

STATE OF NEW MEXICO
DEPARTMENT OF
CULTURAL AFFAIRS
Financial Statements
for the Year Ended
June 30, 2007

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STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Official Roster

Year Ended June 30, 2007

Administrative
Officials

Title

Stuart A. Ashman	Cultural Affairs Cabinet Secretary
Troy Fernandez	Cultural Affairs Deputy Cabinet Secretary
Emilio I. Martinez	Director - Administrative Services Division
Eduardo Dias	Director - National Hispanic Cultural Center Division
Elena Sweeney	Director - Museum Services/Cultural Affairs Deputy Cabinet Secretary
Spencer Lucas	Director - Museum of Natural History Division
Loie Fecteau	Director - Arts Division
Susan Oberlander	Director - Library Division
Katherine Slick	Director - Historic Preservation Division
Randall Hayes	Director - NM Space History Museum Division
Mark Santiago	Director - Farm and Ranch Museum Division

Independent Auditors' Report

T 505-830-6200
F 505-830-6282

Stuart A. Ashman, Cabinet Secretary
State of New Mexico
Department of Cultural Affairs
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and the aggregate remaining fund information of the State of New Mexico Department of Cultural Affairs (Department) as of and for the year ended June 30, 2007, which collectively comprise the Department's basic financial statements as listed in the accompanying table of contents. We have also audited the financial statements of each of the Department's nonmajor governmental funds and all respective budgetary comparisons presented in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the International Folk Art Museum, New Mexico Museum of Natural History Foundation, Museum of New Mexico Foundation, National Hispanic Cultural Center Foundation, International Space Hall of Fame Foundation, Inc. and the New Mexico Farm & Ranch Heritage Foundation, Inc., which represent all of the assets, net assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the discretely presented component units, is based on the reports of the other auditors.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Stuart A. Ashman, Cabinet Secretary
State of New Mexico
Department of Cultural Affairs
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

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, major funds and aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2007, and the changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2007, and the respective changes in financial position, where applicable, thereof, and the budgetary comparisons for the General Fund and major special revenue funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non major governmental fund, and fiduciary funds of the Department as of June 30, 2007, and the respective changes in the financial position thereof and the budgetary comparisons of the non major funds, the capital projects fund and the activities of the general fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2008, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Stuart A. Ashman, Cabinet Secretary
State of New Mexico
Department of Cultural Affairs
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual financial statements presented as supplemental information. The accompanying schedules listed as supplemental information in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Albuquerque, New Mexico
December 11, 2008

Management's Discussion and Analysis

The Department of Cultural Affairs' (DCA) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of DCA's financial activity, identify changes in DCA's financial position, identify any material deviations from the financial plan (the approved budget) and identify any financial issues or concerns. The Management's Discussion and Analysis (MD&A) is designed to focus on the past year's activities and financial changes.

As management of DCA, we offer readers this narrative overview and analysis of the financial activities of DCA for the year ended June 30, 2007.

Financial Highlights

- DCA's governmental net assets increased by \$20,809,617 in FY2007.
- DCA's operating revenue increased by \$12,977,745 in FY2007.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to DCA's basic financial statements. DCA's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) budgetary comparisons, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental activities are consolidated into one column. DCA has no business-type activity. The focus of the Statement of Net Assets (Unrestricted Net Assets) is designed to be similar to a bottom line for DCA and its governmental activities. Most of DCA's basic services are included in the governmental activities. State appropriations, other state funds and federal grants finance most of these activities. The funds included in Governmental Activities for DCA are the General Operating Fund and Special Revenue Funds.

Fund Financial Statements

Fund financial statements consist of a series of statements that focus on information about the major governmental and enterprise funds. Fund financial statements also report information about a government's fiduciary funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Overview of the Financial Statements - continued

Fund Financial Statements - continued

The fund financial statements are similar to the financial statements presented in the previous accounting model. Non-major funds (by category) or fund type are summarized into a single column.

The focus is now on Major Funds, rather than fund types. DCA has five such funds: the general fund, Laws of 2002 Capital Projects; Laws of 2004 Capital Projects; Laws of 2006 Capital Projects; and Laws of 2007 Capital Projects.

Governmental Funds - Most of DCA's services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out; and (2) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view and help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance DCA'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.

Agency Funds - The fund financial statements also allow the government to address its agency funds. While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements. With the implementation of GASB #34, agency funds are not included with the governmental-type funds, since these funds are not available to support DCA's programs. DCA's agency fund is the Bartlett Trust Fund and the Historic Preservation Revolving Agency Fund.

Budgetary Comparisons

In addition to the MD&A, GASB #34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget to be presented as required supplementary information. The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances stated on the government's budgetary basis.

As required by the Office of the State Auditor under 2 NMAC 2.2, the Statements of Revenues and Expenditures - Budget and Actual, are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Notes to the Financial Statements

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

Management's Discussion and Analysis - continued

Governmental Activities

Government-Wide Financial Analysis

Net Assets: Table A-1 summarizes DCA's net assets for the fiscal year ended June 30, 2007. Total DCA net assets for fiscal year 2007 were \$107,297,798. Unrestricted net assets in governmental activities were \$766,229 at the end of the fiscal year. Restricted net assets, which include capital projects, were \$20,849,104.

Table A-1

Statement of Net Assets

AS OF JUNE 30,	2007	2006
ASSETS:		
Current and other assets	\$ 47,440,206	36,861,714
Capital assets	<u>93,915,155</u>	<u>85,654,272</u>
TOTAL ASSETS	141,355,361	122,515,986
LIABILITIES:		
Current liabilities	27,264,041	28,316,813
Long-term liabilities	<u>6,793,522</u>	<u>7,710,992</u>
TOTAL LIABILITIES	34,057,563	36,027,805
NET ASSETS:		
Invested in capital assets, net of related debt	86,571,733	85,654,272
Restricted	12,616,414	833,909
Unrestricted (deficit)	<u>8,109,651</u>	<u>-</u>
TOTAL NET ASSETS	\$ <u>107,297,798</u>	<u>86,488,181</u>

Changes in Net Assets: DCA's change in net assets for fiscal year 2007 was an increase of \$20,809,617 (Table A-1). A significant portion, sixty-nine percent (69%), of DCA's revenue comes from State general fund appropriations; eight percent (8%) comes from federal funds and twenty-three percent (23%) comes from other state funds or other revenue sources. General fund appropriations increased from 2006, and DCA received general fund capital project appropriations of nearly \$11,440,000 in 2007. So although net assets increased overall, it was attributed to net assets invested in capital assets related to the capital projects. Unrestricted net assets actually decreased as a result of budget decreases in operating revenues (see Table A-1). The increases in

Management's Discussion and Analysis - continued

Governmental Activities - continued

Government-Wide Financial Analysis - continued

current and other assets and current liabilities are attributed to funding received for capital projects and other programs that have not been expended as of year end. For more detailed information, see the Statement of Net Assets on page 14.

Statement of Activities: The Statement of Activities is focused on the cost of various activities that are provided by DCA's general and other revenues. This is intended to summarize and simplify the users' analysis of the cost of services. Table A-2 summarizes DCA's change in net assets for the fiscal year ended June 30, 2007. DCA's change in net assets for fiscal year 2007 was an increase of \$20,809,617. Total revenues increased thirty-five percent (35%) from 2006 to 2007. General appropriations and operating grants increased. The total increase in revenues is driven mainly by the increase in capital appropriations. Charges for services also increased, which was caused by fee increases during 2007. For more detailed information, see the Statement of Activities on page 15.

Table A-2

Statement of Activities

YEARS ENDED JUNE 30,	2007	2006
REVENUE:		
General appropriation and operating grants	\$ 52,967,936	40,406,647
Other	<u>10,728,679</u>	<u>10,312,223</u>
TOTAL REVENUE	63,696,615	50,718,870
EXPENSES:		
Program expenses	<u>42,886,998</u>	<u>43,904,699</u>
INCREASE IN NET ASSETS	20,809,617	6,814,171
NET ASSETS, BEGINNING OF YEAR	86,488,181	79,294,308
RESTATEMENTS	<u> -</u>	<u> 379,202</u>
NET ASSETS, BEGINNING OF YEAR, RESTATED	<u>86,488,181</u>	<u>79,674,010</u>
NET ASSETS, END OF YEAR	\$ <u>107,297,798</u>	<u>86,488,181</u>

Management's Discussion and Analysis - continued

Governmental Activities - continued

Government-Wide Financial Analysis - continued

At year end, DCA's governmental funds reported a combined fund balance of \$21,864,846, which is \$12,271,211 higher than last year.

Analysis of Funds

Individual Funds (Major – other than General Fund) - The other major funds were all capital project funds. Listed below are the SHARE numbers and description:

08200	Capital Projects, Laws of 2002
58700	Capital Projects, Laws of 2004
53000	Capital Projects, Laws of 2006
26300	Capital Projects, Laws of 2007

There were no specific or unusual transactions related to these funds. The major asset related to these funds is their investment in the State Treasurer's Office due to bond money received to complete the capital projects. The major expenditure is related to Capital Outlay. Fund 08200 received approximately \$2.5 million in federal fund revenue as of June 30, 2007.

General Fund Budgetary Highlights

The New Mexico State Legislature makes annual appropriations to DCA. Amendments to the appropriated budget require approval by the Budget Division of the Department of Finance and Administration, with review by the Legislative Finance Committee.

Over the course of the year, DCA adjusts its budget as authorized in the Appropriations Act. The budget adjustments fall into four categories:

- Supplemental and special appropriations that are reflected in the actual beginning account balances (correcting the estimated amounts in the budget adopted for the fiscal year).
- Capital Improvement Project appropriations that are budgeted during the year based on legislative appropriations.
- Budget adjustment requests made during the fiscal year to allow DCA to utilize funds where needed.
- Budget adjustment requests that increase or decrease other state funds based on actual revenues.

Management's Discussion and Analysis - continued

Governmental Activities - continued

General Fund Budgetary Highlights - continued

The General Fund Budget increased 1.3% from fiscal year 2006 to fiscal year 2007. Federal grants of approximately \$1,400,000 were not spent for the New Mexico History Museum as was planned in FY07. Additionally, approximately \$2,900,000 of intra-state transfers were not received as budgeted. Total expenditures were only 94% of the total budgeted, which was \$39,412,124.

DCA received general fund capital project appropriations of nearly \$11,440,000 for the New Mexico History Museum, Hispanic Education Complex and various other projects.

All other changes between the original and final budgets were not significant.

Capital Assets

At the end of fiscal year 2007, DCA had invested a total of \$93,915,155 in governmental-type activities in a variety of capital assets. This amount represents a net increase (including additions and deductions) of \$8,260,883, ten percent (10%) over last year. The major increases in capital assets during the fiscal year were due to new construction and building improvements.

DCA has numerous ongoing capital projects, in addition to those mentioned above, that include the New Mexico History Museum, Hispanic Education Complex previously mentioned above and ADA compliance throughout the state.

Table A-3

Capital Assets

YEARS ENDED JUNE 30,	2007	2006
Land and improvements	\$ 4,366,247	4,366,247
Building and improvements	113,331,318	105,555,383
Furniture and fixtures	2,547,275	1,691,230
Information and technology	4,901,679	2,457,038
Machinery and equipment	2,455,588	3,447,677
Livestock	23,025	23,025
Library & Museum	168,327	-
Vehicles and automotive	<u>1,195,174</u>	<u>590,216</u>
	\$ <u>128,988,633</u>	<u>118,130,816</u>

Management's Discussion and Analysis - continued

Governmental Activities - continued

Capital Assets - continued

As previously described, DCA received general fund capital project appropriations of nearly \$11,440,000 in 2007. So although net assets increased overall, it was attributed to net assets invested in capital assets related to the capital projects. The increases in current and other assets and current liabilities are attributed to funding received for capital projects and other programs that have not been expended as of year end.

GASB #34 requires the recording and depreciation of infrastructure assets such as roads, bridges, traffic signals, etc. Accumulated depreciation for these capital assets is calculated at \$35,073,478. DCA does not own a material interest in any infrastructure assets.

DCA's legislatively approved budget for the operating fund (19300) was \$41,906,627 for fiscal year 2007. During the course of the year, budgetary basis expenditures were \$39,412,123. Personnel costs accounted for sixty five percent (69%) of the year's expenditures, other operating costs (travel, supplies, maintenance and library acquisitions) accounted for eighteen percent (20%) and contractual services costs accounted for eleven percent (11%).

Debt Administration

At June 30, 2007, the Department had total outstanding debt of \$7,343,422. Outstanding debt is backed by the Department's state tax revenues. The Department's total debt decreased by \$344,117, or 5%, due to principal repayments. The Department incurred no new debt during fiscal year 2007.

Currently Known Facts

DCA's budget appropriation in 2008 was increased by 4.3%.

Requests for Information

This financial report is designed to provide a general overview of DCA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, 407 Galisteo Street, Suite 264, Bataan Memorial Bldg., Santa Fe, New Mexico 87501.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Net Assets

AS OF JUNE 30, 2007	Governmental Activities	Component Units
CURRENT ASSETS:		
Cash and cash equivalents	\$ -	2,787,940
Petty cash	13,800	-
Cash at Trustee	509,789	-
Investment in State Treasurer General Fund Investment Pool	43,536,025	-
Investments	-	14,290,721
Receivables:		
Severance tax and general obligation bonds	-	-
Local government	465,806	-
Fees	299,564	2,680,314
Due from federal government	897,075	-
Due from other state agencies	1,364,704	-
Inventory	350,399	1,505,627
Collection purchase advances	-	12,071
Other assets	3,044	109,957
TOTAL CURRENT ASSETS	47,440,206	21,386,630
NON-CURRENT ASSETS:		
Other	-	3,957,598
Investments	-	7,187,269
Trusts	-	23,348,812
Capital assets	128,988,633	3,399,473
Less: accumulated depreciation	(35,073,478)	(2,317,291)
TOTAL NON-CURRENT ASSETS	93,915,155	35,575,861
TOTAL ASSETS	\$ 141,355,361	56,962,491
CURRENT LIABILITIES:		
Accounts payable	\$ 5,151,227	330,487
Accrued payroll	531,788	142,325
Accrued liabilities	551,200	-
Deferred revenue	18,422,626	537,349
Due to other state agencies	339,673	14,722
Bank overdrafts	302,591	-
Due to state general funds (FY 2007)	276,255	-
Due to local governments	-	-
Unearned federal grant receipts	-	332,498
Other current liabilities	-	115,393
Current portion of compensated absences payable	1,060,000	-
Current portion of long-term obligations	628,681	63,193
TOTAL CURRENT LIABILITIES	27,264,041	1,535,967

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Net Assets - continued

AS OF JUNE 30, 2007	<u>Governmental Activities</u>	<u>Component Units</u>
LONG-TERM OBLIGATIONS:		
Non-current compensated absences	\$ 78,781	755,024
Non-current portion of long-term obligations	<u>6,714,741</u>	<u>68,789</u>
TOTAL LONG-TERM OBLIGATIONS	<u>6,793,522</u>	<u>823,813</u>
TOTAL LIABILITIES	34,057,563	2,359,780
NET ASSETS:		
Invested in capital assets, net of related debt	86,571,733	-
Restricted for:		-
Capital projects	12,616,414	-
Debt service	-	-
Endowment	-	28,208,448
Temporarily restricted for program expenditures	-	6,500,246
Unrestricted (deficit)	<u>8,109,651</u>	<u>19,894,017</u>
TOTAL NET ASSETS	<u>107,297,798</u>	<u>54,602,711</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>141,355,361</u>	<u>56,962,491</u>

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Activities

YEAR ENDED JUNE 30, 2007

	Governmental Activities	Component Units
EXPENSES:		
Arts and Culture	\$ 42,886,998	17,160,009
PROGRAM REVENUE:		
Charges for services	4,843,963	3,083,303
Operating grants and contributions	5,884,716	9,404,018
Net program expense	(32,158,319)	(4,672,688)
GENERAL REVENUES:		
Appropriations (net of reversions)	47,881,380	-
Bond proceed appropriations	1,419,570	-
Other local grants	3,105,866	-
Other state funds	354,350	-
Gasoline Tax	-	-
Other revenue	206,770	5,882,229
Total general revenues	52,967,936	5,882,229
CHANGE IN NET ASSETS	20,809,617	1,209,541
NET ASSETS, BEGINNING OF FISCAL YEAR	86,488,181	53,393,170
NET ASSETS, END OF FISCAL YEAR	\$ <u>107,297,798</u>	<u>54,602,711</u>

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2007	19300 General Fund	08200 Capital Projects, Laws 2002	58700 Capital Projects, Laws 2004	26300 Capital Projects, Laws 2007	53000 Capital Projects, Laws 2006	Other Governmental Funds	Total
ASSETS:							
Petty cash	\$ 13,800	-	-	-	-	-	13,800
Investments in State Treasurer General Fund							
Investment Pool	4,023,543	11,983,545	4,054,645	6,975,073	8,898,945	7,600,274	43,536,025
Cash at Trustee	-	-	-	-	-	509,789	509,789
Receivables:							
Local government	464,911	-	-	-	-	895	465,806
Other	299,564	-	-	-	-	-	299,564
Due from federal government	897,075	-	-	-	-	-	897,075
Due from other state agencies	1,026,253	-	-	-	-	338,451	1,364,704
Due from other funds	-	-	254,760	-	-	467,374	722,134
Inventory	350,399	-	-	-	-	-	350,399
Other assets	3,044	-	-	-	-	-	3,044
TOTAL ASSETS	\$ 7,078,589	11,983,545	4,309,405	6,975,073	8,898,945	8,916,783	48,162,340
LIABILITIES:							
Accounts payable	3,589,505	271,637	166,933	-	833,131	290,021	5,151,227
Accrued payroll	531,788	-	-	-	-	-	531,788
Accrued liabilities	551,200	-	-	-	-	-	551,200
Deferred revenue	853,947	11,691,751	4,142,472	-	-	1,734,456	18,422,626
Due to other state agencies	339,673	-	-	-	-	-	339,673
Bank overdrafts	-	-	-	-	-	-	-
Due to other funds	427,631	-	-	-	-	302,591	302,591
Due to state general fund (FY 2007)	18,618	215,625	-	-	-	78,878	722,134
Due to local governments	-	-	-	-	-	257,637	276,255
Unearned federal grant receipts	-	-	-	-	-	-	-
Unearned special appropriations	-	-	-	-	-	-	-
TOTAL LIABILITIES	6,312,362	12,179,013	4,309,405	-	833,131	2,663,583	26,297,494
FUND BALANCES:							
Fund balance (deficit):							
Reserved for capital projects	-	(193,468)	-	6,975,073	8,065,814	6,253,200	21,098,619
Unreserved - undesignated (deficit)	766,227	-	-	-	-	-	766,227
TOTAL FUND BALANCES	766,227	(193,468)	-	6,975,073	8,065,814	6,253,200	21,864,846
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,078,589	11,983,545	4,309,405	6,975,073	8,898,945	8,916,783	48,162,340

See Independent Auditors' Report and Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

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

YEAR ENDED JUNE 30, 2007

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 21,864,846
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

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

Capital assets	128,988,633
Accumulated depreciation	<u>(35,073,478)</u>
Total capital assets	93,915,155

Long-term and certain other liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported as liabilities in the funds.
Long-term and other liabilities at year end consist of:

Long-term debt	(7,343,422)
Compensated absences payable	<u>(1,138,781)</u>
Net assets of governmental activities (Statement of Net Assets)	\$ <u>107,297,798</u>

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

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

YEAR ENDED JUNE 30, 2007	19300 General Fund	08200 Capital Projects, Laws 2002	58700 Capital Projects	26300 Capital Projects, Laws 2007	53000 Capital Projects, Laws 2006	Other Governmental Funds	Total
REVENUES:							
Local government grants	-	-	-	-	-	-	-
Miscellaneous	149,880	-	-	-	-	11,114	160,994
Interest	-	-	-	-	-	45,776	45,776
Fees and Services	2,099,679	-	-	-	-	340,596	2,440,275
Sales	2,403,688	-	-	-	-	-	2,403,688
Other state funds	-	70,000	-	-	-	284,350	354,350
Federal grants	2,772,780	2,557,308	-	-	-	-	5,330,088
Private gifts and grants	554,628	-	-	-	-	-	554,628
TOTAL REVENUES	7,980,655	2,627,308	-	-	-	681,836	11,289,799
EXPENDITURES:							
Current:							
Personal service and employee benefits	27,247,143	-	-	-	-	299,363	27,546,706
In-state travel	734,580	-	-	-	-	-	734,580
Maintenance and repairs	1,387,748	35,545	39	-	78,563	-	1,501,895
Supplies	663,931	17,294	-	-	71,452	5,978	758,655
Contractual services	4,473,339	-	50,342	-	417	20,407	4,544,505
Operating costs	3,232,680	-	14,003	-	4,761	655,729	3,907,173
Other costs	851,583	-	-	-	2,469	31,597	885,649
Out-of-state travel	59,875	-	-	-	-	3,405	63,280
Capital outlay	761,245	4,314,779	1,011,979	-	3,216,524	1,546,903	10,851,430
Debt service: principal payment	-	-	-	-	-	344,117	344,117
Debt service: interest payment	-	-	-	-	-	277,416	277,416
TOTAL EXPENDITURES:	39,412,124	4,307,618	1,076,363	-	3,374,186	3,183,115	51,415,406
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(31,431,469)	(1,740,310)	(1,076,363)	-	(3,374,186)	(2,503,279)	(40,125,607)
OTHER FINANCING SOURCES (USES):							
State General Fund appropriations	29,115,300	449,355	-	6,993,685	11,440,000	-	47,998,340
Reversions	(116,958)	-	-	-	-	-	(116,958)
Bond proceeds appropriations	-	-	1,163,839	-	-	255,731	1,419,570
Operating transfers in/out	-	(75,000)	(50,000)	(18,612)	(86,600)	230,212	-
Other financing sources (uses)	1,025,381	1,170,487	(37,476)	-	86,600	860,874	3,105,866
Debt issuance	-	-	-	-	-	-	-
NET OTHER FINANCING SOURCES (USES)	30,023,723	1,514,842	1,076,363	6,975,073	11,440,000	1,346,817	52,406,818
NET CHANGE IN FUND BALANCES	(1,407,746)	(195,468)	-	6,975,073	8,065,814	(1,156,462)	12,281,211
FUND BALANCES, June 30, 2006	2,123,973	-	-	-	-	7,407,662	9,531,635
FUND BALANCES, June 30, 2007	766,227	(195,468)	-	6,975,073	8,065,814	6,251,200	21,863,846

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities - Governmental Funds

YEAR ENDED JUNE 30, 2007

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ 12,281,211

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

Long-term debt is not included in the Governmental Funds until paid;
recorded as long-term liabilities in the Statement of Net Assets:

Debt principal payments 344,117

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 net increase in the liabilities for the year was: (76,596)

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

Capital outlay 10,851,430
Depreciation expense (2,659,425)

Excess of capital outlay over depreciation expense 8,192,005

Other 68,880

Change in net assets of governmental activities (Statement of Activities) \$ 20,809,617

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Combining Statement of Net Assets -
Component Units

AS OF JUNE 30, 2007	New Mexico Museum of Natural History Foundation	Museum of New Mexico Foundation	National Hispanic Cultural Center Foundation	International Folk Art Foundation	International Space Hall of Fame Foundation, Inc.	New Mexico Farm & Ranch Heritage Foundation, Inc.	Total
ASSETS:							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 428,645	2,100,794	38,248	94,402	119,172	6,679	2,787,940
Short-term investments	107,784	12,555,337	75,029	1,513,925	-	38,646	14,290,721
Accounts receivable, net	83,389	505,585	201,729	97,339	-	15,951	903,993
Endowments	-	-	-	-	-	67,697	67,697
Current portion of pledges receivable	-	1,540,556	200,000	-	-	-	1,740,556
Other receivables, net	-	35,195	-	-	570	-	35,765
Inventories	69,789	1,329,666	60,761	-	45,411	-	1,505,627
Prepaid expenses	31,410	9,160	-	-	928	762	42,260
Collection purchases advances	-	-	-	12,071	-	-	12,071
Other current assets	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS	721,017	18,076,293	575,767	1,717,737	166,081	129,735	21,386,630
NON-CURRENT ASSETS:							
Investments	1,461,780	5,570,957	-	-	154,532	-	7,187,269
Trusts	-	1,019,983	-	22,328,829	-	-	23,348,812
Property and equipment	1,449,110	1,770,269	131,106	-	24,191	24,797	3,399,473
Accumulated depreciation	(1,194,358)	(1,007,423)	(99,118)	-	(16,392)	-	(2,317,291)
Property and equipment, net	254,752	762,846	31,988	-	7,799	24,797	1,082,182
Other non-current assets	2,344,692	1,608,538	-	-	4,368	-	3,957,598
TOTAL NON-CURRENT ASSETS	4,061,224	8,962,324	31,988	22,328,829	166,699	24,797	35,575,861
TOTAL ASSETS	\$ 4,782,241	27,038,617	607,755	24,046,566	332,780	154,532	56,962,491

See Independent Auditors' Report and Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Combining Statement of Net Assets -
Component Units - continued

AS OF JUNE 30, 2007	New Mexico Museum of Natural History Foundation	Museum of New Mexico Foundation	National Hispanic Cultural Center Foundation	International Folk Art Foundation	International Space Hall of Fame Foundation, Inc.	New Mexico Farm & Ranch Heritage Foundation, Inc.	Total
LIABILITIES:							
CURRENT LIABILITIES:							
Accounts payable and accrued expense \$	99,196	84,647	73,170	25,185	43,105	5,184	330,487
Accrued payroll and payroll taxes	44,347	93,462	-	3,302	-	1,214	142,325
Accrued legal settlement	-	-	-	-	-	-	-
Advances from federal and state agencies	-	14,722	-	-	-	-	14,722
Deferred revenue	209,995	327,354	-	-	-	-	537,349
Current portion of long-term debt	22,612	-	40,581	-	-	-	63,193
Grants payable	-	332,498	-	-	-	-	332,498
Charitable annuities	-	59,231	-	-	-	-	59,231
Other current liabilities	34,855	21,307	-	-	-	-	56,162
TOTAL CURRENT LIABILITIES	411,005	933,221	113,751	28,487	43,105	6,398	1,535,967
LONG-TERM LIABILITIES:							
Long-term debt less current portion	-	-	-	-	-	68,789	68,789
Line of credit	-	-	-	-	-	-	-
Deferred Revenue, non-current portion	-	329,172	-	-	-	-	329,172
Charitable annuities, non-current portion	-	425,852	-	-	-	-	425,852
TOTAL LONG-TERM LIABILITIES	-	755,024	-	-	-	68,789	823,813
TOTAL LIABILITIES	411,005	1,688,245	113,751	28,487	43,105	75,187	2,359,780
NET ASSETS:							
Unrestricted	1,577,623	16,451,155	123,457	1,458,365	277,689	5,728	19,894,017
Temporarily restricted, Programs	2,529,550	3,328,260	370,547	214,337	7,935	49,617	6,500,246
Permanently restricted, Endowments	264,063	5,570,957	-	22,345,377	4,051	24,000	28,208,448
TOTAL NET ASSETS	4,371,236	25,350,372	494,004	24,018,079	289,675	79,345	54,602,711
TOTAL LIABILITIES AND NET ASSET \$	4,782,241	27,038,617	607,755	24,046,566	332,780	154,532	56,962,491

See Independent Auditors' Report and Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Combining Statement of Revenues, Expenses
and Changes in Net Assets - Component Units

AS OF JUNE 30, 2007

	New Mexico Museum of Natural History Foundation	Museum of New Mexico Foundation	National Hispanic Cultural Center Foundation	International Folk Art Foundation	International Space Hall of Fame Foundation, Inc.	New Mexico Farm & Ranch Heritage Foundation, Inc.	Total
OPERATING REVENUE:							
Fees	\$ 305,389	1,133,707	-	-	146,421	15,958	1,601,475
Restaurant and/or gift shop revenue, net	1,085,274	126,447	181,606	-	10,303	78,198	1,481,828
Grants, bequests, donations and contributions	2,467,740	4,853,421	627,884	524,420	17,555	22,190	8,513,210
Operational support	-	300,906	347,414	-	-	37,480	685,800
Other operating revenue	45,510	-	4,298	153,099	630	1,471	205,008
TOTAL OPERATING REVENUE	3,903,913	6,414,481	1,161,202	677,519	174,909	155,297	12,487,321
OPERATING EXPENSES:							
General and administrative	1,484,957	265,484	1,031,792	97,673	-	60,746	2,940,652
Program expenses	7,461,541	4,438,866	322,374	788,095	196,239	162,007	13,369,122
Collection items	-	-	-	372,294	-	-	372,294
Other operating expenses	-	47,941	-	-	-	-	47,941
TOTAL OPERATING EXPENSES	8,946,498	5,182,291	1,354,166	1,258,062	196,239	272,753	17,160,009
NET OPERATING INCOME (LOSS)	(5,042,585)	1,232,190	(192,964)	(580,543)	(21,330)	(67,456)	(4,672,688)
NON-OPERATING REVENUE (EXPENSES):							
Dividend and interest income	233,709	657,391	3,809	623,358	20,422	6,056	1,544,745
Other operating revenue (loss)	-	-	-	-	-	(7,897)	(7,897)
Interest (expense)	-	-	-	37,634	-	-	37,634
Realized and unrealized gain (loss) on investments	-	2,285,324	8,861	2,010,620	-	2,942	4,307,747
TOTAL NON-OPERATING REVENUE	233,709	2,942,715	12,670	2,671,612	20,422	1,101	5,882,229
INCREASE (DECREASE) IN NET ASSETS	(4,808,876)	4,174,905	(180,294)	2,091,069	(908)	(66,355)	1,209,541
NET ASSETS, BEGINNING OF YEAR	9,180,112	21,175,467	674,298	21,927,010	290,583	145,700	53,393,170
NET ASSETS, END OF YEAR	4,371,236	25,350,372	494,004	24,018,079	289,675	79,345	54,602,711

See Independent Auditors' Report and Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Combining Statement of Cash Flows -
Component Units

AS OF JUNE 30, 2007

RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH (USED IN) PROVIDED BY
OPERATING ACTIVITIES:

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets

ADJUSTMENT TO RECONCILE CHANGES IN NET ASSETS
TO NET CASH PROVIDED BY (USED IN)
OPERATING ACTIVITIES:

Depreciation
Accounts receivable charged-off, net of bad debt expense
Donations of assets
Gain (loss) on sale of fixed assets
Net realized and unrealized (gain) loss on investments/assets

Decrease (increase) in operating assets:
(Increase) decrease in pledges receivable, net of discount
Decrease (increase) in inventory
Decrease (increase) in accounts receivable
Decrease (increase) in collection purchase advances
Decrease (increase) in prepaid expenses/assets
Decrease (increase) in construction in progress

Increase (decrease) in operating liabilities:

Increase (decrease) in accrued settlement
Increase (decrease) in deferred revenue
Increase (decrease) in accounts payable and payroll liabilities
Increase (decrease) in accrued liabilities
Increase (decrease) in unpaid museum grants
Increase (decrease) in advances from federal agencies
and charitable organizations
Increase (decrease) in advances from charitable
annuity obligations

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	New Mexico Museum of Natural History Foundation	Museum of New Mexico Foundation	National Hispanic Cultural Center Foundation	International Folk Art Foundation	International Space Hall of Fame Foundation, Inc.	New Mexico Farm & Ranch Heritage Foundation, Inc.	Total
\$	(4,808,876)	4,174,905	(180,294)	2,091,069	(908)	(66,355)	1,209,541
Depreciation	97,293	120,289	5,900	1,245	794	-	225,521
Accounts receivable charged-off, net of bad debt expense	-	29,250	(34,694)	-	-	-	(5,444)
Donations of assets	5,307,313	-	-	-	-	-	5,307,313
Gain (loss) on sale of fixed assets	-	(75)	(476)	-	-	-	(551)
Net realized and unrealized (gain) loss on investments/assets	(211,077)	(2,285,324)	(9,337)	(2,010,620)	(12,126)	(2,942)	(4,531,426)
Decrease (increase) in operating assets:							
(Increase) decrease in pledges receivable, net of discount	(352,042)	(1,186,303)	348,695	-	-	-	(1,189,650)
Decrease (increase) in inventory	2,222	(88,084)	(9,249)	-	(1,456)	-	(96,567)
Decrease (increase) in accounts receivable	(15,685)	26,765	5,104	(70,650)	3,517	(10,222)	(61,171)
Decrease (increase) in collection purchase advances	-	-	-	(12,071)	-	-	(12,071)
Decrease (increase) in prepaid expenses/assets	(17,273)	(9,160)	-	-	30	10,876	(15,527)
Decrease (increase) in construction in progress	-	-	-	-	-	-	-
Increase (decrease) in operating liabilities:							
Increase (decrease) in accrued settlement	-	(30,000)	-	-	-	-	(30,000)
Increase (decrease) in deferred revenue	64,718	118,269	-	-	-	-	182,987
Increase (decrease) in accounts payable and payroll liabilities	(178,473)	37,996	30,327	21,899	9,673	3,307	(75,271)
Increase (decrease) in accrued liabilities	19,339	10,874	10,874	350	(1,039)	-	29,524
Increase (decrease) in unpaid museum grants	-	218,319	-	-	-	-	218,319
Increase (decrease) in advances from federal agencies and charitable organizations	-	-	-	-	-	-	-
Increase (decrease) in advances from charitable annuity obligations	-	(10,431)	-	-	-	-	(10,431)
	-	158,397	-	-	-	(8,632)	149,758
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(92,541)	1,274,813	166,850	21,222	(1,515)	(73,975)	1,294,854

See Independent Auditors' Report and Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Combining Statement of Cash Flows -
Component Units - continued

AS OF JUNE 30, 2007

	New Mexico Museum of Natural History Foundation	Museum of New Mexico Foundation	National Hispanic Cultural Center Foundation	International Folk Art Foundation	International Space Hall of Fame Foundation, Inc.	New Mexico Farm & Ranch Heritage Foundation, Inc.	Total
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales of investments	\$ 533,585	20,424,818	55,429	498,434	15,000	37,145	21,564,411
Purchases of investments	(716,048)	(22,926,145)	(19,683)	(535,541)	(15,669)	-	(24,213,086)
Decrease in cash equivalents, restricted for long-term use	-	-	-	-	-	-	-
Purchase of property and equipment	(533,193)	(31,558)	-	-	(805)	(1,555)	(567,111)
Proceeds from sales of works of art, net	-	75	-	-	-	-	75
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(715,656)	(2,532,810)	35,746	(37,107)	(1,474)	35,590	(3,215,711)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Principal payments on long-term debt	(19,284)	-	-	-	-	-	(19,284)
Contributions restricted for long-term purposes	-	-	-	-	-	-	-
Proceeds from long term debt	70,000	-	-	-	-	-	70,000
Proceeds from line of credit	(120,000)	-	(222,834)	-	-	-	(342,834)
Payments/proceeds on notes payable	(69,284)	-	(222,834)	-	-	-	(292,118)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(877,481)	(1,257,997)	(20,238)	(15,885)	(2,989)	(38,385)	(2,212,975)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,306,126	3,358,791	58,486	110,287	122,161	45,065	5,000,915
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	428,645	2,100,794	38,248	94,402	119,172	6,680	2,787,940
CASH AND CASH EQUIVALENTS, END OF YEAR	1,734,771	5,459,585	96,494	204,689	241,333	11,745	7,787,855

See Independent Auditors' Report and Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

General Fund - Statement of Revenues and Expenditures -
Major Governmental Funds - Budget and Actual

AS OF JUNE 30, 2007

	Budgeted Amount		Actual Amount	Variance
	Original	Final		Positive (Negative)
REVENUES:				
General Fund appropriations	\$ 28,395,300	28,465,300	29,115,300	650,000
Other services	3,388,830	3,388,830	4,503,366	1,114,536
Federal grants	3,689,100	4,214,047	2,772,781	(1,441,266)
Intra-state transfers	2,946,300	2,986,300	-	(2,986,300)
Miscellaneous	-	-	149,880	149,880
Private gifts and grants	847,700	847,700	554,628	(293,072)
Other financing sources	1,235,400	1,297,900	1,025,381	(272,519)
Reversions	-	-	(116,958)	(116,958)
TOTAL REVENUES	\$ <u>40,502,630</u>	<u>41,200,077</u>	<u>38,004,378</u>	<u>(3,195,699)</u>
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 28,160,830	28,080,277	27,247,143	824,264
Contractual services	5,256,300	5,286,100	4,473,339	778,689
Other operating costs	<u>7,434,500</u>	<u>8,540,250</u>	<u>7,691,642</u>	<u>1,550,710</u>
TOTAL EXPENDITURES	\$ <u>40,851,630</u>	<u>41,906,627</u>	<u>39,412,124</u>	<u>2,494,503</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET				
	\$ (349,000)	(706,550)	(1,407,746)	<u>(701,196)</u>
CASH BALANCE CARRYFORWARD	<u>349,000</u>	<u>706,550</u>	<u>1,407,746</u>	
	\$ <u> -</u>	<u> -</u>	<u> -</u>	

NOTE: This is the compilation of P536, P537, P539, P540, P761 for a complete budget for Fund 19300.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Fiduciary Net Assets

AS OF JUNE 30, 2007

	Historic Preservation Revolving Agency Fund (59300)	Bartlett Trust Fund (61200)
ASSETS:		
Short-term investments	\$ 278,259	171,255
Loans receivable	<u>200,954</u>	<u>2,451</u>
TOTAL ASSETS	479,213	173,706
LIABILITIES:		
Deposits held in custody for others	<u>479,213</u>	<u>173,706</u>
TOTAL LIABILITIES	<u>479,213</u>	<u>173,706</u>
NET ASSETS	\$ <u> -</u>	<u> -</u>

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Changes in Fiduciary Net Assets -
Bartlett Trust Fund (61200)

AS OF JUNE 30, 2007

	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
ASSETS:				
Short-term investments	\$ 165,982	5,273	-	171,255
Loans receivable	<u>-</u>	<u>2,451</u>	<u>-</u>	<u>2,451</u>
TOTAL ASSETS	\$ <u>165,982</u>	<u>7,724</u>	<u>-</u>	<u>173,706</u>
LIABILITIES:				
Deposits held in custody for others	\$ <u>165,982</u>	<u>7,724</u>	<u>-</u>	<u>173,706</u>
TOTAL LIABILITIES	\$ <u>165,982</u>	<u>7,724</u>	<u>-</u>	<u>173,706</u>

NATURE OF ORGANIZATION

The State of New Mexico Department of Cultural Affairs (DCA) was created to consolidate into one office the several cultural affairs divisions of the former education, finance and cultural affairs departments. The DCA administrative head is the Cultural Affairs Officer, appointed by the Governor of the State of New Mexico.

Administrative Services Division - The Administrative Services Division is expected to provide overall administrative support to all other divisions, including coordination of long-term and short-term planning, financial and property control, budget preparation and other clerical services.

Archaeological Studies Division - The Office of Archaeological Studies performs archaeological studies for other governmental organizations that are mandated by laws and regulations to have an archaeological study performed.

Museum of New Mexico Press Division - The Museum of New Mexico Press is used to offer publications that introduce the public to the rich traditions and fascinating peoples of the Southwest and further their understanding in the areas of anthropology, archaeology, ethnology, Southwestern history, fine arts and folk art.

Museum of New Mexico Division - This division is responsible for acquiring, preserving and exhibiting objects of historical, archaeological and ethnological interest and works of fine art, folk art and crafts of ethnological interest to the public. The Museum Division also administers real property acquired for museum use or benefit through purchase, donation or bequest. In cooperation with other agencies, the federal government, private organizations and individuals, the Museum Division establishes the programs of and maintains the Palace of Governors, the Fine Arts Museum, the Museum of International Folk Art and the Museum of Indian Arts and Culture, as well as the Coronado, Jemez, Lincoln, Fort Selden and Fort Sumner State Monuments.

Museum of Natural History Division - This division is responsible for a state museum, located in Albuquerque, New Mexico, which was established to collect, preserve, study and interpret material related to the natural history of the State and to develop and maintain programs of an educational nature for the benefit of the citizens of New Mexico and visitors to the State.

Arts Division - It is the responsibility of this division for advising and assisting public agencies in planning civic beautification, for fostering appreciation for fine arts, and for making New Mexico more appealing to the world, encouraging creative activity in the arts by residents of the State, attracting other creators in the fine arts field and administering grants-in-aid programs.

NATURE OF ORGANIZATION - continued

Library Division - The collecting and maintaining of educational and informational materials, and acting as the center of reference, research and loan services for the State of New Mexico is the responsibility of this division.

Historic Preservation Division - The Historic Preservation Division is responsible for preparation of long-range plans for the preservation of cultural properties (historic and prehistoric sites and structures) including, but not limited to, acquisition, restoration and protection.

This division also reviews all federally funded or licensed land modifying activities to ensure protection of cultural resources, maintains the State Register of Cultural Properties, nominates significant cultural resources to the National Register of Historic Places, conducts the state and federal tax credit program for restoration of historic structures, coordinates with all levels of government to ensure that cultural resources are considered at all steps of project planning, and provides technical assistance to the public regarding preservation.

NM Space History Museum Division - The Space Center maintains and operates the International Space Hall of Fame in Alamogordo, New Mexico, for the benefit of the people of New Mexico, the nation and the world, as an educational project tracing the path of the conquest of space by man.

Farm and Ranch Heritage Museum Division - The preservation, collection, interpretation and acknowledgment of the history and sciences of farming and ranching and patterns of rural life in New Mexico, and education of the public about this heritage is the responsibility of this division.

Hispanic Cultural Center Division - This division is responsible for developing exhibits and programs displaying Hispanic culture, arts and humanities for the benefit of the public and with particular concern for the interests of the schools of the State. The Center acquires by donation, or other means, collections and related materials appropriate to an Hispanic cultural center, and also performs research to render the collections beneficial to the public.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for DCA have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

In June 1999, the GASB unanimously approved GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This statement provides for the most significant change in financial reporting in over 20 years and is scheduled for a phased implementation based on size of government.

- **Financial Reporting Entity**

For financial reporting purposes, DCA has been defined as a Department of the State of New Mexico. The accompanying financial statements include all funds and agencies over which the Cultural Affairs Officer has oversight responsibilities.

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units in the reporting entity by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Financial Reporting Entity - continued

Applying this criteria, there are six discretely presented component units:

- 1) International Folk Art Museum
- 2) New Mexico Museum of Natural History Foundation
- 3) Museum of New Mexico Foundation
- 4) National Hispanic Cultural Center Foundation
- 5) International Space Hall of Fame Foundation, Inc.
- 6) New Mexico Farm & Ranch Heritage Foundation, Inc.

Financial statements can be obtained by contacting the unit directly at the following addresses:

International Folk Art Museum
725 Camino Lejo
Santa Fe, NM 87505

New Mexico Museum of Natural History Foundation
1801 Mountain Road NW
Albuquerque, NM 87104

Museum of New Mexico Foundation
116 Lincoln Avenue
Santa Fe, NM 87501

National Hispanic Cultural Center Foundation
1701 4th Street SW
Albuquerque, NM 87102

International Space Hall of Fame Foundation, Inc.
3198 State Road 2001
Alamogordo, NM 88310

New Mexico Farm & Ranch Heritage Foundation, Inc.
4100 Dripping Springs Road
Las Cruces, NM 88011

DCA is legally separate and fiscally independent of other state agencies. Although the agency secretary serves at the pleasure of the Governor, that person has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. DCA is a Department of the State of New Mexico.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basic Financial Statements**

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. The new reporting model focus is on either the Department as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. DCA is a single purpose government entity and has no business-type activities. In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reflected on a full accrual, economic resources basis measurement focus, which incorporates long-term assets as well as long-term obligations. Additionally, internal activity has been eliminated at this level of presentation.

The government-wide Statement of Activities reflects both the gross and net cost per functional category that are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation expense on capital assets) by related program revenues, charges for services and program specific operated grants. The program revenues must be directly associated with the function and include service fees and entrance fees as charges for services and federal grants and private grants and contributions in grants and contributions.

DCA has several divisions, although it reports all operations as one program. Since DCA only has one program, it does not employ indirect cost allocation in the financial statements.

This government-wide focus is more on the sustainability of DCA as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The effect of material interfund activity has been removed from these government-wide statements. As noted below, neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds of the governmental categories. Non-major funds are summarized into a single column. DCA has five major funds.

The governmental fund statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how DCA'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, a 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Basic Financial Statements - continued**

DCA's fiduciary funds are presented in the fund financial statements by type. 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 are not incorporated into the government-wide statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, DCA first uses restricted resources, then unrestricted resources.

The focus is on DCA as a whole and the fund financial statements, including the major individual funds of the governmental category, as well as the fiduciary fund by category.

• **Basis of Presentation**

The financial transactions of DCA 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.

DCA uses the following fund types:

Governmental Fund Types

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- Basis of Presentation - continued

Governmental Fund Types - continued

19300 - **General Fund** - DCA is the general operating fund of the State of New Mexico Department of Cultural Affairs. It is used to account for the general operations of the State of New Mexico Department of Cultural Affairs in carrying out its specific functions. The fund was established under the provisions of the statutes of the State of New Mexico. This is a major fund. This is a non-reverting fund. This fund was established as a non-reverting fund per Section 15-5A-7 NMSA 1978.

Special Revenue Funds - The following special revenue funds, established at the direction of the Department of Finance and Administration, existed at June 30, 2007:

25600 - The Museum Collections Fund is used to account for miscellaneous museum collections. This is a non-reverting fund per the Laws of 2005, Chapter 121, Section 1(A).

19400 - The 15% Museum Admissions Fund is used to account for miscellaneous museum collections. This is a non-reverting fund per the Laws of 2005, Chapter 277, Section 7.

Capital Projects Funds - The following capital projects funds, established at the direction of the Department of Finance and Administration, existed at June 30, 2007:

08200 - The Department of Cultural Affairs fiscal year 2002 Capital Projects Fund is used to account for the acquisition of capital assets as outlined by state law. The fund was established by Laws of 2002. This is a major fund. This is a reverting fund, with reauthorization in Laws of 2007, Ch. 341, Sec. 303, Time extension.

26300 - The Department of Cultural Affairs fiscal year 2008 Capital Projects Fund is used to account for the acquisition of capital assets as outlined by state law. The fund was established by Laws of 2007. This is a reverting fund.

47800 - The Department of Cultural Affairs fiscal year 2000 Capital Projects Fund is used to account for the acquisition of capital assets as outlined by state law. The fund was established by Laws of 2000. This is a reverting fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- Basis of Presentation - continued

Governmental Fund Types - continued

Capital Projects Funds - continued

53000 - The Department of Cultural Affairs fiscal year 2007 Capital Projects Fund is used to account for the acquisition of capital assets as outlined by state law. The fund was established by Laws of 2006. This is a reverting fund.

69800 - The Department of Cultural Affairs Art in Public Places (AIPP) Fund is used to account for the acquisition of art as outlined by state law. The fund was established by Laws of 1996. This is a non-reverting fund per Arts in Public Places Laws of Section 13-4A-1 to 13-4A-11 NMSA 1978.

64700 - The Department of Cultural Affairs fiscal year 2006 Capital Projects Fund is used to account for the acquisition of capital assets as outlined by state law. The fund was established by Laws of 2005. This is a reverting fund.

69100 - The Department of Cultural Affairs, Laws of 2003, Chapters 371, 372 and 430 (2004 Capital Projects Fund) is used to account for the acquisition of capital assets as outlined by state law. The fund was established by Laws of 2003. This is a reverting fund.

58700 - The Department of Cultural Affairs fiscal year 2005 Capital Projects Fund is used to account for the acquisition of capital assets as outlined by state law. The fund was established by Laws of 2004. This is a reverting fund.

89900 - The Department of Cultural Affairs fiscal year 2004 Capital Projects Fund is used to account for the acquisition of capital assets as outlined by state law. The fund was established by Laws of 2003. This is a reverting fund.

DCA reports the following major governmental funds:

19300 - General Fund
08200 - Capital Projects, Laws of 2002
58700 - Capital Projects, Laws of 2004
53000 - Capital Projects, Laws of 2006
26300 - Capital Projects, Laws of 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - continued**

Fiduciary Fund Types

Fiduciary fund types include trust and agency funds, which are used to account for assets held by DCA in the capacity of trustee or agent. Agency funds are used to account for assets held as an agent for other governmental units, individuals and other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

59300 - Historic Preservation Revolving Fund - The revolving fund is available for the museums to use for the purpose of underwriting cost of publications. This is an agency fund. This fund does not receive general fund appropriations and therefore is a non-reverting fund.

61200 - Bartlett Trust Fund - The Bartlett Trust Fund is a private purpose fund of the State of New Mexico Department of Cultural Affairs. The Bartlett Trust Fund was created for the purpose of accounting for the proceeds totaling \$75,000 from the sale of El Mirado Ranch, which was bequeathed under the provisions of a will. The proceeds were placed with and invested by the State Treasurer as a permanent fund. The proceeds are used for the Museum of International Folk Art. The trust fund was created by the Laws of 1949 and 1951. This fund does not receive general fund appropriations and therefore is a non-reverting fund.

- **Non-Current Governmental Assets/Liabilities**

Such information is incorporated into the Governmental column in the government-wide Statement of Net Assets.

- **Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/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.

The Government-wide Financial Statements and the Fiduciary 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 the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, using the economic resources measurement focus and the accrual basis of accounting, incorporating long-term assets and receivables as well as long-term debt and obligations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **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. DCA defines the term "available" to include funds received within 60 days after 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.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Revenues from special appropriations (capital projects) that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other State and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received if they are not susceptible to accrual.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Budgets and Budgetary Accounting**

The budget for this State Agency 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 the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget.

- The budget does not consider reversions or other transfers to or from other agencies.
- The capital projects funds are multiple-year appropriations that do not lapse at year end.

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

- No later than September 1, DCA submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
- Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriations Act.
- The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- Not later than May 1, DCA submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget, which becomes effective on July 1.
- All subsequent budgetary adjustments must be approved by the Director of the DFA-Budget Division and LFC.
- Formal budgetary integration is employed as a management control device during the fiscal year for the General and Capital Projects funds. The Trust Funds are not budgeted, as they have no expenditure activity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Cash and Cash Equivalents**

DCA has defined cash and cash equivalents to include cash on deposit with banks.

- **Investments**

Investments include deposits on hand with the State Treasurer. All monies are deposited with and monitored by the State Treasurer. Separate financial statements, which disclose collateral pledged to secure these deposits, are issued by the Office of the State Treasurer.

- **Inventory**

Inventory consists primarily of books and other publications and miscellaneous items held for resale. Inventory is valued at cost, using the first-in, first-out (FIFO) method, not to exceed net realizable value. The net realizable value of inventory for books and other publications is estimated by writing down the carrying value of the inventory, after the year of acquisition, by 20% of the purchase cost over five years. Inventory items are considered expenditures when purchased (purchase method). Under the purchase method, the purchases of inventory are recorded as expenditures and at year-end, the balance of inventories is recorded with an offsetting reserve of fund balance in the governmental fund statements.

- **Receivables**

Receivables consist of amounts due from local governments and service fees. DCA considers them to be fully collectable and, therefore, no allowance for doubtful accounts is necessary.

- **Federal Grants Receivable (Deferred Revenue)**

Various reimbursement procedures are used for federal awards received by DCA. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Conversely, deferred revenue balances represent an overdraw of cash (advances) in excess of modified accrual basis expenditures. Generally, receivable or deferred revenue balances caused by differences in the timing of cash reimbursements and expenditures will be reversed or returned to the grantor in the remaining grant period.

- **Unearned Special Appropriations**

DCA received special appropriations for various capital projects. The funds are received entirely in the year of the appropriation, but the capital projects may take several years to complete.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Reservations of Fund Balance**

Reservations of fund balances on the governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriated for future expenditures.

- **Net Assets**

The government-wide fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

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

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

Unrestricted Assets - represent unrestricted liquid assets.

DCA allocates expenses to restricted or unrestricted resources based on the budgeted source of funds.

- **Use of Estimates**

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

- **Revolving Funds**

Special appropriations to DCA to establish revolving funds have been received from the State General Fund to underwrite the cost of publications or for similar purposes. Publication costs advanced are reimbursed to the revolving fund from publication sales. The appropriations minus the cost of publications are reported as reservation of fund balance, which was \$0 at June 30, 2007.

2. CASH AT TRUSTEE

The New Mexico Finance Authority holds cash on behalf of DCA related to bonds (see Note 3 for Pledged Collateral).

3. INVESTMENTS IN THE STATE TREASURER GENERAL FUND INVESTMENT POOL

• Investments Balances

Investment balances at June 30, 2007, consisted of the following:

Deposits with State Treasurer – governmental activities	\$ 43,536,025
Deposits with State Treasurer – fiduciary balances	<u>449,514</u>
Total investment balance	\$ <u>43,985,539</u>

• Pledged Collateral

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

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

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

4. CAPITAL ASSETS

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State’s capitalization policy (i.e., the dollar value above which asset acquisitions are added to the capital accounts) is \$5,000. However, all capital outlay purchases may not necessarily be capitalized.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Notes to Financial Statements - continued

4. CAPITAL ASSETS - continued

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Department utilizes IRS Publication 946 to estimate the useful lives on capital assets as follows:

- Furniture and Fixtures - 5 years
- Information and Technology - 3 years
- Library & Museum - 5 years
- Machinery and Equipment - 5 years
- Vehicles - 5 years
- Buildings and Structures - 30 years
- Livestock - 5 years

The Department utilizes facilities and buildings that are owned by the Property Control Division of the State of New Mexico General Services Department. These assets and the related depreciation expense are not included in the accompanying financial statements. GASB No. 34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. DCA does not own any infrastructure assets. The Department does not have any software to capitalize at year end.

YEAR ENDED JUNE 30, 2007

	Balance 7/1/2006	Adjustment/ Reclass	Adjusted Balance 7/1/2006	Additions	Deletions	Balance 6/30/2007
Land	\$ 4,366,247	-	4,366,247	-	-	4,366,247
Building & structures	105,555,383	(1,622,414)	103,932,969	9,398,349	-	113,331,318
Furniture & fixtures	1,691,230	416,631	2,107,861	439,414	-	2,547,275
Livestock	23,025	-	23,025	-	-	23,025
Information and technology	2,457,038	2,411,910	4,868,948	95,222	(62,491)	4,901,679
Machinery & equipment	3,447,677	(1,281,444)	2,166,233	289,355	-	2,455,588
Vehicles	590,216	125,182	715,398	479,776	-	1,195,174
Library & museum	-	19,013	19,013	149,314	-	168,327
Total depreciable assets	<u>113,764,569</u>	<u>68,878</u>	<u>113,833,447</u>	<u>10,851,430</u>	<u>(62,491)</u>	<u>124,622,386</u>
Total assets	118,130,816	68,878	118,199,694	10,851,430	(62,491)	128,988,633
Accumulated depreciation:						
Building & structures	(30,699,159)	5,477,388	(25,221,771)	(2,233,552)	-	(27,455,323)
Furniture & fixtures	(1,294,574)	(65,283)	(1,359,857)	(54,509)	-	(1,414,366)
Livestock	(19,320)	2,715	(16,605)	(3,420)	-	(20,025)
Information and technology	(141,404)	(3,619,606)	(3,761,010)	(162,984)	62,491	(3,861,503)
Machinery & equipment	(322,087)	(1,078,727)	(1,400,814)	(125,583)	-	(1,526,397)
Vehicles	-	(697,474)	(697,474)	(65,610)	-	(763,084)
Library & museum	-	(19,013)	(19,013)	(13,767)	-	(32,780)
Total	<u>(32,476,544)</u>	<u>-</u>	<u>(32,476,544)</u>	<u>(2,659,425)</u>	<u>62,491</u>	<u>(35,073,478)</u>
Capital assets, net	\$ <u>85,654,272</u>	<u>68,878</u>	<u>85,723,150</u>	<u>8,192,005</u>	<u>-</u>	<u>93,915,155</u>

Depreciation expense for fiscal year 2007 is \$2,659,425.

5. **COMPENSATED ABSENCES**

Qualified employees are entitled to accumulate annual leave as follows: a maximum of 240 hours of such accumulated annual leave may be carried forward into the beginning of the calendar year, and any excess 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.

Qualified employees are entitled to accumulate sick leave at the rate of 3.69 hours per pay period. Employees who have accumulated 600 hours of unused sick leave are entitled to be paid for additional unused sick leave at a rate equal to 50 percent of their hourly rate of pay for up to 120 hours of sick leave. Payment for unused sick leave may be made only once per fiscal year on either the payday immediately following the first full pay period in January or the first full pay period in July. Immediately prior to retirement from the service, employees who have accumulated 600 hours of unused sick leave are entitled to be paid for additional unused sick leave at a rate equal to 50 percent of their hourly rate for up to 400 hours of sick leave.

All sick leave balances from 600 to 1,000 hours have been recorded at 50 percent of the employee's current hourly rate, including those amounts paid in July of the subsequent fiscal year, because no expendable financial resources are available as of the balance sheet date to liquidate the liability. No accrual has been made for sick leave balance below 600 hours or above 1,000 hours.

6. **RETIREMENT PLANS (STATE PERA)**

• **Plan Description**

Substantially all of DCA'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, 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. A copy of that report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

• **Funding Policy**

Plan members are required to contribute from 4.78% to 7.42% (depending upon the plan division) of their gross salary. DCA is required to contribute 16.59% to 25.72% (depending upon the division) of the gross covered salary. The contribution requirements of plan members and DCA are established under Chapter 10 Article 11 NMSA 1978.

The requirements may be amended by acts of the legislature. DCA's contributions to PERA for the years ending June 30, 2007, 2006 and 2005 were \$3,055,209, \$2,868,760 and \$1,861,066, respectively, equal to the amount of the required contribution for each year.

7. RETIREE HEALTH CARE

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have been retired from certain public service in New Mexico. The New Mexico Retiree Health Care Authority (NMRHCA) is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirements Act, the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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 Retiree Health Care Act on the person's behalf; unless that person retires before the employer's NMRHCA 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; or (2) retirees defined by the Act who retired prior to July 1, 1990, and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional \$5 if eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including terminations of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

7. RETIREE HEALTH CARE - continued

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree), and net expenditures for the fiscal year. The report also included the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107.

For the fiscal years ended June 30, 2007 and 2006, DCA remitted \$176,937 and \$327,847, respectively, in employer contributions \$88,468 and \$163,924, respectively, in employee contributions to the Retiree Health Care Authority.

The Department will implement GASB 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other than Pensions*, in fiscal year 2008. The impact of the implementation of the new GASB standard is unknown.

8. CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS)

DCA, as a State Agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the General Services Department of the State of New Mexico. The Office of Risk Management Division pays annual premiums for coverage provided in the following areas:

- Liability and civil rights protection for claims made by others against the State of New Mexico;
- Coverage to protect the State of New Mexico's property and assets; and
- Fringe benefit coverage for State of New Mexico employees.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Notes to Financial Statements - continued

8. CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS) - continued

DCA is involved in several pending legal matters. Although the possibility of loss exists in some of these cases, any potential loss would likely be covered either by insurance (through Risk Management Division) or by future legislative appropriations. Therefore, no liability has been recorded in the financial statements.

9. DUE FROM AND DUE TO OTHER STATE AGENCIES

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

A. Due From Other State Agencies

Amount Due From Other Agencies (142900)			Other Agencies (232900)		
Fund Name	SHARE Fund No.	Amount	Fund Name	SHARE Fund No.	Amount
General Fund	19300	\$ 1,026,253	State Board of Finance	66300	\$ 192,281
Capital Project, Laws 2003	69100	146,170	General Services Department	174	<u>1,172,423</u>
Capital Project, Laws 2003	89900	191,445			
Museum Collections	25600	<u>836</u>			
Total		\$ <u>1,364,704</u>	Total		\$ <u>1,364,704</u>

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Notes to Financial Statements - continued

9. DUE FROM AND DUE TO OTHER STATE AGENCIES - continued

B. Due To Other State Agencies

Amount Due To Other Agencies (232900)			Other Agencies (142900)		
Fund Name	SHARE Fund No.	Amount	Fund Name	SHARE Fund No.	Amount
General Fund	19300	\$ <u>339,673</u>	General Services Department	35000	\$ <u>339,673</u>
Total		\$ <u>339,673</u>	Total		\$ <u>339,673</u>

10. INTERFUND BALANCES

Amounts Due From Other Funds (141900)			Amounts Due To Other Funds (231900)		
Fund Name	SHARE Fund No.	Amount	Fund Name	SHARE Fund No.	Amount
Capital Projects	58700	254,760	General Fund	19300	\$ 427,631
15% Museum Admission	19400	343,624	Capital Projects Capital Project,	08200	215,625
Arts in Public Places	69800	<u>123,750</u>	Law 2000	47800	3,378
			Capital Project, Law 2003	89900	<u>75,500</u>
Total		\$ <u>722,134</u>	Total		\$ <u>722,134</u>

The purpose of interfund balances is to cover negative cash balances in other funds. All balances are expected to be repaid within one year.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Notes to Financial Statements - continued

11. REVOLVING LOAN FUND

Revolving funds appropriated or transferred to DCA are described as follows:

	Original Appropriation	Loan Balance
Research - Museum of New Mexico		
Laws of 1967, Chapter 2	\$ 35,000	-
Laws of 1977, Chapter 50	<u>25,000</u>	<u>-</u>
Total Research Loan Fund	60,000	-
Cultural Properties Publication Fund		
Laws of 1973, Chapter 305	25,000	-
Laws of 1977, Chapter 303	<u>25,000</u>	<u>-</u>
Total Cultural Properties Loan Fund	50,000	-
Publications Revolving Fund		
Laws of 1984, Chapter 7	60,000	-
Natural History Fund		
Laws of 1987, Chapter 355	100,000	-
Space Center		
Laws of 1988, Chapter 13	98,500	-
Historic Preservation Fund		
Laws of 1988, Chapter 13	100,000	954
Laws of 1989, Chapter 107	100,000	100,000
Laws of 1993, Chapter 366	<u>100,000</u>	<u>100,000</u>
Total Historic Preservation Loan Fund	<u>300,000</u>	<u>200,954</u>
Total	\$ <u>668,500</u>	<u>200,954</u>

The Revolving Loan Fund of the State of New Mexico Department is used to account for funds of the Revolving Loan Fund of the Department of Cultural Affairs. The fund was administratively established.

11. REVOLVING LOAN FUND - continued

Historic preservation loans are made by participation in such loans with financial institutions of the National Trust for Historic Preservation to the extent of 25% to 50% of the amounts loaned to the owners. Loan repayment periods may not exceed five years, must be payable in installments not less often than annually, with interest on the unpaid balance at a rate not greater than the yield, at the time of the loan approval, on U.S. Treasury bills with a maturity of 365 days, plus 3.5%. Loans must be collateralized.

12. CAPITAL PROJECTS LIFE TO DATE ACTIVITY

Details of capital projects financed by special appropriations are shown in a supplementary schedule. Details of capital projects financed by severance tax bonds are shown in another supplementary schedule. These schedules show life to date budgetary data (appropriations and actual expenditures).

The Laws of 1986, Chapter 11, Art in Public Places Act, requires that certain agencies allocate one percent or \$200,000, whichever is less, of a public building's construction cost, or of any renovation exceeding \$100,000, to be expended for the acquisition and the installation of works of art for the new building to be constructed or the building in which the major renovation is to occur (corrections facilities are not entitled to receive any benefit from the one percent assessment). The funds for art are to be allocated to and expended by DCA.

13. AFFILIATED FOUNDATIONS

The museums of DCA are affiliated with foundations organized principally for the purpose of promoting and supporting educational and scientific programs of the museums. This commitment by the foundations, which are constituted under the tax exempt provisions of Internal Revenue Code Sec 501(c)(3), may also arise from operating agreements with the foundations.

For the most part, the expenses of the foundations are to third parties; however, direct payments are received by DCA for shop, restaurant, office and similar facilities operated or occupied by the foundations and for the reimbursement of salaries and fringe benefits of museum personnel for their participation, periodically, in various programs underwritten by the foundations.

14. COMMITMENTS AND CONTINGENCIES

DCA receives funds from federal and state agencies and re-grants certain portions of these funds to sub-grantees. These funds are subject to audit and adjustment by the granting agencies. Any disallowed amounts resulting from the audits would be required to be refunded. DCA believes that the amounts, if any, that would be refunded by it would not have a material effect on the DCA's financial position at June 30, 2007.

DCA has entered into various leases for land, office equipment and office space as of June 30, 2003. All lease agreements can be cancelled if the budgeted lease payments are not approved. No future liability then exists unless budget payment amounts continue to be approved.

DCA is involved in several pending legal matters related to employment and injury claims. The risk of loss in most of these cases is deemed to be "slight to moderate" by the Department's counsel and management, and the potential loss would not materially affect the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Notes to Financial Statements - continued

15. JOINT POWERS AGREEMENT DISCLOSURE

The Department was party to the following Joint Powers Agreements during the fiscal year:

Participants	Description	Responsible Party for Operations	Total Amount of Contract	Beginning Date	Ending Date	Audit Responsibility	Agency Where Revenue/Expenditures Reported	Expenditures Paid for Current Year	Expenditures to Date
Zuni Pueblo / DCA	Purchase work of art under Art in Public Places Act.	DCA	N/A	10/26/05	Indefinite	DCA	DCA	None	None
Institute of American Indian and Alaska Native Culture and Arts Development / DCA	Archival information systems.	DCA	\$47,500	12/13/05	11/15/06	DCA	DCA	None	\$47,500

16. LONG-TERM DEBT

At June 30, 2007, long-term debt in fund 69100 consisted of the following:

State Museum Tax Revenue Bonds. Bonds issued by the New Mexico Finance Authority (NMFA), original amount (\$5,760,000), payable from the State Building Bonding Fund, for the purpose of renovating and maintaining current structures and developing permanent exhibits at state museums and monuments, such as a fire suppression system at the New Mexico Museum of Space History in Alamogordo, repairs to the New Mexico Museum of Natural History and Science in Albuquerque, repairs to state monuments, repairs to the Museum of International Folk Art in Santa Fe, repairs at the Museum of Indian Arts and Culture in Santa Fe, repairs to the Museum of Fine Arts in Santa Fe, repairs to the Palace of Governors in Santa Fe, erosion control at the New Mexico Farm and Ranch Heritage Museum in Las Cruces, exhibition development at the Camino Real International Heritage Center in Socorro County, exhibition development at the New Mexico Farm and Ranch Heritage Museum in Dona Ana County, and exhibition development at the New Mexico Museum of Natural History and Sciences in Albuquerque. The interest rate ranges from .62% the first year up to 4.18% in 2023, the year of maturity. There is a .25% semi-annual administration fee as well. \$ 5,363,092

Public Project Revolving Fund Loan. Loan issued by the NMFA, original amount (\$2,350,000), to the Department of Cultural Affairs in order to design, remodel, renovate, rehabilitate or improve state museums and monuments. The loan is secured by a pledge of governmental gross receipts revenue, which is one percent of the GRT. Any GRT revenue distributed to the Department remaining after the payment of debt service may be used by the Department for museum capital improvement projects. The interest rate ranges from .62% the first year up to 4.18% in 2023, the year of maturity. There is a .25% semi-annual administration fee as well. 1,980,330

\$ 7,343,422

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Notes to Financial Statements - continued

16. LONG-TERM DEBT - continued

DCA has the following long-term debt as of June 30:

		<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Loan payable	\$	7,687,539	-	344,117	7,343,422	628,681
Compensated absences		<u>1,062,185</u>	<u>1,065,111</u>	<u>988,515</u>	<u>1,138,781</u>	<u>1,060,000</u>
Total	\$	<u>8,749,724</u>	<u>1,065,111</u>	<u>1,332,632</u>	<u>8,482,203</u>	<u>1,688,681</u>

Long-term debt maturities for loans payable are as follows for fiscal years ending June 30:

		<u>NMFA Loan</u> <u>Agreement</u>	<u>NMFA State</u> <u>Museum Tax</u> <u>Revenue Bonds</u>	<u>Total</u>
2008	\$	169,746	458,935	628,681
2009		169,752	458,963	628,715
2010		169,758	458,980	628,738
2011		169,765	458,997	628,762
2012		169,773	459,000	628,773
2013 – 2017		848,012	2,294,900	3,142,912
2018 – 2022		849,323	2,294,875	3,144,198
2023		<u>169,913</u>	<u>452,131</u>	<u>622,044</u>
		2,716,042	7,336,781	10,052,823
Less interest/admin. fee		<u>735,712</u>	<u>1,973,689</u>	<u>2,709,401</u>
		1,980,330	5,363,092	7,343,422
Less current portion		<u>169,746</u>	<u>458,935</u>	<u>628,681</u>
	\$	<u>1,810,584</u>	<u>4,904,157</u>	<u>6,714,741</u>

The General Fund (19300) has typically been used to liquidate other long-term liabilities such as long-term debt (including compensated absences).

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Notes to Financial Statements - continued

17. OPERATING TRANSFERS

Operating transfers in (out) consisted of General Fund revenue transferred to other funds.

	In	(Out)
58700 – Fiscal year 2004 Capital Projects: AIPP 1% Proceeds	\$ -	(50,000)
26300 – Fiscal year 2007 Capital Projects: AIPP 1% Proceeds		(18,612)
08200 – Fiscal year 2002 Capital Projects: AIPP 1% Proceeds	41,010	(116,010)
53000 – Fiscal year 2006 Capital Projects: AIPP 1% Proceeds		(86,600)
69800 – AIPP Fund: AIPP 1% Proceeds	274,972	(41,010)
89900 – Fiscal year 2003 Capital Projects: AIPP 1% Proceeds	-	(3,750)
Total Transfers	\$ <u>315,982</u>	<u>(315,982)</u>

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Notes to Financial Statements - continued

18. INTERAGENCY TRANSFERS

Agency	Fund	Purpose	Transfer In (Out) Amount
505 Dept. of Cultural Affairs	19300	General Fund Appropriations	\$ 29,115,300
505 Dept. of Cultural Affairs	08200	General Fund Appropriations	449,355
505 Dept. of Cultural Affairs	26300	General Fund Appropriations	6,993,685
505 Dept. of Cultural Affairs	53000	General Fund Appropriations	11,440,000
340 Dept. of Finance & General Fund Appropriations	85300	General Fund Appropriations	<u>(47,998,340)</u>
Total			\$ <u><u> -</u></u>

19. FUND BALANCE DEFICIT

Fund 08200 – Capital Projects Laws of 2002 has a deficit fund balance of \$195,468 as of June 30, 2007. The Department expects to obtain state funding to eliminate the deficit.

20. REVERSIONS TO STATE GENERAL FUND

DCA had the following reversions due to the State General Fund (85300) at June 30, 2007:

19300	Fiscal year 2007	\$ 18,618
59100	Fiscal year 2003	<u>257,637</u>
Total		\$ <u><u>276,255</u></u>

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Combining Balance Sheet -
Non-Major Governmental Funds

AS OF JUNE 30, 2007	59100 Capital Projects, Special 2003	19400 15% Museum Admission Funds	47800 Capital Projects, Laws 2000	69100 Capital Projects, Laws 2003	69800 Arts in Public Places Fund	89900 Capital Projects, Laws 2003	25600 Museum Collections Fund	64700 Capital Projects, Laws 2005	Total Nonmajor Funds
ASSETS:									
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-
Investments in State Treasurer General Fund	-	-	-	-	-	-	-	-	-
Investment Pool	257,637	-	3,378	628,745	1,600,912	369,715	192,303	4,547,584	7,600,274
Cash at trustee	-	-	-	509,789	-	-	-	-	509,789
Receivables:									
Severance tax and general obligation bonds	-	-	-	-	-	-	-	895	895
Local government	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Due from federal government	-	-	-	-	-	-	-	-	-
Due from other agencies	-	-	-	146,170	-	191,445	836	-	338,451
Due from other funds	-	343,624	-	-	123,750	-	-	-	467,374
Inventory	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 257,637	343,624	3,378	1,284,704	1,724,662	561,160	193,139	4,548,479	8,916,783
LIABILITIES:									
Accounts payable	-	-	-	53,662	22,225	138,819	-	75,315	290,021
Accrued payroll	-	-	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	1,387,615	346,841	-	-	1,734,456
Due to other state agencies	-	-	-	-	-	-	-	-	-
Bank overdrafts	-	302,591	-	-	-	-	-	-	302,591
Due to other funds	-	-	3,378	-	-	75,500	-	-	78,878
Due to state general fund (for FY 2007)	257,637	-	-	-	-	-	-	-	257,637
Due to local governments	-	-	-	-	-	-	-	-	-
Unearned federal grant receipts	-	-	-	-	-	-	-	-	-
Unearned special appropriations	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	257,637	302,591	3,378	53,662	1,409,840	561,160	-	75,315	2,663,583
FUND BALANCES:									
Fund balance (deficit):									
Reserved for encumbrances	-	-	-	-	-	-	-	-	-
Reserved for capital projects	-	-	-	-	-	-	-	-	-
Unreserved - undesignated (deficit)	-	41,033	-	1,231,042	314,822	-	193,139	4,473,164	6,253,200
TOTAL FUND BALANCES	-	41,033	-	1,231,042	314,822	-	193,139	4,473,164	6,253,200
TOTAL LIABILITIES AND FUND BALANCES	\$ 257,637	343,624	3,378	1,284,704	1,724,662	561,160	193,139	4,548,479	8,916,783

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

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

YEAR ENDED JUNE 30, 2007	59100 Capital Projects Special 2003	19400 15% Museum Admissions Fund	47800 Capital Projects, Laws 2006	69100 Capital Projects, Laws 2003	69800 Arts in Public Places	89900 Capital Projects, Laws 2003	64700 Capital Projects, Laws 2005	25600 Museum Collections Fund	Total Nonmajor Funds
REVENUES:									
Local government grants	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	11,114	11,114
Interest revenue	-	-	-	45,776	-	-	-	-	45,776
Fees and Services	-	340,596	-	-	-	-	-	-	340,596
Sales	-	-	-	-	-	-	-	-	-
Other state funds	-	-	-	284,350	-	-	-	-	284,350
Federal grants	-	-	-	-	-	-	-	-	-
Private gifts and grants	-	-	-	-	-	-	-	-	-
TOTAL REVENUES		340,596		340,126				11,114	681,836
EXPENDITURES:									
Current:									
Personnel services and employee benefits	-	299,563	-	-	-	-	-	-	299,563
In-state travel	-	-	-	-	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-	-	-	-	-
Supplies	-	-	5,330	-	-	-	648	-	5,978
Contractual services	-	-	-	-	-	20,407	-	-	20,407
Operating costs	-	-	-	4,945	316,125	4,945	188,742	141,500	655,729
Other costs	-	-	-	-	-	-	31,597	-	31,597
Out-of-state travel	-	-	-	-	-	-	3,405	-	3,405
Capital outlay	-	-	-	496,062	-	226,629	824,212	-	1,546,903
Debt service principal payment	-	-	-	344,117	-	-	-	-	344,117
Debt service interest payment	-	-	-	277,416	-	-	-	-	277,416
TOTAL EXPENDITURES:		299,563		1,127,382	316,125	251,981	1,048,561	141,500	3,185,115
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		41,033		(797,256)	(316,125)	(251,981)	(1,048,561)	(130,386)	(2,503,279)
OTHER FINANCING SOURCES (USES):									
State General Fund appropriations	-	-	-	-	-	-	-	-	-
Reversions	-	-	-	-	-	255,731	-	-	255,731
Bond proceeds appropriations	-	-	-	-	-	(3,750)	-	-	230,212
Operating transfers in/out	-	-	-	-	233,962	-	-	-	233,962
Other financing sources (uses)	-	-	-	468,412	295,129	-	97,033	-	860,874
Debt issuance	-	-	-	-	-	-	-	-	-
NET OTHER FINANCING SOURCES (USES)				668,312	529,391	251,981	97,033		1,446,817
NET CHANGE IN FUND BALANCES		41,033		(328,844)	213,266	-	(951,531)	(130,386)	(1,156,462)
FUND BALANCES, June 30, 2006				1,559,886	101,556		5,424,605	393,525	7,409,662
FUND BALANCES, June 30, 2007		41,033		1,231,042	314,822		4,473,164	193,139	6,253,201

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Combining General Fund - Museum Services (P536)
Statement of Revenues and Expenditures -
Budget and Actual

YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 18,832,200	18,902,200	18,902,200	-
Other Services	3,361,630	3,361,630	3,174,096	(187,534)
Federal grants	155,300	209,747	107,700	(102,047)
Intra-state transfers	92,400	92,400	-	(92,400)
Miscellaneous	-	-	149,880	149,880
Private gifts and grants	493,200	493,200	499,265	6,065
Other financing sources	779,200	779,200	581,723	(197,477)
Reversions	<u>-</u>	<u>-</u>	<u>(98,375)</u>	<u>(98,375)</u>
TOTAL REVENUES	\$ <u>23,713,930</u>	<u>23,838,377</u>	<u>23,316,489</u>	<u>(521,888)</u>
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 16,923,730	16,978,177	16,976,736	1,441
Contractual services	1,696,300	1,211,300	1,072,523	138,777
Other operating costs	<u>5,092,900</u>	<u>5,948,900</u>	<u>5,317,779</u>	<u>631,121</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ <u>23,712,930</u>	<u>24,138,377</u>	<u>23,367,038</u>	<u>771,339</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET				
	\$ 1,000	(300,000)	<u>(50,549)</u>	<u>249,451</u>
CASH BALANCE CARRYFORWARD	<u>-</u>	<u>-</u>		
	<u>\$ 1,000</u>	<u>(300,000)</u>		
EXCESS REVENUE OVER EXPENSE			\$ <u>(50,549)</u>	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Combining General Fund - Preservation, Arts and Library Services (P537)
Statement of Revenues and Expenditures -
Budget and Actual

YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 928,500	928,500	1,578,500	650,000
Other Services	2,700	2,700	1,178,224	1,175,524
Federal grants	1,192,700	1,329,200	-	(1,329,200)
Intra-state transfers	2,853,900	2,893,900	-	(2,893,900)
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	-	-
Other financing sources	108,000	158,000	8,500	(149,500)
Reversions	-	-	-	-
TOTAL REVENUES	\$ <u>5,085,800</u>	<u>5,312,300</u>	<u>2,765,224</u>	<u>(2,547,076)</u>
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 4,204,800	4,084,800	3,494,917	589,883
Contractual services	337,000	496,000	225,667	270,333
Other operating costs	<u>544,000</u>	<u>731,500</u>	<u>635,272</u>	<u>96,228</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ <u>5,085,800</u>	<u>5,312,300</u>	<u>4,355,856</u>	<u>956,444</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ -	-	<u>(1,590,632)</u>	<u>(1,590,632)</u>
CASH BALANCE CARRYFORWARD	<u>-</u>	<u>-</u>		
	\$ <u>-</u>	<u>-</u>		
EXCESS REVENUE OVER EXPENSE			\$ <u>(1,590,632)</u>	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
Combining General Fund - Library Services (P539)
Statement of Revenues and Expenditures -
Budget and Actual

YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 3,698,500	3,698,500	3,698,500	-
Other Services	-	-	2,223	2,223
Federal grants	1,687,000	1,979,000	1,962,836	(16,164)
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	30,000	30,000	29,309	(691)
Other financing sources	15,300	15,300	15,300	-
Reversions	-	-	-	-
TOTAL REVENUES	\$ <u>5,430,800</u>	<u>5,722,800</u>	<u>5,708,168</u>	<u>(14,632)</u>
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 2,898,100	2,898,100	2,700,984	197,116
Contractual services	1,097,300	1,389,300	1,087,278	302,022
Other operating costs	<u>1,435,400</u>	<u>1,440,150</u>	<u>1,398,761</u>	<u>41,389</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ <u>5,430,800</u>	<u>5,727,550</u>	<u>5,187,023</u>	<u>540,527</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ -	(4,750)	<u>521,145</u>	<u>525,895</u>
CASH BALANCE CARRYFORWARD	-	-		
	\$ <u>-</u>	<u>(4,750)</u>		
EXCESS REVENUE OVER EXPENSE			\$ <u>521,145</u>	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Combining General Fund - Program Support (P540)
Statement of Revenues and Expenditures -
Budget and Actual

YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 3,362,500	3,362,500	3,362,500	-
Other Services	24,500	24,500	148,795	124,295
Federal grants	91,700	91,700	-	(91,700)
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	297,000	297,000	-	(297,000)
Other financing sources	310,300	322,800	310,300	(12,500)
Reversions	-	-	-	-
TOTAL REVENUES	\$ <u>4,086,000</u>	<u>4,098,500</u>	<u>3,821,595</u>	<u>(276,905)</u>
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 3,273,400	3,273,400	3,228,706	44,694
Contractual services	694,900	701,700	665,983	35,717
Other operating costs	<u>217,700</u>	<u>275,200</u>	<u>203,576</u>	<u>71,624</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ <u>4,186,000</u>	<u>4,250,300</u>	<u>4,098,265</u>	<u>152,035</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (100,000)	(151,800)	<u>(276,670)</u>	<u>(124,870)</u>
CASH BALANCE CARRYFORWARD	<u>-</u>	<u>-</u>		
	\$ <u>(100,000)</u>	<u>(151,800)</u>		
EXCESS REVENUE OVER EXPENSE			\$ <u>(276,670)</u>	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
Combining General Fund - Arts Program (P761)
Statement of Revenues and Expenditures -
Budget and Actual

YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
General Fund appropriations	\$ 1,573,600	1,573,600	1,573,600	-
Other Services	-	-	29	29
Federal grants	562,400	604,400	702,245	97,845
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	27,500	27,500	26,054	(1,446)
Other financing sources	22,600	22,600	109,558	86,958
Reversions	-	-	(18,583)	(18,583)
TOTAL REVENUES	\$ <u>2,186,100</u>	<u>2,228,100</u>	<u>2,392,903</u>	<u>164,803</u>
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 860,800	845,800	845,800	-
Contractual services	1,430,800	1,487,800	1,421,888	65,912
Other operating costs	<u>144,500</u>	<u>144,500</u>	<u>136,253</u>	<u>8,247</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ <u>2,436,100</u>	<u>2,478,100</u>	<u>2,403,941</u>	<u>74,159</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (250,000)	(250,000)	<u>(11,038)</u>	<u>90,644</u>
CASH BALANCE CARRYFORWARD	<u>-</u>	<u>-</u>		
	\$ <u>(250,000)</u>	<u>(250,000)</u>		
EXCESS REVENUE OVER EXPENSE			\$ <u>(11,038)</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual

YEAR ENDED JUNE 30, 2007

		FUND 08200 - CAPITAL PROJECTS, LAWS OF 2002			
		Budgeted Amounts		Actual Amounts	Variance From Final Budget
		Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES:					
State General Fund appropriations	\$	-	-	449,355	449,355
Other state funds		-	-	70,000	70,000
Federal grants		-	-	2,557,308	2,557,308
Private gifts and grants		-	-	-	-
Bond proceeds		-	-	-	-
Other financing sources		-	-	<u>1,170,487</u>	<u>1,170,487</u>
TOTAL REVENUES	\$	<u>-</u>	<u>-</u>	<u>4,247,150</u>	<u>4,247,150</u>
EXPENDITURES - current:					
Personnel services and benefits	\$	-	-	-	-
Other operating costs		-	-	52,839	(52,839)
Capital outlay		239,132	17,034,028	4,314,779	12,719,249
Other financing uses		<u>7,655</u>	<u>581,393</u>	<u>75,000</u>	<u>506,393</u>
TOTAL EXPENDITURES	\$	<u>246,787</u>	<u>17,615,421</u>	<u>4,442,618</u>	<u>13,172,803</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET					
	\$	(246,787)	(17,615,421)	(195,468)	<u>8,925,653</u>
CASH BALANCE CARRYFORWARD		<u>246,787</u>	<u>17,615,421</u>	<u>195,468</u>	
	\$	<u>-</u>	<u>-</u>	<u>-</u>	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2007

	FUND 58700 - CAPITAL PROJECTS, LAWS OF 2004			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
Bond proceeds	\$ -	-	1,163,839	1,163,839
TOTAL REVENUES	\$ -	-	1,163,839	1,163,839
EXPENDITURES - current:				
Contractual services	\$ -	345,071	50,342	294,729
Other operating costs	682,791	5,853,320	14,042	5,839,278
Capital outlay	-	-	1,011,979	(1,011,979)
Other financing uses	3,403,961	3,453,961	87,476	3,366,485
TOTAL EXPENDITURES	\$ 4,086,752	9,652,352	1,163,839	8,488,513
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (4,086,752)	(9,652,352)	1,076,363	7,324,674
CASH BALANCE CARRYFORWARD	4,086,752	9,652,352	-	
	\$ -	-	1,076,363	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2007

	FUND 26300 - CAPITAL PROJECTS, LAWS OF 2007			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
State General Fund appropriations	\$ 6,993,685	6,993,685	6,993,685	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	<u>6,450,000</u>	<u>6,450,000</u>	-	<u>(6,450,000)</u>
TOTAL REVENUES	\$ <u>13,443,685</u>	<u>13,443,685</u>	<u>6,993,685</u>	<u>(6,450,000)</u>
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	2,008,450	2,008,450	-	2,008,450
Other operating costs	8,382,123	8,382,123	-	8,382,123
Other financing uses	3,053,112	3,053,112	-	3,053,112
Operating transfers	<u>-</u>	<u>-</u>	<u>18,612</u>	<u>(18,612)</u>
TOTAL EXPENDITURES	\$ <u>13,443,685</u>	<u>13,443,685</u>	<u>18,612</u>	<u>13,425,073</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ -	-	6,975,073	<u>(19,875,073)</u>
CASH BALANCE CARRYFORWARD	<u>-</u>	<u>-</u>	<u>-</u>	
	\$ <u>-</u>	<u>-</u>	<u>6,975,073</u>	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2007

FUND 53000 - CAPITAL PROJECTS, LAWS OF 2006				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
State General Fund appropriations	\$ 9,440,000	9,440,000	11,440,000	2,000,000
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	603,000	603,000	-	(603,000)
Other financing sources	-	-	-	-
TOTAL REVENUES	\$ <u>10,043,000</u>	<u>10,043,000</u>	<u>11,440,000</u>	<u>1,397,000</u>
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	2,552,000	2,653,970	4,761	2,649,209
Capital outlay	-	-	3,216,524	(3,216,524)
Other operating costs	9,346,400	9,346,400	152,901	9,193,499
Other financing uses	193,600	91,630	-	91,630
TOTAL EXPENDITURES	\$ <u>12,092,000</u>	<u>12,092,000</u>	<u>3,374,186</u>	<u>8,717,814</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (2,049,000)	(2,049,000)	8,065,814	<u>7,320,814</u>
CASH BALANCE CARRYFORWARD	<u>2,049,000</u>	<u>2,049,000</u>	-	
	\$ <u>-</u>	<u>-</u>	<u>8,065,814</u>	

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DEPARTMENT OF CULTURAL AFFAIRS

Statement of Revenues and Expenditures -
Non-Major Governmental Funds -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2007

	Fund 64700 - Capital Projects, Laws of 2005			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
General Fund appropriations	\$ -	-	-	-
Bond Proceeds	-	-	-	-
Other	-	-	-	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Other financing sources (uses)	-	-	97,033	97,033
Cash balance rebudgeted	-	-	-	-
TOTAL REVENUES	\$ -	-	97,033	97,033
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	3,345,637	3,352,111	-	3,352,111
Capital outlay	-	-	824,212	(824,212)
Other costs	3,729,464	3,959,656	224,352	3,735,304
Other financing sources (uses)	13,000	13,000	-	13,000
TOTAL EXPENDITURES	\$ 7,088,101	7,324,767	1,048,564	6,276,203
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (7,088,101)	(7,324,767)	(951,531)	(6,179,170)
CASH BALANCE CARRYFORWARD	7,088,101	7,324,767	951,531	
	\$ -	-	-	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Revenues and Expenditures -
Non-Major Governmental Funds -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2007

		FUND 47800 - CAPITAL PROJECTS, LAWS OF 2000			
		Budgeted Amounts		Actual	Variance From
		Original	Final	Amounts	Final Budget
				(Budgetary Basis)	Positive (Negative)
REVENUES:					
State General Fund appropriations	\$	-	-	-	-
Other state funds		-	-	-	-
Federal grants		-	-	-	-
Private gifts and grants		-	-	-	-
Bond proceeds		-	-	-	-
Other financing sources		-	-	-	-
TOTAL REVENUES	\$	-	-	-	-
EXPENDITURES - current:					
Personnel services and benefits	\$	-	-	-	-
Contractual services		-	12,052	-	12,052
Other operating costs		-	-	-	-
Other financing uses		-	-	-	-
TOTAL EXPENDITURES	\$	-	12,052	-	12,052
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET					
	\$	-	(12,052)	-	(12,052)
CASH BALANCE CARRYFORWARD		-	12,052		
	\$	-	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Revenues and Expenditures -
Non-Major Governmental Funds -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2007

Fund 69100 - Capital Projects, Laws of 2003					
		Budgeted Amounts		Actual	Variance From
		Original	Final	Amounts	Final Budget
				(Budgetary Basis)	Positive (Negative)
REVENUES:					
Other state funds	\$	-	-	330,126	330,126
Other financing sources (uses)		<u>169,742</u>	<u>169,742</u>	<u>468,412</u>	<u>298,670</u>
TOTAL REVENUES	\$	<u>169,742</u>	<u>169,742</u>	<u>798,538</u>	<u>628,796</u>
EXPENDITURES - current:					
Contractual services	\$	-	79,691	4,457	75,234
Other costs		169,742	1,083,642	5,330	1,078,312
Capital outlay		-	-	496,062	(496,062)
Debt service payments		<u>-</u>	<u>-</u>	<u>621,533</u>	<u>(621,533)</u>
TOTAL EXPENDITURES	\$	<u>169,742</u>	<u>1,163,333</u>	<u>1,127,382</u>	<u>35,951</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET					
	\$	-	(993,591)	(328,844)	<u>592,845</u>
CASH BALANCE CARRYFORWARD		<u>-</u>	<u>993,591</u>	<u>328,844</u>	
	\$	<u>-</u>	<u>-</u>	<u>-</u>	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Revenues and Expenditures -
Non-Major Governmental Funds -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2007

Fund 69800 - 1% Art in Public Places					
		Budgeted Amounts		Actual	Variance From
		Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:					
PVT Gifts	\$	-	-	-	-
Bond Proceeds		-	-	-	-
Other state funds		-	-	-	-
Federal grants		-	-	-	-
Other financing sources (uses)		3,535,938	3,535,938	529,391	(3,006,547)
Cash balance rebudgeted		-	-	-	-
TOTAL REVENUES	\$	<u>3,535,938</u>	<u>3,535,938</u>	<u>529,391</u>	<u>(3,006,547)</u>
EXPENDITURES - current:					
Personnel services and benefits	\$	-	-	-	-
Contractual services		1,554,145	3,127,744	-	3,127,744
Other costs		1,981,793	3,733,496	316,125	3,417,371
Bldg & Stru		-	-	-	-
Other financing sources (uses)		-	-	-	-
TOTAL EXPENDITURES	\$	<u>3,535,938</u>	<u>6,861,240</u>	<u>316,125</u>	<u>6,545,115</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$	-	(3,325,302)	<u>213,266</u>	<u>(9,551,662)</u>
CASH BALANCE CARRYFORWARD		-	<u>3,325,302</u>		
	\$	<u>-</u>	<u>-</u>		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Revenues and Expenditures -
Non-Major Governmental Funds -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2007

FUND 89900 - Capital Projects, Laws of 2003				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
PVT Gifts	\$ -	-	-	-
Bond Proceeds	-	-	-	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Other financing sources (uses)	-	-	255,731	255,731
Cash balance rebudgeted	-	-	-	-
TOTAL REVENUES	\$ -	-	255,731	255,731
EXPENDITURES - current:				
Capital outlay	70,400	5,192,767	226,629	4,966,138
Contractual services	-	29,831	20,407	9,424
Other costs	\$ -	-	4,945	-
Other financing sources (uses)	4,250	59,500	3,750	55,750
TOTAL EXPENDITURES	\$ 74,650	5,282,098	255,731	5,031,312
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (74,650)	(5,282,098)	-	(4,775,581)
CASH BALANCE CARRYFORWARD	74,650	5,282,098		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Revenues and Expenditures -
Non-Major Governmental Funds -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2007

FUND 25600 - Museum Collections Fund

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive (Negative)
REVENUES:				
State General Fund appropriations	\$ -	-	-	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	-	-	-	-
Other revenue	-	-	11,114	11,114
	-	-	11,114	11,114
TOTAL REVENUES	\$ -	-	11,114	11,114
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other operating costs	-	311,000	141,500	169,500
Other financing uses	-	-	-	-
	-	-	-	-
TOTAL EXPENDITURES	\$ -	311,000	141,500	169,500
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET				
	\$ -	(311,000)	(130,386)	<u>(158,386)</u>
CASH BALANCE CARRYFORWARD	<u>-</u>	<u>311,000</u>	<u>130,386</u>	
	\$ -	-	-	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Statement of Revenues and Expenditures -
Non-Major Governmental Funds -
Budget and Actual - continued

YEAR ENDED JUNE 30, 2007

		FUND 19400 - 15% State Museum Admissions			
		Budgeted Amounts		Actual Amounts	Variance From Final Budget
		Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES:					
State General Fund appropriations	\$	-	-	-	-
Admissions		356,200	356,200	340,596	(15,604)
Federal grants		-	-	-	-
Private gifts and grants		-	-	-	-
Bond proceeds		-	-	-	-
Building rental or lease		<u>48,570</u>	<u>48,570</u>	<u>-</u>	<u>(48,570)</u>
TOTAL REVENUES	\$	<u>404,770</u>	<u>404,770</u>	<u>340,596</u>	<u>(64,174)</u>
EXPENDITURES - current:					
Personnel services and benefits	\$	404,770	404,770	299,563	105,207
Contractual services		-	-	-	-
Other operating costs		-	-	-	-
Other financing uses		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$	<u>404,770</u>	<u>404,770</u>	<u>299,563</u>	<u>105,207</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET					
	\$	-	-	<u>41,033</u>	<u>41,033</u>
CASH BALANCE CARRYFORWARD		<u>-</u>	<u>-</u>		
	\$	<u>-</u>	<u>-</u>		
EXCESS REVENUE OVER EXPENSE				\$ <u>41,033</u>	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Supplemental Schedule of Investments at State Treasurer

AS OF JUNE 30, 2007

Name of Depository or SHARE Fund Number	Account Name	Fund Type	Type of Account	Interest Bearing	Account Balance at June 30, 2007
General Fund					
Fund 19300	General Operating Account	General	Investment Pool	No	\$ 4,023,543
Special Revenue					
Fund 19400	Museum Collections Fund	Special Revenue	Investment Pool	No	192,303
Capital Projects Fund					
Fund 64700	Capital Projects, Laws 2006	Capital Projects	Investment Pool	No	4,547,584
Fund 69800	Arts in Public Places Fund	Capital Projects	Investment Pool	No	1,600,912
Fund 53000	Capital Projects, Laws 2006	Capital Projects	Investment Pool	No	8,898,945
Fund 26300	Capital Projects, Laws 2007	Capital Projects	Investment Pool	No	6,975,073
Fund 47800	Capital Projects, Laws 2000	Capital Projects	Investment Pool	No	3,378
Fund 59100	Capital Projects, Special 2003	Capital Projects	Investment Pool	No	257,637
Fund 69100	Capital Projects, Laws 2003	Capital Projects	Investment Pool	No	628,745
Fund 89900	Capital Projects, Laws 2003	Capital Projects	Investment Pool	No	369,715
Fund 58700	Capital Projects, Laws 2004	Capital Projects	Investment Pool	No	4,054,645
Fund 08200	Capital Projects, Laws 2002	Capital Projects	Investment Pool	No	<u>11,983,545</u>
					43,536,025
Fiduciary Funds					
Fund 61200	Bartlett Trust Fund	Nonexpend. Trust	Investment Pool	Yes	171,255
Fund 59300	Historic Preservation Revolving Loan Fund	Agency	Investment Pool	No	<u>278,259</u>
					<u>449,514</u>
Total short-term investments					\$ <u>43,985,539</u>

The short-term investment accounts of the Department of Cultural Affairs, held by the New Mexico State Treasurer, are combined with other state funds by the State Treasurer and are deposited with commercial financial institutions; consequently, the adequacy of depository collateral or federal insurance coverage is not known to the individual agencies.

There are no reconciling items, as the State Treasurer's balance agrees to the reconciled balance.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Schedule of General Fund - Special Appropriations

AS OF JUNE 30, 2007

	Original Appropriations <u>June 30, 2007</u>	Expenditures to Date <u>June 30, 2007</u>	Unencumbered Balance at <u>June 30, 2007</u>
<u>Laws of 2006 Ch. 109, 110, 111</u>			
Art-based Trails	\$ 250,000	250,000	-
State Monument Upgrades	300,000	300,000	-
Latin American Posters	55,000	55,000	-
Touring Performing Arts	50,000	50,000	-
Symposium for Bosque	32,000	1,947	30,053
Childrens' Museum	100,000	100,000	-
Santa Fe International Folk Art	40,000	40,000	-
Performing Arts Classes for Children	30,000	30,000	-
Office of Museum	75,000	75,000	-
New Mexico Film Museum	<u>100,000</u>	<u>58,453</u>	<u>41,547</u>
Total General Fund	\$ <u>1,032,000</u>	<u>960,400</u>	<u>71,600</u>

The special appropriations period is through June 30, 2008.

There were no outstanding encumbrances at June 30, 2007.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Schedule of Major Capital Project Funds - Special Appropriations

AS OF JUNE 30, 2007

	<u>Original Appropriation</u>	<u>Expenditures Year Ended June 30, 2007</u>	<u>Expenditures to Date</u>	<u>Unencumbered Balance at June 30, 2007</u>
<u>Laws of 2002 Ch. 110</u>				
Museum of New Mexico Palace \$	7,000,000	5,896,013	7,000,000	(1,103,987)
2002 Capital Projects	7,000,000	5,896,013	7,000,000	(1,103,987)
Total Major Capital Projects Funds	\$ 7,000,000	5,896,013	7,000,000	(1,103,987)

There were no outstanding encumbrances at June 30, 2007, and the appropriation period ended June 30, 2007.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Schedule of Capital Project Funds - Severance Tax Bonds

AS OF JUNE 30, 2007

Law / Appropriation Period	Original Appropriations	Balance at June 30, 2006	Adjustments	Receipts Year Ended June 30, 2007	Reversions/ Expenditures Year Ended June 30, 2007	Balance at June 30, 2007
<u>Laws of 1996 Ch. 4, Sec. 3,s.s. / 6/30/00</u>						
Museum of NM Camino Real	\$ 100,000	15,407	-	-	15,407	-
<u>Laws of 1998 Ch. 7 and 118 / 6/30/02</u>						
Tombaugh Space Theater-Reroof	125,000	14,059	-	-	14,059	-
Farm & Ranch Museum/Exh./Licensing	1,000,000	27,661	-	-	27,661	-
<u>Laws of 1999 Ch. 2 / 6/30/03</u>						
El Camino Real International	1,000,000	18,030	-	-	18,030	-
Statewide Museum Improvements	500,000	655	-	-	655	-
El Vado Lake Radar Site	19,000	3,351	-	-	3,351	-
<u>Laws of 2000 Ch. 23 / 6/30/05</u>						
State Monuments Master Plan	230,000	12,052	-	-	12,052	-
Natural History Lodestar Astronomy	1,600,000	23,948	-	-	23,947	-
NM Farm & Ranch P.P. & E.	180,000	74	-	-	74	-
<u>Laws of 2002 Ch. 110 / 6/30/07</u>						
Museum of New Mexico Palace	4,000,000	703,469	-	-	703,469	-
El Camino Real Heritage Center	48,750	895	-	-	895	-
Padre Martinez Sculpture	75,000	75,000	-	-	75,000	-
Isleta Pueblo Library	101,000	2,655	-	-	2,655	-
Tularosa High School Planning & Design	50,000	50,000	-	-	50,000	-
New Mexico Space History Museum Window Replacement	500,000	23	-	-	23	-
New Mexico Farm & Ranch Museum Phase II Landscaping	30,000	93	-	-	93	-
New Mexico Farm & Ranch Museum Children's Discovery Room	70,000	53,017	-	-	53,017	-
<u>Laws of 2003, Chapter 429, Section 9 / 6/30/08</u>						
New Mexico Farm & Ranch Museum Museum Improvements	25,000	59	-	-	59	-
New Mexico Farm & Ranch Museum Museum Bridge	10,000	10,000	-	-	10,000	-
New Mexico Farm & Ranch Museum Hondo Bridge	50,000	50,000	-	-	50,000	-
New Mexico Farm & Ranch Museum Museum Bridge	11,000	11,000	-	-	11,000	-
New Mexico Farm & Ranch Museum Peter Hurd Exhibit	4,000	1,400	-	-	1,400	-
Lincoln State Monument Tunstall	50,000	6,901	-	-	6,901	-
National Hispanic Cultural Center Roy E Disney Equipment	125,000	1,250	-	-	1,250	-
New Mexico Farm & Ranch Museum Hondo Bridge	25,000	6,795	-	-	6,795	-
National Hispanic Cultural Center Education Building Plan	150,000	1,500	-	-	1,500	-
New Mexico Farm & Ranch Museum Capital Improvements	50,000	46,937	-	-	46,937	-
National Hispanic Cultural Center Education Building Plan	150,000	1,500	-	-	1,500	-

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Schedule of Capital Project Funds - Severance Tax Bonds - continued

AS OF JUNE 30, 2007

Law / Appropriation Period	Original Appropriations	Balance at June 30, 2006	Adjustments	Receipts Year Ended June 30, 2007	Expenditures Year Ended June 30, 2007	Balance at June 30, 2007
<u>Laws of 2003, Chapter 429, Section 9 / 6/30/08 - continued</u>						
National Hispanic Cultural Center						
Education Building Plan	\$ 150,000	1,500	-	-	1,500	-
New Mexico History Museum	5,000,000	4,915,237	(50,000)	-	187,099	4,678,138
<u>Laws of 2004, Chapter 126 / 6/30/09</u>						
New Mexico Farm & Ranch Museum						
Construction	50,000	50,000	-	-	-	50,000
Museum of Natural History Science Exh	35,000	30,227	-	-	20,000	227
National Hispanic Cultural Center						
Roy Disney Project	25,000	7,145	-	-	7,145	-
National Hispanic Cultural Center						
Roy Disney Project	125,000	7	-	-	7	-
National Hispanic Cultural Center						
Education Complex	50,000	50,000	-	-	-	50,000
Education Complex	170,000	170,000	(1,700)	-	-	168,300
Education Complex	30,000	30,000	-	-	-	30,000
Education Complex	25,000	25,000	-	-	-	25,000
Education Complex	50,000	50,000	-	-	-	50,000
Education Complex	75,000	75,000	-	-	-	75,000
Education Complex	25,000	25,000	-	-	-	25,000
<u>Laws of 2005, Chapter 347 / 6/30/10</u>						
National Hispanic Cultural Center						
Improvements	1,000,000	1,000,000	(10,000)	-	-	990,000
Ft. Selden Restoration Equipment	40,000	224	-	-	224	-
Lincoln Historic Courthouse Heating	100,000	90,099	-	-	11,743	78,356
Lincoln St. Monument Renovations	110,000	110,000	-	-	377	109,623
Santa Fe Mus Hill Pathway Improv	75,000	75,000	-	-	-	75,000
Santa Fe Children's Museum Greenhouse	50,000	50,000	-	-	-	50,000
National Hispanic Cultural Center						
Education Building	300,000	300,000	(3,000)	-	-	297,000
Stewart L. Udall Center Landscape	50,000	50,000	-	-	49,406	594
<u>Laws of 2006, Chapter 111 / 6/30/10</u>						
New Mexico Museum of Natural History & Science	250,000	-	(2,500)	-	-	247,500
New Mexico Natural History Education Facility	50,000	-	-	-	-	50,000
Hispanic Education Complex	150,000	-	-	-	-	150,000
Farm and Ranch Exhibits & Improvements	50,000	-	-	-	-	50,000
Space History Renovation	103,000	-	-	-	-	103,000
Total Severance Tax Bonds	\$ 18,416,750	8,232,170	(67,200)	-	1,415,231	7,352,738

There were no outstanding encumbrances at June 30, 2008.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Schedule of Changes in Assets and Liabilities -
Agency Fund (59300)

AS OF JUNE 30, 2007

	Balance 6/30/2006	Additions	Deletions	Balance 6/30/2007
ASSETS:				
Short-term investments	\$ 165,965	112,294	-	278,259
Loans receivable	<u>206,873</u>	<u>-</u>	<u>5,919</u>	<u>200,954</u>
TOTAL ASSETS	\$ <u>372,838</u>	<u>112,294</u>	<u>5,919</u>	<u>479,213</u>
LIABILITIES:				
Deposits held in custody for others	\$ <u>372,838</u>	<u>112,294</u>	<u>5,919</u>	<u>479,213</u>
TOTAL LIABILITIES	\$ <u>372,838</u>	<u>112,294</u>	<u>5,919</u>	<u>479,213</u>

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Supplemental Schedule of Expenditures of Federal Awards -
continued on next page

AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. Department of the Interior:		
National Park Service:		
New Mexico History Museum FY 03, 106-291	15.XXX	\$ 2,557,308
Historic Preservation Survey & Planning Grant FY 07	15.904	584,306
Historic Preservation Survey & Planning Grant FY 06	15.904	<u>22,885</u>
Total National Park Service		3,164,499
Bureau of Land Management:		
Monuments, P.L.94-579, Sec 307(b)	15.XXX	<u>36,278</u>
Total Bureau of Land Management		<u>36,278</u>
Total U.S. Department of the Interior		3,200,777

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS

Supplemental Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. Department of Education		
Library Services and Technology Act (LSTA)	45.310	\$ 1,722,357
National Endowment for the Arts		
NEA Partnership Grant #06-6100-2014	45.025	381,873
NEA Folk Art Grant #06-5500-7140	45.024	<u>25,081</u>
Total National Endowment for the Arts		<u>406,954</u>
Total U.S. Department of Education		<u>2,129,311</u>
Total Federal Expenditures		\$ <u><u>5,330,088</u></u>

Notes:

The above schedule was prepared on the accrual basis of accounting.

DCA did not provide any funds to subrecipients, did not receive any non-cash assistance, had no additional insurance in effect during the year, and had no outstanding loans or loan guarantees at year-end.

**Report on Internal Control Over Financial
Reporting and on Compliance and on Other Matters
Based on an Audit of Financial
Statements Performed in Accordance With
*Government Auditing Standards***

Stuart A. Ashman, Cabinet Secretary
State of New Mexico
Department of Cultural Affairs
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, including budgetary comparisons for the general fund and the aggregate remaining fund information of the State of New Mexico Department of Cultural Affairs (Department) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 11, 2008. We have also audited the financial statements of each of the Department's nonmajor governmental fund, and all respective budgetary comparisons, presented as supplementary information in the combining and individual fund financial statements as of and for the year ended June 30, 2007, and have issued our report thereon dated December 11, 2008. 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. Other auditors audited the financial statements of the discretely presented component units as described in our report on the Department's financial statements. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Stuart A. Ashman, Cabinet Secretary
State of New Mexico
Department of Cultural Affairs
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 04-02, 07-01 to 07-04 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-02 to be a material weakness.

Stuart A. Ashman, Cabinet Secretary
State of New Mexico
Department of Cultural Affairs
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 04-05 and 06-05.

We also noted a certain additional matter that is required to be reported per Section 12-6-5, NMSA 1978 that is described in the accompanying schedule of findings and questioned costs as item 06-02.

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

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

Moss Adams LLP

Albuquerque, New Mexico
December 11, 2008

**Independent Auditors' Report on Compliance
With Requirements Applicable to Each Major
Program and Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Stuart A. Ashman, Cabinet Secretary
State of New Mexico
Department of Cultural Affairs
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Compliance

We have audited the compliance of the State of New Mexico Department of Cultural Affairs (Department) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

Stuart A. Ashman, Cabinet Secretary
State of New Mexico
Department of Cultural Affairs
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

In our opinion, the Department, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 05-02, 07-05 to 07-08.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a

Stuart A. Ashman, Cabinet Secretary
State of New Mexico
Department of Cultural Affairs
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-05 to 07-07 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the Department's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 07-06 to be a material weakness.

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

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

Moss Adams LLP

Albuquerque, New Mexico
December 11, 2008

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2007

04-01	Accounting Procedures	Resolved
04-02	Capital Assets Additions and Deletions	Repeated/Modified
04-03	Due to/from Other State Agencies	Resolved
04-04	Compensated Absences	Resolved
04-05	Timeliness of Audit Report	Repeated
05-02	Federal Reporting	Repeated
06-01	Payroll and Personnel Reporting	Resolved
06-02	Receipts	Repeated/Modified
06-03	Overpayment	Resolved
06-04	Cash Reconciliation	Resolved
06-05	Component Units—Exemption	Repeated

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(s) identified that are not considered to be material weakness(es)? X Yes None Reported

Non-compliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(s) identified that are not considered to be material weakness(es) X Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133? X Yes No

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
15.904	MNM Grant National Park Service
45.310	Library Services and Technology Act.
45.025	National Endowment for the Arts
15.xxx	New Mexico History Museum

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

B. FINANCIAL STATEMENT AUDIT - FINDINGS

04-02 Capital Assets – Lack of Adequate Tracking System

CONDITION

Department of Cultural Affairs did not maintain a system or properly account for additions, maintenance, and disposals of their capital assets. In addition, no physical inventory of capital assets was conducted for the audit period. As a result, the Department cannot reconcile its capital asset listing to a physical inventory.

CRITERIA

Section 12-6-10 NMSA 1978, 2.20.1.8 NMAC states, agencies should implement systematic and well-documented methods for accounting for their capital assets and to conduct a physical inventory of \$5,000 or more for items under their control.

Section 13-6-1 (B) NMSA 1978, states "The governing authority shall, as a prerequisite to the disposition of any items of tangible personal property: (1) designate a committee of at least three officials of the governing authority to approve and oversee the disposition; and (2) give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor ... duly sworn and subscribed under oath by each member of the authority approving the action."

CAUSE

DCA attempted to implement an adequate tracking system through the purchase of a new system; however, the system did not accomplish its objective and was abandoned.

EFFECT

DCA is not in compliance with Sections 12-6-10, 13-6-1(B) NMSA 1978, and 2.20.1.8 NMAC. Thus there is an increased risk that the loss or theft of capital assets would be undetected. In addition, the financial accounting records may not be accurate.

RECOMMENDATION

We recommend a computerized system to be implemented for capital assets. It should include a minimum of the following:

- 1) Agency name or commonly used initials used to identify the agency
- 2) Capital asset number or capital asset number plus component number
- 3) A description using words meaningful for identification

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

B. FINANCIAL STATEMENT AUDIT - FINDINGS

04-02 Capital Assets – Lack of Adequate Tracking System (Continued)

- 4) Location, specifically a building and room number. If the asset is movable, the name and location of the capital asset coordinator should be used
- 5) Manufacturer name (NOT the vendor's name, unless vendor is the manufacturer)
- 6) Model number or model name
- 7) Serial number, or vehicle identification number (VIN) for vehicles in agency's use & possession if the capital asset has no serial number, e.g., a custom-built asset, absence should be acknowledged by coding this as "none"
- 8) Estimated useful life or units expected to be produced
- 9) Date acquired (month and year)
- 10) Cost (according to the valuation methods described in section 10 [now 2.20.1.10 NMAC])
- 11) Fund and organization that purchased the asset, or to which it was transferred.
- 12) Detail of disposals by specific capital asset.

The system must be capable of generating lists of capital assets in sequences useful for managing them. It must track all transactions including acquisitions, depreciation, and dispositions. It must generate all necessary accounting entries to the agency's general ledger.

AGENCY RESPONSE

DCA accepts recommendations and will implement procedures in order to correct the deficiencies.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

B. FINANCIAL STATEMENT AUDIT - FINDINGS

04-05 Timeliness of Audit Report

CONDITION

The New Mexico Department of Cultural Affairs did not submit their 2007 audit report to the State Auditor until July 3, 2008.

CRITERIA

Subsection A of 2.2.2.9 NMAC requires that audit reports for State agencies are due no later than 60 days after the Financial Control Division of the Department of Finance and Administration provides the State Auditor with notice that the agency's books and records are ready and available for audit; however, the deadline cannot extend beyond December 15.

CAUSE

The books and records for 2007 were not ready and available to start the audit until early January 2008 due to the implementation of the new statewide accounting system (SHARE).

EFFECT

The Department is not in compliance with this state regulation and this could impact its ability to obtain funding and remedy control weaknesses timely.

RECOMMENDATION

We recommend that the Department implement procedures to ensure that the books and records are ready and available for audit early enough to complete the audit and meet the deadline.

AGENCY RESPONSE

DCA accepts the recommendation and will implement procedures in order to correct the timeliness.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

B. FINANCIAL STATEMENT AUDIT - FINDINGS

06-05 Component Units Exemption

CONDITION

The DCA's component units were not audited by the same auditor who audited the DCA as of June 30, 2007. The DCA did not obtain an exemption for this requirement from the Office of the State Auditor.

CRITERIA

Section 2.2.2.10. A (1)(c) NMAC requires that the agency use the same auditor to audit component units as is auditing the agency or that an exemption from this requirement be obtained from the Office of the State Auditor.

CAUSE

The DCA was not able to require the component units to use the same auditor.

EFFECT

The DCA is not in compliance with this state regulation and this could impact its ability to obtain funding.

RECOMMENDATION

We recommend that the DCA obtain request an exemption from this requirement in future years.

AGENCY RESPONSE

DCA accepts and will implement the recommendation for future years.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

B. FINANCIAL STATEMENT AUDIT - FINDINGS

07-01 Reconciliation of Agency Interest in the State Investment Pool (Agency Cash Balances)

CONDITION

From the time of SHARE implementation in July 2006, and as of the fiscal year-end, June 30, 2007, no reconciliations had been conducted between DCA's general ledger cash account balances (DCA's interest in the State Investment Pool) and the balances maintained by the State Treasurer's Office. DCA compensated for the lack of reports and confirmations through internal processes and procedures; however, the compensating procedures were not sufficient to overcome the deficiency in internal controls

CRITERIA

Effective internal control policies and procedures require timely and accurate reconciliations of cash balances between DCA's general ledger cash accounts and the balances per the State Treasurer's Office. This is necessary in order to ensure cash transactions are completely and accurately recorded in the general ledger.

CAUSE

As of June 30, 2007, DCA had not received monthly reports or balance confirmations of the agency's interest in the State Investment Pool (cash balances); therefore, reconciliations between the DCA balances and the State Treasurer's Office balances could not be conducted.

EFFECT

There is an increased risk that errors or fraud could go undetected.

RECOMMENDATION

We recommend that DCA work with the State Treasurer's Office to ensure that reports and confirmations are received monthly in order to maintain effective internal controls over cash transactions

AGENCY RESPONSE

DCA accepts recommendations and will implement procedures in order to correct the deficiencies.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

B. FINANCIAL STATEMENT AUDIT - FINDINGS

07-02 Lack of Adequate Management Reporting

CONDITION

Accounting reports critical to DCA's ability to monitor the effectiveness of its internal control structure were not generated during the fiscal year ended June 30, 2007. These reports include trial balances; revenues and expenditures reports; fund balance sheets; budget to actual reports; and federal grants expenditures reports. DCA staff had to develop manual tracking spreadsheets and other techniques to help compensate for the lack of accurate reports.

In preparing the financial statements for 2007, the DCA noted revenue from prior years that was not recorded as it should have been. This resulted in a restatement to net assets of \$2.5 million

CRITERIA

An important part of the system of internal control is the ability of employees and managers to access transaction data in useful forms for them to analyze and review. This requires access to the data and an understanding of how the underlying reports are constructed in order to accurately assess financial reporting and detect errors.

CAUSE

DCA did not possess the ability to extract accurate accounting reports from the SHARE accounting system until after the end of the fiscal year because the reporting function capability within the SHARE system was not completely operable until the fiscal year beginning July 1, 2007.

EFFECT

DCA had difficulty monitoring the effectiveness of its controls and, as such, could not take corrective actions as necessary. This inability increased the risk of erroneous financial information on an interim basis and at year-end. In addition, the risk of undetected fraud was increased. The agency's ability to safeguard its assets was impaired. Finally, the agency could not meet its financial reporting objectives and obligations on a timely basis.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

B. FINANCIAL STATEMENT AUDIT - FINDINGS

07-02 Lack of Adequate Management Reporting (Continued)

RECOMMENDATION

After the end of the fiscal year, the reporting function capability within the SHARE system became operable; however, a number of the reports are inaccurate and require refinement. We recommend that DCA continue to generate reports as they become available and/or refined within the various SHARE modules and utilize those reports to monitor the effectiveness of its internal control structure and to take corrective actions as necessary on a timely basis.

AGENCY RESPONSE

DCA accepts recommendations and will implement procedures to address these deficiencies with the reports/data that is available at that time.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

B. FINANCIAL STATEMENT AUDIT - FINDINGS

07-03 Journal Entries

CONDITION

Over 200 manual journal entries were generated and posted to the general ledger in order to correct accounting data within the SHARE accounting system. A number of material correcting journal entries were generated and posted into the SHARE system *after* the end of the fiscal year. Support for 16 of the 40 journal entries tested could not be located because they were generated by DFA.

CRITERIA

Good accounting practices require journal entries to be properly supported and approved in advance and posted timely to ensure accurate interim financial reporting. The need for journal entries to correct accounting data should be limited when the underlying transactions are processed and posted correctly.

CAUSE

Payroll Module

In preparation for conversion to the SHARE accounting system on July 1, 2006, data was prepared and verified by agency personnel before the conversion. When the data was converted into the SHARE accounting system, the data was not accurate in all cases. This resulted in correcting journal entries for payroll.

Since the implementation of the SHARE system and for every subsequent payroll period since, errors in the allocation of payroll expenses and liabilities to accounts, funds, and projects have occurred requiring a significant number of correcting journal entries.

Grants Module

DCA attempted to utilize the SHARE Grants Module immediately after implementation of the SHARE system; however, due to difficulties encountered, the Grants Module was abandoned and throughout and after the audit period, DCA generated manual journal entries in order to properly post amounts to the correct accounts for which federal expenditures were made and federal expenditures received.

As a result of the items noted above, the agency was not able to record transactions timely, completely, and accurately or to maintain a functioning budgetary control system.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

B. FINANCIAL STATEMENT AUDIT - FINDINGS

07-03 Journal Entries (Continued)

EFFECT

DCA's ability to effectively manage its operations in order to meet its mission, goals, objectives, statutory mandates and compliance requirements was impaired. DCA was unable to meet its financial reporting objectives and obligations on a timely basis. In addition, its ability to safeguard its assets was also seriously impaired. Finally, the risk that errors or fraud could go undetected was significantly increased.

RECOMMENDATION

We recommend that the agency continue to work with the SHARE team to ensure that all information system issues have been addressed and that accounting information generated by the SHARE system is reliable in order to mitigate the necessity to post correcting journal entries in large quantities.

AGENCY RESPONSE

DCA accepts recommendations and will implement procedures to address these deficiencies with the reports/data that is available at that time.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

B. FINANCIAL STATEMENT AUDIT - FINDINGS

07-04 Cash Disbursements

CONDITION

We selected twenty-two regular disbursements and five per diem transactions for testing. In one instance, the purchase order was dated for 12/28/06, but the invoice in the amount of \$72.66 was dated 11/2/06. The services for this disbursement were performed on 11/18/06 - 11/19/06. In three separate instances of disbursements for reimbursement of per diem expenses, the Itemized Schedule of Travel Expenses was missing an approval signature. The total amount on the travel vouchers were \$316.

In December 2007, the Department discovered that fraud had been perpetrated in the area of cash disbursements by an employee who has since left the Department. The employee was able to perpetrate the fraud because she was allowed to initiate *and* approve vouchers for payment within her division. While the situation was ultimately detected in the Administrative Services Division, the fraud would have been prevented altogether if the initiating division would have adhered to the required approval process. The situation was referred to the proper authorities and the outcome was still pending as of the final day of fieldwork.

CRITERIA

State of New Mexico Manual of Model Accounting Practices Unit 1.02 (last updated 8/27/07); Department policies and procedures and good accounting practices require that transactions be properly documented and authorized.

CAUSE

New employees in the accounts payable area, complications with the new accounting system, and lapses in internal control procedures appear to have allowed these disbursements without adherence to policies and procedures. In the case of the fraud that was perpetrated, the division where the fraud occurred allowed the employee to initiate, approve, and report disbursements. Essentially, there was no segregation of duties.

EFFECT

Fraud was not detected until disbursements had been made; Risk of other fraudulent transactions; Risk of erroneous reporting.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

B. FINANCIAL STATEMENT AUDIT - FINDINGS

07-04 Cash Disbursements (Continued)

RECOMMENDATION

We recommend that DCA monitor to ensure that established internal control procedures for cash disbursements and all areas be adhered to. We recommend that DCA require that duties be segregated as appropriate to prevent the initiation and approval of transactions by the same individuals.

AGENCY RESPONSE

DCA accepts recommendations and will implement procedures in order to correct the deficiencies.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

C. MAJOR FEDERAL AWARDS AND PROGRAMS

05-02 –Late Submission of Data Collections Form Questioned Costs: None

Federal Programs:

Promotion of the Arts Partnership Agreements, CFDA #45.025 (Arts Division); Grant Period: July 1, 2006 through June 30, 2007

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant Period: October 1, 2006 through September 30, 2008

Grants To States, Office of Library Sciences, CFDA #45.310 (State Library Division) Grant Period: October 1, 2006 through September 30, 2008

CONDITION

The Data Collections Form and related A-133 audit required by the Federal Clearinghouse within nine months after fiscal year end was not filed timely.

CRITERIA

Office of Budget and Management Circular A-133 and Applicable Compliance Supplements; Grant Agreements and Contracts for CFDA #45.025, #15.904, and #45.310.

CAUSE

Audit was not completed until July 3, 2008.

EFFECT

The Department was not in compliance with the Federal requirements and future funding could be impacted

RECOMMENDATION

We recommend that DCA continue improving the timeliness of its audit in order to have its annual audit completed timely in order to allow for timely filing of the Data Collections Form to the Federal Clearinghouse.

AGENCY RESPONSE

DCA accepts the recommendation and will implement procedures in order to correct the timeliness.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

C. MAJOR FEDERAL AWARDS AND PROGRAMS

07-05 Activities/Costs Allowed

Federal Programs:

Promotion of the Arts Partnership Agreements, CFDA #45.025 (Arts Division); Grant Period: July 1, 2006 through June 30, 2007

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant Period: October 1, 2006 through September 30, 2008

CONDITION

Test work was conducted in order to ensure the divisions administering federal programs/grants are adhering to the compliance requirements for each program.

For CFDA #45.025 (Arts Division), the following was noted:

- In two instances out of 22 tested, the contractor did not comply with the Arts Services Contract; however, the contractor still received payment.
- One Itemized Schedule of Travel Expenses was missing an approval signature.
- Indirect salaries were charged to the program although indirect costs are not allowed to be charged under the grant agreement.

For CFDA #15.904 (Historic Preservation Division), the following was noted:

- In one instances out of 22 tested, HPD accepted deliverables after the specified contract date.
- In two instances out of 22 tested, travel and per diem reimbursements were submitted and processed without the proper supporting documentation.

CRITERIA

OMB Circular A-87 Section C requires costs charged to federal programs to be consistent with local laws and regulations, the grant agreements and be adequately documented; Grant Agreements and Contracts for CFDA #45.025 & CFDA #15.904

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

C. MAJOR FEDERAL AWARDS AND PROGRAMS

07-05 Activities/Costs Allowed (Continued)

Questioned Costs

CFDA 45.025

There were no questioned costs associated with the contractor non-compliance and travel expenses. We were unable to accurately estimate questioned costs related to the indirect costs charged.

CFDA 15.904

Actual costs without adequate documentation totaled \$544. This was based on the actual supporting documentation.

CAUSE

DCA lacks adequate monitoring over the controls for managing federal grants and contracts. Each division that administers federal programs within the agency operates within its own subsystem. In addition, the agency experienced multiple problems with the implementation of the SHARE system.

EFFECT

Questioned costs; potential over/under billings to the Federal Government; non-compliance with federal program grant agreements.

RECOMMENDATION

We recommend that DCA implement a centralized, streamlined system for the administration of federal grants. A centralized system will allow the Department to take advantage of common internal controls and will allow for the development of expertise in the area of federal contract monitoring and reporting. Alternatively, DCA should develop a monitoring system to ensure compliance with federal requirements throughout the year.

AGENCY RESPONSE

DCA accepts recommendations and will implement procedures in order to correct the deficiencies.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

C. MAJOR FEDERAL AWARDS AND PROGRAMS

07-06 Cash Management Questioned Costs: Unknown

Federal Programs

Promotion of the Arts Partnership Agreements, CFDA #45.025 (Arts Division); Grant Period: July 1, 2006 through June 30, 2007

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant Period: October 1, 2006 through September 30, 2008

CONDITION

Cash draw-downs amounts reported to the Federal Government Form SF269a for CFDA #45.025 were not adequately supported by the general ledger detail of expenditures.

Throughout the fiscal year ending June 30, 2007, the Historic Preservation Division did not perform any draw-downs of cash for federal expenditures made under CFDA #15.904.

CRITERIA

OMB Circular A-102 Section 2b and c require grant recipients to have an adequate financial management system and to accurately report drawdown requests on the Form SF269.

CAUSE

DCA lacks adequate monitoring over the controls for managing federal grants and contracts. Each division that administers federal programs within the agency operates within its own subsystem. In addition, the agency experienced multiple problems with the implementation of the SHARE system.

EFFECT

The State of New Mexico is not reimbursed timely for federal expenditures made which could cause a loss of investment revenue; non-compliance with the provisions of federal grant agreements

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

C. MAJOR FEDERAL AWARDS AND PROGRAMS

07-06 Cash Management (Continued)

RECOMMENDATION

We recommend that DCA implement a centralized, streamlined system for the administration of federal grants. A centralized system will allow the Department to take advantage of common internal controls and will allow for the development of expertise in the area of federal contract monitoring and reporting. Alternatively, DCA should develop a monitoring system to ensure compliance with federal requirements throughout the year.

AGENCY RESPONSE

DCA accepts recommendations and will implement procedures in order to correct the deficiencies.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

C. MAJOR FEDERAL AWARDS AND PROGRAMS

07-07 – Reporting Deficiencies

Questioned Costs: None

Federal Programs:

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant Period: October 1, 2006 through September 30, 2008

CONDITION

The annual report for CFDA #15.904 for the grant year ending 9/30/06 was due no later than 90 days after the grant year closed or December 30, 2006. The report was not submitted until March 9, 2007 (70 days late).

CRITERIA

The grant agreements set out the reporting requirements. Circular A-102 Section 2c requires the grant recipient to follow those requirements which include filing the annual report within 90 days of year end.

CAUSE

DCA lacks adequate monitoring over the controls for managing federal grants and contracts. Each division that administers federal programs within the agency operates within its own subsystem. In addition, the agency experienced multiple problems with the implementation of the SHARE system

EFFECT

The Department was not in compliance with the Federal reporting requirements noted above and there may be some risk that federal funding could be negatively impacted.

RECOMMENDATION

We recommend that DCA implement a centralized, streamlined system for the administration of federal grants. A centralized system will allow the Department to take advantage of common internal controls and will allow for the development of expertise in the area of federal contract monitoring and reporting. Alternatively, DCA should develop a monitoring system to ensure compliance with federal requirements throughout the year.

AGENCY RESPONSE

DCA accepts recommendations and will implement procedures in order to correct the deficiencies.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

C. MAJOR FEDERAL AWARDS AND PROGRAMS

07-08 – Davis Bacon Monitoring Questioned Costs: None

Federal Programs:

CONDITION

During our testwork, we noted that the certified payrolls were not being obtained by the Department. They were obtained by the Department subsequent to year end and our testwork did not note any noncompliance.

CRITERIA

Per the Davis Bacon requirement in the Compliance Supplement, certified payrolls shall be obtained by the non-federal entity for all construction contracts exceeding \$2,000 financed by Federal Funds. The Davis Bacon Act includes a requirement for construction contractors or subcontractors to submit to the non-Federal entity weekly, for each week in which any construction contract work is performed, a copy of the payroll and a statement of compliance.

CAUSE

The Department was not aware as to the compliance requirements related to the federal grant.

EFFECT

For the contracts reviewed above, certified payrolls were received and compliance was achieved, however, without a system to ensure that this is done by the Department, there would be the possibility that the contractor does not follow Davis Bacon and the Department would be responsible. While a process has been implemented for future awards, currently the process was not in place to monitor Davis Bacon compliance on existing construction contracts.

RECOMMENDATION

We recommend that the Department develop, implement and follow the procedures to ensure compliance with the Davis Bacon requirement.

AGENCY RESPONSE

DCA accepts the recommendation and will implement procedures in order to correct the timeliness.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2007

D. OTHER COMMENTS

06-02 Cash Receipts Deposit

CONDITION

Twenty-two cash receipts were selected randomly and tested. Three of the twenty-two cash receipts tested were not deposited within twenty-four hours. Details of those three instances are as follows.

1. Money was received on 06/26/07; deposit was made 06/28/07
2. Money was received on 07/21/06; deposit was made 7/24/06
3. Money was received on 07/15/06; deposit was made 07/24/06

CRITERIA

According to State Statute 6-10-2 NMSA 1978, all money received must be deposited within twenty-four hours of receipt.

CAUSE

Employees who normally do the deposits were absent or unable to complete the deposits timely.

EFFECT

There is the increased risk of loss or theft of cash receipts.

RECOMMENDATION

All money received should be deposited within 24 hours. The agency should consider streamlining the depositing process, providing additional training and guidelines and creating a monitoring function to ensure that the agency complies with these requirements.

AGENCY RESPONSE

DCA accepts the recommendation and will implement procedures in order to correct the timeliness.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
EXIT CONFERENCE
Year Ended June 30, 2007

An exit conference was held on April 22, 2008, with the following individuals in attendance:

Department of Cultural Affairs:

Stuart A. Ashman, Cabinet Secretary
Emilio I. Martinez, Director, Administrative Services Division
Elena Sweeney, Director, Museum Services/Deputy Cabinet Secretary
Isabel B. Lopez-Duran, Audit Coordinator

Moss Adams LLP:

Larry Carmony, Partner
Ricky Bejarano, Manager
Molly Griego, Senior