE IN NET POSITION	\$ -	\$ -	\$ 216,054	\$ 216,054

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

COMPLIANCE



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**Report on Internal Control Over
Financial Reporting and on Internal Control Over Financial Reporting and
On Compliance and other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Governmental Auditing Standards***

Independent Auditor's Report

Mr. Timothy Keller, 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, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and related budgetary comparisons of the Department, presented as supplementary information, and have issued our report thereon dated October 26, 2017.

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

identify a deficiency over internal control that was considered to be a significant deficiency. This deficiency is noted as finding 2017-001.

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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2017-002.

The Department's Responses to Findings

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

Purpose of this Report

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

Albuquerque, New Mexico
October 26, 2017

**NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

SECTION 1 – FINANCIAL STATEMENT FINDINGS

Finding 2017-001 Capital Asset Listing (Significant Deficiency)

Condition: Prior year dispositions of assets were not properly accounted for in The Tourism Department's records, as well as a prior year addition being excluded from the capital asset listing. The net effect of the transactions were \$0, as the prior year addition was fully depreciated and the adjusted items were fully depreciated. The adjusted amounts were disposed of in the prior period.

Criteria: Per the Accounting by Governmental Entities Act, NMAC 2.20.1.16 (A) "At the end of the fiscal year, each agency shall conduct a physical inventory of its capital assets consisting of those with a historical cost of (\$1,000) or more under the control of the governing authority". In addition, the agency is required to report dispositions to the Office of the State Auditor.

Cause: The agency did not have a system in place to account for and monitor acquisitions and dispositions of capital assets.

Effect: The capital asset listing was incomplete and not properly adjusted for prior year(s) activity.

Recommendation: We recommend that management perform regular capital asset inventory counts and reconciliations to ensure that all items in service have been accounted for.

Management's Response: Management agrees with the finding. The Department is in the process of becoming fully staffed and will ensure capital assets are properly accounted for in the Department's records.

- **Timeline to correct:** All financial positions will be filled as of November 2017.
- **Responsible Official:** ASD Deputy Director

**NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

Finding 2017-002 Creation of Purchase Orders (Compliance and Other Matters)

Condition: Out of 25 items tested for internal controls over cash disbursements, the purchase order was issued after the invoice date for 1 item in the amount of \$9.00.

Criteria: Pursuant to MAPS Section FIN 4.1 (D) 1, all commitments to purchase goods or services must be documented by a properly completed Purchase Order; in addition, purchase orders must be executed and approved prior to purchase being made.

Cause: Internal staffing was limited at the time and the process was overlooked.

Effect: The agency was out of compliance with the aforementioned requirement. In addition, after the fact purchase orders defy the budgeting process and could result in overexpenditure of budget.

Recommendation: We recommend that management utilize blanket purchase orders for items that are regularly ordered. Additionally, we recommend that management implement additional procedures over monitoring purchase orders.

Management's Response: Management agrees with the finding. The Department is in the process of becoming fully staffed and will ensure purchase orders are prepared prior to the commitment of goods and or services.

- **Timeline to correct:** All Financial positions will be filled by November 2017.
- **Responsible official:** ASD Deputy Director

**NEW MEXICO TOURISM DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2017**

SECTION 2 – SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

- **Finding 2016-001 (Previously Finding 2015-002) Timeliness of Cash Deposits (Compliance and other Matters) (Resolved)**
- **Finding 2016-002 (Previously Finding 2015-003) Per Diem and Mileage Act (Compliance and Other Matters) (Resolved)**

**NEW MEXICO TOURISM DEPARTMENT
EXIT CONFERENCE
Year Ended June 30, 2017**

EXIT CONFERENCE

An exit conference was held on October 26, 2017, 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:

Wayne Brown, Partner
Mark Santiago, 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.