



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

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2010**

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

TABLE OF CONTENTS

STATE OF NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS

Official Roster.....	1
Independent Auditors' Report.....	2
Management's Discussion and Analysis.....	5

BASIC FINANCIAL STATEMENTS

Statement of Net Assets	10
Statement of Activities.....	11
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities - Governmental Funds	15
Statement of Revenues and Expenditures - Major Governmental Funds - Budget and Actual General Fund	16
Statement of Changes in Fiduciary Net Assets	17
Statement of Changes in Fiduciary Net Assets - Bartlett Trust Fund	18

TABLE OF CONTENTS

STATE OF NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS

BASIC FINANCIAL STATEMENTS (CONTINUED)

Notes to the Financial Statements.....	19
--	----

SUPPLEMENTARY INFORMATION

Combining Balance Sheet - Non-Major Governmental Funds	45
--	----

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	46
---	----

Statement of Revenues and Expenditures - Major Governmental Funds - Budget and Actual Capital Projects, Laws of 2007	47
--	----

Combining General Fund by Program:

Combining General Fund - Museum Services (P536) – Statement of Revenues and Expenditures - Budget and Actual.....	49
--	----

Combining General Fund - Preservation, Arts and Library Services (P537) – Statement of Revenues and Expenditures - Budget and Actual.....	50
--	----

Combining General Fund – Library Services (P539) - Statement of Revenues and Expenditures – Budget and Actual.....	51
---	----

Combining General Fund - Program Support (P540) - Statement of Revenues and Expenditures – Budget and Actual.....	52
--	----

Combining General Fund – Arts Program (P761) - Statement of Revenues and Expenditures – Budget and Actual.....	53
---	----

TABLE OF CONTENTS

STATE OF NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS

SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of Revenues and Expenditures – Non-Major Governmental Funds – Budget and Actual.....	54
Supplemental Schedule of Interest In State Treasurer Investment Pool	62
Schedule of General Fund - Special Appropriations	63
Schedule of Capital Project Funds - Severance Tax and General Obligation Bonds	64
Schedule of Changes in Assets and Liabilities - Agency Funds	67
Schedule of Expenditures of Federal Awards.....	68

SINGLE AUDIT INFORMATION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	69
Report on Compliance with Requirements that Could Have a Direct and Material Affect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	72
Summary Schedule of Prior Audit Findings	75
Schedule of Findings and Questioned Costs.....	76
Exit Conference	104

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

Official Roster

Year Ended June 30, 2010

Administrative Officials	Title
Stuart A. Ashman	Cultural Affairs Cabinet Secretary
Elena Sweeney	Cultural Affairs Deputy Cabinet Secretary
Emilio I. Martinez	Director - Administrative Services Division
Estevan Rael-Galvez	Director - National Hispanic Cultural Center
Barbara Anderson	Director - Museum Services Division
Eric Blinman	Director - Office of Archaeological Studies
Mary Kershaw	Director - Museum of Art
Shelby Tisdale	Director - Museum of Indian Arts and Culture
Frances Levine	Director - New Mexico History Museum
Hollis Gillespie	Director - New Mexico Museum of Natural History and Science
Marsha Bol	Director - Museum of International Folk Art
Rudy Acosta	Director - New Mexico State Monuments (Acting)
Loie Fecteau	Director - New Mexico Arts Division
Susan Oberlander	Director - New Mexico State Library
Samuel Cata	Director - Historic Preservation Division (Acting)
Randall Hayes	Director - New Mexico Space History Museum
Mark Santiago	Director - New Mexico Farm & Ranch Heritage Museum

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, 2010, 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, 2010, 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, 2010, and the changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2010, 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, 2010, and the respective changes in the financial position thereof and the budgetary comparisons of the non major funds, the capital projects fund and the activities of the general fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2010, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Management's Discussion and Analysis on pages 5 to 9 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.

Mess Adams LLP

Albuquerque, New Mexico
December 14, 2010

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

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, 2010.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2010**

Fund Financial Statements (Continued)

The focus is now on Major Funds, rather than fund types. DCA has two such funds: the General Fund and Laws of 2007 Capital Projects.

Governmental Funds - Most of DCA's services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out; and (2) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view and help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance DCA's programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.

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

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2010**

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, 2010. Total DCA net assets for fiscal year 2010 were \$134,790,681. Unrestricted net assets in governmental activities were \$4,029,228 at the end of the fiscal year. Restricted net assets, which include capital projects, were \$130,761,453. Net assets decreased due to a \$600,000 reversion from fund balance and utilization of Fund Balance to cover current expenditure rates.

**Table A-1
Statement of Net Assets
As of June 30,**

	2010	2009
ASSETS		
Current and other assets	\$ 17,651,561	23,243,129
Capital assets	<u>133,838,017</u>	<u>127,046,531</u>
Total assets	<u>\$ 151,489,578</u>	<u>150,289,660</u>
LIABILITIES		
Current liabilities	\$ 11,066,003	8,588,892
Long-term liabilities	<u>5,632,894</u>	<u>6,002,999</u>
Total liabilities	<u>\$ 16,698,897</u>	<u>14,591,891</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 127,576,359	120,414,794
Restricted	<u>3,185,094</u>	<u>10,749,549</u>
Unrestricted	<u>4,029,228</u>	<u>4,533,426</u>
Total net assets	<u>\$ 134,790,681</u>	<u>135,697,769</u>

Changes in Net Assets: DCA's change in net assets for fiscal year 2010 was a decrease of \$907,088 (Table A-1). A significant portion, \$33,622,500 of DCA's revenue comes from State General Fund appropriations. State General Fund appropriations decreased from 2009 and DCA received less in State General Fund capital project appropriations. The net assets decrease was attributed to net assets invested in capital assets related to fewer capital project appropriations. Unrestricted net assets actually decreased as a result of less spending in the current year (see Table A-1). The increases in current and other assets and current liabilities are attributed to expenses of capital projects and other programs.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2010**

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, 2010. DCA's change in net assets for fiscal year 2010 was a decrease of \$907,088. Total revenues decreased from 2009 to 2010. General appropriations and operating grants decreased.

**Table A-2
Statement of Activities
Years Ended June 30,**

	2010	2009
Revenue		
General appropriation and operating grants and transfers	\$ 40,426,129	52,235,782
Other	<u>5,939,401</u>	<u>4,430,437</u>
Total revenue	46,365,530	56,666,219
Expenses		
Program expenses	<u>47,272,618</u>	<u>48,710,577</u>
Increase (Decrease) in net assets	(907,088)	7,955,642
Years ended June 30,		
Net assets, beginning of year	<u>135,697,769</u>	<u>127,742,127</u>
Net assets, end of year	<u>\$ 134,790,681</u>	<u>135,697,769</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, 2010**

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 2010, DCA had invested a total of \$133,838,017 in governmental-type activities in a variety of capital assets. This amount represents a net increase (including additions and deductions) of \$6,667,027 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 Center of Archeology, Hispanic Education Complex, New Mexico Museum of Natural History and Science Education Building previously mentioned above and ADA compliance throughout the state.

Debt Administration

At June 30, 2010, the Department had total outstanding debt of \$6,261,658. Outstanding debt is backed by the Department's state tax revenues. The Department's total debt decreased by \$370,079 due to principal repayments. The Department incurred no new debt during fiscal year 2010.

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, 2010

	<u>Governmental Activities</u>
CURRENT ASSETS:	
Interest in State Treasurer Investment Pool	\$ 12,600,262
Receivables:	
Local government	23,858
Other	302,107
Due from federal government	1,165,828
Due from other state agencies	3,168,952
Inventory	361,360
Other Assets	29,194
	<hr/>
Total current assets	17,651,561
	<hr/>
NON-CURRENT ASSETS	
Capital assets	184,188,117
Accumulated depreciation	(50,350,100)
	<hr/>
Total non-current assets	133,838,017
	<hr/>
Total assets	\$ 151,489,578
	<hr/> <hr/>
CURRENT LIABILITIES	
Accounts payable	\$ 3,696,424
Accrued payroll	1,537,375
Deferred revenue	950,032
Due to other state agencies	17,641
Due to State Treasurer Investment Pool	781,323
Due to State General Fund	2,201,384
Current portion of compensated absences payable	1,253,060
Current portion of long-term obligations	628,764
	<hr/>
Total current liabilities	11,066,003
	<hr/>
LONG-TERM OBLIGATIONS	
Non-current portion of long-term obligations	5,632,894
	<hr/>
TOTAL LIABILITIES	16,698,897
	<hr/>
NET ASSETS	
Invested in capital assets net of related debt	127,576,359
Restricted for:	
Capital projects	3,631,578
Unrestricted	3,582,744
	<hr/>
Total net assets	134,790,681
	<hr/>
Total net assets and liabilities	\$ 151,489,578
	<hr/> <hr/>

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities
Governmental Activities					
Museum Services	\$ (29,303,318)	4,109,000	-	255,000	(24,939,318)
Preservation and Library	(11,228,800)	1,662,501	1,948,107	1,812,000	(5,806,192)
Arts	(2,511,700)	-	553,100	-	(1,958,600)
Program Support	(4,228,800)	167,900	-	-	(4,060,900)
Total governmental activities	(47,272,618)	5,939,401	2,501,207	2,067,000	(36,765,010)
General Revenues					
State General Fund appropriation					33,622,500
Reversion to State General Fund					(8,507,333)
Transfer - Bond Proceeds Appropriation					9,505,033
Interagency transfers in					437,955
Transfers from local governments					1,366,367
Interagency transfers out					(567,639)
Interest and investment earnings					1,039
Total general revenues					35,857,922
Changes in net assets					(907,088)
Net assets, beginning					135,697,769
Net assets, ending					\$ 134,790,681

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2010

	19300 General Fund	26300 Capital Projects, Laws 2007	Other Governmental Funds	Total
ASSETS:				
Interest in State Treasurer Investment Pool	\$ 8,659,724	-	3,940,538	12,600,262
Receivables:				
Local government	23,858	-	-	23,858
Other	291,758	-	10,349	302,107
Due from federal government	958,237	-	207,591	1,165,828
Due from other state agencies	509,886	1,923,528	735,538	3,168,952
Due from other funds	1,488	43,111	214,260	258,859
Inventory	361,360	-	-	361,360
Other assets	1,264	27,706	224	29,194
TOTAL ASSETS	\$ 10,807,575	1,994,345	5,108,500	17,910,420
LIABILITIES:				
Accounts payable	\$ 1,705,006	1,224,840	766,578	3,696,424
Accrued payroll	1,532,846	-	4,529	1,537,375
Due to State Treasurer Investment Pool	-	739,850	41,473	781,323
Deferred revenue	-	476,139	473,893	950,032
Due to other state agencies	17,641	-	-	17,641
Due to other funds	214,260	-	44,599	258,859
Due to State General Fund	2,055,534	-	145,850	2,201,384
TOTAL LIABILITIES	5,525,287	2,440,829	1,476,922	9,443,038
FUND BALANCES:				
Fund balance:				
Reserved for capital projects	-	-	3,631,578	3,631,578
Unreserved - undesignated (deficit)	5,282,288	(446,484)	-	4,835,804
TOTAL FUND BALANCES (DEFICIT)	5,282,288	(446,484)	3,631,578	8,467,382
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,807,575	1,994,345	5,108,500	17,910,420

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, 2010**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 8,467,382
--	---------------------

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	184,188,117
Accumulated depreciation	<u>(50,350,100)</u>
Total capital assets	133,838,017

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	(6,261,658)
Compensated absences payable	<u>(1,253,060)</u>

Net assets of governmental activities (Statement of Net Assets)	<u>\$ 134,790,681</u>
--	------------------------------

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	19300 General Fund	26300 Capital Projects, Laws 2007	Other Governmental Funds	Total
REVENUES:				
Grants from other governments	\$ -	-	-	-
Miscellaneous	-	-	42,939	42,939
Interest	-	-	1,039	1,039
Fees and services	5,514,543	-	84,911	5,599,454
Sales	-	-	339,947	339,947
Other state funds	30,479	-	800,627	831,106
Federal grants and contracts	2,841,879	-	570,855	3,412,734
Private gifts and grants	281,428	-	-	281,428
TOTAL REVENUES	8,668,329	-	1,840,318	10,508,647
EXPENDITURES:				
Current:				
Personal service and employee benefits	27,915,061	-	17,650	27,932,711
In-state travel	206,709	-	2,343	209,052
Maintenance and repairs	1,895,944	1,248,507	59,759	3,204,210
Supplies	595,305	109,445	126,270	831,020
Contractual services	4,817,809	613,230	203,830	5,634,869
Operating costs	455,507	-	4,280	459,787
Other costs	3,883,096	355,207	416,480	4,654,783
Out-of-state travel	9,674	-	-	9,674
Capital outlay	579,015	6,514,379	3,773,196	10,866,590
Debt service principal payment	-	-	404,502	404,502
Debt service interest payment	-	-	233,588	233,588
TOTAL EXPENDITURES:	40,358,120	8,840,768	5,241,898	54,440,786
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(31,689,791)	(8,840,768)	(3,401,580)	(43,932,139)
OTHER FINANCING SOURCES (USES):				
State General Fund appropriations	33,622,500	-	-	33,622,500
Transfers - Reversions to State General Fund	(2,655,535)	(4,140,849)	(1,710,949)	(8,507,333)
Transfer of bond proceeds	-	8,155,986	1,349,047	9,505,033
Operating transfers in/out	-	-	-	-
Transfers from local governments	-	-	1,366,367	1,366,367
Transfers from other agencies	212,025	25,000	200,930	437,955
Transfers to other agencies	-	(25,000)	(542,639)	(567,639)
NET OTHER FINANCING SOURCES (USES)	31,178,990	4,015,137	662,756	35,856,883
NET CHANGE IN FUND BALANCES	(510,801)	(4,825,631)	(2,738,824)	(8,075,256)
FUND BALANCES, June 30, 2009	5,793,089	4,379,147	6,370,402	16,542,638
FUND BALANCES (DEFICIT), June 30, 2010	\$ 5,282,288	(446,484)	3,631,578	8,467,382

**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, 2010**

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) **\$ (8,075,256)**

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 370,079

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 decrease in the liabilities for the year was: 6,603

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:

Loss on disposal of capital assets	(53,540)
Capital outlay	12,209,171
Depreciation expense	<u>(5,364,145)</u>

Change in net assets of governmental activities (Statement of Activities) **\$ (907,088)**

See Notes to Financial Statements.

**DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010**

	<u>Budgeted Amount</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
General Fund appropriations	\$ 33,688,400	33,622,500	33,622,500	-
Other services	1,603,400	1,603,400	5,545,022	3,941,622
Federal grants	3,278,700	3,597,300	2,841,879	(755,421)
Intra-state transfers	-	-	-	-
Miscellaneous	3,618,400	3,618,400	-	(3,618,400)
Private gifts and grants	478,400	478,400	281,428	(196,972)
Other financing sources (uses)	2,067,000	2,068,488	212,025	(1,856,463)
Reversions	-	-	(2,655,535)	(2,655,535)
TOTAL REVENUES	\$ 44,734,300	44,988,488	39,847,319	(5,141,169)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 30,117,600	30,117,600	27,915,061	2,202,539
Contractual services	5,369,710	5,369,710	4,817,809	551,901
Other operating costs	10,023,933	10,023,933	7,625,250	2,398,683
TOTAL EXPENDITURES	\$ 45,511,243	45,511,243	40,358,120	5,153,123
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (776,943)	(522,755)	(510,801)	(11,954)
CASH BALANCE CARRYFORWARD	(776,943)	(522,755)	-	
EXCESS REVENUE OVER EXPENSES	\$ -	-		

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, 2010

	Historic Preservation Revolving Agency Fund (59300)	Bartlett Trust Fund (61200)	Main Street Revolving Loan Agency Fund (20070)	Total
ASSETS:				
Interest in State Treasurer Investment Pool	\$ 253,140	169,943	50,000	473,083
Loans receivable	243,253	-	-	243,253
TOTAL ASSETS	496,393	169,943	50,000	716,336
LIABILITIES:				
Deposits held in custody for others	496,393	169,943	50,000	716,336
TOTAL LIABILITIES	496,393	169,943	50,000	716,336
NET ASSETS	\$ -	-	-	-

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, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS:				
Interest in State Treasurer Investment Pool	\$ 184,188	255	(14,500)	169,943
TOTAL ASSETS	<u>\$ 184,188</u>	<u>255</u>	<u>(14,500)</u>	<u>169,943</u>
LIABILITIES:				
Deposits held in custody for others	\$ 184,188	255	(14,500)	169,943
TOTAL LIABILITIES	<u>\$ 184,188</u>	<u>255</u>	<u>(14,500)</u>	<u>169,943</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

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, 2010**

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, 2010**

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 government wide financial statements. 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.

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, 2010**

**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, 2010**

**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 governmental-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, 2010**

**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 – The General Fund 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, 2010**

**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, 2010:

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 2010.

89000 - The ARRA for 2009 funds is used for ARRA projects directly awarded to DCA and any pass-through projects.

Capital Projects Funds - The following capital projects funds, established at the direction of the Department of Finance and Administration, existed at June 30, 2010:

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

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, 2010**

**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.

DCA reports the following major governmental funds:

- 19300 – General Fund
- 26300 – Capital Projects, Laws of 2007

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, 2010**

**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, 2010**

**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, 2010**

**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
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

**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
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

**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, 2010**

**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. INTEREST IN STATE TREASURER INVESTMENT POOL

Investment balances at June 30, 2010, consisted of the following:

Deposits with State Treasurer – governmental activities	\$ 12,600,262
Deposits with State Treasurer – fiduciary balances	473,083
Due to State Treasurer Investment Pool	<u>(781,323)</u>
Total balance	<u>\$ 12,292,022</u>

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

**NOTE 3. INTEREST IN STATE TREASURER INVESTMENT POOL
(CONTINUED)**

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 \$250,000 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 4. CAPITAL ASSETS

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

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

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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>7/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2010</u>
Land	\$ 6,281,393	98,627	-	6,380,020
		-		
Improvements	98,135	475,113	-	573,248
Building & structures	151,106,660	9,352,120	-	160,458,780
Furniture & fixtures	2,553,185	84,213	-	2,637,398
Livestock	23,025	-	-	23,025
Information and technology	4,913,121	98,588	(60,238)	4,951,471
Machinery & equipment	2,193,092	1,236,464	-	3,429,556
Vehicles	1,550,560	(215,736)	-	1,334,824
Service	-	1,065,282	-	1,065,282
Library & museum	3,320,013	14,500	-	3,334,513
Total depreciable assets	<u>165,757,791</u>	<u>12,110,544</u>	<u>(60,238)</u>	<u>177,808,097</u>
Total assets	172,039,184	12,209,171	(60,238)	184,188,117
Accumulated depreciation:				
Improvements	(6,542)	-	6,542	-
Building & structures	(34,248,655)	(4,149,272)	-	(38,397,927)
Furniture & fixtures	(2,208,203)	(140,292)	-	(2,348,495)
Livestock	(21,025)	(1,000)	-	(22,025)
Information and technology	(4,863,573)	-	156	(4,863,417)
Machinery & equipment	(2,188,142)	(245,141)	-	(2,433,283)
Vehicles	(747,437)	(167,032)	-	(914,469)
Library & museum	(709,076)	(661,408)	-	(1,370,484)
Total	<u>(44,992,653)</u>	<u>(5,364,145)</u>	<u>6,698</u>	<u>(50,350,100)</u>
Capital assets, net	<u>\$ 127,046,531</u>	<u>6,845,026</u>	<u>(53,540)</u>	<u>133,838,017</u>

Depreciation expense for fiscal year 2010 is \$5,364,145 and primarily in the Museum Services Program.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 5. COMPENSATED ABSENCES

Qualified employees are entitled to accumulate annual leave as follows: a maximum of 240 hours of such accumulated annual leave may be carried forward into the beginning of the calendar year, and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

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

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

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

Balance			Balance	Current
June 30, 2009	Increase	Decrease	June 30, 2010	Portion
\$ 1,259,663	1,342,919	(1,349,522)	1,253,060	1,253,060

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

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

**NOTE 6. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION**

Plan Description

Substantially all of the 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 benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

DCA Plan members are required to contribute 7.42% of their gross salary. DCA is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the DCA are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. DCA contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$2,950,293, \$3,361,522, and \$3,325,368, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 7. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH
CARE PLAN**

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

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 7. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person’s behalf unless that person retires before the employer’s RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer’s effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

(1)The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 7. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The DCA's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$248,298, \$252,099 and \$125,588, respectively, which equal the required contributions for each year.

NOTE 8. CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS)

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

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

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 9. DUE FROM AND DUE TO OTHER STATE AGENCIES

	19300	Due To				NM Taxation & Revenue
		Dept of Cultural Affairs				
		89000	69100	26300	64700	
Due From						
NM Dept of Transportation	\$ 445,478	-	-	-	-	-
NM State Parks	7,457	-	-	-	-	-
University of NM	4,042	-	-	-	-	-
NM Energy Minerals & Natural Resources	31,373	190,848	-	-	-	-
General Service Division	18,536	-	-	-	-	-
NM State Land Office	3,000	-	-	-	-	-
NM Finance Authority	-	-	526,593	-	-	-
NM Board of Finance	-	-	-	1,923,528	18,097	-
Dept of Cultural Affairs -19300	-	-	-	-	-	17,641
Total	\$ 509,886	190,848	526,593	1,923,528	18,097	17,641

NOTE 10. DUE FROM OTHER FUNDS

	15% Mus Admiss Fund 19400	Due To DCA	
		CIP Fund 26300	Operating Fund 19300
Due From DCA			
Operating Fund 19300	214,259	-	-
CIP Fund 53000	-	43,112	-
CIP Fund 58700	-	-	1,488

NOTE 11. 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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 12. CAPITAL PROJECTS LIFE TO DATE ACTIVITY

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

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

NOTE 13. AFFILIATED FOUNDATIONS

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

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

NOTE 14. COMMITMENTS AND CONTINGENCIES

DCA receives funds from federal and state agencies and re-grants certain portions of these funds to sub-grantees. These funds are subject to audit and adjustment by the granting agencies. Any disallowed amounts resulting from the audits would be required to be refunded. DCA believes that the amounts, if any, that would be refunded by it would not have a material effect on the DCA's financial position at June 30, 2010.

DCA has entered into various leases for land, office equipment and office space as of June 30, 2010. 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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

NOTE 15. LONG-TERM DEBT

At June 30, 2010, 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.

\$ 4,576,815

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.

1,684,843
\$ 6,261,658

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 15. LONG-TERM DEBT (CONTINUED)

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Loan Payable	\$6,631,737	-	(370,079)	6,261,658	628,764

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

	<u>NMFA Loan</u> <u>Agreement</u>	<u>NMFA State</u> <u>Museum Tax</u> <u>Revenue Bonds</u>	<u>Total</u>
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	169,802	459,096	628,898
2016 – 2020	849,188	2,295,968	3,145,156
2021 – 2023	509,688	1,378,055	1,887,743
	2,207,790	5,969,253	8,177,043
Less interest/admin. fee	522,947	1,392,438	1,915,385
	1,684,843	4,576,815	6,261,658
Less current portion	169,765	458,999	628,764
	<u>\$ 1,515,078</u>	<u>4,117,816</u>	<u>5,632,894</u>

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

NOTE 16. DEFICIT FUND EQUITY

There is an unreserved/undesignated deficit fund balance in Laws of 2007 Capital Projects fund of \$446,484. The deficit is attributed to timing of request for reimbursement for capital outlay expenditures. The deficit is expected to be corrected during the fiscal year when request for reimbursements are submitted to the State.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 17. INTER-AGENCY TRANSFERS

Other Financing Uses Transfers In

From NM Department of Transportation, Fund 39401 to DCA/Van of Enchantment, Fund 19300	\$ 116,994
From NM Department of Transportation, Fund 10070 to DCA/Women's Marker, Fund 19300	66,000
From Department of Finance and Admin/Local Gov't, Fund 52900 to DCA/Hispanic Cultural Center, A075450, Fund 26300	25,000
From NM Department of Transportation, Fund 20100 to DCA/Museum of Indian Arts & Culture, Fund 19300	6,680
From NM Department of Transportation, to DCA/St. Monuments Lincoln DVD, Fund 19300	22,351
From NM Energy Minerals and Natural Resources, Agency 52100, Fund 89000 to DCA/Museum of International Folk Art, Fund 89000	<u>200,930</u> <u>\$ 437,955</u>

Other Financing Uses Transfers Out

From Department of Cultural Affairs, Fund 64700 to DFA - Local Government, Fund 52900	\$ 10,000
From Department of Cultural Affairs, Fund 26300 to DFA - Local Government, Fund 52900	25,000
From Department of Cultural Affairs, Fund 69100 to New Mexico Finance Authority 38500	<u>532,639</u> <u>\$ 567,639</u>

NOTE 18. DUE TO STATE GENERAL FUND (REVERSIONS)

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, 2010, were as follows:

Budget year 2010 reversion	\$ 2,201,384
----------------------------	--------------

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
Natural History Foundation / DCA	Share IT resources such as shared files and hardware	DCA	-	11/1/2008	11/30/2010	DCA / Foundation	No Revenue or expenditures involved
Natural History Foundation / DCA	Foundation to administer Grant Funds and Professional Service Contract	DCA / Foundation	-	6/17/2009	6/30/2013	DCA / Foundation	No specific revenue or expenditures mentioned

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2010

	08200 Capital Projects, Laws 2002	19400 15% Museum Admission Funds	53000 Capital Projects, Laws 2006	58700 Capital Projects, Laws 2004	59100 Rural Libraries Development	69100 Capital Projects, Laws 2003	69800 Arts in Public Places Fund	89000 ARRA 2009	25600 Museum Collections Fund	64700 Capital Projects, Laws 2005	Total Nonmajor Funds
ASSETS:											
Interest in State Treasurer Investment Pool	\$ 2,806	-	1,053,825	26,254	-	-	-	-	-	-	1,082,885
Short-term investments	-	409,855	-	-	900	785,025	1,626,285	-	35,588	-	2,857,653
Receivables:											
Local government	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	10,349	-	-	-	10,349
Due from federal government	-	-	-	-	-	-	-	207,591	-	-	207,591
Due from other agencies	-	-	-	-	-	526,593	-	190,848	-	18,097	735,538
Due from other funds	-	214,260	-	-	-	-	-	-	-	-	214,260
Inventory	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	224	-	-	-	-	-	-	224
TOTAL ASSETS	\$ 2,806	624,115	1,053,825	26,478	900	1,311,618	1,636,634	398,439	35,588	18,097	5,108,500
LIABILITIES:											
Accounts payable	\$ -	-	192,857	-	-	363,120	27,684	182,917	-	-	766,578
Accrued payroll	-	-	-	-	-	-	-	4,529	-	-	4,529
Deferred revenue	2,806	-	-	-	-	-	465,169	5,918	-	-	473,893
Due to other state agencies	-	-	-	-	-	-	-	-	-	-	-
Due to State Treasurer Investment Pool	-	-	-	-	-	-	-	33,740	-	-	41,473
Due to other funds	-	-	43,112	1,487	-	-	-	-	-	7,733	44,599
Due to state general fund	-	-	141,632	-	-	-	-	-	-	4,218	145,850
Due to local governments	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	2,806	-	377,601	1,487	-	363,120	492,853	227,104	-	11,951	1,476,922
FUND BALANCES:											
Fund balance (deficit):											
Unreserved - undesignated (deficit)	-	-	-	-	-	-	-	-	-	-	-
Reserved for capital projects	-	624,115	676,224	24,991	900	948,498	1,143,781	171,335	35,588	6,146	3,631,578
TOTAL FUND BALANCES	-	624,115	676,224	24,991	900	948,498	1,143,781	171,335	35,588	6,146	3,631,578
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,806	624,115	1,053,825	26,478	900	1,311,618	1,636,634	398,439	35,588	18,097	5,108,500

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, 2010

	08200 Capital Projects, Laws 2002	19400 15% Museum Admissions Fund	53000 Capital Projects, Laws 2006	58700 Capital Projects	59100 Rural Libraries Development	69100 Capital Projects, Laws 2003	69800 Arts In Public Places	89000 ARRA 2009	25600 Museum Collections Fund	64700 Capital Projects, Laws 2005	Total Nonmajor Funds
REVENUES:											
Grants from other governments	\$ -	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	42,939	-	-	-	-	42,939
Interest revenue	-	-	-	-	-	988	-	-	51	-	1,039
Fees and Services	-	84,911	-	-	-	-	-	-	-	-	84,911
Sales	-	339,947	-	-	-	-	-	-	-	-	339,947
Other state funds	-	-	-	24,991	-	775,636	-	-	-	-	800,627
Federal grants	161,398	-	-	-	-	-	-	409,457	-	-	570,855
Private gifts and grants	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	161,398	424,858	-	24,991	-	819,563	-	409,457	51	-	1,840,318
EXPENDITURES:											
Current:											
Personnel services and employee benefits	-	-	-	-	-	-	-	17,650	-	-	17,650
In-state travel	-	-	-	-	-	-	-	2,343	-	-	2,343
Maintenance and repairs	-	-	5,459	-	-	-	-	-	-	54,300	59,759
Supplies	-	-	1,809	-	-	-	-	124,461	-	-	126,270
Contractual services	-	-	33,544	-	-	-	16,158	70,739	-	83,389	203,830
Operating costs	-	-	-	-	-	-	4,250	30	-	-	4,280
Other costs	-	-	3,400	-	-	-	189,251	223,829	-	-	416,480
Out-of-state travel	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	161,398	-	1,569,799	-	-	-	1,169,326	-	-	872,673	3,773,196
Debt service principal payment	-	-	-	-	-	404,502	-	-	-	-	404,502
Debt service interest payment	-	-	-	-	-	233,588	-	-	-	-	233,588
TOTAL EXPENDITURES:	161,398	-	1,614,011	-	-	638,090	1,378,985	439,052	-	1,010,362	5,241,898
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		424,858	(1,614,011)	24,991	-	181,473	(1,378,985)	(29,595)	51	(1,010,362)	(3,401,580)
OTHER FINANCING SOURCES (USES):											
State General Fund appropriations	-	-	-	-	-	-	-	-	-	-	-
Reversions	-	-	(182,905)	-	-	-	-	-	-	(1,528,044)	(1,710,949)
Bond Proceeds	-	-	266,808	-	-	-	12,000	-	-	1,070,239	1,349,047
Transfers from local governments	-	-	-	-	-	-	1,366,367	-	-	-	1,366,367
Operating transfers in/out	-	-	-	-	-	-	-	-	-	-	-
Interagency transfers in	-	-	-	-	-	-	-	200,930	-	-	200,930
Interagency transfers out	-	-	-	-	-	(532,639)	-	-	-	(10,000)	(542,639)
NET OTHER FINANCING SOURCES (USES)	-	-	83,903	-	-	(532,639)	1,378,367	200,930	-	(467,805)	662,756
NET CHANGE IN FUND BALANCES	-	424,858	(1,530,108)	24,991	-	(351,166)	(618)	171,335	51	(1,478,167)	(2,738,824)
FUND BALANCES, June 30, 2009	-	199,257	2,206,332	-	900	1,299,664	1,144,399	-	35,537	1,484,313	6,370,402
FUND BALANCES, June 30, 2010	\$ -	624,115	676,224	24,991	900	948,498	1,143,781	171,335	35,588	6,146	3,631,578

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
FUND 26300 - CAPITAL PROJECTS, LAWS OF 2007
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fund balance	\$ -	-	-	-
State General Fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Other financing sources	-	-	-	-
Bond proceeds	8,155,986	8,155,986	8,155,986	-
Reversion	-	-	(4,140,849)	(4,140,849)
TOTAL REVENUES	\$ 8,155,986	8,155,986	4,015,137	(4,140,849)
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	613,230	613,230	613,230	-
Other operating costs	8,227,538	8,227,538	8,227,538	-
Other financing uses	-	-	-	-
Operating transfers	-	-	-	-
TOTAL EXPENDITURES	\$ 8,840,768	8,840,768	8,840,768	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (684,782)	(684,782)	(4,825,631)	(4,140,849)
CASH BALANCE CARRYFORWARD	(684,782)	(684,782)		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ (4,825,631)	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 22,401,000	22,343,200	22,343,200	-
Other Services	47,200	47,200	3,089,364	3,042,164
Federal grants	-	-	89,360	89,360
Intra-state transfers	-	-	-	-
Miscellaneous	3,618,400	3,618,400	-	(3,618,400)
Private gifts and grants	443,400	443,400	250,349	(193,051)
Other financing sources	255,000	255,000	210,537	(44,463)
Reversions	-	-	-	-
TOTAL REVENUES	\$ 26,765,000	26,707,200	25,982,810	(724,390)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 18,507,400	18,507,400	17,595,381	912,019
Contractual services	1,785,000	1,785,000	1,714,041	70,959
Other operating costs	6,809,100	6,809,100	5,480,833	1,328,267
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ 27,101,500	27,101,500	24,790,255	2,311,245
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (336,500)	(394,300)	\$ 1,192,555	(3,035,635)
CASH BALANCE CARRYFORWARD	(336,500)	(394,300)		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ 1,192,555	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 925,000	919,800	919,800	-
Other Services	1,388,300	1,388,300	2,280,276	891,976
Federal grants	943,600	943,600	889,855	(53,745)
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	-	-
Other financing sources	1,812,000	1,812,000	-	(1,812,000)
Reversions	-	-	-	-
TOTAL REVENUES	\$ 5,068,900	5,063,700	4,089,931	(973,769)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 4,222,300	4,222,300	3,364,199	858,101
Contractual services	431,296	431,296	204,484	226,812
Other operating costs	564,800	564,800	400,812	163,988
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ 5,218,396	5,218,396	3,969,495	1,248,901
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (149,496)	(154,696)	\$ 120,436	(2,222,670)
CASH BALANCE CARRYFORWARD	(149,496)	(154,696)		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ 120,436	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 4,342,900	4,341,100	4,341,100	-
Other Services	-	-	275	275
Federal grants	1,782,000	1,782,000	990,964	(791,036)
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	35,000	35,000	31,079	(3,921)
Other financing sources	-	-	-	-
Reversions	-	-	-	-
TOTAL REVENUES	\$ 6,159,900	6,158,100	5,363,418	(794,682)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 2,958,000	2,958,000	2,684,293	273,707
Contractual services	1,153,300	1,153,300	1,131,764	21,536
Other operating costs	2,046,800	2,046,800	1,332,902	713,898
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ 6,158,100	6,158,100	5,148,959	1,009,141
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ 1,800	-	\$ 214,459	(1,803,823)
CASH BALANCE CARRYFORWARD	1,800	-		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ 214,459	

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
General Fund appropriations	\$ 4,060,900	4,060,200	4,060,200	-
Other Services	167,900	167,900	175,107	7,207
Federal grants	-	-	-	-
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	-	-
Other financing sources	-	-	-	-
Reversions	-	-	-	-
TOTAL REVENUES	\$ 4,228,800	4,228,100	4,235,307	7,207
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 3,417,700	3,417,700	3,283,371	134,329
Contractual services	463,900	463,900	350,070	113,830
Other operating costs	346,500	346,500	248,287	98,213
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ 4,228,100	4,228,100	3,881,728	346,372
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ 700	-	\$ 353,579	(339,165)
CASH BALANCE CARRYFORWARD	700	-		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ 353,579	

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
General Fund appropriations	\$ 1,958,600	1,958,200	1,958,200	-
Other Services	-	-	-	-
Federal grants	553,100	553,100	871,700	318,600
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	-	-
Other financing sources	-	-	1,488	1,488
Reversions	-	-	-	-
TOTAL REVENUES	\$ 2,511,700	2,511,300	2,831,388	320,088
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 1,012,200	1,012,200	987,817	24,383
Contractual services	1,536,214	1,536,214	1,417,450	118,764
Other operating costs	256,733	256,733	162,416	94,317
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	2,805,147	2,805,147	2,567,683	237,464
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	(293,447)	(293,847)	\$ 263,705	82,624
CASH BALANCE CARRYFORWARD	(293,447)	(293,847)		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ 263,705	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
NON-MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL
Year Ended June 30, 2010

FUND 08200 - CAPITAL PROJECTS, LAWS OF 2002				
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State General Fund appropriations	\$ -	-	-	-
Other state funds	-	-	-	-
Federal grants	161,398	161,398	161,398	-
Private gifts and grants	-	-	-	-
Bond proceeds	-	-	-	-
Reversions	-	-	-	-
TOTAL REVENUES	\$ 161,398	161,398	161,398	-
EXPENDITURES - current:				
Personnel services and benefits	-	-	-	-
Other operating costs	161,398	161,398	161,398	-
Capital outlay	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 161,398	161,398	161,398	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ -	-	\$ -	-
CASH BALANCE CARRYFORWARD	-	-		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ -	

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, 2010

FUND 58700 - CAPITAL PROJECTS, LAWS OF 2004				
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fund balance Bond proceeds	\$ -	-	-	-
Other financing sources	-	-	24,991	24,991
Reversions	-	-	-	-
TOTAL REVENUES	\$ -	-	24,991	24,991
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other operating costs	-	-	-	-
Capital outlay	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ -	-	24,991	24,991
CASH BALANCE CARRYFORWARD	-	-		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ 24,991	

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, 2010

FUND 53000 - CAPITAL PROJECTS, LAWS OF 2006				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fund balance	\$ 1,293,803	1,293,803	-	(1,293,803)
State General Fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	266,808	266,808	266,808	-
Reversions	-	-	(182,905)	(182,905)
Other financing sources	-	-	-	-
TOTAL REVENUES	\$ 1,560,611	1,560,611	83,903	(1,476,708)
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	35,244	35,244	33,544	1,700
Capital outlay	1,569,799	1,569,799	1,569,799	-
Other operating costs	10,668	10,668	10,668	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 1,615,711	1,615,711	1,614,011	1,700
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (55,100)	(55,100)	(1,530,108)	(1,475,008)
CASH BALANCE CARRYFORWARD	(55,100)	(55,100)		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ (1,530,108)	

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, 2010

FUND 19400 - 15% STATE MUSEUM ADMISSIONS				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State General Fund appropriations	\$ -	-	-	-
Admissions	328,400	328,400	424,858	96,458
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	-	-	-	-
Building rental or lease	60,200	60,200	-	(60,200)
TOTAL REVENUES	\$ 388,600	388,600	424,858	36,258
EXPENDITURES - current:				
Personnel services and benefits	\$ 388,600	388,600	-	388,600
Contractual services	-	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 388,600	388,600	-	388,600
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ -	-	424,858	424,858
CASH BALANCE CARRYFORWARD	-	-		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ 424,858	

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, 2010

	FUND 69100 - CAPITAL PROJECTS, LAWS OF 2003			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fund balance	\$ -	-	-	-
Other state funds	819,563	819,563	819,563	-
Other financing sources	(532,639)	(532,639)	(532,639)	-
TOTAL REVENUES	\$ 286,924	286,924	286,924	-
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other costs	-	-	-	-
Capital outlay	-	-	-	-
Debt service payments	638,090	638,090	638,090	-
TOTAL EXPENDITURES	\$ 638,090	638,090	638,090	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (351,166)	(351,166)	(351,166)	-
CASH BALANCE CARRYFORWARD	(351,166)	(351,166)		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ (351,166)	

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, 2010

FUND 69800 - 1% ART IN PUBLIC PLACES				
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fund balance	\$ -	-	-	-
Bond Proceeds	-	-	12,000	12,000
Other state funds	-	-	1,366,367	1,366,367
Federal grants	-	-	-	-
Other financing sources (uses)	-	-	-	-
Cash balance rebudgeted	-	-	-	-
TOTAL REVENUES	\$ -	-	1,378,367	1,378,367
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	2,119,001	3,692,600	16,158	3,676,442
Other costs	3,895,049	5,651,752	1,362,827	4,288,925
Capital outlay	-	-	-	-
Other financing sources (uses)	-	-	-	-
TOTAL EXPENDITURES	\$ 6,014,050	9,344,352	1,378,985	7,965,367
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ (6,014,050)	(9,344,352)	(618)	9,343,734
CASH BALANCE CARRYFORWARD	(6,014,050)	(9,344,352)		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ (618)	

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, 2010

	FUND 89000 - ARRA of 2009			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fund balance	\$ -	-	-	-
Bond Proceeds	-	-	-	-
Other state funds	-	-	-	-
Federal grants	2,254,488	2,254,488	409,457	(1,845,031)
Other financing sources (uses)	-	-	-	-
Reversions	-	-	200,930	200,930
TOTAL REVENUES	\$ 2,254,488	2,254,488	610,387	(1,644,101)
EXPENDITURES - current:				
Personal services	202,050	202,050	-	202,050
Contractual services	1,401,929	1,401,929	70,739	1,331,190
Other costs	\$ 650,509	650,509	368,313	282,196
Other financing sources (uses)	-	-	-	-
TOTAL EXPENDITURES	\$ 2,254,488	2,254,488	439,052	1,815,436
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ -	-	171,335	171,335
CASH BALANCE CARRYFORWARD	-	-		
	\$ -	-		
EXCESS REVENUE OVER EXPENSE			\$ 171,335	

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, 2010

	FUND 25600 - MUSEUM COLLECTIONS FUND			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fund Balance	\$ -	-	-	-
Other state funds	-	-	51	51
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	-	-	-	-
Other revenue	-	-	-	-
TOTAL REVENUES	\$ -	-	51	51
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET	\$ -	-	51	51
CASH BALANCE CARRYFORWARD	-	-		

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, 2010

FUND 64700 - CAPITAL PROJECTS, LAWS OF 2005				
	<u>Budgeted Amounts</u>		Actual Amounts	Variance From Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES:				
Fund balance	\$ -	-	-	-
General Fund appropriations	-	-	-	-
Bond proceeds	1,070,239	-	1,070,239	1,070,239
Other	-	-	-	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Reversion	-	-	(1,528,044)	(1,528,044)
Cash balance rebudgeted	-	-	-	-
TOTAL REVENUES	\$ 1,070,239	-	(457,805)	(457,805)
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	83,389	83,389	83,389	-
Capital outlay	872,673	872,673	872,673	-
Other costs	54,300	54,300	54,300	-
Other financing uses	10,000	10,000	10,000	-
TOTAL EXPENDITURES	\$ 1,020,362	1,020,362	1,020,362	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET				
	\$ 49,877	(1,020,362)	<u>(1,478,167)</u>	<u>(457,805)</u>
CASH BALANCE CARRYFORWARD	<u>49,877</u>	<u>(1,020,362)</u>		
	<u>\$ -</u>	<u>-</u>		
EXCESS REVENUE OVER EXPENSE			\$ <u>(1,478,167)</u>	

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SUPPLEMENTAL SCHEDULE OF INTEREST AT STATE TREASURER INVESTMENT POOL
As of June 30, 2010

<u>Name of Depository</u>	<u>Account Name</u>	<u>Fund Type</u>	<u>Type of Account</u>	<u>Interest Bearing</u>	<u>Reconciled Balance at June 30, 2010</u>
General Fund					
State Treasurer	General Operating Account (Fund 19300)	General	State Treasurer	No	\$ 8,659,724
Special Revenue					
State Treasurer	Museum Admissions Fund (Fund 19400)	Special Revenue	State Treasurer	No	409,855
State Treasurer	Museum Collections Fund (Fund 25600)	Special Revenue	State Treasurer	No	<u>35,588</u>
					445,443
Capital Projects Fund					
State Treasurer	Capital Projects, Laws 2006 (Fund 64700)	Capital Projects	State Treasurer	No	-
State Treasurer	Arts in Public Places Fund (Fund 69800)	Capital Projects	State Treasurer	No	1,626,285
State Treasurer	Capital Projects, Laws 2006 (Fund 53000)	Capital Projects	State Treasurer	No	1,053,825
State Treasurer	Capital Projects, Laws 2007 (Fund 26300)	Capital Projects	State Treasurer	No	-
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	900
State Treasurer	Capital Projects, Laws 2003 (Fund 69100)	Capital Projects	State Treasurer	No	785,025
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	26,254
State Treasurer	Capital Projects, Laws 2002 (Fund 08200)	Capital Projects	State Treasurer	No	<u>2,806</u>
					<u>3,495,095</u>
					Total Governmental Funds
					<u>12,600,262</u>
Fiduciary Funds					
State Treasurer	Bartlett Trust Fund (Fund 61200)	Nonexpend. Trust	State Treasurer	Yes	169,943
State Treasurer	Historic Preservation Revolving Loan Fund (Fund 59300)	Agency	State Treasurer	No	253,140
State Treasurer	Main Street Revolving Loan Fund (Fund 20070)	Agency	State Treasurer	No	<u>50,000</u>
					<u>473,083</u>
Total Interest in State Treasurer Investment Pool					\$ 13,073,345
Due to State Treasurer Investment Pool					
State Treasurer	Capital Projects, Laws 2007 (Fund 26300)	Capital Projects	State Treasurer	No	\$ 739,850
State Treasurer	Capital Projects, Laws 2005 (Fund 64700)	Capital Projects	State Treasurer	No	7,733
State Treasurer	ARRA (Fund 89000)	Special Revenue	State Treasurer	No	<u>33,740</u>
					<u>\$ 781,323</u>

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF GENERAL FUND - SPECIAL APPROPRIATIONS
As of June 30, 2010

	Current Year Revenue	Amount Appropriated	Current Year Expenditures	House Bill 10 Cut	Project to Date Expenditures	Unexpended Portion
General Fund Special Appropriation, Fund 19300						
Laws of 2009,						
Ch. 124 Sec. 5 #031-032						
NM Centennial	\$ -	400,000	399,765	-	-	235
Los Luceros Master Plan	-	100,000	100,000	-	-	-
Total	-	500,000	499,765	-	-	235

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF CAPITAL PROJECT FUNDS - SEVERANCE TAX AND GENERAL OBLIGATION BONDS
As of June 30, 2010

	Current Year Revenue	Amount Appropriated	Current Year Expenditures	Current Year Encumbrances	Reversions	Legislative Reversions SB182	Unexpended Portion	Subtotal	Difference
General Fund									
Laws of 2005, Chapter 347/Expires June 30, 2010 - Fund 647									
Appropriation Period FY07-FY10									
Museum of Natural History Construction		10,000	10,000	-	-	-	-	10,000	-
*Natural History Purchase Land & Bld adjacent to Mus		904,243	904,243	-	-	-	-	904,243	-
*National Hispanic Cultural Center Equipment Ed Bldg		1,005,000	1,005,000	-	-	-	-	1,005,000	-
National Hispanic Cultural Center Equipment		65,000	64,201	-	-	799	-	65,000	-
NM Farm & Ranch Construction		70,000	69,982	-	-	18	-	70,000	-
*State Monuments Purchase Tractor Ft. Selden		10,000	10,000	-	-	-	-	10,000	-
*Farm & Ranch Upgrade Exhibit Printer		12,000	12,000	-	-	-	-	12,000	-
*State Monuments Construction		80,000	79,564	-	100	336	-	80,000	-
*NM ARTS Improvements to AIPP Perm Collection		75,000	75,000	-	-	-	-	75,000	-
*Spanish Colonial Art Exhibits		75,000	75,000	-	-	-	-	75,000	-
*Center for Contemporary Arts Infrastructure Improve		45,000	45,000	-	-	-	-	45,000	-
*NM Archaeology Center Plan, Design & Construct		3,000,000	1,500,000	-	-	1,500,000	-	3,000,000	-
*NM ARTS Improvements to AIPP Perm Collection		35,000	35,000	-	-	-	-	35,000	-
DCA Facilities Renovations & Repairs		1,000,000	991,153	-	2,545	6,302	-	1,000,000	-
Space History Museum Renovations		100,000	92,394	-	1,451	6,155	-	100,000	-
*NM Archaeology Center Plan, Design & Construct		100,000	99,999	-	1	-	-	100,000	-
Children's Museum Construction		50,000	49,880	-	120	120	-	50,120	(120)
SF Performing Arts Construction		20,000	16,011	-	-	3,989	-	20,000	-
State Monuments El Camino Renovations		25,000	18,893	-	-	6,107	-	25,000	-
*State Library purchase & equip bookmobile		75,000	75,000	-	-	-	-	75,000	-
State Library Equip (Exp 6/30/08)		170,000	169,980	-	20	-	-	170,000	-
*State Library purchase bookmobile (Exp 6/30/08)		10,000	10,000	-	-	-	-	10,000	-
*State Library purchase bookmobile (Exp 6/30/08)		50,000	50,000	-	-	-	-	50,000	-
Total		6,986,243	5,458,300	-	4,237	1,523,826	-	6,986,363	(120)
Laws of 2006, Chapter 111/Expires June 30, 2010 & 2011 - Fund 530									
Appropriation Period FY07-FY10									
OAS Construction		1,300,000	400,000	-	-	900,000	-	1,300,000	-
*National Hispanic Cultural Center Ed Bldg Construction		1,130,000	1,130,000	-	-	-	-	1,130,000	-
*Atrisco Tricentennial Display (Exp 6/30/08)		10,000	9,983	-	17	-	-	10,000	-
Museum of Natural History Construction		295,000	289,686	-	5,314	-	-	295,000	-
*Natural History Purchase a Tyrannosaurus Skeleton		50,000	50,000	-	-	-	-	50,000	-
Museum of Natural History Construction		250,000	236,083	-	13,917	-	-	250,000	-
Bosque Redondo Construction		200,000	198,930	-	1,070	1,070	-	201,070	(1,070)
*Bosque Redondo Plan, Design, & Improve		250,000	250,000	-	-	-	-	250,000	-
*Farm & Ranch Interpretive Exhibits		40,000	40,000	-	-	-	-	40,000	-
State Monuments Ft. Selden Equipment (Exp 6/30/08)		50,000	50,000	-	-	-	-	50,000	-
*Farm & Ranch Gallery Renovations		50,000	50,000	-	-	-	-	50,000	-
Space History Museum Construction		185,000	173,437	-	1,974	9,589	-	185,000	-
*Spanish Colonial Exhibit Upgrades		25,000	25,000	-	-	-	-	25,000	-
*History Mus/POG Fray Angelico Chavez Exhibit		30,000	30,000	-	-	-	-	30,000	-
MOIFA Plan, design & construct		75,000	74,808	-	-	192	-	75,000	-
NM History Museum Construction		5,500,000	5,499,940	-	60	60	-	5,500,060	(60)
DCA Facilities Renovations & Repairs		2,000,000	1,850,342	-	119,298	30,361	-	2,000,001	(1)
*National Hispanic Cultural Center Energy Mgt System		18,000	18,000	-	-	-	-	18,000	-
*MIAC Energy Mgt System (Exp 6/30/07)		31,000	30,994	-	6	-	-	31,000	-
Total		11,489,000	10,407,203	-	141,656	941,272	-	11,490,131	(1,131)
Laws of 2007, Chapter 42/Expires June 30, 2011 - Fund 263									
Appropriation Period FY08-FY11									
*National Hispanic Cultural Center Fresco Painting		100,000	100,000	-	-	-	-	100,000	-
St. Monuments Renovations		96,000	93,891	-	-	2,109	-	96,000	-
*MOIFA Renovations		100,000	100,000	-	-	-	-	100,000	-
OAS Construction		50,000	48,214	1,786	-	-	-	50,000	-
*Children's Museum Improvements		50,000	50,000	-	-	-	-	50,000	-
State Monuments Construction		50,000	49,999	-	-	-	1	50,000	-
St. Monuments Plan & Design		25,000	1,410	-	-	23,590	-	25,000	-
Fine Art Plan & Design		75,000	60,062	12,163	-	-	2,775	75,000	-
State Library Bookmobile Purchase		434,000	431,446	-	-	2,554	-	434,000	-
Arts Restoration		25,000	17,883	7,117	-	-	-	25,000	-
National Hispanic Campus Improvements		25,000	-	-	-	25,000	-	25,000	-
Albuquerque Bilingual Equipment		25,000	-	-	-	-	-	-	25,000
*National Hispanic Cultural Center Fresco Painting		427,500	427,500	-	-	-	-	427,500	-
*National Hispanic Cultural Center Ed Building		425,000	425,000	-	-	-	-	425,000	-
Museum of Natural History Construction		399,285	399,285	-	-	-	-	399,285	-
*Farm & Ranch Plan Design Construct Beef Barns		80,000	80,000	-	-	-	-	80,000	-
NM Farm & Ranch Construction		125,000	-	-	-	125,000	-	125,000	-
*Farm & Ranch Plan Design Construct Green House		141,900	141,900	-	-	-	-	141,900	-
NM Farm & Ranch Kiosks		80,000	79,441	34	-	525	-	80,000	-
Space History Museum Construction		100,000	87,112	1,703	-	11,185	-	100,000	-

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF CAPITAL PROJECT FUNDS - SEVERANCE TAX AND GENERAL OBLIGATION BONDS
As of June 30, 2010

	Current Year Revenue	Amount Appropriated	Current Year Expenditures	Current Year Encumbrances	Reversions	Legislative Reversions SB182	Unexpended Portion	Subtotal	Difference
Opera Rehearsal Construction		745,000	107,450	-	-	637,550	-	745,000	-
*MOIFA Art Market, equip office (Exp 6/30/09)		45,000	44,992	-	8	-	-	45,000	-
*History Museum/POG Angelico Exhibit		70,000	70,000	-	-	-	-	70,000	-
MOIFA Plan, Design, Construct Girard Wing		50,000	40,544	7,489	-	1,967	-	50,000	-
*History Museum Traditional Northern NM Collection		3,000,000	3,000,000	-	-	-	-	3,000,000	-
SF Bataan Art Complex Renovation		50,000	-	-	-	-	50,000	50,000	-
SF Children's Museum Construction		150,000	105,065	44,935	-	-	-	150,000	-
State Monuments El Camino Improvements		25,000	-	-	-	-	-	-	25,000
Taos County Construction		25,000	-	-	-	25,000	-	25,000	-
State Library Improvements		25,000	13,202	-	-	11,798	-	25,000	-
Total		7,018,685	5,974,396	75,227	8	866,278	52,776	6,968,685	50,000

Laws 2008, Chapter 92/Expires June 30, 2012 - Fund 263
Appropriation Period FY09-FY12

NM Farm & Ranch Renovate		50,000	7,500	42,500	-	-	-	50,000	-
NM Farm & Ranch Renovate		95,000	94,474	-	-	526	-	95,000	-
State Monuments Acquisitions		50,000	-	-	-	50,000	-	50,000	-
Isleta Pueblo Acquisitions		10,000	-	-	-	10,000	-	10,000	-
NM St. Library Improve Building		45,000	-	-	-	45,000	-	45,000	-
*St Opera Construction		680,000	75,000	-	-	605,000	-	680,000	-
Children's Museum Expansion		243,000	118,148	84,412	-	-	40,440	243,000	-
DCA Digital Archive Project		35,000	-	-	-	35,000	-	35,000	-
Total		1,208,000	295,122	126,912	-	745,526	40,440	1,208,000	-
Total General Fund		26,701,928	22,135,021	202,139	145,901	4,076,902	93,216	26,653,179	48,749

Severance Tax Bonds

Laws of 2005, Chapter 347/Expires June 30, 2010 - Fund 647
Appropriation Period FY07-FY10

*National Hispanic Cultural Center Plan, Design, Equip Improvements		1,000,000	1,000,000	-	-	-	-	1,000,000	-
*Natural History Purchase Land for Building Adjacent to Mus		175,000	175,000	-	-	-	-	175,000	-
State Monuments Restoration Equip Purchase		40,000	39,776	-	-	-	224	40,000	-
State Monuments Lincoln Construction		90,099	73,033	410	-	16,656	-	90,099	-
State Monuments Lincoln Renovation		110,000	94,743	-	-	15,257	-	110,000	-
Museum Services Pathways		75,000	73,336	485	-	1,179	-	75,000	-
Children's Museum Construction		50,000	49,909	-	-	91	-	50,000	-
National Hispanic Cultural Center Construction		300,000	300,000	-	-	-	-	300,000	-
Museum Services Udall Center Grounds		50,000	49,906	-	-	94	-	50,000	-
Total		1,890,099	1,855,703	895	0	33,277	224	1,890,099	0

Laws of 2006, Chapter 111/Expires June 30, 2010 - Fund 530
Appropriation Period FY07-FY10

National Hispanic Cultural Center Plan, design		150,000	150,000	-	-	-	-	150,000	-
Museum of Natural History Educ. Center Construction		250,000	250,000	-	-	-	-	250,000	-
Museum of Natural History Facilities Construction		50,000	50,000	-	-	-	-	50,000	-
*Farm & Ranch Plan, Design & Const Interpretive Exhibits		50,000	50,000	-	-	-	-	50,000	-
Space History Plan, Design & Equip Renovation		103,000	52,610	50,389	-	-	1	103,000	-
Total		603,000	552,610	50,389	0	0	1	603,000	0
Subtotal Severance Tax Bonds		2,493,099	2,408,313	51,284	0	33,277	225	2,493,099	0

General Obligation Bonds

Laws of 2006, Chapter 108/Expires June 30, 2010 - Fund 263
Appropriation Period FY07-FY10

State Library Acquisitions		3,000,000	2,999,876	74	-	-	50	3,000,000	-
Subtotal General Obligation Bonds		3,000,000	2,999,876	74	0	0	50	3,000,000	0

Severance Tax Bonds

Laws of 2007, Chapter 42/Expires June 30, 2011 - Fund 263
Appropriation Period FY08-FY11

National Hispanic Cultural Center Ed Bldg Construction		250,000	247,144	193	-	2,663	-	250,000	-
Farm & Ranch Outdoor Exhibits Construction		1,000,000	999,511	-	-	489	-	1,000,000	-
Museum & Monuments Renovations & ADA Compliance Statewide		2,200,000	2,152,984	47,016	-	-	-	2,200,000	-
Veteran & Military Museum in Las Cruces		1,210,000	197,461	-	-	-	1,012,539	1,210,000	-
Total		4,660,000	3,597,100	47,209	0	3,152	1,012,539	4,660,000	0

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF CAPITAL PROJECT FUNDS - SEVERANCE TAX AND GENERAL OBLIGATION BONDS
As of June 30, 2010

	Current Year Revenue	Current Year Amount Appropriated	Current Year Expenditures	Current Year Encumbrances	Reversions	Legislative Reversions SB182	Unexpended Portion	Subtotal	Difference
Laws 2008, Chapter 92/Expires June 30, 2012									
Appropriation Period FY09-FY12									
Natural History & Science Construction		1,730,000	280,833	1,431,866	-	17,301	-	1,730,000	-
National Hispanic Cultural Center Construction		370,000	364,815	-	-	5,185	-	370,000	-
*National Hispanic Cultural Center Equip and Furnish		200,000	200,000	-	-	-	-	200,000	-
*National Hispanic Cultural Center Fresco Painting		285,000	285,000	-	-	-	-	285,000	-
Veterans Museum Plan, Design		260,000	2,600	122,868	-	-	134,532	260,000	-
Farm & Ranch Construction		1,500,000	1,255,190	233,039	-	10,265	1,506	1,500,000	-
OAS Plan, Design Construct		1,500,000	1,443,395	56,605	-	-	-	1,500,000	-
Museum of International Folk Art Renovations		600,000	598,920	1,080	-	-	-	600,000	-
NM History Museum Furnish Equip		600,000	592,879	6,970	-	-	151	600,000	-
DCA/Mus-Monuments Renovations & Repairs		2,000,000	1,932,161	8,602	-	-	59,237	2,000,000	-
*Van of Enchantment Purchase		179,000	179,000	-	-	-	-	179,000	-
Total		9,224,000	7,134,793	1,861,030	0	32,751	195,426	9,224,000	0
Subtotal Severance Tax Bonds		13,884,000	10,731,893	1,908,239	0	35,903	1,207,965	13,884,000	0
General Obligation Bonds									
Laws 2008, Chapter 80/Expires June 30, 2012									
Appropriation Period FY09-FY12									
Statewide Library books, equipment & library resources acquisitions		3,000,000	685,906	-	-	-	2,314,094	3,000,000	-
Statewide Tribal Library books, equipment & library resources acquisitions		2,000,000	115,543	-	-	-	1,884,457	2,000,000	-
Subtotal General Obligation Bonds		5,000,000	801,449	0	0	0	4,198,551	5,000,000	0
Severance Tax Bonds									
Laws 2009, Chapter 125/Expires June 30, 2012 & 2013									
Appropriation Period FY10-FY13									
Museum of Natural History Construction		500,000	314,748	185,252	-	-	-	500,000	-
State Monuments Exhibits		563,000	-	-	-	-	563,000	563,000	-
Farm & Ranch Construction		1,800,000	26,837	1,773,163	-	-	-	1,800,000	-
OAS Infrastructure		500,000	162,845	317,655	-	-	19,500	500,000	-
NM History Museum FFE		375,000	374,343	472	-	-	185	375,000	-
DCA/Mus-Mon Statewide renovations		1,000,000	725,607	171,118	-	-	103,275	1,000,000	-
Total		4,738,000	1,604,380	2,447,660	0	0	685,960	4,738,000	0
Laws of 2009, Ch. 7 Sec. 3 #10/Expires June 30, 2013									
NM Farm & Ranch Courtyard Cover		125,000	-	-	125,000	-	-	125,000	-
Laws of 2009, Ch. 7 Sec. 3 #11/Expires June 30, 2013									
OAS Repository		1,500,000	1,302,887	-	197,113	-	-	1,500,000	-
Laws of 2009, Ch. 7 Sec. 3 # 12/Expires June 30, 2013									
OAS Construction		900,000	849,059	-	50,941	-	-	900,000	-
Subtotal Severance Tax Bonds		7,263,000	3,756,326	2,447,660	373,054	-	685,960	7,263,000	-
Total Severance Tax		23,640,099	16,896,532	4,407,183	373,054	69,180	1,894,150	23,640,099	-
Total General Obligations Bonds		8,000,000	3,801,325	74	-	-	4,198,601	8,000,000	-

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
As of June 30, 2010

Agency Fund 59300

	<u>Balance</u> <u>6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2010</u>
ASSETS:				
Interest in State Treasurer Investment Pool	\$ 246,091	16,616	(9,567)	253,140
Loans receivable	240,466	8,170	(12,228)	236,408
TOTAL ASSETS	<u>\$ 486,557</u>	<u>24,786</u>	<u>(21,795)</u>	<u>489,548</u>
LIABILITIES:				
Deposits held in custody for others	\$ 486,557	24,786	(21,795)	489,548
TOTAL LIABILITIES	<u>\$ 486,557</u>	<u>24,786</u>	<u>(21,795)</u>	<u>489,548</u>

Agency Fund 20070

ASSETS:				
Interest in State Treasurer Investment Pool	\$ 50,000	-	-	50,000
TOTAL ASSETS	<u>\$ 50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
LIABILITIES:				
Deposits held in custody for others	\$ 50,000	-	-	50,000
TOTAL LIABILITIES	<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, 2010

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. Department of the Interior:		
National Park Service		
Historic Preservation Fund Grants	15.904	\$ 650,312
Bureau of Land Management Monuments P.L.94-579, Sec 307(b)	15.XXX	161,398
Total U.S. Department of the Interior		811,710
U.S. Department of Commerce:		
ARRA-SBA Fast Forward New Mexico	11.557	199,157
U.S. Department of Energy:		
Pass-through the State of New Mexico ARRA-Energy Upgrade Project	81.041	10,082
U.S. Department of Housing and Urban Development:		
EDI Special Project Award #B-09-SP-NM-0335	14.251	190,000
Institutie of Museum and Library Services		
Library Services and Technology Act (LSTA)	45.31	1,023,514
National Endowment for the Arts		
NEA Partnership Grant #09-6100-2012	45.025	617,015
NEA Partnership Grant #08-6100-2057	45.025	53,600
ARRA-Preserve Jobs #09-6188-2071	45.025	211,151
Total National Endowment for the Arts		881,766
Total Federal Expenditures		\$ 3,116,229

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 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, 2010, and have issued our report thereon dated December 14, 2010. 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, 2010. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material

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

weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, as items 04-02, 08-02, and 08-09.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as items, 08-01, 08-03, 08-05, 08-06, 08-07, 08-13, 09-03, 09-04, 10-01, and 10-02.

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, an accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items, 07-06, 08-06, 08-09, 09-03, and 10-02.

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 also noted additional matters that are required to be reported under *Government Auditing Standards*, January 2008 Revision paragraphs 5.14 and 5.16 and Section 12-6-5, NMSA 1978 that are described in the accompanying schedule of findings and questions costs as item 10-03 and 10-04.

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.

Mess Adams LLP

Albuquerque, New Mexico
December 14, 2010

**Report on Compliance With Requirements
that Could Have a Direct and Material Affect on
Each Major Program and on 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 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 07-06, 08-05, 08-06, 08-07, 08-09, 08-13, 09-03, 10-01 and 10-02 in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding allowable costs, period of availability, cash management, reporting, matching and subrecipient monitoring that are applicable to its Historic Preservation Fund Grants In-Aid, Promotion of Arts Partnership Agreements, and New Mexico History Museum programs. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to those programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the Department did not comply in all material respects, with the requirements referred to above that could have a direct material effect on its Historic Preservation Fund Grants In-Aid, Promotion of Arts Partnership Agreements, and New Mexico History Museum programs.

Internal Control Over Compliance

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

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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in accompanying schedule of findings and questioned costs as item 08-09 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in accompanying schedule of findings and questioned costs as items 08-05, 08-06, 08-07, 08-13, 09-03, 09-04, 10-01 and 10-02 to be significant deficiencies.

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.

Mess Adams LLP

Albuquerque, New Mexico
December 14, 2010

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010**

04-02 Capital Assets Additions and Deletions	Updated and Included
07-05 Activities/Costs Allowed	Resolved
07-06 Cash Management	Repeated
07-07 Reporting Deficiencies	Resolved
07-08 Davis Bacon Monitoring	Resolved
08-01 Cash Receipts Internal Controls	Resolved
08-02 Financial Close & Reporting	Repeated
08-03 Annual Leave Tracking	Repeated
08-05 Allowable Costs – HPD	Repeated
08-06 Matching Requirement – HPD	Repeated
08-07 Period of Availability – HPD	Repeated
08-09 Internal Controls Payroll	Updated and Included
08-10 Cash Management – ARTS	Resolved
08-12 Cash Management – ARTS	Resolved
08-13 Period of Availability – ARTS	Repeated
08-14 Subrecipient Monitoring – ARTS	Resolved
09-01 Travel Reimbursement	Resolved
09-02 Services provided without signed contract	Resolved
09-03 Reporting-ARTS	Repeated
09-04 SEFA Preparation	Repeated

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

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 510(a) of Circular A-133? X Yes No

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
15.904	Historical Preservation Fund Grants-In-Aid
45.025	Promotion of Arts Partnership Agreements
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 (CONTINUED)
Year Ended June 30, 2010**

B. FINANCIAL STATEMENT AUDIT - FINDINGS

**04-02 Capital Assets - Lack of Adequate Policies and Procedures
Material Weakness**

CONDITION

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. Certain corrections needed to be to the capital asset rollforward balances provided by the DCA such as agreeing prior year balances to prior year audited financial statement and adjusting reclass and adjustment column in order to net out to zero. Reconciliations between capital asset listing, trial balance and rollforward were not performed until auditor's requested this.

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

The fixed asset coordinator was still getting familiar with accounting software and accounting standards. Entering and reconciliations of capital assets was performed five months after year end.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

B. FINANCIAL STATEMENT AUDIT – FINDINGS (CONTINUED)

**04-02 Capital Assets - Lack of Adequate Policies and Procedures
Material Weakness (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 accepts recommendations and will implement procedures in order to address the recommendations.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

B. FINANCIAL STATEMENT AUDIT – FINDINGS (CONTINUED)

**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.

EFFECT

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

CAUSE

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

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

DCA management will reconcile the deposit log and bank statement to the general ledger to ensure the segregation of duties.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

B. FINANCIAL STATEMENT AUDIT – FINDINGS (CONTINUED)

**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 37 journal entries of which 32 were provided by DCA after final trial balance was provided. Due to/from, receivable and deferred revenue balances were being reconciled throughout the duration of the audit.

CRITERIA

Sound internal controls include procedures to ensure financial closing and reporting process 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 by 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 accepts recommendations and will implement procedures in order to address the recommendations.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

B. FINANCIAL STATEMENT AUDIT – FINDINGS (CONTINUED)

**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 accepts recommendations and will implement procedures in order to address the recommendations.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

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: 35-08-21736, 35-09-21837, and 35-10-21938; Grant Period: October 1, 2007 through September 30, 2009, October 1, 2008 through September 30, 2010, and October 1, 2009 through September 30, 2011.

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 (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**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 Agency/Division will implement an internal reconciliation process regarding the general ledger, the payroll register, and internal spreadsheets that will address internal controls on federal grants management, cash draw-downs, contract monitoring, and reports as it pertains to federal requirements.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

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

Federal Programs:

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant #'s: 35-08-21736, 35-09-21837, and 35-10-21938; Grant Period: October 1, 2007 through September 30, 2009, October 1, 2008 through September 30, 2010, and October 1, 2009 through September 30, 2011.

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 Circular 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 (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**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 Agency/Division will implement an internal reconciliation process regarding the general ledger, reporting categories, and internal spreadsheets that will address internal controls on federal grants management, program budgets, cash draw-downs, contract monitoring, program management, and reports as it pertains to federal requirements.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**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: 35-08-21736, 35-09-21837, and 35-10-21938; Grant Period: October 1, 2007 through September 30, 2009, October 1, 2008 through September 30, 2010, October 1, 2009 through September 30, 2011.

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 (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**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 Agency/Division will implement an internal reconciliation process regarding the general ledger, the payroll register, and internal spreadsheets that will address internal controls on federal grants management, federal and nonfederal matching requirements, cash draw-downs, contract monitoring, and reports as it pertains to federal requirements.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

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

Federal Programs:

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant #'s: 35-08-21736, 35-09-21837, and 35-10-21938; Grant Period: October 1, 2007 through September 30, 2009, October 1, 2008 through September 30, 2010, and October 1, 2009 through September 30, 2011.

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 (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**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 Agency/Division will implement an internal reconciliation process regarding the general ledger, reporting categories, and internal spreadsheets that will address internal controls on federal grants management, authorization of expenditures within a funding period, federal and nonfederal matching requirements, cash draw-downs, contract monitoring, and reports as it pertains to federal requirements.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

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

Federal Programs:

Historic Preservation Fund Grants-In-Aid, CFDA #15.904 (Historic Preservation Division) Grant #'s: 35-08-21736, 35-09-21837, and 35-10-21938; Grant Period: October 1, 2007 through September 30, 2009, October 1, 2008 through September 30, 2010, and October 1, 2009 through September 30, 2011.

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 HPD 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 (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**08-09 Internal Control Payroll - HPD
Material Weakness and 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

The Agency/Division will implement an internal reconciliation process regarding the general ledger, the payroll register, and internal spreadsheets that will address internal controls on federal grants management, employee's salary and wage payroll detail of direct and indirect costs charged to programs, authorization of expenditures within a funding period, federal and nonfederal matching requirements, cash draw-downs, contract monitoring, and reports as it pertains to federal requirements.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

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

Federal Programs:

Promotion of the Arts Partnership Agreements, CFDA #45.025 (Arts Division); Grant #: 08-6100-2057 & 09-6100-2012; Grant Period: July 1, 2008 through September 30, 2009 & July 1, 2009 through November 30, 2010

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 (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**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 staff has worked with ASD staff to implement a new reporting code that will allow us to track separately a grant from a previous year that is carried over into a new fiscal year. This is currently being instituted for FY11; grant #09-6100-2012, which now has an end date of 1-31-11.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

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

Federal Programs:

Promotion of the Arts Partnership Agreements, CFDA #45.025 (Arts Division); Grant #: 08-6100-2057; 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.

QUESTIONED COSTS

None

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 (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

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

EFFECT

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

RECOMMENDATION

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

MANAGEMENT RESPONSE

Arts staff has worked with ASD staff to implement a new reporting code that will allow us to track separately a grant from a previous year that is carried over into a new fiscal year. This is currently being instituted for FY11; grant #09-6100-2012, which now has an end date of 1-31-11.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

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. Certain 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 (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**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.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS CONTINUED)

**10-01 Period of Availability-Library
Significant Deficiency**

Federal Programs:

LSCA and LSTA Grants, CFDA #45.310 (Library Division), Grant #'s: LC-00-07-0001-07, LS-00-08-0032-08, and LS-00-09-0032-09; Grant Period: October 1, 2007 through December 31, 2009, 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.

QUESTIONED COSTS

None

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.

EFFECT

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

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**10-01 Period of Availability-Library
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 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. Alternatively, DCA should develop a monitoring system to ensure compliance with federal requirements throughout the year.

MANAGEMENT RESPONSE

The State Library concurs with the findings. While we have developed our own internal process to track, report, and monitor expenditures by grant, it is not currently documented in the SHARE system. SHARE and internal State Library processes are set up to track expenditures for a state fiscal year while federal LSTA grants are issued annually on a federal fiscal year schedule.

- 1) State Library will develop and implement a monitoring system to ensure compliance with federal requirements throughout the year and will investigate other options within SHARE to ensure compliance with federal requirements.
- 2) State Library will modify the existing Reporting Category structure to identify expenditures per federal grant identification number.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**10-02 Reporting –Library
Significant Deficiency and Compliance**

Federal Programs:

LSCA and LSTA Grants, CFDA #45.310 (Library Division), Grant #'s: LC-00-07-0001-07, LS-00-08-0032-08, and LS-00-09-0032-09; Grant Period: October 1, 2007 through December 31, 2009, October 1, 2007 through September 30, 2009, and October 1, 2008 through September 30, 2010.

CONDITION

The annual report for CFDA #45.310 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.

QUESTIONED COSTS

None

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.

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.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**10-02 Reporting –Library (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 State Library concurs with the findings. While we have developed our own internal process to track, report, and monitor expenditures by grant, it is not currently documented in the SHARE system. SHARE and internal State Library processes are set up to track expenditures for a state fiscal year while federal LSTA grants are issued annually on a federal fiscal year schedule.

- 1) State Library will develop and implement a monitoring system to ensure compliance with federal requirements throughout the year and will investigate other options within SHARE to ensure compliance with federal requirements.
- 2) State Library will modify the existing Reporting Category structure to identify expenditures per federal grant identification number.

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

D. OTHER FINDINGS

**10-03 Public Notice Request for Proposal (RFP)– Lack of Supporting
Documentation
Compliance**

CONDITION

During testwork over the procurement code, 5 out of 5 items tested we determined that there was no supporting documentation to determine RFP was publicized in newspaper at least ten days prior to proposal due date as required by NMAC 1.4.1.32.

CRITERIA

Section 13-1-29, NMSA 1978, 1.4.1.32 NMAC, states, “The RFP or a notice thereof shall be published not less than ten (10) calendar days prior to the date set for the receipt of proposals. It is recommended, however, that the time period between the published date and the date set for receipt of proposals be no less than twenty (20) days. The RFP or notice shall be published at least once in a newspaper of general circulation in the area in which the central purchasing office is located. If there is no newspaper of general circulation in the area, such other notice may be given as is commercially reasonable”...

EFFECT

DCA is not able to substantiate that they are in compliance with statute.

CAUSE

DCA is not maintaining documentation to show compliance with statute.

RECOMMENDATION

We recommend that DCA put in place a process to show compliance with statute such as maintains copies of newspaper clippings in order to show compliance with statute.

MANAGEMENT RESPONSE

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

**NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

D. OTHER FINDINGS (CONTINUED)

**10-04 Failed to Submit Notification of Property Disposition to State Auditor
Compliance**

CONDITION

During our testwork, it was noted that deletions of capital assets had occurred at the DCA without notification to the State Auditor. During the fiscal year, DCA deleted assets with a cost of \$60,238 from their records.

CRITERIA

Section 2.2.2.10 of the State Audit Rule requires that written notification of the proposed disposition of property be sent to the State Auditor at least 30 days prior to disposition. The notification shall be approved by the state agency.

EFFECT

DCA disposed of items without proper notification to the State Auditor, and thus was not in compliance with the State Audit Rule.

CAUSE

DCA did not verify that all assets disposed of were included in notification of the proposed disposition of property sent to the State Auditor.

RECOMMENDATION

We recommend that procedures be developed and placed into operation to ensure that all deletions from the capital assets inventory are included in notification to the State Audit before disposing of asset.

MANAGEMENT RESPONSE

DCA will develop an internal process that will help ensure all items are included on DCA disposal list. Part of our internal process will include DCA Fixed Asset Coordinators communicate with DCA IT staff for accurate disposal reporting that is sent to the State Auditor.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
EXIT CONFERENCE
Year Ended June 30, 2010**

An exit conference was held on December 13, 2010, 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
Veronica Barraza, Manager

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