

**STATE OF NEW MEXICO  
DEPARTMENT OF  
CULTURAL AFFAIRS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2009**

Moss Adams LLP  
6100 Uptown Blvd NE Suite 400  
Albuquerque, New Mexico  
(505) 878-7200

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS**

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DEPARTMENT OF CULTURAL AFFAIRS**

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DEPARTMENT OF CULTURAL AFFAIRS

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**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS**

**Official Roster**

**Year Ended June 30, 2009**

<b>Administrative Officials</b>	<b>Title</b>
Stuart A. Ashman	Cultural Affairs Cabinet Secretary
Troy Fernandez	Cultural Affairs Deputy Cabinet Secretary
Emilio I. Martinez	Director - Administrative Services Division
Eduardo Diaz	Director - National Hispanic Cultural Center Division
Elena Sweeney	Director - Museum Services/Cultural Affairs Deputy Cabinet Secretary
Spence Lucas	Director - Museum of Natural History Division (Acting)
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

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, 2009, 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 the respective budgetary comparisons and fiduciary funds presented in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2009, 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.

The financial statements referred to above include only the primary government of the Department, which consists of all funds that comprise the Department's legal entity. The financial statements do not include financial data for the Department's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Department's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Department as of June 30, 2009, and the changes in its financial position and its cash flows, where applicable, 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, 2009, and the respective changes in financial position, where applicable, thereof, and the budgetary comparisons for the General Fund 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, 2009, 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.



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 accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2009, 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.

Management's Discussion and Analysis on pages 5 to 11 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 14, 2009

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009**

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, 2009.

**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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**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.

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 six such funds: the general fund, Laws of 2002 Capital Projects; Laws of 2004 Capital Projects; Laws of 2005 Capital Projects; Laws of 2007 Capital Projects; Laws of 2008 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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**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.

**Governmental Activities**

Net Assets: Table A-1 summarizes DCA's net assets for the fiscal year ended June 30, 2009. Total DCA net assets for fiscal year 2009 were \$135,697,769. Unrestricted net assets in governmental activities were \$4,533,426 at the end of the fiscal year. Restricted net assets, which include capital projects, were \$131,164,343. Net assets increased due to significant capital assets additions.

**Table A-1**

**Statement of Net Assets**

**As of June 30,**

	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
Current and other assets	\$ 23,243,129	29,762,114
Capital assets	<u>127,046,531</u>	<u>120,796,495</u>
<b>Total assets</b>	<b><u>\$ 150,289,660</u></b>	<b><u>150,558,609</u></b>
 <b>LIABILITIES</b>		
Current liabilities	\$ 8,588,892	16,453,280
Long-term liabilities	<u>6,002,999</u>	<u>6,363,202</u>
<b>Total liabilities</b>	<b><u>\$ 14,591,891</u></b>	<b><u>22,816,482</u></b>

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

	2009	2008
<b>NET ASSETS</b>		
Invested in capital assets, Net of related debt	<b>\$ 120,414,794</b>	114,794,578
Restricted	<b>10,749,549</b>	12,376,839
Unrestricted (deficit)	<b>4,533,426</b>	570,710
<b>Total net assets</b>	<b><u>\$ 135,697,769</u></b>	<u>127,742,127</u>

Changes in Net Assets: DCA's change in net assets for fiscal year 2009 was an increase of \$7,955,642 (Table A-1). A significant portion, \$35,198,398 of DCA's revenue comes from State general fund appropriations. General fund appropriations increased from 2008, and DCA received general fund capital project appropriations. 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 increased as a result of less spending in the current year (see Table A-1). The decreases in current and other assets and current liabilities are attributed to expenses of capital projects and other programs.

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, 2009. DCA's change in net assets for fiscal year 2009 was an increase of \$7,955,642. Total revenues decreased from 2008 to 2009. General appropriations and operating grants decreased.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**Table A-2**

**Statement of Activities**

**Years Ended June 30,**

	<b>2009</b>	<b>2008</b>
Revenue		
General appropriation and operating grants and transfers	\$ 52,235,782	56,805,571
Other	<u>4,430,437</u>	<u>6,110,278</u>
Total revenue	<b>56,666,219</b>	<b>62,915,849</b>
Expenses		
Program expenses	<u>48,710,577</u>	<u>42,471,520</u>
Increase in net assets	<b>7,955,642</b>	<b>20,444,329</b>
Years ended June 30,		
Net assets, beginning of year	<u>\$ 127,742,127</u>	<u>107,297,798</u>
Net assets, end of year	<u><b>\$ 135,697,769</b></u>	<u><b>127,742,127</b></u>

**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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

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.

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

**Capital Assets**

At the end of fiscal year 2009, DCA had invested a total of \$127,046,531 in governmental-type activities in a variety of capital assets. This amount represents a net increase (including additions and deductions) of \$6,250,039 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, NM Museum of Natural History and Science Education Building previously mentioned above and ADA compliance throughout the state.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**Debt Administration**

At June 30, 2009, the Department had total outstanding debt of \$6,631,737. Outstanding debt is backed by the Department's state tax revenues. The Department's total debt decreased by \$360,180 due to principal repayments. The Department incurred no new debt during fiscal year 2009.

**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, 2009

	<u>Governmental Activities</u>
<b>CURRENT ASSETS:</b>	
Interest in State Treasurer General Fund Investment Pool	\$ 16,225,814
Cash at Trustee	531,651
Receivables:	
Local government	60,827
Other	428,974
Due from federal government	1,213,876
Due from other state agencies	4,350,043
Inventory	393,941
Other Assets	38,003
	<hr/>
<b>Total current assets</b>	<b>23,243,129</b>
	<hr/>
<b>NON-CURRENT ASSETS</b>	
Capital assets	172,039,184
Accumulated depreciation	(44,992,653)
	<hr/>
<b>Total non-current assets</b>	<b>127,046,531</b>
	<hr/>
<b>Total assets</b>	<b>\$ 150,289,660</b>
	<hr/> <hr/>
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 2,092,059
Accrued payroll	1,526,049
Deferred revenue	2,673,930
Due to other state agencies	32,037
Due to State Treasurer General Fund Investment Pool	167,748
Due to state general funds	208,668
Current portion of compensated absences payable	1,259,663
Current portion of long-term obligations	628,738
	<hr/>
<b>Total current liabilities</b>	<b>8,588,892</b>
	<hr/>
<b>LONG-TERM OBLIGATIONS</b>	
Non-current portion of long-term obligations	6,002,999
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>14,591,891</b>
	<hr/>
<b>NET ASSETS</b>	
Invested in capital assets net of related debt	120,414,794
Restricted for:	
Capital projects	10,749,549
Unrestricted	4,533,426
	<hr/>
<b>Total net assets</b>	<b>135,697,769</b>
	<hr/>
<b>Total net assets and liabilities</b>	<b>\$ 150,289,660</b>
	<hr/> <hr/>

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Assets
					Governmental
					Activities
Governmental Activities					
Museum Services	\$ (27,269,700)	3,389,358	489,516	591,524	(22,799,302)
Preservation and Library	(11,731,300)	949,063	1,335,209	1,504,591	(7,942,437)
Arts	(2,645,500)	18,045	633,200	-	(1,994,255)
Program Support	(7,064,077)	73,971	-	-	(6,990,106)
<b>Total governmental activities</b>	<b>(48,710,577)</b>	<b>4,430,437</b>	<b>2,457,925</b>	<b>2,096,115</b>	<b>(39,726,100)</b>
General Revenues					
State General Fund appropriation					35,198,398
Reversion to State General Fund					(324,845)
Transfer - Bond Proceeds Appropriation					12,468,291
Interagency transfers in					518,187
Other revenue					22,650
Interagency transfers out					(206,188)
Interest and investment earnings					5,249
<b>Total general revenues</b>					<b>47,681,742</b>
<b>Changes in net assets</b>					<b>7,955,642</b>
Net assets, beginning					127,742,127
<b>Net assets, ending</b>					<b>\$ 135,697,769</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
As of June 30, 2009

	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
<b>ASSETS:</b>							
Investment in General Fund Investment Pool		224,147	-	2,168,631	2,737,632	5,031,195	16,225,814
Cash at Trustee	-	-	-	-	-	531,651	531,651
Receivables:							
Local government	60,827	-	-	-	-	-	60,827
Other	417,224	-	-	-	-	11,750	428,974
Due from federal government	1,213,876	-	-	-	-	-	1,213,876
Due from other state agencies	611,894	-	3,420	3,148,493	-	586,236	4,350,043
Due from other funds	21,209	-	233,010	-	-	900	255,119
Inventory	393,941	-	-	-	-	-	393,941
Other assets	8,091	-	28,009	-	-	1,903	38,003
<b>TOTAL ASSETS</b>	<b>\$ 8,791,271</b>	<b>224,147</b>	<b>264,439</b>	<b>5,317,124</b>	<b>2,737,632</b>	<b>6,163,635</b>	<b>23,498,248</b>
<b>LIABILITIES:</b>							
Accounts payable	1,091,633	59,943	2,576	266,945	531,300	139,662	2,092,059
Accrued payroll	1,526,049	-	-	-	-	-	1,526,049
Due to State Treasurer General Fund Investment Pool	-	-	167,748	-	-	-	167,748
Deferred revenue	-	142,995	-	671,032	-	1,859,903	2,673,930
Due to other state agencies	27,704	-	4,333	-	-	-	32,037
Due to other funds	233,910	21,209	-	-	-	-	255,119
Due to state general fund	118,886	-	89,782	-	-	-	208,668
Due to local governments	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>2,998,182</b>	<b>224,147</b>	<b>264,439</b>	<b>937,977</b>	<b>531,300</b>	<b>1,999,565</b>	<b>6,955,610</b>
<b>FUND BALANCES:</b>							
Fund balance:							
Reserved for capital projects	-	-	-	4,379,147	2,206,332	4,164,070	10,749,549
Unreserved - undesignated	5,793,089	-	-	-	-	-	5,793,089
<b>TOTAL FUND BALANCES</b>	<b>5,793,089</b>	<b>-</b>	<b>-</b>	<b>4,379,147</b>	<b>2,206,332</b>	<b>4,164,070</b>	<b>16,542,638</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,791,271</b>	<b>224,147</b>	<b>264,439</b>	<b>5,317,124</b>	<b>2,737,632</b>	<b>6,163,635</b>	<b>23,498,248</b>

See 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, 2009

<b>Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)</b>	<b>\$ 16,542,638</b>
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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	172,039,184
Accumulated depreciation	<u>(44,992,653)</u>
<b>Total capital assets</b>	<b>127,046,531</b>

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	(6,631,737)
Compensated absences payable	<u>(1,259,663)</u>

<b>Net assets of governmental activities (Statement of Net Assets)</b>	<b>\$ <u>135,697,769</u></b>
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*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2009

	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
<b>REVENUES:</b>							
Grants from other governments	-	-	-	-	-	12,500	12,500
Miscellaneous	-	-	-	-	-	2,272	2,272
Interest	-	-	-	-	-	5,249	5,249
Fees and Services	5,631,364	-	-	-	-	55,145	5,686,509
Sales	-	-	-	-	-	277,529	277,529
Other state funds	49,831	-	-	-	-	815,460	865,291
Federal grants and contracts	3,243,897	4,908,525	-	-	-	-	8,152,422
Private gifts and grants	405,515	-	-	-	-	-	405,515
<b>TOTAL REVENUES</b>	<b>9,330,607</b>	<b>4,908,525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,168,155</b>	<b>15,407,287</b>
<b>EXPENDITURES:</b>							
Current:							
Personal service and employee benefits	29,302,882	-	-	-	-	334,916	29,637,798
In-state travel	147,811	-	-	-	-	-	147,811
Maintenance and repairs	1,183,370	-	3,901	1,281,071	4,336	103,282	2,575,960
Supplies	448,070	627	39,593	515,253	6,074	9,768	1,019,385
Contractual services	5,319,888	-	15,448	158,716	140,847	170,110	5,805,009
Operating costs	512,602	-	-	-	-	5,000	517,602
Other costs	4,694,777	-	9,289	415,921	(1)	377,358	5,497,344
Out-of-state travel	23,669	-	-	-	-	-	23,669
Capital outlay	575,825	4,907,898	843,989	5,316,767	3,431,309	1,073,987	16,149,775
Debt service principal payment	-	-	-	-	-	395,861	395,861
Debt service interest payment	-	-	-	-	-	242,204	242,204
<b>TOTAL EXPENDITURES:</b>	<b>42,208,894</b>	<b>4,908,525</b>	<b>912,220</b>	<b>7,687,728</b>	<b>3,582,565</b>	<b>2,712,486</b>	<b>62,012,418</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(32,878,287)</b>	<b>-</b>	<b>(912,220)</b>	<b>(7,687,728)</b>	<b>(3,582,565)</b>	<b>(1,544,331)</b>	<b>(46,605,131)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
State General Fund appropriations	35,198,398	-	-	-	-	-	35,198,398
Transfers - Reversions to State General Fund (FY 2009 - \$210,063 FY 2008 - \$114,782)	(139,646)	-	(114,782)	-	(17)	(70,400)	(324,845)
Transfer of bond proceeds	-	-	1,027,002	9,354,661	179,021	1,907,607	12,468,291
Operating transfers in/out	-	-	-	-	-	22,650	22,650
Transfers from other agencies	518,187	-	-	-	-	-	518,187
Transfers to other agencies	-	-	-	-	-	(206,188)	(206,188)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>35,576,939</b>	<b>-</b>	<b>912,220</b>	<b>9,354,661</b>	<b>179,004</b>	<b>1,653,669</b>	<b>47,676,493</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,698,652</b>	<b>-</b>	<b>-</b>	<b>1,666,933</b>	<b>(3,403,561)</b>	<b>109,338</b>	<b>1,071,362</b>
<b>FUND BALANCES, June 30, 2008</b>	<b>3,094,437</b>	<b>-</b>	<b>-</b>	<b>2,712,214</b>	<b>5,609,893</b>	<b>4,054,732</b>	<b>15,471,276</b>
<b>FUND BALANCES (DEFICIT), June 30, 2009</b>	<b>\$ 5,793,089</b>	<b>-</b>	<b>-</b>	<b>4,379,147</b>	<b>2,206,332</b>	<b>4,164,070</b>	<b>16,542,638</b>

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, 2009

**Net Changes in Fund Balances - Total Governmental Funds**  
**(Statement of Revenues, Expenditures, and Changes in Fund Balances)** \$ 1,071,362

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 360,180

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: 274,064

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 assets deletions 17,133  
Capital outlay 10,959,363  
Depreciation expense (4,726,460)

**Change in net assets of governmental activities (Statement of Activities)** \$ 7,955,642

*See 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, 2009

	Budgeted Amount		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
General Fund appropriations	\$ 34,284,800	33,248,100	35,198,398	1,950,298
Other services	5,389,700	5,646,257	5,681,195	34,938
Federal grants	4,115,800	4,247,600	3,243,897	(1,003,703)
Intra-state transfers	1,971,500	2,040,976	-	(2,040,976)
Miscellaneous	-	-	-	-
Private gifts and grants	530,000	552,600	405,515	(147,085)
Other financing sources (uses)	435,000	457,200	518,187	60,987
Reversions	-	-	(139,646)	(139,646)
<b>TOTAL REVENUES</b>	<b>\$ 46,726,800</b>	<b>46,192,733</b>	<b>44,907,546</b>	<b>(1,285,187)</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	\$ 31,431,000	30,632,855	29,479,252	1,153,603
Contractual services	6,051,000	5,960,807	4,282,508	1,678,299
Other operating costs	9,244,800	9,558,999	8,447,134	1,111,865
<b>TOTAL EXPENDITURES</b>	<b>\$ 46,726,800</b>	<b>46,152,661</b>	<b>42,208,894</b>	<b>3,943,767</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)</b>				
	\$ -	40,072	2,698,652	<u>(5,228,954)</u>
<b>CASH BALANCE CARRYFORWARD</b>	<u>-</u>	<u>(40,072)</u>	<u>-</u>	
	<u>\$ -</u>	<u>-</u>	<u>2,698,652</u>	

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

See Notes to Financial Statements.



STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF FIDUCIARY NET ASSETS  
As of June 30, 2009

	Historic Preservation Revolving Agency Fund (59300)	Bartlett Trust Fund (61200)	Main Street Revolving Loan Agency Fund (20070)	Total
<b>ASSETS:</b>				
Short-term investments	\$ 246,091	184,188	50,000	480,279
Loans receivable	240,466	-	-	240,466
<b>TOTAL ASSETS</b>	486,557	184,188	50,000	720,745
<b>LIABILITIES:</b>				
Deposits held in custody for others	486,557	184,188	50,000	720,745
<b>TOTAL LIABILITIES</b>	486,557	184,188	50,000	720,745
<b>NET ASSETS</b>	\$ -	-	-	-

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -  
BARTLETT TRUST FUND (61200)  
As of June 30, 2009

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>ASSETS:</b>				
Short-term investments	\$ 181,798	2,390	-	184,188
Loans receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 181,798</u>	<u>2,390</u>	<u>-</u>	<u>184,188</u>
<b>LIABILITIES:</b>				
Deposits held in custody for others	\$ 181,798	2,390	-	184,188
<b>TOTAL LIABILITIES</b>	<u>\$ 181,798</u>	<u>2,390</u>	<u>-</u>	<u>184,188</u>

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 1. 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.

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 1. NATURE OF ORGANIZATION (CONTINUED)

**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.

**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 the Hispanic cultural center, and also performs research to render the collections beneficial to the public.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. 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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

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

Listed below are Foundations that are associated with DCA however they have been determined not to be component units of DCA based on the criterion listed above.

- 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.

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.

**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, operating and capital grants. The program revenues must be directly associated with the function.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

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

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 six 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 government-wide presentation.

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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

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

**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.

**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 administrative fund.



STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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

**Special Revenue Funds** - The following special revenue funds, established at the direction of the Department of Finance and Administration, existed at June 30, 2008:

**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 exhibit maintenance. This is a non-reverting fund per the Laws of 2005, Chapter 277, Section 7.

**59100** - The Department of Cultural Affairs, Laws of 2007, Chapter 83 is used to establish a rural library development program that provides grants-in-aid to improve existing rural libraries. This is a non-reverting fund. It was not budgeted in 2009 as it was new.

**Capital Projects Funds** - The following capital projects funds, established at the direction of the Department of Finance and Administration, existed at June 30, 2009:

**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 2008, Ch. 341, Sec. 303, Time extension.

**26300** - The Department of Cultural Affairs fiscal year 2009 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 2008. This is a reverting fund.

**53000** - 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 2006. This is a reverting fund.

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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

**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 NMSA 13-4A-1 to 13-4A-11.

**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 2008

**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.

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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

**59300 - Historic Preservation Revolving Fund** - The revolving fund is available for loans from the Fund for low-cost restoration to register properties. 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.

**20070 – Main Street Revolving Loan Fund** – The Main Street Revolving Loan Fund is created in the state treasury fund and consists of appropriations, loans, gifts, grants, donations and bequests made to the fund. Money in the fund is appropriated to the committee for the purpose of making revolving loans pursuant to the provisions of Main Street Revolving Loan Act. Income from the fund should be credited to the fund, and money in the fund should not revert at the end of the year. It is considered an agency 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

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

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

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.

**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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

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

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

**Budgets and Budgetary Accounting**

The New Mexico State Legislature makes annual appropriations to DCA, which lapse at fiscal year end but do not revert to the state general fund. Legal compliance is monitored through the establishment of a budget (modified cash-basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget

Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

The budgetary basis differs from the basis of accounting required by GAAP. Significant differences between the budgetary basis and GAAP include the following:

- The budget does not consider reversions or other transfers to or from other agencies.

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.

**STATE OF NEW MEXICO  
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June 30, 2009**

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

- Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General 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.

The Laws of 2004, Chapter 114, "General Appropriations", established the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico. Encumbrances outstanding at year-end are reported as reservations of fund balance on the balance sheets (in the fund financial statements) and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The capital projects funds are multiple-year appropriations that do not lapse at year-end.

**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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
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June 30, 2009**

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

**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.

**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 typically received entirely in the year of the appropriation, but the capital projects may take several years to complete. Special General fund appropriations revenue is recognized in the year appropriated as it is measurable, available and has no eligibility requirements. Severance tax and general obligation bond proceed appropriations are recognized as revenue when the funds are expended as this is when the applicable eligibility requirements are met.

**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.

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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

**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.

**NOTE 3. CASH AT TRUSTEE**

The cash at trustee was \$531,651 at June 30, 2009. There were no reconciling items. This cash is held in trust by the New Mexico Finance Authority for fund 69100 Capital Projects, Laws of 2003.



STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 4. INVESTMENT IN GENERAL FUND INVESTMENT POOL**

Investment balances at June 30, 2009, consisted of the following:

Deposits with State Treasurer – governmental activities	\$ 16,225,814
Deposits with State Treasurer – fiduciary balances	<u>480,279</u>
<b>Total investment balance</b>	<b><u>\$16,706,093</u></b>

All funds allotted to DCA are held by the New Mexico State Treasurer. Deposits are non-interest bearing. Money deposited by DCA with the State Treasurer is pooled and invested by the State Treasurer. The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$100,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institutions operating results and capital. Collateral for the fiscal account is required in amounts equal to 50% of the average investment balance. Separate financial statements of the State Treasurer indicate collateral categories of risk and market value of purchased investments. All collateral is held in third-party safekeeping.

**NOTE 5. 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.

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

Office Furniture, Fixtures and Equipment - 5 years
Data Processing Equipment - 3 years
Library & Museum - 5 years
Software - 3 years
Equipment - 5 years
Vehicles - 5 years
Buildings - 30 years

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NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 5. CAPITAL ASSETS (CONTINUED)

DCA utilizes facilities and buildings that are owned by the Property Control Division of the State of New Mexico General Services Department.

	<u>Balance</u> <u>7/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2009</u>
Land	\$ 4,366,247	1,915,146	-	6,281,393
Improvements	-	98,135	-	98,135
Building & structures	142,359,729	8,746,931	-	151,106,660
Furniture & fixtures	2,587,839	-	(34,654)	2,553,185
Livestock	23,025	-	-	23,025
Information and technology	4,905,319	7,802	-	4,913,121
Machinery & equipment	2,468,093	-	(275,001)	2,193,092
Vehicles	1,410,897	139,663	-	1,550,560
Library & museum	3,268,327	51,686	-	3,320,013
Total depreciable assets	<u>157,023,229</u>	<u>9,044,217</u>	<u>(309,655)</u>	<u>165,757,791</u>
Total assets	161,389,476	10,959,363	(309,655)	172,039,184
Accumulated depreciation:				
Improvements	-	(6,542)	-	(6,542)
Building & structures	(31,174,203)	(3,074,452)	-	(34,248,655)
Furniture & fixtures	(1,681,816)	(526,387)	-	(2,208,203)
Livestock	(21,025)	-	-	(21,025)
Information and technology	(4,335,261)	(528,312)	-	(4,863,573)
Machinery & equipment	(1,790,840)	(397,302)	-	(2,188,142)
Vehicles	(907,196)	(167,032)	326,791	(747,437)
Library & museum	(682,643)	(26,433)	-	(709,076)
Total	<u>(40,592,984)</u>	<u>(4,726,460)</u>	<u>326,791</u>	<u>(44,992,653)</u>
Capital assets, net	<u>\$ 120,796,492</u>	<u>6,232,903</u>	<u>17,136</u>	<u>127,046,531</u>

Depreciation expense for fiscal year 2009 is \$4,726,460 and primarily in the Museum Services Progi

**STATE OF NEW MEXICO  
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**NOTE 6. 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.

The changes in compensated absences for government type activities are as follows:

Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009	Current Portion
<u>\$ 1,533,727</u>	<u>1,425,134</u>	<u>1,699,198</u>	<u>1,259,663</u>	<u>1,259,663</u>

All of the compensated absences balance has been paid by the General Fund in prior years.

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**NOTE 7. RETIREMENT PLANS**

**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, 2009, 2008 and 2007 were \$3,361,522, \$3,325,368 and \$3,055,209, respectively, equal to the amount of the required contribution for each year.

**NOTE 8. 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.

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**NOTE 8. RETIREE HEALTH CARE (CONTINUED)**

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.

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.

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**NOTE 8. RETIREE HEALTH CARE (CONTINUED)**

For the fiscal years ended June 30, 2009 and 2008, DCA remitted \$252,099 and \$164,996, respectively, in employer contributions \$125,588 and \$84,998, respectively, in employee contributions to the Retiree Health Care Authority.

**NOTE 9. 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.

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.

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NOTE 10. DUE FROM AND DUE TO OTHER STATE AGENCIES

	Due From						
	New Mexico Finance Authority	DFA Board of Finance	General Service Dept	NM State Land Office	Economic Develop	Energy Mineral & Natural Resources	NM Dept of Transportation
Dept of Cultural Affairs - 26300	\$ -	3,148,494	-	-	-	-	-
Dept of Cultural Affairs - 58700	-	3,420	-	-	-	-	-
Dept of Cultural Affairs - 64700	-	59,643	-	-	-	-	-
Dept of Cultural Affairs - 69100	526,593	-	-	-	-	-	-
Dept of Cultural Affairs - 19304	-	-	11,209	3,000	16,375	49,852	531,457
	<u>\$ 526,593</u>	<u>3,211,557</u>	<u>11,209</u>	<u>3,000</u>	<u>16,375</u>	<u>49,852</u>	<u>531,457</u>

Due To	Due From	
	DCA CIP Fund 58700	DCA Operating Fund 19300
DFA Board of Finance, A040152	\$ 4,333	-
Dept of Finance & Admin, CIP Reversion	89,782	-
Dept of Finance & Admin	-	-
Dept of Finance & Admin, Due to St. GF	-	118,886
Dept of Finance & Admin	-	27,704
	<u>\$ 94,115</u>	<u>146,590</u>

STATE OF NEW MEXICO  
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**NOTE 11. INTERFUND BALANCES**

	<u>Due From</u>	
	DCA Operating Fund	DCA CIP Fund 08200
<b>Due To</b>		
DCA OAS - 19300	-	21,209
Rural Library Development - 59100	900	-
Capital Projects - 58700	233,010	-
	<u>\$ 233,910</u>	<u>21,209</u>

**NOTE 12. REVOLVING LOAN FUND**

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

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.

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.

**NOTE 13. 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.



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**NOTE 14. 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.

**NOTE 15. 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, 2009.

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.

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**NOTE 16. LONG-TERM DEBT**

At June 30, 2009, 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.

\$ 4,845,982

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.

\$ 1,785,755

\$ 6,631,737

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NOTE 16. LONG-TERM DEBT (CONTINUED)

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

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Amounts Due Within One Year
Loan Payable	\$ 6,991,917	-	360,180	6,631,737	628,738

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

	NMFA Loan Agreement	NMFA State Museum Tax Revenue Bonds	Total
2010	\$ 169,758	458,980	628,738
2011	169,765	458,999	628,764
2012	169,773	459,021	628,794
2013	169,783	459,044	628,827
2014	169,791	459,070	628,861
2015 – 2019	849,125	2,295,797	3,144,922
2020 – 2023	679,551	1,837,321	2,516,872
	2,377,546	6,428,232	8,805,778
Less interest/admin. fee	591,791	1,582,250	2,174,041
	1,785,755	4,845,982	6,631,737
Less current portion	169,758	458,980	628,738
	<u>\$ 1,615,997</u>	<u>4,387,002</u>	<u>6,002,999</u>

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

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**NOTE 17. INTER-AGENCY TRANSFERS**

Other financing uses

Transfer out to DFA 612000 from:

Dept. of Cultural Affairs 69800 Arts in Public Places	\$ 206,188
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Transfer in from Dept of

Finance & Administration - 62500 to DCA Fund 19300	518,187
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**NOTE 18. DUE TO STATE GENERAL FUND (REVISIONS)**

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end. For certain funds, cash recoveries during the fiscal year from stale dated warrants are also due to the State General Fund. Current year reversions due to the State General Fund as of June 30, 2009, were as follows:

Budget year 2008 reversion	\$ 114,782
Budget year 2009 reversion	<u>210,063</u>
	324,845
Less payments made in FY 09	<u>(116,177)</u>
Total due to State General Fund at June 30, 2009	<u>\$ 208,668</u>

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NOTE 19. JOINT POWERS AGREEMENT DISCLOSURE

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

Contractor	Scope of Work	Responsible Party	Total Amount of Contract	Beginning Date	Ending Date	Audit Responsibility	Agency Where Revenue/Expenditures are Reported
MISP/MUSE, Z1211 & A051212 - NM Highlands University	Promote Training and Internships in the use of Media Technologies, Flow Through	NMHU	100,000	03/23/06	06/30/09	NMHU	NMHU
ARMS User Fee 10% - HPD	MRD provides server storage	DCA	129,851	06/20/06	12/31/09	DCA	DCA

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS  
As of June 30, 2009

	59100 Rural Libraries Development	19400 15% Museum Admission Funds	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
<b>ASSETS:</b>								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Short-term investments	-	199,257	340,502	3,016,306	-	35,537	1,439,593	5,031,195
Cash at trustee	-	-	531,651	-	-	-	-	531,651
Receivables:								
Local government	-	-	-	-	-	-	-	-
Other	-	-	-	11,750	-	-	-	11,750
Due from federal government	-	-	-	-	-	-	-	-
Due from other agencies	-	-	526,593	-	-	-	59,643	586,236
Due from other funds	900	-	-	-	-	-	-	900
Inventory	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	1,903	1,903
<b>TOTAL ASSETS</b>	<b>900</b>	<b>199,257</b>	<b>1,398,746</b>	<b>3,028,056</b>	<b>-</b>	<b>35,537</b>	<b>1,501,139</b>	<b>6,163,635</b>
<b>LIABILITIES:</b>								
Accounts payable	-	-	99,082	23,754	-	0	16,826	139,662
Accrued payroll	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	1,859,903	-	-	-	1,859,903
Due to other state agencies	-	-	-	-	-	-	-	-
Due to General Fund Investment Pool	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Due to state general fund	-	-	-	-	-	-	-	-
Due to local governments	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>99,082</b>	<b>1,883,657</b>	<b>-</b>	<b>-</b>	<b>16,826</b>	<b>1,999,565</b>
<b>FUND BALANCES:</b>								
Fund balance (deficit):								
Unreserved - undesignated (deficit)	-	-	-	-	-	-	-	-
Reserved for capital projects	900	199,257	1,299,664	1,144,399	-	35,537	1,484,313	4,164,070
<b>TOTAL FUND BALANCES</b>	<b>900</b>	<b>199,257</b>	<b>1,299,664</b>	<b>1,144,399</b>	<b>-</b>	<b>35,537</b>	<b>1,484,313</b>	<b>4,164,070</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>900</b>	<b>199,257</b>	<b>1,398,746</b>	<b>3,028,056</b>	<b>-</b>	<b>35,537</b>	<b>1,501,139</b>	<b>6,163,635</b>

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, 2009

REVENUES:	59100 Rural Libraries Development	19400 15% Museum Admissions Fund	69100 Capital Projects, Laws 2003	69800 Arts in Public Places	89900 Capital Projects, Laws 2003	25600 Museum Collections Fund	64700 Capital Projects, Laws 2005	Total Nonmajor Funds
\$								
Grants from other governments	-	-	-	12,500	-	-	-	12,500
Miscellaneous	-	-	-	-	-	2,272	-	2,272
Interest revenue	-	-	4,087	-	-	1,162	-	5,249
Fees and Services	-	55,145	-	-	-	-	-	55,145
Sales	-	277,529	-	-	-	-	-	277,529
Other state funds	-	-	754,555	-	-	-	60,905	815,460
Federal grants	-	-	-	-	-	-	-	-
Private gifts and grants	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	-	332,674	758,642	12,500	-	3,434	60,905	1,168,155
<b>EXPENDITURES:</b>								
Current:								
Personnel services and employee benefits	-	334,916	-	-	-	-	-	334,916
In-state travel	-	-	-	-	-	-	-	-
Maintenance and repairs	-	-	90,923	-	-	-	12,359	103,282
Supplies	-	-	5,304	-	-	-	4,464	9,768
Contractual services	-	-	-	8,321	-	-	161,789	170,110
Operating costs	-	-	-	5,000	-	-	-	5,000
Other costs	-	-	14,317	361,101	-	-	1,940	377,358
Out-of-state travel	-	-	-	-	-	-	-	-
Capital outlay	-	-	458,988	278,465	-	144,499	192,035	1,073,987
Debt service principal payment	-	-	395,861	-	-	-	-	395,861
Debt service interest payment	-	-	242,204	-	-	-	-	242,204
<b>TOTAL EXPENDITURES:</b>	-	334,916	1,207,597	652,887	-	144,499	372,587	2,712,486
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(2,242)	(448,955)	(640,387)	-	(141,065)	(311,682)	(1,544,331)
<b>OTHER FINANCING SOURCES (USES):</b>								
State General Fund appropriations	-	-	-	-	-	-	-	-
Reversions	-	-	-	-	(70,400)	-	-	(70,400)
Bond Proceeds	-	-	-	-	242,502	-	-	242,502
Operating transfers in/out	900	-	526,593	823,191	-	-	315,321	1,907,607
Interagency transfers in	-	-	-	-	21,750	-	-	21,750
Interagency transfers out	-	-	-	(206,188)	-	-	-	(206,188)
<b>NET OTHER FINANCING SOURCES (USES)</b>	900	-	526,593	617,003	193,852	-	315,321	1,653,669
<b>NET CHANGE IN FUND BALANCES</b>	900	(2,242)	77,638	(23,384)	193,852	(141,065)	3,639	109,338
<b>FUND BALANCES, June 30, 2008</b>	-	201,499	1,222,026	1,167,783	(193,852)	176,602	1,480,674	4,054,732
<b>FUND BALANCES, June 30, 2009</b>	900	199,257	1,299,664	1,144,399	-	35,537	1,484,313	4,164,070

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
General Fund appropriations	\$ 22,572,100	21,886,200	23,836,821	1,950,621
Other Services	4,160,700	4,264,900	4,264,900	-
Federal grants	-	51,700	133,257	81,557
Intra-state transfers	-	69,476	-	(69,476)
Miscellaneous	-	-	-	-
Private gifts and grants	530,000	552,600	405,515	(147,085)
Other financing sources	418,200	440,800	501,377	60,577
Reversions	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 27,681,000</b>	<b>27,265,676</b>	<b>29,141,870</b>	<b>1,876,194</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	\$ 19,160,200	18,737,830	18,649,221	88,609
Contractual services	1,900,700	1,865,800	1,020,701	845,099
Other operating costs	6,620,100	6,639,446	6,363,172	276,274
<b>TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>\$ 27,681,000</b>	<b>27,243,076</b>	<b>26,033,094</b>	<b>1,209,982</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$ -</b>	<b>22,600</b>	<b>\$ 3,108,776</b>	<b>666,212</b>
<b>CASH BALANCE CARRYFORWARD</b>	<b>-</b>	<b>(22,600)</b>		
	<b>\$ -</b>	<b>-</b>		
<b>EXCESS REVENUE OVER EXPENSE</b>			<b>\$ 3,108,776</b>	



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, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
General Fund appropriations	\$ 986,100	956,500	956,100	(400)
Other Services	1,164,000	1,201,693	1,201,693	-
Federal grants	1,391,800	1,391,800	1,446,862	55,062
Intra-state transfers	1,971,500	1,971,500	-	(1,971,500)
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	-	-
Other financing sources	16,800	16,400	16,810	410
Reversions	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 5,530,200</b>	<b>5,537,893</b>	<b>3,621,465</b>	<b>(1,916,428)</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	\$ 4,467,200	4,290,925	3,605,467	685,458
Contractual services	381,300	504,100	227,792	276,308
Other operating costs	681,700	780,768	403,795	376,973
<b>TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>\$ 5,530,200</b>	<b>5,575,793</b>	<b>4,237,054</b>	<b>1,338,739</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$ -</b>	<b>(37,900)</b>	<b>\$ (615,589)</b>	<b>(3,255,167)</b>
<b>CASH BALANCE CARRYFORWARD</b>	<b>-</b>	<b>37,900</b>		
	<b>\$ -</b>	<b>-</b>		
<b>EXCESS REVENUE OVER EXPENSE</b>			<b>\$ (615,589)</b>	

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, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
General Fund appropriations	\$ 4,131,400	4,007,700	4,007,777	77
Other Services	35,000	35,000	35,000	-
Federal grants	2,170,900	2,170,900	1,330,578	(840,322)
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	-	-
Other financing sources	-	-	-	-
Reversions	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 6,337,300</b>	<b>6,213,600</b>	<b>5,373,355</b>	<b>(840,245)</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	\$ 3,260,100	3,192,000	2,844,537	347,463
Contractual services	1,690,800	1,562,300	1,160,434	401,866
Other operating costs	1,386,400	1,459,300	1,219,835	239,465
<b>TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>\$ 6,337,300</b>	<b>6,213,600</b>	<b>5,224,806</b>	<b>988,794</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 148,549</b>	<b>(1,829,039)</b>
<b>CASH BALANCE CARRYFORWARD</b>	<b>-</b>	<b>-</b>		
	<b>\$ -</b>	<b>-</b>		
<b>EXCESS REVENUE OVER EXPENSE</b>			<b>\$ 148,549</b>	

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, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
General Fund appropriations	\$ 4,481,100	4,347,000	4,347,000	-
Other Services	30,000	30,000	73,971	43,971
Federal grants	-	-	-	-
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	-	-
Other financing sources	-	-	-	-
Reversions	-	-	(139,646)	(139,646)
<b>TOTAL REVENUES</b>	<b>\$ 4,511,100</b>	<b>4,377,000</b>	<b>4,281,325</b>	<b>(95,675)</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	\$ 3,541,600	3,435,700	3,415,834	19,866
Contractual services	548,700	532,300	518,887	13,413
Other operating costs	420,800	409,000	251,184	157,816
<b>TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>\$ 4,511,100</b>	<b>4,377,000</b>	<b>4,185,905</b>	<b>191,095</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 95,420</b>	<b>(286,770)</b>
<b>CASH BALANCE CARRYFORWARD</b>	<b>-</b>	<b>-</b>		
	<b>\$ -</b>	<b>-</b>		
<b>EXCESS REVENUE OVER EXPENSE</b>			<b>\$ 95,420</b>	

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, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
General Fund appropriations	\$ 2,114,100	2,050,700	2,050,700	-
Other Services	-	-	105,631	105,631
Federal grants	553,100	692,492	633,200	(59,292)
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	-	-
Other financing sources	-	-	-	-
Reversions	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 2,667,200</b>	<b>2,743,192</b>	<b>2,789,531</b>	<b>46,339</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	\$ 1,001,900	976,400	964,193	12,207
Contractual services	1,529,500	1,496,307	1,354,694	141,613
Other operating costs	135,800	270,485	209,148	61,337
<b>TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>2,667,200</b>	<b>2,743,192</b>	<b>2,528,035</b>	<b>215,157</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	-	-	<b>\$ 261,496</b>	<b>(168,818)</b>
<b>CASH BALANCE CARRYFORWARD</b>	-	-		
	<b>\$ -</b>	<b>-</b>		
<b>EXCESS REVENUE OVER EXPENSE</b>			<b>\$ 261,496</b>	

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES -  
MAJOR GOVERNMENTAL FUNDS -  
BUDGET AND ACTUAL  
Year Ended June 30, 2009

FUND 08200 - CAPITAL PROJECTS, LAWS OF 2002

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive (Negative)
<b>REVENUES:</b>				
State General Fund appropriations	\$ -	-	-	-
Other state funds	-	-	-	-
Federal grants	4,908,525	4,908,525	4,908,525	-
Private gifts and grants	-	-	-	-
Bond proceeds	-	-	-	-
Reversions	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 4,908,525</b>	<b>4,908,525</b>	<b>4,908,525</b>	<b>-</b>
<b>EXPENDITURES - current:</b>				
Personnel services and benefits	-	-	-	-
Other operating costs	4,908,525	4,908,525	4,908,525	-
Capital outlay	-	-	-	-
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,908,525</b>	<b>4,908,525</b>	<b>4,908,525</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
<b>CASH BALANCE CARRYFORWARD</b>	<b>-</b>	<b>-</b>		
	<b>\$ -</b>	<b>-</b>		
<b>EXCESS REVENUE OVER EXPENSE</b>			<b>\$ -</b>	

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES -  
MAJOR GOVERNMENTAL FUNDS -  
BUDGET AND ACTUAL (CONTINUED)  
Year Ended June 30, 2009

	<b>FUND 58700 - CAPITAL PROJECTS, LAWS OF 2004</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance From</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b> <b>(Budgetary Basis)</b>	<b>Final Budget</b> <b>Positive (Negative)</b>
<b>REVENUES:</b>				
Fund balance Bond proceeds	\$ 916,515	916,515	1,027,002	110,487
Other financing sources	3,474	3,474	-	-
Reversions	-	-	(114,782)	-
<b>TOTAL REVENUES</b>	<b>\$ 919,989</b>	<b>919,989</b>	<b>912,220</b>	<b>110,487</b>
<b>EXPENDITURES - current:</b>				
Contractual services	\$ 23,000	23,000	15,448	7,552
Other operating costs	53,000	53,000	52,783	217
Capital outlay	843,989	843,989	843,989	-
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 919,989</b>	<b>919,989</b>	<b>912,220</b>	<b>7,769</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>102,718</b>

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES -  
MAJOR GOVERNMENTAL FUNDS -  
BUDGET AND ACTUAL (CONTINUED)  
Year Ended June 30, 2009

FUND 26300 - CAPITAL PROJECTS, LAWS OF 2007

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Fund balance	\$ -	-	-	-
State General Fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Other financing sources	-	9,251,292	-	(9,251,292)
Bond proceeds	799,728	3,388,391	9,354,661	5,966,270
<b>TOTAL REVENUES</b>	<b>\$ 799,728</b>	<b>12,639,683</b>	<b>9,354,661</b>	<b>(3,285,022)</b>
<b>EXPENDITURES - current:</b>				
Personnel services and benefits	\$ -	-	-	-
Contractual services	220,000	220,000	158,716	61,284
Other operating costs	579,728	12,419,683	7,529,012	4,890,671
Other financing uses	-	-	-	-
Operating transfers	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 799,728</b>	<b>12,639,683</b>	<b>7,687,728</b>	<b>4,951,955</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$ -</b>	<b>-</b>	<b>1,666,933</b>	<b>(8,236,977)</b>

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES -  
MAJOR GOVERNMENTAL FUNDS -  
BUDGET AND ACTUAL (CONTINUED)  
Year Ended June 30, 2009

	FUND 53000 - CAPITAL PROJECTS, LAWS OF 2006			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Fund balance	\$ 4,705,000	4,705,000	-	(4,705,000)
State General Fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	179,021	179,021	179,021	-
Reversions	-	-	(17)	(17)
Other financing sources	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 4,884,021</b>	<b>4,884,021</b>	<b>179,004</b>	<b>(4,705,017)</b>
<b>EXPENDITURES - current:</b>				
Personnel services and benefits	\$ -	-	-	-
Contractual services	148,500	148,500	140,847	7,653
Capital outlay	3,431,309	3,431,309	3,431,309	-
Other operating costs	10,409	10,409	10,409	-
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,590,218</b>	<b>3,590,218</b>	<b>3,582,565</b>	<b>7,653</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$ 1,293,803</b>	<b>1,293,803</b>	<b>(3,403,561)</b>	<b>(4,697,364)</b>



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, 2009

FUND 19400 - 15% STATE MUSEUM ADMISSIONS				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
State General Fund appropriations	\$ -	-	-	-
Admissions	442,200	442,200	332,674	(109,526)
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	-	-	-	-
Building rental or lease	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 442,200</b>	<b>442,200</b>	<b>332,674</b>	<b>(109,526)</b>
<b>EXPENDITURES - current:</b>				
Personnel services and benefits	\$ 442,200	442,200	334,916	107,284
Contractual services	-	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 442,200</b>	<b>442,200</b>	<b>334,916</b>	<b>107,284</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$ -</b>	<b>-</b>	<b>(2,242)</b>	<b>(2,242)</b>

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, 2009

	<b>FUND 69100 - CAPITAL PROJECTS, LAWS OF 2003</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance From</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
			<b>(Budgetary Basis)</b>	<b>Positive (Negative)</b>
<b>REVENUES:</b>				
Fund balance	\$ 1,222,026	1,222,026	-	(1,222,026)
Other state funds	45,100	45,100	758,642	713,542
Other financing sources	-	-	526,593	526,593
<b>TOTAL REVENUES</b>	<b>\$ 1,267,126</b>	<b>1,267,126</b>	<b>1,285,235</b>	<b>18,109</b>
<b>EXPENDITURES - current:</b>				
Contractual services	\$ -	-	-	-
Other costs	170,073	170,073	110,544	59,529
Capital outlay	458,988	458,988	458,988	-
Debt service payments	638,065	638,065	638,065	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,267,126</b>	<b>1,267,126</b>	<b>1,207,597</b>	<b>59,529</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>				
	\$ -	-	77,638	77,638

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, 2009

FUND 69800 - 1% ART IN PUBLIC PLACES

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive (Negative)
<b>REVENUES:</b>				
Fund balance	\$ -	-	-	-
Bond Proceeds	-	-	-	-
Other state funds	-	-	12,500	12,500
Federal grants	-	-	-	-
Other financing sources (uses)	-	-	823,191	823,191
Cash balance rebudgeted	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>-</b>	<b>835,691</b>	<b>835,691</b>
<b>EXPENDITURES - current:</b>				
Personnel services and benefits	\$ -	-	-	-
Contractual services	-	8,321	8,321	-
Other costs	-	367,635	366,101	1,534
Capital outlay	-	278,465	278,465	-
Other financing sources (uses)	-	206,188	206,188	-
<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>	<b>860,609</b>	<b>859,075</b>	<b>1,534</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$ -</b>	<b>(860,609)</b>	<b>(23,384)</b>	<b>834,157</b>
<b>CASH BALANCE CARRYFORWARD</b>	<b>-</b>	<b>860,609</b>		
	<b>\$ -</b>	<b>-</b>		
<b>EXCESS REVENUE OVER EXPENSE</b>			<b>\$ (23,384)</b>	

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, 2009

	FUND 89900 - CAPITAL PROJECTS, LAWS OF 2003			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Fund balance	\$ (193,852)	(193,852)	-	193,852
Bond Proceeds	242,502	242,502	242,502	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Other financing sources (uses)	21,750	21,750	21,750	-
Reversions	-	-	(70,400)	(70,400)
<b>TOTAL REVENUES</b>	<b>\$ 70,400</b>	<b>70,400</b>	<b>193,852</b>	<b>123,452</b>
<b>EXPENDITURES - current:</b>				
Capital outlay	-	-	-	-
Contractual services	-	-	-	-
Other costs	\$ -	-	-	-
Other financing sources (uses)	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$ 70,400</b>	<b>70,400</b>	<b>193,852</b>	<b>123,452</b>
<b>CASH BALANCE CARRYFORWARD</b>	<b>(70,400)</b>	<b>(70,400)</b>		
	<b>\$ -</b>	<b>-</b>		
<b>EXCESS REVENUE OVER EXPENSE</b>			<b>\$ 193,852</b>	

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, 2009

FUND 25600 - MUSEUM COLLECTIONS FUND				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Fund Balance	\$ -	-	-	-
Other state funds	-	-	3,434	3,434
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	-	-	-	-
Other revenue	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>-</b>	<b>3,434</b>	<b>3,434</b>
<b>EXPENDITURES - current:</b>				
Personnel services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other operating costs	144,500	144,500	144,499	1
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 144,500</b>	<b>144,500</b>	<b>144,499</b>	<b>1</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$ (144,500)</b>	<b>(144,500)</b>	<b>(141,065)</b>	<b>3,435</b>
<b>CASH BALANCE CARRYFORWARD</b>	<b>144,500</b>	<b>144,500</b>		

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, 2009

	FUND 64700 - CAPITAL PROJECTS, LAWS OF 2005			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Fund balance	\$		-	-
General Fund appropriations		-	-	-
Bond Proceeds		315,321	315,321	-
Other		-	-	-
Other state funds		57,266	60,905	3,639
Federal grants		-	-	-
Other financing sources		-	-	-
Cash balance rebudgeted		-	-	-
<b>TOTAL REVENUES</b>	<b>\$</b>	<b>372,587</b>	<b>372,587</b>	<b>3,639</b>
<b>EXPENDITURES - current:</b>				
Personnel services and benefits	\$	-	-	-
Contractual services		161,789	161,789	-
Capital outlay		192,035	192,035	-
Other costs		18,763	18,763	-
Other financing sources (uses)		-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$</b>	<b>372,587</b>	<b>372,587</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET</b>	<b>\$</b>	<b>-</b>	<b>3,639</b>	<b>3,639</b>

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SUPPLEMENTAL SCHEDULE OF INVESTMENTS AT STATE TREASURER  
As of June 30, 2009

Name of Depository	Account Name	Fund Type	Type of Account	Interest Bearing	Reconciled Balance at June 30, 2009
<b><u>General Fund</u></b>					
State Treasurer	General Operating Account ( Fund 19300)	General	State Treasurer	No	\$ 6,064,209
<b><u>Special Revenue</u></b>					
State Treasurer	Museum Admissions Fund (Fund 19400)	Special Revenue	State Treasurer	No	199,257
State Treasurer	Museum Collections Fund (Fund 25600)	Special Revenue	State Treasurer	No	35,537
					<u>234,794</u>
<b><u>Capital Projects Fund</u></b>					
State Treasurer	Capital Projects, Laws 2006 (Fund 64700)	Capital Projects	State Treasurer	No	1,439,593
State Treasurer	Arts in Public Places Fund (Fund 69800)	Capital Projects	State Treasurer	No	3,016,306
State Treasurer	Capital Projects, Laws 2006 (Fund 53000)	Capital Projects	State Treasurer	No	2,737,632
State Treasurer	Capital Projects, Laws 2007 (Fund 26300)	Capital Projects	State Treasurer	No	2,168,631
State Treasurer	Capital Projects, Laws 2000 (Fund 47800)	Capital Projects	State Treasurer	No	-
State Treasurer	Capital Projects, Special 2003 (Fund 59100)	Capital Projects	State Treasurer	No	-
State Treasurer	Capital Projects, Laws 2003 (Fund 69100)	Capital Projects	State Treasurer	No	340,502
State Treasurer	Capital Projects, Laws 2003 (Fund 89900)	Capital Projects	State Treasurer	No	-
State Treasurer	Capital Projects, Laws 2004 (Fund 58700)	Capital Projects	State Treasurer	No	-
State Treasurer	Capital Projects, Laws 2002 (Fund 08200)	Capital Projects	State Treasurer	No	224,147
					<u>9,926,811</u>
					<b>Total Governmental Funds</b>
					<u>16,225,814</u>
<b><u>Fiduciary Funds</u></b>					
State Treasurer	Bartlett Trust Fund (Fund 61200 )	Nonexpend. Trust	State Treasurer	Yes	184,188
State Treasurer	Historic Preservation Revolving Loan Fund (Fund 59300)	Agency	State Treasurer	No	246,091
State Treasurer	Main Street Revolving Loan Fund (Fund 20070)	Agency	State Treasurer		50,000
					<u>480,279</u>
<b>Total Investment in General</b>					<u>\$ 16,706,093</u>
<b><u>Due to State General Fund Investment Pool</u></b>					
State Treasurer	Capital Projects, Laws 2003 (Fund 58700)	Capital Projects	State Treasurer		<u>\$ 167,748</u>

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF GENERAL FUND - SPECIAL APPROPRIATIONS  
As of June 30, 2009

	Current Year Revenue	Amount Appropriated	Current Year Expenditures	House Bill 10 Cut	Project to Date Expenditures	Unexpended Portion
<b>General Fund Special Appropriation, Fund 19300</b>						
<b>Laws of 2008,</b>						
<b>Chapter 6, Section 16</b>						
Rural Library Development Fund	\$ -	1,000	-	100	-	900
NM History Museum Education Initiatives	9,600	10,000	9,600	400	9,600	-
Nat'l Hisp Cultural Ctr Educational Programs	30,685	31,700	30,685	100	30,685	915
Rio Arriba Libraries	60,000	60,000	60,000	-	60,000	-
Orchestral Education Statewide	68,500	68,500	68,500	-	68,500	-
Youth Education Week	50,000	66,700	50,000	1,200	50,000	15,500
Native American Film Festival	15,450	16,700	15,450	1,200	15,450	50
Native American Artists electronic Infrastructure and Web	-	50,000	-	3,700	-	46,300
Music Competition for Youth	35,625	37,500	35,625	100	35,625	1,775
Cultural & Arts Progs in Bernalillo County	18,500	20,000	18,500	1,500	18,500	-
Symphony Programs in Albuquerque	1,575	5,000	1,575	200	1,575	3,225
Educational Programs at Childrens Science Center	84,300	88,100	84,300	3,800	84,300	-
Cultural Programs in Chimayo	40,375	42,500	40,375	-	40,375	2,125
Veterans Museum Operations and Staff	176,908	200,000	176,908	10,700	176,908	12,392
Symphonic Music Programs in Roswell	80,000	80,000	80,000	-	80,000	-
Chimayo Chile Assistance Program	18,050	19,000	18,050	-	18,050	950
Historic Preservatin Operations	893	1,000	893	100	893	7
Jazz Music Workshop	29,000	29,000	29,000	-	29,000	-
Statewide Humanities Programs	19,000	20000	19,000	100	19,000	900
Taylor Barea Reynolds Mesilla Monument	38,413	40,000	38,413	400	38,413	1,187
Publications of Stories	-	2,500	-	200	-	2,300
Padre Antonio Jose Martinez Film	-	7,700	-	600	-	7,100
Summer Ballet Festival in Albuquerque	39,500	39,500	39,500	-	39,500	-
Gallup Centennial	-	5,000	-	100	-	4,900
Alamogordo Museum of History Operations	-	14,700	-	1,100	-	13,600
Flickinger Center Perf.-Student Transportation/Fees	-	5,000	-	400	-	4,600
Mt. View Elem. In Espanola - Historic Preservation Program	25,000	25,000	25,000	-	25,000	-
Performing Art Theater, Children's Productions in Santa Fe	20,000	20,000	20,000	-	20,000	-
Dance & Pre-professional Dance Outreach in Santa Fe	23,750	25,000	23,750	-	23,750	1,250



STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF CAPITAL PROJECT FUNDS - SEVERANCE TAX AND GENERAL OBLIGATION BONDS  
As of June 30, 2009

	Current Year Revenue	Amount Appropriated	Current Year Expenditures	Project to Date Expenditures	Unexpended Portion
<b>General Fund Special Appropriation, Fund 58700</b>					
<b>Laws of 2004,</b>					
<b>Chapter 126, Section 24</b>					
Museum of Nat. History Exhibits	\$ -	250,000	30,865	229,104	20,896
National Hisp. Cultural Center Improvement Media Facility	-	7,000	3,404	3,574	3,426
National Hispanic Cultural Center Educ. Complex	-	2,000,000	40,242	1,955,392	44,608
National Hispanic Cultural Center Media Facility	-	25,000	22,305	2,695	22,305
NM Farm & Ranch Construction	-	25,000		24,984	16
Natural History/Sci Museum Construction	-	50,000	1,277	48,723	1,277
NM Farm & Ranch Construction	-	40,000	9,192	30,808	9,192
Palace of Governor Renov/Construction	-	3,000,000	725,140	2,526,496	473,504
<b>General Fund Special Appropriation, Fund 58700</b>					
<b>Laws of 2004,</b>					
<b>Chapter 126, Section 110</b>					
National Hispanic for Disney Center	-	25,000	-	17,855	7,145
<b>General Fund Special Appropriation, Fund 58700</b>					
<b>Laws of 2004,</b>					
<b>Chapter 126, Section 127</b>					
Museum of Natural History Exhibits	-	71,428	434	50,643	20,785
NM Farm/Ranch Mus Green House Construction	-	60,000	56,264	3,736	56,264
Museum Nat History/Science Exhibits	-	300,000	11,303	293,302	6,698
<b>General Fund Special Appropriation, Fund 58700</b>					
<b>Laws of 2004,</b>					
<b>Chapter 126, Section 149</b>					
State Monuments Bosque Redondo Construction	-	300,000	-	243,370	56,630
<b>General Fund Special Appropriation, Fund 64700</b>					
<b>Laws of 2005</b>					
<b>Chapter 347, Section 30</b>					
Museum opf Natural History Construction	-	10,000	-	-	10,000
National Hispanic Cultural Center Equipment	-	65,000	60,995	64,201	799
NM Fram & Ranch Construction	-	70,000	-	69,682	318
State Monuments Construction	-	80,000	-	79,564	436
DCA Facilities Renovations & Repairs	-	1,000,000	40,094	980,655	19,345
Space History Museum Renovations	-	100,000	-	38,394	61,606
Childrens Museums Construction	-	50,000	45,000	4,880	45,120
State Monuments El Camino Renovations	-	25,000	-	18,893	6,107
National Hispanic Radio Station	-	65,000	60,995	64,201	799
Archaeology Center-Repository	-	3,000,000	160,735	598,858	2,401,142
<b>General Fund Special Appropriation, Fund 64700</b>					
<b>Laws of 2005</b>					

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF CAPITAL PROJECT FUNDS - SEVERANCE TAX AND GENERAL OBLIGATION BONDS  
As of June 30, 2009

	Current Year Revenue	Amount Appropriated	Current Year Expenditures	Project to Date Expenditures	Unexpended Portion
<b>Chapter 347, Section 38</b>					
MISP/MUSE State Wide Programs	-	100,000	10,572	89,428	10,572
<b>General Fund Special Appropriation, Fund 64700</b>					
<b>Laws of 2005</b>					
<b>Chapter 347, Section 56</b>					
Museum of Natural History HVAC	-	50,000	-	46,699	3,301
<b>General Fund Special Appropriation, Fund 53000</b>					
<b>Laws 2006</b>					
<b>Chapter 111, Section 75</b>					
OAS Construction	-	1,300,000	-	-	1,300,000
<b>General Fund Special Appropriation, Fund 53000</b>					
<b>Laws 2006</b>					
<b>Chapter 111, Section 35</b>					
National Hispanic Cultural Center Equipment	-	10,000	-	9,983	17
Museum of Natural History Construction	-	295,000	1,868	109,253	185,747
Museum of Natural History Construction	-	250,000	-	-	250,000
State Monuments Ft. Selden Equipment	-	50,000	-	-	50,000
Space History Museum Construction	-	185,000	7,568	158,836	26,164
NM History Museum Construction	-	5,500,000	2,323,728	4,346,808	1,153,192
National Hispanic Cultural Center Education	-	1,130,000	148,500	1,118,700	11,300
Bosque Redondo Memorial	-	200,000	198,930	198,930	1,070
Bosque Redondo Park Improvements	-	250,000	250,000	250,000	-
DCA/ASD Infrastructure Improvements	-	2,000,000	128,280	1,848,938	151,062
International Fok Art Girard Wing	-	75,000	7,885	74,808	192
<b>General Fund Special Appropriation, Fund 64700</b>					
<b>Laws 2006</b>					
<b>Chapter 111, Section 35</b>					
State Library Equipment	-	170,000	-	169,980	20
<b>General Fund Special Appropriation, Fund 64700</b>					
<b>Laws 2006</b>					
<b>Chapter 111, Section 35</b>					
MIAC Energy Management System	-	31,000	-	30,994	6
<b>General Fund Special Appropriation, Fund 26300</b>					
<b>Laws 2007</b>					
<b>Chapter 2, Section 5</b>					
MOIFA Renovations	-	100,000	16,059	16,059	83,941
OAS Construction	-	50,000	-	-	50,000

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF CAPITAL PROJECT FUNDS - SEVERANCE TAX AND GENERAL OBLIGATION BONDS  
As of June 30, 2009

	Current Year Revenue	Amount Appropriated	Current Year Expenditures	Project to Date Expenditures	Unexpended Portion
State Monuments Construction Construction	-	50,000	49,267	18,515	31,485
Museum of Art Plan, Design	-	75,000	6,563	-	75,000
State Library	-	434,000	215,723	431,446	2,554
Art Restoration	-	25,000	-	-	25,000
State Monuments El Camino	-	25,000	1,410	-	25,000
SF Childrens Museum	-	50,000	50,000	-	50,000
State Monuments Lincoln	-	96,000	30,389	60,608	35,392
<b>General Fund Special Appropriation, Fund 26300</b>					
<b>Laws 2007</b>					
<b>Chapter 42, Section 41</b>					
Albuquerque Bilingual Equipment	-	25,000	-	-	25,000
Museum of Natural History Construction	-	399,285	-	-	399,285
NM Farm & Ranch Construction	-	125,000	-	-	125,000
NM Fram & Ranch Kiosks	-	80,000	59,927	70,772	9,228
Space History Museum Construction	-	100,000	-	5,515	94,485
Opera Rehearsal Construction	-	745,000	100,000	-	745,000
MOIFA Construction	-	50,000	-	-	50,000
SF Bataan Art Complex Renovation	-	50,000	-	-	50,000
SF Childrens Museum Construction	-	150,000	10,411	71,402	78,598
State Monuments El Camino Construction	-	25,000	25,000	-	25,000
Taos County Construction	-	25,000	-	-	25,000
State Library Improvements	-	25,000	12,151	13,202	11,798
NHCC Domenici Edu. Building	-	425,000	420,720	420,750	4,250
NM Farm & Ranch Greenhouse	-	151,900	140,481	140,481	11,419
MOIFA FFE	-	45,000	2,669	42,331	2,669
<b>General Fund Special Appropriation, Fund 26300</b>					
<b>Laws 2008</b>					
<b>Chapter 92, Section 37</b>					
NM Farm & Ranch Renovate	-	50,000	-	-	50,000
NM Farm & Ranch Renovate	-	95,000	72,820	49,976	45,024
State Monuments Acquisitons	-	50,000	-	-	50,000
Isleta Pueblo Acquisitions	-	10,000	-	-	10,000
NM St. Library Improve Building	-	45,000	-	-	45,000
SF Opera Construction	-	680,000	75,000	-	680,000
Childrens Museum Expansion	-	243,000	11,555	11,555	231,445
					-
					-
<b>Severance Tax Bonds Special Appropriation, Fund 58700</b>					
<b>Laws 2004</b>					
<b>Chapter 126, Sec. 110</b>					
Museum of Natural History Construction	54	35,000	54	34,827	173
National Hispanic Cultural Center Disney Center	-	25,000	-	17,855	7,145
NHCC Construction & Equipment	-	50,000	3,420	46,580	3,420

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF CAPITAL PROJECT FUNDS - SEVERANCE TAX AND GENERAL OBLIGATION BONDS  
As of June 30, 2009

	Current Year Revenue	Amount Appropriated	Current Year Expenditures	Project to Date Expenditures	Unexpended Portion
<b>Severance Tax Bonds Special Appropriation, Fund 58700</b>					
<b>Laws 2004</b>					
<b>Chapter 110, Sec. 10</b>					
Space History Construction	-	14,058	-	13,534	524
Media Production Educ & Training	-	53,000	14,580	38,420	14,580
<b>Severance Tax Bonds Special Appropriation, Fund 64700</b>					
<b>Laws 2005</b>					
<b>Chapter 347, Sec. 7</b>					
State Monuments Restoration Equip Purchase	-	40,000	-	39,776	224
State Monuments Lincoln Construction	18,187	90,099	-	73,033	17,066
State Monuments Lincoln Renovation	-	110,000	-	94,743	15,257
Museum Services Pathways	-	75,000	-	73,336	1,664
Children's Museum Construction	-	50,000	-	8,453	41,547
Museum Services Udall Center Grounds	-	50,000	-	49,906	94
<b>Severance Tax Bonds Special Appropriation, Fund 53000</b>					
<b>Laws 2006</b>					
<b>Chapter 111, Sec. 6</b>					
Museum of Natural History Educ. Center Construction	-	250,000	-	369	249,631
Museum of Natural History Facilities Construction	-	50,000	-	-	50,000
NHCC Educaqtion Center Building	-	150,000	148,500	148,500	1,500
NM Mus of Space History Renovations	-	103,000	30,521	51,580	51,420
<b>Severance Tax Bonds Special Appropriation, Fund 26300</b>					
<b>Laws 2007</b>					
<b>Chapter 42, Sec. 9</b>					
National Hispanic Cultural Center Construction	247,144	250,000	223,599	242,910	7,090
Farm & Ranch Construction	957,286	1,000,000	583,722	947,035	52,965
Museum & Monuments ADA	-	2,200,000	686,765	2,101,628	98,372
<b>Severance Tax Bonds Special Appropriation, Fund 26300</b>					
<b>Laws 2008</b>					
<b>Chapter 92, Sec. 7</b>					
Natural History & Science Construction	26,451	1,730,000	-	13,237	1,716,763
National Hispanic Cultural Center Construction	357,067	370,000	357,067	282,625	87,375
Veterans Museum Plan, Design	-	260,000	-	-	260,000
Farm & Ranch Construction	165,456	1,500,000	165,456	108,690	1,391,310
OAS Plan, Design Construction	14,700	1,500,000	13,221	13,221	1,486,779
Museum of International Folk Art Renovations	-	600,000	-	-	600,000
NM History Museum Furnish Equip	557,607	600,000	557,607	518,024	81,976
DCA/Mus-Monuments Renovations & Repairs	1,739,261	2,000,000	1,739,261	1,414,160	585,840

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF CAPITAL PROJECT FUNDS - SEVERANCE TAX AND GENERAL OBLIGATION BONDS  
As of June 30, 2009

	Current Year Revenue	Amount Appropriated	Current Year Expenditures	Project to Date Expenditures	Unexpended Portion
NH&SM Construction	-	1,730,000	26,451	31,237	1,698,763
NHCC Equipment	-	200,000	200,000	166,351	33,649
NHCC Fresco Painting	-	285,000	285,000	-	285,000
Van of Enchantment	-	179,000	179,000	-	179,000
<b>General Obligation Bonds Special Appropriation, Fund 58700</b>					
<b>Laws 2004</b>					
<b>Chapter 117, Section 10</b>					
State Library Acquisitions	-	5,832,000	-	5,831,998	2
State Library Acquisitions	-	324,000	-	315,255	8,745
<b>General Obligation Bonds Special Appropriation, Fund 26300</b>					
<b>Laws 2006</b>					
<b>Chapter 108, Section 10</b>					
State Library Acquisitions	263,706	3,000,000	1,585,020	2,041,610	958,390

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
As of June 30, 2009

Agency Fund 59300

	<u>Balance</u> <u>6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2009</u>
<b>ASSETS:</b>				
Investment in General Fund Investment Pool	\$ 332,322	8,376	(94,607)	246,091
Loans receivable	152,095	94,979	(6,608)	240,466
<b>TOTAL ASSETS</b>	<u>\$ 484,417</u>	<u>103,355</u>	<u>(101,215)</u>	<u>486,557</u>
<b>LIABILITIES:</b>				
Deposits held in custody for others	\$ 484,417	103,355	(101,215)	486,557
<b>TOTAL LIABILITIES</b>	<u>\$ 484,417</u>	<u>103,355</u>	<u>(101,215)</u>	<u>486,557</u>

Agency Fund 20070

<b>ASSETS:</b>				
Investment in General Fund Investment Pool	\$ 50,000	-	-	50,000
<b>TOTAL ASSETS</b>	<u>\$ 50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
<b>LIABILITIES:</b>				
Deposits held in custody for others	\$ 50,000	-	-	50,000
<b>TOTAL LIABILITIES</b>	<u>\$ 50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
As of June 30, 2009

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
<b>U.S. Department of the Interior:</b>		
National Park Service		
Historic Preservation Survey & Planning Grant FY 07	15.904	\$ 868,796
Youth Conservation Corps Commission	15.Unknown	30,995
BIA-Division of Acquisition & Property Mgmt.	15.Unknown	48,906
Bureau of Land Management Monuments P.L.94-579, Sec 307(b)	15.XXX	<u>4,887,316</u>
<b>Total U.S. Department of the Interior</b>		<u>5,836,013</u>
<b>U.S. Department of Education</b>		
Library Services and Technology Act (LSTA)	45.310	1,294,559
National Endowment for the Arts NEA Partnership Grant #07-6100-2027	45.025	<u>634,896</u>
<b>Total U.S. Department of Education</b>		<u>1,929,455</u>
<b>Total Federal Expenditures</b>		<u><u>\$ 7,765,468</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, 2009, and have issued our report thereon dated December 14, 2009. We have also audited the financial statements of each of the Department's nonmajor governmental funds, and the respective budgetary comparisons, presented as supplementary information in the combining and individual fund financial statements as of and for the year ended June 30, 2009. 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, 08-01, 08-02 and 08-03 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 item 08-02 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 what are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 04-02, 09-01 and 09-02.

The Department's response 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, the New Mexico Department of Finance and Administration, federal awarding and pass-through agencies 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 14, 2009

**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, 2009. 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

As described in items 07-05, 07-06, 07-07, 08-06, 08-09 and 08-14 in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding allowable costs, cash management, reporting matching and subrecipient monitoring that are applicable to its Arts Partnership and Historic Preservation Fund Grants-In-Aid programs. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2009.

### **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 in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.



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

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 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, 07-08, 08-05, 08-06, 08-07, 08-09, 08-10, 08-12, 08-13, 08-14, 09-03 and 09-04 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 item 08-09 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, the New Mexico Department of Finance and Administration, and federal awarding and pass-through agencies 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 14, 2009

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2009**

04-02 Capital Assets Additions and Deletions	Updated and Included
06-02 Receipts	Resolved
06-05 Component Units—Exemption	Resolved
07-05 Activities/Costs Allowed	Repeated
07-06 Cash Management	Repeated
07-07 Reporting Deficiencies	Repeated
07-08 Davis Bacon Monitoring	Repeated
08-01 Cash Receipts Internal Controls	Repeated
08-02 Financial Close & Reporting	Repeated
08-03 Annual Leave Tracking	Repeated
08-04 Allowable Costs – HPD Payroll	Updated and Included as 08-09
08-05 Allowable Costs – HPD	Repeated
08-06 Matching Requirement – HPD	Repeated
08-07 Period of Availability – HPD	Repeated
08-08 Subrecipient Monitoring- HPD	Resolved
08-09 Internal Controls Payroll	Repeated
08-10 Cash Management – ARTS	Repeated
08-11 Allowable Costs – ARTS	Resolved
08-12 Cash Management – ARTS	Repeated
08-13 Period of Availability – ARTS	Repeated
08-14 Subrecipient Monitoring – ARTS	Repeated

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

**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: Qualified

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
45.025	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

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT AUDIT - FINDINGS**

**04-02 Capital Assets - Lack of Adequate Tracking System -  
Significant Deficiency**

**CONDITION**

Department of Cultural Affairs (DCA) recently implemented a new capital asset tracking system. During the year, however, DCA 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."

**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. There is also a risk that capital assets and expenditures could be materially misstated on the financial statements.

**CAUSE**

In the prior year the capital asset coordinator position has been vacant for 10 months and no one has taken over and filled in the duties that should be performed by this position. During the current year the capital asset coordinator was in the process of implementing a process and system to maintain capital assets.



**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT AUDIT - FINDINGS**

**04-02 Capital Assets - Lack of Adequate Tracking System -  
Significant Deficiency (Continued)**

RECOMMENDATION

We recommend that existing policies and procedures surrounding tracking and managing of capital assets be implemented and followed. Expenditures surrounding capital assets should be tracked and reviewed on a monthly basis for all transactions including acquisitions, depreciation, and disposition, and for items that need to be capitalized. An annual physical inventory should be performed for DCA capital assets.

MANAGEMENT RESPONSE

DCA has purchased and implemented new capital assets software which will be implemented with existing policies and procedures. This will include monthly tracking of acquisitions, depreciation and disposition of items. Unique capital assets tags have been obtained; tags will be fixated during the physical inventory of capital assets.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT AUDIT - FINDINGS**

**08-01 Cash Receipts Internal Controls  
Significant Deficiency**

CONDITION

During our inquiry and walkthrough of the cash receipts process, we noted that there is lack of segregation of duties. The Accounts Receivable Accountant/Auditor prepares the deposit slip, records the deposit into the general ledger, and reconciles the bank statement to the general ledger. Also, a deposit log is completed by the receptionist when cash is received, but the deposit log is not reconciled to the general ledger.

CRITERIA

A good internal control structure, dictates that there should be appropriate segregation of duties over the cash receipts process.

CAUSE

DCA has limited staffing and has not developed accounting policies requiring adequate segregation of duties.

EFFECT

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

RECOMMENDATION

We recommend that DCA designate responsibility of preparing deposit slip and posting cash receipt to two different individuals. We recommend that management reconcile the deposit log and bank statement to the general ledger.

MANAGEMENT RESPONSE

Due to limited personnel these duties were not segregated; however, since then the Department obtained an exemption from State Personnel Office and hired an Accounts Receivable Clerk. The Clerk will prepare deposit slip and post to general ledger and now a second party will reconcile the deposit log with the general ledger, since DCA does not receive bank statements from State Treasures.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT AUDIT - FINDINGS**

**08-02 Financial Close & Reporting  
Material Weakness**

**CONDITION**

The financial closing and reporting process is not well established and documented, including the identification and updating of internal and external financial reporting requirements and deadlines; the methodology, format, and frequency of required analyses; roles and responsibilities; changes and analyses of financial information and requirements. This includes a process to periodically reconcile balance sheet accounts to the supporting detail. During the current year, there were approximately 55 journal entries of which 40 were provided by client after final trial balance was provided. Due to/froms, receivable and deferred revenue balances were being reconciled through out the duration of the audit.

**CRITERIA**

Sound internal controls include procedures to ensure financial closing and reporting processes are complete and lead to accurate and timely financial reporting.

**EFFECT**

There is an increased risk of error or fraud in the financial records.

**CAUSE**

DCA has not had adequate resources to develop well-established policies and procedures over financial close and reporting. This has been caused primarily because delays in the completion of previous audits along with limited staffing.

**RECOMMENDATION**

We recommend that DCA develop policies and procedures to outline the requirements, timelines and responsibilities over the financial control and reporting process.

**MANAGEMENT RESPONSE**

DCA will review and revise the monthly closing procedures and develop policies and procedures to ensure proper recording of transactions. This includes monthly reconciliation of balance sheet accounts and a final monthly trial balance. Monitoring of accounts receivables, interfund, and interagency transfers will be a priority.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT AUDIT - FINDINGS**

**08-03 Annual Leave Tracking  
Significant Deficiency**

CONDITION

During our inquiry and walkthrough of the payroll cycle, we noted that DCA's annual leave policy is not being followed consistently among the divisions. Divisions are not following this policy but rather employees are requesting a verbal approval from their supervisor instead of formally requesting annual leave through their electronic timesheet.

CRITERIA

DCA's policies and procedures state that any type of leave that is approved and taken must be documented on the employee's bi-weekly timesheet and reported on a Leave Request Form. This policy was effective on July 1, 1998 and has not been updated since then. Annual leave should be requested and approved in the electronic timesheet

EFFECT

If employees do not request annual leave and do not include the leave taken in the timesheet, this can lead to misstatement of compensated absences.

CAUSE

There is a lack of monitoring over the payroll process to ensure compliance with DCA's policies.

RECOMMENDATION

We recommend that DCA follow its policy where a formal request for annual leave is done through the use of a physical document. The employee can forward the request to the supervisor for approval or disapproval. Approved leave requests should be given to the division timekeeper to track annual leave taken for each pay period. The timekeeper can then review the timesheets at the end of each pay period and notify the employee and supervisor if annual leave was not appropriately entered into the timesheet.

MANAGEMENT RESPONSE

DCA will implement the existing policy with physical documentation for annual leave, reconciled to the HCM Accounting entries report. Each Division will be responsible for their reconciliation. An alternative is to utilize the electronic annual request feature of SHARE.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT AUDIT - FINDINGS**

**09-01 Travel Reimbursement – Reimbursement Amount  
Compliance**

CONDITION

During our testwork of travel and per diem, we noted that one out of five transactions tested had an amount reimbursed that was greater than what was submitted on the invoice for lodging. The hotel invoice was \$89.50 and the reimbursement amount was for \$91.75 per night.

CRITERIA

DFA Rule States at 2.42.2.9 B.(3) that “Receipts required: The public officer or employee must submit receipts for the actual meal and lodging expenses incurred.”

EFFECT

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

CAUSE

There is a lack of review of backup documentation to catch human error before warrants are submitted.

RECOMMENDATION

We recommend that another person review invoices and documentation in order to not overpay vendors or that the employee given the responsibility to submit vouchers to be paid re-review the amounts on the documents before they are submitted.

MANAGEMENT RESPONSE

Human error might have caused this issue; however, DCA will review existing policies and procedures for Travel Reimbursements and implement a secondary review of invoices and vouchers prior to submitting to DFA.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT AUDIT - FINDINGS**

**09-02 Services provided without signed contract  
Compliance**

**CONDITION**

During our discussion with client we were informed that Historical Preservation Division provided services to a federal agency without having a contract. The federal agency indicated that they did not enter into a contract with DCA and \$90,000 in services provided by DCA was not paid for by the federal agency.

**CRITERIA**

When providing services to customers, a written contract should be prepared, in order to bind the customer.

**EFFECT**

Services will be provided to clients without receiving payment for them.

**CAUSE**

DCA did not prepare written contract before providing services.

**RECOMMENDATION**

We recommend that a contract is entered into or a purchase order from the customer is required before providing service.

**MANAGEMENT RESPONSE**

The Historic Preservation Division (HPD) routinely requires signed documents before an activity is entered into the SHARE system and forwarded to ASD for processing. In this instance we erred by waiting for our partner Federal agency to try and process the contract through their system. In the end the contract never materialized. Management at HPD will now only engage in activities when all required paperwork is completed.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**07-05 Activities/Costs Allowed - HPD  
Significant Deficiency and Compliance**

**Federal Programs:**

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant #'s: 35-07-21635, 35-08-21736, and 35-09-21837; Grant Period: October 1, 2006 through September 30, 2008, October 1, 2007 through September 30, 2009, and October 1, 2008 through September 30, 2010.

**CONDITION**

During our Allowability of Costs walkthrough for Historic Preservation Division it was noted the administrative costs did not have adequate supporting documentation.

**CRITERIA**

Under Section 102 (e) of the NHPA, the total direct administrative costs and any State indirect costs charged for carrying out State projects may not exceed 25% of the aggregate costs.

**QUESTIONED COSTS**

Unknown

**EFFECT**

Historical Preservation Division is not in compliance with the applicable laws and regulations set forth in the grant agreement.

**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.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**07-05 Activities/Costs Allowed - HPD (Continued)  
Significant Deficiency and Compliance**

**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.

**MANAGEMENT RESPONSE**

The Division has in place its own internal reporting system with internal monitoring control for federal grant management of expenses that takes into consideration federal reporting requirements as it pertains to the grant. The Division's internal reporting system reconciles each month with the Agency's General Ledger to insure correct reporting requirements. Additionally, the HPD will require our grants manager to apply a programmatic compliance review with each program status report that is submitted.



**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**07-06 Cash Management - HPD  
Compliance**

**Federal Programs:**

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant #'s: 35-07-21635, 35-08-21736, and 35-09-21837; Grant Period: October 1, 2006 through September 30, 2008, October 1, 2007 through September 30, 2009, and October 1, 2008 through September 30, 2010.

**CONDITION**

Cash draw-down amounts reported to the Federal Government Form SF425 for Historic Preservation Division, CFDA #15.904, were not adequately supported by the general ledger detail of expenditures.

**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 Standard Form SF-425.

**QUESTIONED COSTS**

None

**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.

**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.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**07-06 Cash Management - HPD  
Compliance (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.

**MANAGEMENT RESPONSE**

The Division has in place its own internal reporting system with internal monitoring control for federal grant management of expenses that takes into consideration federal reporting requirements as it pertains to the grant. The Division's internal reporting system reconciles each month with the Agency's General Ledger to insure correct reporting requirements. The fiscal program manager will ensure compliance with federal with grant related federal compliance. The fiscal program manager will use the general ledger reports to provide accurate documentation for cash-drawdown.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**07-07 – Reporting Deficiencies  
Compliance**

**Federal Programs:**

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant #: 35-07-21635; Grant Period: October 1, 2006 through September 30, 2008.

**CONDITION**

The annual report for CFDA #15.904 for the grant year ending September 30, 2008 was due no later than 90 days after the grant year closed or December 31, 2008. The report was not submitted until January 13, 2009.

**CRITERIA**

The grant agreements set out the reporting requirements. Circular A-102 Section 2c requires the grant recipient to follow those requirements.

**QUESTIONED COSTS**

None

**EFFECT**

DCA was not in compliance with the Federal reporting requirements noted above. There may be some risk that federal funding could be negatively impacted.

**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.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**07-07 – Reporting Deficiencies  
Compliance (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.

MANAGEMENT RESPONSE

DCA will implement a process to provide for review and submittal of annual reports in advance of the 90 day deadline.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**07-08 Davis Bacon Compliance- NPS**

**Significant Deficiency**

**National Parks Service CDFA Number – 15.XXX - Program Name – POG  
Annex Act**

**CONDITION**

During our testwork, we noted that the certified payrolls were not being obtained by DCA. They were obtained by DCA subsequent to year end and our testwork did not note any noncompliance. There appeared to be no internal review of the documents.

**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.

**QUESTIONED COSTS**

None

**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 DCA 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.

**CAUSE**

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

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**07-08 Davis Bacon Compliance- NPS**

**Significant Deficiency**

**National Parks Service CDFA Number – 15.XXX - Program Name – POG  
Annex Act (Continued)**

**RECOMMENDATION**

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

**MANAGEMENT RESPONSE**

The HPD will provide assurance to DCA that it is not engaging in construction contracts that have Davis Bacon implications. The Agency/Division currently does not have construction contracts.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-05 Allowable Costs – HPD  
Significant Deficiency**

**Federal Programs:**

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant #'s: 35-07-21635, 35-08-21736, and 35-09-21837; Grant Period: October 1, 2006 through September 30, 2008, October 1, 2007 through September 30, 2009, and October 1, 2008 through September 30, 2010.

**CONDITION**

During our Allowability of Costs testwork for Historic Preservation Division it was noted that the division did not have adequate supporting documentation surrounding:

- The reconciliation of budget to actual
- The determination of whether funds were transferable to another grant or not.

**CRITERIA**

Per HPD Grant Manual, costs incurred for the development, preparation, presentation and execution of HPD assisted program and project budgets are allowable.

Per OMB A-133, a cost is allocable to a particular cost objective, such as a grant, contract, project, service or other activity, in accordance with the relative benefits received. Any cost allocable to a particular award or other cost objective under A-122 may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or terms of the award.

**QUESTIONED COSTS**

None

**EFFECT**

DCA was not in compliance with the Federal allowability requirements as noted above.

**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.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-05 Allowable Costs – HPD  
Significant Deficiency (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.

**MANAGEMENT RESPONSE**

The Division has in place its own internal reporting system with internal monitoring control of expenses that takes into consideration allowable costs for federal funded programs. The Division's internal reporting system reconciles each month with the Agency's General Ledger to insure accurate monthly cost allocation as it pertains to each federally funded program and the approved federal budget and requirements.



**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-06 Matching Requirement – HPD  
Significant Deficiency and Compliance**

**Federal Programs:**

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant #'s: 35-07-21635, 35-08-21736, and 35-09-21837; Grant Period: October 1, 2006 through September 30, 2008, October 1, 2007 through September 30, 2009, and October 1, 2008 through September 30, 2010.

**CONDITION**

The Historic Preservation Division did not provide adequate support in regards to the non-federal match required to be made under per the Grant Agreement.

**CRITERIA**

Per the Grant Agreement, Special Condition #6, Non-federal Matching Share, at least 40% in eligible nonfederal matching contributions that are allowable and properly documented in accordance with 43 CFR 12.64 must be used during the grant period to share costs for this grant.

**QUESTIONED COSTS**

None

**EFFECT**

Historical Preservation Division is not in compliance with the specified conditions of federal grant agreement.

**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 and is responsible for carrying the purpose of the federal grant.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-06 Matching Requirement – HPD**  
**Significant Deficiency and Compliance (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.

MANAGEMENT RESPONSE

The Division has in place its own internal reporting system with internal monitoring control of salaries and benefit expenses that takes into consideration allowable payroll costs for federal funded staff and State matching requirements. The Division's internal reporting system reconciles each month with the Agency's General Ledger to insure accurate monthly payroll allocation as it pertains to each federally funded program and its matching requirements. Additionally the HPD will identify discreet matching amounts that will reconcile to the general ledger. This match will be monitored by the program manager to ensure compliance with federal matching requirements.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-07 – Period of Availability - HPD  
Significant Deficiency**

**Federal Programs:**

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant #'s: 35-07-21635, 35-08-21736, and 35-09-21837; Grant Period: October 1, 2006 through September 30, 2008, October 1, 2007 through September 30, 2009, and October 1, 2008 through September 30, 2010.

**CONDITION**

During our walk-through of internal controls, for period of availability we noted that controls in place to prevent expenditures from being posted to the grant outside of the period of availability are not in place.

**CRITERIA**

Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

**QUESTION COSTS**

None

**EFFECT**

DCA was not in compliance with the Federal allowability requirements as noted above.

**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.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-07 – Period of Availability - HPD  
Significant Deficiency (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.

**MANAGEMENT RESPONSE**

The HPD, through its program and fiscal managers will reconcile each of its federal grants on a quarterly basis to ensure that all submissions are properly applied to a discreet grant program that is active for that Period of Availability. The HPD will actively screen for any activities that may be inappropriately submitted for a grant activity beyond its Period of Availability. The fiscal program manager will ensure compliance with federal grant related federal compliance. The fiscal program manager will use the general ledger reports to provide accurate documentation for cash-drawdown.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-09 Internal Control Payroll - ARTS and HPD  
Material Weakness/Compliance**

**Federal Programs:**

Promotion of the Arts Partnership Agreements, CFDA #45.025 (Arts Division);  
Grant #: 07-6100-2027 & 08-6100-2057; Grant Period: July 1, 2007 through September 30, 2008 & July 1, 2008 through September 30, 2009

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant #'s: 35-07-21635, 35-08-21736, and 35-09-21837; Grant Period: October 1, 2006 through September 30, 2008, October 1, 2007 through September 30, 2009, and October 1, 2008 through September 30, 2010.

**CONDITION**

During our walk-through of the internal controls in place for allowable cost we noted that DCA does not maintain personnel Activity Reports to verify time and effort charge to the ARTS grant. In addition, they do not maintain periodic certifications for employees that solely worked on that program.

**CRITERIA**

The following is an excerpt from the OMB Circular A-87:

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-09 Internal Control Payroll - ARTS and HPD  
Material Weakness/Compliance (Continued)**

CRITERIA (CONTINUED)

(5) Unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

QUESTIONED COSTS

None

EFFECT

DCA is not in compliance with federal requirements.

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.

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.

MANAGEMENT RESPONSE

There are 4 employees paid with Federal funds. They are paid from a single award, the National Endowment for the Arts grant. The employees work solely on the single award. In FY10, Arts will have these employees certify semi-annually.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-10 Cash Management – ARTS  
Significant Deficiency**

**Federal Programs**

Promotion of the Arts Partnership Agreements, CFDA #45.025 (Arts Division);  
Grant #'s: 07-6100-2027 & 08-6100-2057; Grant Periods: July 1, 2007 through  
September 30, 2008 & July 1, 2008 through September 30, 2009

CONDITION

Cash draw-down amounts reported to the Federal Government via Form OMB#3135-0112 for CFDA #45.025 were not adequately supported by the general ledger detail of expenditures.

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 OMB#3135-0112.

QUESTIONED COSTS

\$28,629

EFFECT

DCA is not in compliance with the provisions of federal grant agreements.

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.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-10 Cash Management – ARTS  
Significant Deficiency (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.

**MANAGEMENT RESPONSE**

A meeting with DCA's internal auditor has been requested by Arts. We need to understand more about this finding because our internal records indicate that Federal funds spent for each grant period in FY09 were drawn down. We have requested additional codes so that funds from differing grant periods spent in the same fiscal year can be tracked in SHARE; currently we keep internal records to separate the grants. Staff may also need additional training from ASD on different reports that can be run in SHARE to achieve better tracking.



**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-12 Cash Management - ARTS  
Significant Deficiency**

**Federal Programs**

Promotion of the Arts Partnership Agreements, CFDA #45.025 (Arts Division);  
Grant #: 07-6100-2027 & 08-6100-2057; Grant Period: July 1, 2007 through September  
30, 2008 & July 1, 2008 through September 30, 2009

**CONDITION**

During our testwork we noted that there is no official review and approval process for cash draw-down amounts reported to the Federal Government.

**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 OMB#3135-0112.

**QUESTIONED COSTS**

None

**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.

**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.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-12 Cash Management - ARTS (Continued)  
Significant Deficiency**

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.

MANAGEMENT RESPONSE

In FY10, we have begun to submit our requests for drawdowns to Deputy Director Elena Sweeney. These requests include the NEA reimbursement form, the deposit form, and back-up materials. Upon her approval, we submit the request to the NEA and immediately deliver the deposit form with back-up to ASD.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-13 Period of Availability – ARTS  
Significant Deficiency**

**Federal Programs:**

Promotion of the Arts Partnership Agreements, CFDA #45.025 (Arts Division);  
Grant #: 07-6100-2027 & 08-6100-2057; Grant Period: July 1, 2007 through September  
30, 2008 & July 1, 2008 through September 30, 2009

**CONDITION**

During our walk-through of internal controls, for period of availability we noted that controls are not in place to prevent expenditures from being posted to the grant outside of the period of availability.

**CRITERIA**

Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

**QUESTIONED COSTS**

None

**EFFECT**

DCA was not in compliance with the Federal allowability requirements as noted above.

**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.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-13 Period of Availability – ARTS  
Significant Deficiency (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.

**MANAGEMENT RESPONSE**

Arts is very aware of the period of availability for the NEA grants. Items are submitted with our Federal deadlines in mind. However, the items are not always processed in a timely manner. We want to meet with ASD (and possibly ASD meet with DFA) to develop a process that will improve the timing for spending our Federal funds.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-14 Subrecipient Monitoring – ARTS  
Significant Deficiency and Compliance**

**Federal Programs:**

Promotion of the Arts Partnership Agreements, CFDA #45.025 (Arts Division);  
Grant #: 07-6100-2027 & 08-6100-2057; Grant Period: July 1, 2007 through September  
30, 2008 & July 1, 2008 through September 30, 2009

**CONDITION**

During our subrecipient monitoring testwork for the Promotion of the Arts Partnership the following was noted. It does not obtain or review audits from its subrecipients.

**CRITERIA**

Per Grant Agreement the state shall comply with all applicable regulations governing ARTs grants, including Office of Management and Budget Circular A-133. OMB Circular A-133 requires *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 (or \$300,000 prior to that date) as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

**QUESTION COSTS**

None

**EFFECT**

ARTs Division is not in compliance with the applicable laws and regulations set forth in the grant agreement.

**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.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**08-14 Subrecipient Monitoring – ARTS  
Significant Deficiency and Compliance (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.

**MANAGEMENT RESPONSE**

In FY10, Arts added a section to the Arts services contract requiring any sub-recipient that expends \$500,000 or more in total Federal awards during a fiscal year to submit their audit. The audit will be reviewed, initialed and dated by the reviewer, and if there are findings; we will meet with DCA's internal auditor to prepare our response.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**09-03 Reporting - ARTS  
Significant Deficiency**

**Federal Programs:**

Promotion of the Arts Partnership Agreements, CFDA #45.025 (Arts Division);  
Grant #: 07-6100-2027; Grant Period: July 1, 2007 through September 30, 2008

**CONDITION**

The annual report for CFDA #45.025 was not adequately supported by the general ledger detail of expenditures.

**CRITERIA**

The grant agreements set out the reporting requirements. Circular A-102 Section 2c requires the grant recipient to follow those requirements.

**QUESTION COSTS**

None

**EFFECT**

DCA was not in compliance with the Federal reporting requirements noted above. There may be some risk that federal funding could be negatively impacted.

**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.

**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.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**09-03 Reporting - ARTS  
Significant Deficiency (Continued)**

**MANAGEMENT RESPONSE**

A meeting with DCA's internal auditor has been requested by Arts. We complete the reports the NEA requires. There needs to be a better process for adequately tracking the grant expenditures in SHARE, and we need reports from SHARE that give us the information we need in one report instead of having to work with four or more reports including our internal records.



**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**09-04 Preparation of SEFA  
Significant Deficiency**

**Federal Programs**

All major programs CFDA #: 15.904, 45.310, 15.xxx. Reporting period: All

**CONDITION**

DCA had difficulty preparing and supporting the balances in its schedule of expenditures of federal awards. Adjustments were required to be made by the auditors.

**CRITERIA**

Per OMB A-133, §\_\_\_.300 Auditee responsibilities,

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_.310.
- (e) Ensure that the audits required by this part are properly performed and submitted when due. When extensions to the report submission due date required by §\_\_\_.320(a) are granted by the cognizant or oversight agency for audit, promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.
- (f) Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with §\_\_\_.315(b) and §\_\_\_.315(c), respectively.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARDS AND PROGRAMS**

**09-04 Preparation of SEFA  
Significant Deficiency (Continued)**

**EFFECT**

DCA may not have the ability to prevent and detect material misstatements on its SEFA.

**CAUSE**

DCA's grant program management operates independently of its financial management and there is limited coordination between the two groups.

**RECOMMENDATION**

We recommend that DCA implement a centralized, streamlined system for the administration of federal grants. A centralized system will allow DCA to take advantage of common internal controls and will allow for the development of expertise in the area of federal contract monitoring and reporting.

**MANAGEMENT RESPONSE**

DCA will research the possibility of centralizing administration of federal grants. DCA will develop processes for preparing the SEFA; researching the possibilities within the SHARE Payroll function and confirmation of expenditures and revenue with the Divisions during the monthly reconciliation process.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
EXIT CONFERENCE  
Year Ended June 30, 2009**

An exit conference was held on December 14, 2009, with the following individuals in attendance:

Department of Cultural Affairs:

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

Moss Adams LLP

Larry Carmony, Partner  
Molly Griego, Supervisor

The financial statements were prepared with the assistance of Moss Adams LLP.